Prospectus

for the public offering of 30,819,391 newly issued ordinary shares in dematerialized form with no nominal value including full dividend entitlements as from January 1, 2019 (the "**New Shares**") from a capital increase against contribution in cash in principle resolved upon by the board of directors of ADO Properties S.A. on July 2, 2020 and a resolution of a delegate of the board of directors of ADO Properties S.A. to be adopted on or around July 21, 2020 utilizing the authorized capital resolved upon by the extraordinary shareholders' meeting of ADO Properties S.A. on June 16, 2015 with subscription rights for existing shareholders

and

for the admission to trading on the regulated market segment (*Regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) with simultaneous admission to the sub-segment thereof with additional post-admission obligations (Prime Standard) of 30,819,391 New Shares

of

ADO Properties S.A.

Senningerberg, Grand Duchy of Luxembourg

Subscription Price: € 14.60

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

This document constitutes a prospectus for the purposes of the offering in Germany and Luxembourg of 30,819,391 New Shares and the admission to trading of 30,819,391 New Shares on the regulated market segment (*Regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) with simultaneous admission to the sub-segment thereof with additional post-admission obligations (Prime Standard) (the "**Prospectus**"). The admission to trading of subscription rights related to existing shares is not subject-matter of this Prospectus. This Prospectus has been prepared in the form of a single document within the meaning of Article 6 (3) of Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC (the "**Prospectus Regulation**") in connection with the Commission Delegated Regulation (EU) 2019/980 of 14 March 2019 (the "**Delegated Regulation (EU) 2019/980**").

The *Commission de Surveillance du Secteur Financier* (the "**CSSF**"), in its capacity as competent authority in the Grand Duchy of Luxembourg under the Prospectus Regulation and the Luxembourg law of 16 July 2019 on prospectuses for securities (the "**Luxembourg Prospectus Law**"), has approved this document as a prospectus. By approving this Prospectus in accordance with Article 20 of the Prospectus Regulation, the CSSF assumes no responsibility and does not give any undertaking with regard to the economic and financial soundness of the transaction or the quality or solvency of ADO Properties S.A. in line with the provisions of Article 6 (4) of the Luxembourg Prospectus Law. In accordance with Article 12 of the Prospectus Regulation, this Prospectus is valid for 12 months after its approval. The obligation to prepare a supplement to the Prospectus pursuant to Article 23 of the Prospectus Regulation applies in cases of a significant new factor, material mistake or material inaccuracy until the later of (i) the admission of the New Shares to trading or (ii) the closing of the offer period. Thereafter, the Prospectus does not have to be supplemented pursuant to Article 23 of the Prospectus Regulation. This Prospectus will be published in electronic form on the website of the Luxembourg Stock Exchange (www.bourse.lu) and on the website of ADO Properties S.A. (www.ado.properties).

This Prospectus has been notified to the German Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht* – "**BaFin**") in accordance with Article 25 (1) of the Prospectus Regulation and the European passporting mechanisms set out in the Prospectus Regulation.

Joint Global Coordinators and Joint Bookrunners

J.P. Morgan **Deutsche Bank**

Joint Bookrunners

Barclays **Kempen & Co**

The date of this Prospectus is July 2, 2020

TABLE OF CONTENTS

SUMMARY OF THE PROSPECTUS

A – INTRODUCTION CONTAINING WARNINGS

The subject-matter of this Prospectus is the offering of 30,819,391 newly issued ordinary shares in dematerialized form with no nominal value, International Securities Identification Number ("**ISIN**") LU1250154413, of ADO Properties S.A. (Legal Entity Identifier ("**LEI**") 391200OYYFJ3DWAMEC69) (the "**New Shares**") with its registered office at 1B, Heienhaff, L-1736 Senningerberg, Grand Duchy of Luxembourg ("**Luxembourg**") (telephone: +352 278 456 710; website: www.ado.properties) (the "**Company**" and, together with its consolidated subsidiaries, "**we**", "**us**", "**our**" or the "**ADO Properties Group**"). The New Shares will be offered for subscription to the Company's shareholders and holders of subscription rights at a ratio of 5:12 (the "**Subscription Offer**").

This Prospectus has been filed with and approved by the *Commission de Surveillance du Secteur Financier* (the "**CSSF**"), 283, route d'Arlon, L-1150 Luxembourg (telephone: +352 26 25 1 - 1 (switchboard); fax: +352 26 25 1 - 2601; e-mail: direction@cssf.lu) as competent authority pursuant to Article 6 of the Luxembourg law of 16 July 2019 on prospectuses for securities (the "**Luxembourg Prospectus Law**") for the purposes of Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC (the "**Prospectus Regulation**") on July 2, 2020.

This Summary should be read as an introduction to this Prospectus. Any decision to invest in the shares of the Company should be based on a consideration of this Prospectus as a whole by an investor. Investors in the shares of the Company could lose all or part of their invested capital. Where a claim relating to the information contained in this Prospectus is brought before a court, the plaintiff investor might, under national law, have to bear the costs of translating this Prospectus before the legal proceedings are initiated. Civil liability attaches only to persons who have tabled this summary where the summary includes misleading, inaccurate or inconsistent statements, when read together with the other parts of this Prospectus, or where it does not provide, when read together with the other parts of this Prospectus, key information in order to aid investors when considering whether to invest in the shares of the Company.

B – KEY INFORMATION ON THE COMPANY

Who is the Issuer of the securities?

Issuer Information

The Company's legal name is ADO Properties S.A. and it operates under the commercial name ADO Properties. The Company, with Legal Entity Identifier (LEI) 391200OYYFJ3DWAMEC69, has its registered office at 1B Heienhaff, L-1736 Senningerberg, Luxembourg, and is registered with the Luxembourg Register of Commerce and Companies (*Registre de Commerce et des Sociétés, Luxembourg*) under number B197554. The Company is a public limited liability company incorporated and operating under Luxembourg law (*société anonyme*).

Principal Activities

The Company is the holding company of the ADO Properties Group. The Company's business is primarily conducted by its operating subsidiaries. We specialize in and focus on the purchase, management and development of income producing multi-family residential real estate. As of March 31, 2020, the combined portfolio value of the ADO Properties Group and ADLER Real Estate Aktiengesellschaft ("**ADLER Real Estate**") and its consolidated subsidiaries (together, the "**ADLER Group**") (excluding ADO Properties S.A. and its consolidated subsidiaries) (together, the "**Combined Group**") was approximately €8.6 billion. As of the same date, the Combined Group's property portfolio consisted of 73,500 residential units with a total residential lettable area of 4,511,127 sqm, 2,323 commercial units (retail, office and other commercial) with a total commercial lettable area of 280,506 sqm, 17,610 parking spaces and spaces for storage, antennas, etc. As of March 31, 2020, the ADO Properties Group's vacancy rate was 2.7% and 3.2% for its residential units and commercial units, respectively. The average monthly net rent per sqm was €7.29 and €10.30 for its residential units and commercial units, respectively. As of the same date, the ADLER Group's vacancy rate (excluding the ADO Properties Group) was 5.9% and 16.3% for its core residential units and core commercial units, respectively. The average monthly net rent per sqm was €5.60 and €6.82 for its core residential units and core commercial units, respectively.

Major Shareholders

As of the date of this Prospectus, the Company's major shareholders are:

Name of the Shareholder	Number of Voting Rights	Voting Rights (in %)[1]
ADLER Real Estate Aktiengesellschaft[2]	14,692,889	19.86
Fairwater Multi-Strategy Investment ICAV[3]	4,163,789	5.63
Klaus Wecken[4]	4,125,900	5.58
Fortitudo Capital SPC[5]	3,815,850	5.16
Free float	47,168,111	63.77
Total	**73,966,539**	**100.00**

(1) The percentage of voting rights was calculated on the basis of the Company's registered share capital as of the date of this Prospectus and includes voting rights that are suspended.
(2) Treasury shares by way of indirect shareholding of ADLER Real Estate Aktiengesellschaft. ADLER Real Estate Aktiengesellschaft is, as disclosed in its group notification, the controlling shareholder of ADO Group Ltd., which, in turn, directly holds shares in the Company. Under Luxembourg law, the voting rights of the shares directly held by ADO Group Ltd. have been suspended since April 9, 2020. The Company intends to settle the call option under a call option agreement with Aggregate Holdings S.A. by transfer of these treasury shares, which will, prior to the settlement of the call option, be transferred from ADO Group Ltd. to ADLER Real Estate Aktiengesellschaft and from ADLER Real Estate Aktiengesellschaft to the Company. In addition, Aggregate Holdings S.A. subscribes to new shares of the Company issued in connection with a capital increase without subscription rights. As a result of the settlement of the call option, Aggregate Holdings S.A. will become a shareholder of the Company and is expected to hold 22.50% of the voting rights in the Company after the settlement of the Consus Real Estate Call Option Exercise, which is expected to occur on or around July 6, 2020 (as defined below). All of the voting rights in the Company to be held by Aggregate Holdings S.A. are indirectly attributable to ultimate shareholder Günther Walcher.
(3) Direct shareholding of Fairwater Multi-Strategy Investment ICAV, managed by Mirabella Malta Limited and acting as AIFM, holding the shares in and acting in respect of the sub-fund Fairwater Real Estate Opportunities Fund.
(4) Direct and indirect shareholding of Klaus Wecken and Wecken & Cie.
(5) Direct and indirect shareholding of Fortitudo Capital SPC, who, on behalf and for the account of Fortitudo Real Estate Opportunities Segregated Portfolio, holds the shares and has appointed Mezzanine IX Investors S.A. and Pruss GmbH, a wholly-owned subsidiary of Mezzanine IX Investors S.A., respectively, to exercise voting rights over the shares. These entities can vote at their own discretion.

No shareholder has control over the Company.

Board of Directors

The Company's board of directors (the "**Board of Directors**") consists of Dr. Peter Maser (Chairman, Independent Director), Thierry Beaudemoulin (Director), Maximilian Rienecker (Director), Dr. Ben Irle (Director), Arzu Akkemik (Independent Director), Dr. Michael Bütter (Independent Director) and Jörn Stobbe (Independent Director).

Statutory Auditor

The Company appointed KPMG Luxembourg, *Société cooperative* ("**KPMG**"), with registered office at 39, avenue John F. Kennedy, L-1855 Luxembourg, Grand Duchy of Luxembourg, as its statutory auditor (*réviseur d'entreprises agréé*).

What is the key financial information regarding the Company?

The financial information contained in this Prospectus is, unless otherwise indicated, taken or derived from the ADO Properties Group's unaudited condensed consolidated interim financial statements as of and for the three-month period ended March 31, 2020 (the "**Consolidated Interim Financial Statements of the ADO Properties Group**"), the ADO Properties Group's audited consolidated financial statements as of and for the fiscal years ended December 31, 2019, December 31, 2018 and December 31, 2017 (the "**Audited Consolidated Financial Statements of the ADO Properties Group**"), each prepared in accordance with the International Financial Reporting Standards as adopted by the European Union ("**IFRS**"), and the ADO Properties Group's internal accounting and reporting system.

Summary statement of profit or loss data

	For the three-month period ended March 31,		For the year ended December 31,		
	2020	**2019**	**2019**	**2018**	**2017**
	(unaudited) (in € thousand, unless otherwise indicated)		(audited) (in € thousand, unless otherwise indicated)		
Total revenue [1]	31,622	39,989	156,520	154,853	128,852
Operating profit [2]	18,344	24,459	613,920	499,342	463,554
Net profit [3]	**(2,977)**	**10,189**	**606,924**	**397,464**	**367,512**
Earnings per share (in €) [4]	**(0.04)**	**0.22**	**13.63**	**8.77**	**8.07**

(1) Referred to as "revenue" in the consolidated financial statements of the Company.
(2) Referred to as "results from operating activities" in the consolidated financial statements of the Company.
(3) Referred to as "profit for the period" in the consolidated financial statements of the Company.
(4) Referred to as "basic earnings per share" in the consolidated financial statements of the Company.

Summary statement of financial position data

	As of March 31,		As of December 31,		
	2020	**2019**	**2019**	**2018**	**2017**
	(unaudited) (in € thousand)		(audited) (in € thousand)		
Total assets	**4,486,690**	**4,187,344**	**4,396,465**	**4,170,173**	**3,518,263**
Total equity	**2,668,294**	**2,206,963**	**2,698,445**	**2,197,282**	**1,831,493**
Net financial debt [1]	**1,093,749**	**1,624,491**	**991,977**	**1,623,185**	**1,329,694**

(1) Referred to as "net financial liabilities" in another part of this Prospectus.

Summary statement of cash flow statement data

	For the three-month period ended March 31,		For the year ended December 31,		
	2020	**2019**	**2019**	**2018**	**2017**
	(unaudited) (in € thousand)		**(audited) (in € thousand)**		
Net cash flows from operating activities [1]	4,906	20,959	88,764	103,933	86,313
Net cash flows from investing activities [2]	(125,913)	(16,472)	269,061	(334,034)	(494,499)
Net cash from financing activities	147,171	(8,169)	1,767	136,537	346,295
Change in cash and cash equivalents during the period	26,164	(3,682)	359,592	(93,564)	(61,891)

(1) Referred to as "net cash from operating activities" in the consolidated financial statements of the Company.
(2) Referred to as "net cash used in investing activities" in the consolidated financial statements of the Company.

In order to present the expected effects that (i) a successful business combination of the Company and ADLER Real Estate and a €450 million rights offering on the financial position and results of operation of the ADO Properties Group, (ii) a successful merger between ADLER Real Estate and ADO Group Ltd. and (iii) a successful acquisition of a majority stake in Consus Real Estate AG ("**Consus Real Estate**" and, together with its subsidiaries, the "**Consus Group**") would have had throughout the fiscal year ended December 31, 2019 and during the three-month period ended March 31, 2020, the Company has prepared *pro forma* consolidated financial statements, comprised of *pro forma* consolidated profit or loss data for the period from January 1, 2019 to December 31, 2019 and for the three-month period ended March 31, 2020 and pro forma consolidated financial position data as of March 31, 2020, supplemented by *pro forma* notes (the "**Pro Forma Consolidated Financial Information**"). The *Pro Forma* Consolidated Financial Information is prepared solely for illustrative purposes. Due to its nature, the *Pro Forma* Consolidated Financial Information is only descriptive of a hypothetical situation and is based on assumptions and does not reflect the actual net assets, financial position and results of operations of the Company.

Pro forma consolidated statement of profit or loss for the period from January 1, 2019 to December 31, 2019

	ADO Properties Group	ADLER Group	ADO Group (standalone)	Consus Group	Total	Pro Forma Adjustments	Pro Forma consolidated statement of profit or loss
	(in € thousand unless otherwise indicated)						
Revenue	156,520	904,185	24	671,115	1,731,844	(35,918)	1,695,925
Results from operating activities	613,920	469,008	(3,569)	98,159	1,177,518	(402,145)	775,373
Consolidated profit for the period	606,924	367,764	194,348	(5,035)	1,164,001	(651,907)	512,094
Net profit per share (in €)	13.63	3.46	—	0.15	—	—	4.39
Net profit per share (diluted) (in €)	12.74	3.08	—	0.15	—	—	4.28

Pro forma consolidated statement of profit or loss for the period from January 1, 2020 to March 31, 2020

	ADO Properties Group	ADLER Group	Consus Group	Total	Pro Forma Adjustments	Pro Forma consolidated statement of profit or loss
	(in € thousand unless otherwise indicated)					
Revenue	31,622	482,183	125,708	639,513	(10,622)	628,891
Results from operating activities	18,344	8,772	9,355	36,471	(18,537)	17,934
Consolidated profit for the period	(2,977)	(26,529)	(18,837)	(48,343)	(21,085)	(27,258)
Basic earnings per share (in €)	—	—	—	—	—	(0.14)
Diluted earnings per share (in €)	—	—	—	—	—	(0.14)

Pro forma consolidated statement of financial position data as of March 31, 2020

	ADO Properties Group	ADLER Group	Consus Group	Total	Pro Forma Adjustments	Pro Forma consolidated statement of financial position data
	(in € thousand)					
Total assets	4,486,690	10,506,416	4,938,058	19,931,164	(5,838,745)	14,092,419
Total equity	2,688,294	3,502,650	1,045,956	7,216,900	(3,080,004)	4,136,895

What are the key risks that are specific to the Company?

- *Our business is significantly dependent on our ability to generate earnings from rentals. Our rental income and operating profit could particularly be negatively affected by a potential increase in vacancy rates.*
- *Our ability to operate our business successfully relies on assumptions that may prove to be incorrect and contingencies that may be unfavorable, in part or as a whole, in particular due to unexpected liabilities, incomplete or wrong assessment of markets, value determinations and due diligence findings and challenges with respect to achieving anticipated synergies and insufficient investment horizons.*

- *We rely on our ability to identify potential real estate portfolio acquisitions in order to pursue our investment strategies. We may not be able to identify all risks associated with any such acquisitions. Assumptions could prove to be insufficient or incorrect and a successful integration of acquisitions may not be achievable.*
- *Our business is dependent on regional real estate markets and their liquidity, particularly Berlin, which may be subject to adverse market developments. Fluctuation in the development of the currently high demand and prices could make it difficult for us to conduct our business activities and to implement our strategy to capture additional growth opportunities.*
- *Property valuation is inherently subjective and uncertain and is based on assumptions which may prove to be inaccurate or affected by factors outside of our control. The property valuation serves as a basis of and is combined with other factors for our fair value model which, ultimately, could require downward revisions of the current fair values of our investment properties.*
- *In the event of a downturn or other developments in the real estate markets in Germany or a downturn in the inte rest rate environment, the fair values of the properties in our property portfolio may decline, which may have material adverse effects on the valuation of our property portfolio.*
- *An increase in general interest rate levels may increase our financing costs, while the current economic environment, characterized by relatively high values of our properties and the prices at which we are able to sell our properties, may decrease.*
- *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.*
- *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, or disadvantageous changes to the Berlin Mietspiegel regulation, may be detrimental to us.*
- *The structure of the Company is mainly influenced by the general tax environment in Luxembourg, Germany and further countries of the European Union (Netherlands, Denmark, Malta and Ireland) and changes in the tax environment may increase our tax burden.*
- *Certain risks in connection with the business of Consus Real Estate are similar to the risks of our existing business, the benefits expected as a result of an acquisition of Consus Real Estate may not be fully realized or not be realized at all and, moreover, the acquisition of Consus Real Estate could have adverse effects on the ADO Properties Group.*
- *The Business Combination and the Consus Real Estate Acquisition expose the Company to operational risks related to the development of real estate projects.*

C – KEY INFORMATION ON THE SECURITIES

What are the main features of the securities?

Type, Class, ISIN

The summary relates to ordinary shares in dematerialized form of the Company with no nominal value; ISIN: LU1250154413; German Securities Code (Wertpapierkennnummer, WKN): A14U78; Common Code: 125015441; Trading Symbol: ADJ.

Nominal Value, Number of Securities

This Prospectus relates to the offer of 30,819,391 New Shares.

Currency

The Company's shares are denominated in Euro.

Rights Attached

The New Shares will be fully fungible and rank *pari passu* in all respects with the existing shares of the Company. Each share of the Company, including the New Shares, carries one vote at the general meeting of the Company (the "**General Meeting**"). There are no restrictions on voting rights. All shares carry the same voting rights. The New Shares grant full dividend entitlements as from January 1, 2019.

Seniority

Any claim for payment of shareholders is subordinated to all other securities and claims.

Restrictions of Transferability

The shares of the Company, including the New Shares, are freely transferable in accordance with the Luxembourg law of April 6, 2013 on dematerialized securities. There are no restrictions on the transferability of the Company's shares.

Dividend Policy

In principle, the Company aims to distribute an annual dividend of up to 50% of the annual cash flow from rental activities ("**FFO 1**") to the shareholders of the Company. FFO 1 is derived from the EBITDA from rental activities of the Company for the respective periods, adjusted for the net cash interest and current income taxes. FFO 1 is a customary performance indicator to evaluate the performance of the recurring operating profits of a real estate company. The decision to distribute dividends from annual net profits is subject to a resolution by the General Meeting, whereas the Board of Directors may, pursuant to the articles of association of the Company, also declare interim dividends. In addition, the Board of Directors resolved to recommend to the General Meeting to make no distribution of dividends to shareholders for the fiscal year ended December 31, 2019. Going forward, the Company intends to uphold a dividend policy with a payout ratio of up to 50% of our yearly FFO 1 (from rental activities). Any future determination to pay dividends will be made in accordance with applicable laws, and will depend upon, among other factors, the Company's results of operations, financial condition, contractual restrictions and capital requirements. The Company's future ability to pay dividends may be limited by the terms of any existing and future debt or preferred securities.

Where will the securities be traded?

The Company's existing shares are admitted to trading on the regulated market segment (*Regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) with simultaneous admission to the sub-segment thereof with additional post-admission obligations (Prime Standard). On or about July 8, 2020, the Company intends to apply for admission of the New Shares to trading on the regulated market segment (*Regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) with simultaneous admission to the sub-segment thereof with additional post-admission obligations (Prime Standard).

What are the key risks attached to the securities?

- *Future capital measures like the issuance of new shares from authorized capital, which currently amounts to €750,000,000, the exercise of share options and any amendment to the capital structure to be resolved by the General Meeting could lead to a significant dilution, thereby reducing the value of the shareholding of the existing shareholders of the Company.*
- *The share price and the trading volume of the shares of the Company could fluctuate significantly, including due to disposals by any major or majority shareholder, which could, ultimately, result in significant losses for shareholders of the Company.*
- *The ability of the Company to distribute dividends is dependent on a variety of factors. The previous dividend distributions, which amounted to €0.75, €0.60 and €0.45 per share for the fiscal years ended December 31, 2018, 2017 and 2016, respectively, are no indication for future dividend distributions. Additionally, the dividend policy of the Company may change in the future.*

D – KEY INFORMATION ON THE OFFER OF SECURITIES TO THE PUBLIC AND ADMISSION TO TRADING ON A REGULATED MARKET

Under which conditions and timetable can I invest in this security?

Offer Conditions

The Offering (as defined below) relates to 30,819,391 New Shares, which, at a ratio of 5:12 (the "**Subscription Ratio**"), will be offered to the Company's shareholders for subscription. Under the Offering, to avoid exclusion from the exercise of their subscription rights, the Company's shareholders must exercise their subscription rights during the period from July 6, 2020 up to and including July 20, 2020 (5:30 p.m. CET) (the "**Subscription Period**"). The Subscription Offer will (i) in Germany and Luxembourg only take the form of a public offering exclusively to existing shareholders of the Company and holders of subscription rights to the New Shares, (ii) be in the form of a private placement with qualified investors outside Germany, Luxembourg and the United States of America (the "**United States**") in offshore transactions in reliance on Regulation S under the U.S. Securities Act of 1933 (as amended) (the "**Securities Act**"), and (iii) be in the form of a private placement with qualified institutional buyers as defined in Rule 144A under the Securities Act in the United States. Any New Shares that are not subscribed for in the Subscription Offer (the "**Rump Shares**") will be offered by the Underwriters (as defined below) in a rump placement to qualified investors outside the United States in offshore transactions in reliance on Regulation S under the Securities Act and qualified institutional buyers in the United States in reliance on Rule 144A under the Securities Act (the "**Rump Placement**" and together with the Subscription Offer, the "**Offering**"). In connection with the Offering, the Company and each of the Underwriters have entered into an underwriting agreement dated July 2, 2020 (the "**Underwriting Agreement**").

Expected Timetable of the Offer

The anticipated timetable for the Subscription Offer and for the admission to trading of the New Shares on the regulated market segment (*Regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) and simultaneous admission to the sub-segment thereof with additional post-admission obligations (Prime Standard) is as follows:

July 2, 2020	• Approval of the Prospectus by the CSSF
	• Notification of the approved Prospectus to the competent authority in Germany (*Bundesanstalt für Finanzdienstleistungsaufsicht*)
	• Publication of the Prospectus on the Company's website
July 3, 2020	• Publication of the Subscription Offer in the Luxembourg official gazette (*Recueil électronique des sociétés et associations*) and a Luxembourg newspaper
July 6, 2020	• Credit of the subscription rights by the Custodian Banks to the custodian accounts of the Company's shareholders based on their holdings in the Company's shares as of the end of trading on July 3, 2020
	• Commencement of the Subscription Period
	• Commencement of trading of subscription rights
	• "Ex-rights" trading of shares
July 8, 2020	• Application for the admission to trading of the New Shares on the regulated market segment (*Regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) with simultaneous admission to the sub-segment thereof with additional post-admission obligations (Prime Standard)
July 16, 2020	• End of trading in subscription rights
July 20, 2020	• End of the Subscription Period (5:30 p.m. CET)
	• Last day for payment of the Subscription Price (as defined below)
July 21, 2020	• Announcement of the results of the Subscription Offer on the Company's website
	• Placement of the Rump Shares
July 22, 2020	• Admission of the New Shares to trading on the regulated market segment (*Regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) with simultaneous admission to the sub-segment thereof with additional post-admission obligations (Prime Standard)
	• Publication of the admission of the New Shares by the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) in the German Federal Gazette (*Bundesanzeiger*) and on the website of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) (www.deutsche-boerse.com)
July 24, 2020	• Commencement of trading in the New Shares by inclusion in the Company's current stock quotation on the regulated market segment (*Regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) and the sub-segment thereof with additional post-admission obligations (Prime Standard)
	• Book-entry delivery of the New Shares

Admission to Trading

On or about July 8, 2020, the Company intends to apply for admission of the New Shares to trading on the regulated market segment (*Regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) with simultaneous admission to the sub-segment thereof with additional post-admission obligations (Prime Standard). The admission approval for the New Shares is currently expected to be granted on or about July 22, 2020. The trading on the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) is currently expected to commence on or about July 24, 2020.

Dilution

Shareholders who fully exercise their subscription rights for the New Shares will maintain their percentage of ownership of the Company's share capital following the capital increase. To the extent that shareholders do not exercise their subscription rights, and assuming that 30,819,391 New Shares will be issued, each shareholder's share in the Company would decrease by 29.4% and, accordingly, value-related dilution amounts to €7.31 per share of the Company.

Total Expenses

The expenses related to the Offering are expected to total approximately €14.0 million and will be borne by the Company.

Expenses Charged to Investors

No expenses will be charged to investors by the Company or the Underwriters.

Who is the offeror and/or the person asking for admission to trading?

Description of the Person Asking for Admission to Trading

The Company is currently expected to apply for admission of the New Shares to trading on the regulated market segment (*Regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) on or around July 8, 2020. The application for approval will be filed, jointly with the Company, by J.P. Morgan Securities plc, 25 Bank Street, Canary Wharf, London E14 5JP, United Kingdom, a credit institution with its registered seat in the United Kingdom, which is subject to English law (the "**Listing Agent**").

Why is this prospectus being produced?

Reasons for the Offer

The net proceeds to the Company from the Offering result from the gross proceeds less the placement commissions and other expenses described below. On the basis of a Subscription Price of €14.60 and issuance of 30,819,391 New Shares, the Company is seeking to raise funds of approximately €450 million in this Offering. The overall commissions to be paid by the Company to the Underwriters are expected to amount to approximately €8.5 million. Other issue costs incurred by the Company will be approximately €5.5 million. On this basis, the Company expects net proceeds from this Offering of €436 million.

Use of Proceeds

The Company intends to use the entire net proceeds of the Offering in the amount of €436 million for the repayment of mezzanine and junior debt to reduce financing liabilities relating to Consus Real Estate's development projects.

Underwriting

Pursuant to the Underwriting Agreement, the Underwriters agree to offer the New Shares to the existing shareholders by way of indirect subscription rights to the New Shares during the Subscription Period, in accordance with the Subscription Ratio and at the Subscription Price. Any New Shares for which subscription rights were not exercised in the Subscription Period shall be placed in the Rump Placement and at a placement price corresponding to at least the Subscription Price. Additionally, the Underwriting Agreement provides for a firm underwriting of the New Shares not sold in the Offering by the Underwriters. Any New Shares subscribed by the Underwriters for their own accounts following the Rump Placement may be sold in the market above, at or below the Subscription Price. The Offering is subject to certain conditions.

Interests Material to the Offer, Including Conflicting Interests

The Underwriters have entered into a contractual relationship with the Company in connection with the Offering and admission to trading of the New Shares. The Underwriters will advise the Company on the transaction and coordinate the structuring and execution of the transaction. Upon execution of the transaction, the Underwriters will receive a commission. As a result, the Underwriters have a financial interest in the success of the Offering. Each of the Underwriters and their respective affiliates may have engaged in transactions with, and provided various commercial banking, investment banking, financial advisory transactions and services in the ordinary course of their business with the Company and/or its affiliates for which they would have received customary fees and commissions. Each of the Underwriters and their respective affiliates may provide such services to the Company and/or its affiliates in the future. In particular, the Company and J.P. Morgan Securities plc, J.P. Morgan AG, J.P. Morgan Europe Limited, Barclays Bank PLC and Deutsche Bank Luxembourg S.A. entered into a bridge facility agreement under which €885,470,000 have been drawn as of the date of this Prospectus. The Underwriters or companies affiliated with the Underwriters have engaged in securities trading and brokerage activities, as well as providing investment banking, asset management, financing and financial advisory services and other commercial and investment banking products and services to a wide range of corporations and individuals. Accordingly, the Underwriters and companies affiliated with the Underwriters may in the future face conflicts of interests with shareholders in the Company. In addition, certain of the Underwriters or their affiliates may enter into financing arrangements (including swaps, contracts for difference and margin loans) with investors in connection with which such Underwriters (or their affiliates) may from time to time acquire, hold or dispose of shares of the Company. Except as required by applicable law or regulation, the Underwriters do not propose to make any public disclosure in relation to such transactions. There are no other interests or (potential) conflicts of interest that could be material to the Offering, other than those indicated above.

A – EINLEITUNG MIT WARNHINWEISEN

Gegenstand dieses Prospekts (der „**Prospekt**") ist das Angebot von 30.819.391 neu ausgegebenen dematerialisierten Aktien ohne Nennwert, internationale Wertpapier-Identifikationsnummer („**ISIN**") LU1250154413, der ADO Properties S.A. (Rechtsträgerkennung („**LEI**") 391200OYYFJ3DWAMEC69) (die „**Neuen Aktien**"), Geschäftsanschrift: 1B, Heienhaff, L-1736 Senningerberg, Großherzogtum Luxemburg („**Luxemburg**") (Telefon: +352 278 456 710; Website: www.ado.properties) (die „**Gesellschaft**" und, zusammen mit ihren konsolidierten Tochtergesellschaften, „**wir**", „**uns**", „**unsere**" oder die „**ADO Properties Gruppe**"). Die Neuen Aktien werden den bestehenden Aktionären der Gesellschaft und Inhabern von Bezugsrechten zum Bezug im Verhältnis von 5:12 angeboten (das „**Bezugsangebot**").

Dieser Prospekt wurde bei der *Commission de Surveillance du Secteur Financier* (die „**CSSF**"), 283, route d'Arlon, L-1150 Luxemburg (Telefon: +352 26 25 11 (Zentrale); Fax: +352 26 25 1 2601; E-Mail: direction@cssf.lu) als zuständige Behörde gemäß Artikel 6 des luxemburgischen Gesetzes vom 16. Juli 2019 über Wertpapierprospekte (das „**Luxemburger Prospektgesetz**") für Zwecke der Verordnung (EU) 2017/1129 des Europäischen Parlaments und des Rates vom 14. Juni 2017 über den Prospekt, der beim öffentlichen Angebot von Wertpapieren oder bei deren Zulassung zum Handel an einem geregelten Markt zu veröffentlichen ist und zur Aufhebung der Richtlinie 2003/71/EG (die „**Prospektverordnung**") eingereicht und von dieser am 2. Juli 2020 gebilligt.

Diese Zusammenfassung sollte als Einleitung zu diesem Prospekt verstanden werden. Anleger sollten sich bei der Entscheidung, in die Aktien der Gesellschaft zu investieren, auf diesen Prospekt als Ganzes stützten. Anleger, die in die Aktien der Gesellschaft investieren, könnten das gesamte angelegte Kapital oder einen Teil davon verlieren. Für den Fall, dass vor einem Gericht Ansprüche aufgrund der in diesem Prospekt enthaltenen Informationen geltend gemacht werden, könnte der als Kläger auftretende Anleger nach nationalem Recht die Kosten für die Übersetzung dieses Prospekts vor Prozessbeginn zu tragen haben. Nur diejenigen Personen haften zivilrechtlich, die diese Zusammenfassung samt etwaiger Übersetzungen vorgelegt und übermittelt haben: Dies gilt jedoch nur für den Fall, dass diese Zusammenfassung, wenn sie zusammen mit den anderen Teilen dieses Prospekts gelesen wird, irreführend, unrichtig oder widersprüchlich ist oder dass sie, wenn sie zusammen mit den anderen Teilen dieses Prospekts gelesen wird, nicht die Basisinformationen vermittelt, die in Bezug auf Anlagen in die Aktien der Gesellschaft für die Anleger eine Entscheidungshilfe darstellen würden.

B – BASISINFORMATIONEN ÜBER DIE GESELLSCHAFT

Wer ist der Emittent der Wertpapiere?

Informationen über den Emittenten

Die juristische Bezeichnung der Gesellschaft ist ADO Properties S.A. und die Gesellschaft ist unter ihrer kommerziellen Bezeichnung ADO Properties tätig. Die Gesellschaft, mit Rechtsträgerkennung (*Legal Entity Identifier* – LEI) 391200OYYFJ3DWAMEC69, hat ihre Geschäftsanschrift in 1B, Heienhaff, L-1736 Senningerberg, Luxemburg, und ist im Luxemburger Handels- und Geschäftsregister (*Registre de Commerce et des Sociétés, Luxembourg*) unter Nummer B197554 eingetragen. Die Gesellschaft ist eine nach luxemburgischem Recht gegründete und tätige Aktiengesellschaft (*société anonyme*).

Haupttätigkeiten

Die Gesellschaft ist die Holdinggesellschaft der ADO Properties Gruppe. Die Geschäftstätigkeit der Gesellschaft wird hauptsächlich durch ihre operativen Tochtergesellschaften vorgenommen. Unsere Spezialisierung und unser Fokus liegen auf dem Erwerb und der Verwaltung renditeträchtiger Mehrfamilienhäuser. Zum 31. März 2020 belief sich der Wert des Portfolios der ADO Properties Gruppe und ADLER Real Estate Aktiengesellschaft („**ADLER Real Estate**") und ihren konsolidierten Tochtergesellschaften (zusammen, die „**ADLER-Gruppe**") (ohne ADO Properties S.A. und ihre konsolidierten Tochtergesellschaften) (zusammen, die „**Kombinierte Gruppe**") auf ca. EUR 8,6 Mrd. Zum 31. März 2020 umfasste das Immobilienportfolio der Kombinierten Gruppe 73.500 Wohnungen mit einer vermietbaren Gesamtwohnfläche von 4.511.127 m², 2.323 Gewerbeeinheiten (Einzelhandels-, Büro- und sonstige Gewerbeimmobilien) mit einer vermietbaren Gesamtgewerbefläche von 280.506 m² sowie 17.610 Parkflächen, Lagerflächen und Stellflächen für Antennen usw. Zum 31. März 2020 lag die Leerstandsquote der ADO Properties Gruppe bei 2,7 % für Wohneinheiten und 3,2 % für Gewerbeeinheiten, die durchschnittliche Monatsnettomiete je Quadratmeter belief sich auf EUR 7,29 für Wohneinheiten und EUR 10,30 für Gewerbeeinheiten. Zum gleichen Stichtag lag die Leerstandsquote der ADLER Gruppe (ohne die ADO Properties Gruppe) bei 5,9 % für core Wohneinheiten und 16,3 % für core Gewerbeeinheiten, die durchschnittliche Monatsnettomiete je Quadratmeter belief sich auf EUR 5,60 für core Wohneinheiten und EUR 6,82 für core Gewerbeeinheiten.

Hauptanteilseigner

Zum Datum dieses Prospekts sind die Hauptanteilseigner der Gesellschaft:

Name des Aktionärs	**Anzahl der Stimmrechte**	**Stimmrechte (in %)** [(1)]
ADLER Real Estate Aktiengesellschaft [(2)]	14.692.889	19,86
Fairwater Multi-Strategy Investment ICAV [(3)]	4.163.789	5,63
Klaus Wecken [(4)]	4.125.900	5,58
Fortitudo Capital SPC [(5)]	3.815.850	5,16
Streubesitz	47.168.111	63,77
Total	**73.966.539**	**100,00**

(1) Der Prozentsatz der Stimmrechte wurde auf der Grundlage des registrierten Grundkapitals der Gesellschaft zum Datum dieses Prospekts berechnet und beinhaltet suspendierte Stimmrechte.

(2) Eigene Aktien im mittelbaren Anteilsbesitz der ADLER Real Estate Aktiengesellschaft. ADLER Real Estate Aktiengesellschaft ist, wie in ihrer Konzernmitteilung aufgeführt, der beherrschende Aktionär der ADO Group Ltd., die wiederum die Aktien an der Gesellschaft unmittelbar hält. Die Stimmrechte aus den unmittelbar von der ADO Group Ltd. gehaltenen Stimmrechte sind nach Luxemburger Recht seit dem 9. April 2020 suspendiert. Die Gesellschaft beabsichtigt die Abwicklung der Kaufoption unter einer Kaufoptionsvereinbarung mit Aggregate Holdings S.A. durch die Übertragung dieser eigenen Aktien, welche vor Abwicklung der Kaufoption von ADO Group Ltd. an ADLER Real Estate Aktiengesellschaft und von ADLER Real Estate Aktiengesellschaft an die Gesellschaft übertragen werden. Darüber hinaus zeichnet Aggregate Holdings S.A. neue Aktien der Gesellschaft, welche im Zusammenhang mit einer Kapitalerhöhung unter Bezugsrechtsausschluss ausgegeben werden. In Folge der Abwicklung der Kaufoption wird Aggregate Holdings S.A. ein Aktionär der Gesellschaft werden und nach Abwicklung der Ausübung der Consus Real Estate Call/Put Option, die am oder um den 6. Juli 2020 erwartet wird, voraussichtlich 22,50% der Stimmrechte der Gesellschaft halten. Alle Stimmrechte an der Gesellschaft, die von Aggregate Holdings S.A. gehalten werden, sind indirekt dem letzten Aktionär Günther Walcher zuzurechnen.

(3) Direkter Anteilsbesitz von Fairwater Multi-Strategy Investment ICAV, welches von Mirabella Malta Limited, die auch als Verwalter alternativer Investmentfonds tätig ist und die Aktien für den Sub-Fond Fairwater Real Estate Opportunities Fund hält und für diesen tätig wird, verwaltet wird.

(4) Direkter und indirekter Anteilsbesitz von Klaus Wecken und Wecken & Cie.

(5) Direkter und indirekter Anteilsbesitz der Fortitudo Capital SPC, welche die Aktien für und auf Rechnung von Fortitudo Real Estate Opportunities Segregated Portfolio hält und zur Ausübung der Stimmrechte über die Anteile Mezzanine IX Investors S.A. und Pruss GmbH, eine hundertprozentige Tochtergesellschaft der Mezzanine IX Investors S.A., ernannt hat, die diese nach eigenem Ermessen ausüben können.

Kein Aktionär beherrscht die Gesellschaft.

Verwaltungsrat

Der Verwaltungsrat der Gesellschaft (der „**Verwaltungsrat**") besteht aus Dr. Peter Maser (Vorsitzender (Unabhängiges Mitglied)), Thierry Beaudemoulin (Mitglied), Maximilian Rienecker (Mitglied), Dr. Ben Irle (Mitglied), Arzu Akkemik (Unabhängiges Mitglied), Dr. Michael Bütter (Unabhängiges Mitglied) und Jörn Stobbe (Unabhängiges Mitglied).

Abschlussprüfer

Die Gesellschaft hat KPMG Luxembourg, *Société cooperative* („**KPMG**"), Geschäftsanschrift 39, avenue John F. Kennedy, L-1855 Luxemburg, Großherzogtum Luxemburg, als Abschlussprüfer (*réviseur d'entreprises agréé*) ernannt.

Welches sind die wesentlichen Finanzinformationen über die Gesellschaft?

Die Finanzinformationen in diesem Prospekt wurden, soweit nicht anders angegeben, dem ungeprüften verkürzten Konzernabschluss der ADO Properties Gruppe für den am und zum 31. März 2020 endenden Dreimonatszeitraum („**Verkürzter Konzernzwischenabschluss der ADO Properties Gruppe**"), den geprüften Konzernabschlüssen der ADO Properties Gruppe für die am und zum 31. Dezember 2019, 31. Dezember 2018 und 31. Dezember 2017 endenden Geschäftsjahre („**Geprüfte Konzernabschlüsse der ADO Properties Gruppe**"), jeweils nach den International Financial Reporting Standards wie sie in der Europäischen Union anzuwenden sind („**IFRS**") erstellt, und dem internen Buchhaltungs- und Berichtssystem der ADO Properties Gruppe entnommen oder aus diesen abgeleitet.

Zusammenfassung von Daten aus der Gewinn- und Verlustrechnung

	Für den Dreimonatszeitraum zum 31. März		**Für das Geschäftsjahr zum 31. Dezember**		
	2020	**2019**	**2019**	**2018**	**2017**
	(ungeprüft) (in TEUR, soweit nicht anders angegeben)		**(geprüft) (in TEUR, soweit nicht anders angegeben)**		
Einnahmen insgesamt [(1)]	31,622	39,989	156,520	154,853	128,852
Operativer Gewinn [(2)]	18.344	24.459	613.920	499.342	463.554
Nettogewinn [(3)]	**(2.977)**	**10.189**	**606.924**	**397.464**	**367.512**
Ergebnis je Aktie (in EUR) [(4)]	**(0,04)**	**0,22**	**13,63**	**8,77**	**8,07**

(1) Als Umsatz in den Konzernabschlüssen der Gesellschaft ausgewiesen.

(2) Als Ergebnis der betrieblichen Geschäftstätigkeit in den Konzernabschlüssen der Gesellschaft ausgewiesen.

(3) Als Periodenüberschuss in den Konzernabschlüssen der Gesellschaft ausgewiesen.

(4) Als Unverwässertes Ergebnis je Aktie in den Konzernabschlüssen der Gesellschaft ausgewiesen.

Zusammenfassung von Daten aus der Bilanz

	Zum 31. März 2020	Zum 31. März 2019	Zum 31. Dezember 2019	Zum 31. Dezember 2018	Zum 31. Dezember 2017
	(ungeprüft) (in TEUR)			(geprüft) (in TEUR)	
Vermögenswerte insgesamt [(1)]	**4.486.690**	**4.187.344**	**4.396.465**	**4.170.173**	**3.518.263**
Eigenkapital insgesamt [(2)]	**2.668.294**	**2.206.963**	**2.698.445**	**2.197.282**	**1.831.493**
Nettofinanzierungsschulden [(3)]	**1.093.749**	**1.624.491**	**991.977**	**1.623.185**	**1.329.694**

(1) Als Summe Aktiva in den Konzernabschlüssen der Gesellschaft ausgewiesen.
(2) Als Summe Eigenkapital in den Konzernabschlüssen der Gesellschaft ausgewiesen.
(3) Erscheint als Nettofinanzverbindlichkeiten an anderer Stelle im Prospekt.

Zusammenfassung von Daten aus der Kapitalflussrechnung

	Für den Dreimonatszeitraum zum 31. März 2020	2019	Für das Geschäftsjahr zum 31. Dezember 2019	2018	2017
	(ungeprüft) (in TEUR)			(geprüft) (in TEUR)	
Netto-Cashflows aus der laufenden Geschäftstätigkeit[(1)]	4.906	20.959	88.764	103.933	86.313
Netto-Cashflows aus Investitionstätigkeiten[(2)]	(125.913)	(16.472)	269.061	(334.034)	(494.499)
Netto-Cashflows aus Finanzierungstätigkeiten[(3)]	147.171	(8.169)	1.767	136.537	346.295
Veränderungen der Zahlungsmittel und Zahlungsmitteläquivalente in der Berichtsperiode	26.164	(3.682)	359.592	(93.564)	(61.891)

(1) Als Nettozahlungsmittel aus betrieblicher Tätigkeit in den Konzernabschlüssen der Gesellschaft ausgewiesen.
(2) Als Nettozahlungsmittel aus Investitionstätigkeit in den Konzernabschlüssen der Gesellschaft ausgewiesen.
(3) Als Nettozahlungsmittel aus Finanzierungstätigkeit in den Konzernabschlüssen der Gesellschaft ausgewiesen.

Um die wesentlichen Auswirkungen darzustellen, die (i) ein erfolgreicher Unternehmenszusammenschluss der Gesellschaft und ADLER Real Estate sowie ein Bezugsrechtsangebot in Höhe von 450 Mio. EUR auf die Finanz- und Ertragslage der ADO Properties Group, (ii) eine erfolgreiche Fusion zwischen ADLER Real Estate und ADO Group Ltd. und (iii) der erfolgreiche Erwerb einer Mehrheitsbeteiligung an der Consus Real Estate AG („**Consus Real Estate**" und zusammen mit ihren Tochtergesellschaften die „**Consus Gruppe**") während des ganzen zum 31. Dezember 2019 abgelaufenen Geschäftsjahrs und während dem zum 31. März 2020 endenden Dreimonatszeitraum gehabt hätte, hat die Gesellschaft *pro-forma* Konzernfinanzinformationen erstellt, die aus einer *pro-forma* Konzerngewinn- und -verlustrechnung für den Zeitraum vom 1. Januar 2019 bis zum 31. Dezember 2019 und für den Dreimonatszeitraum bis zum 31. März 2020 sowie einer *pro-forma* Konzernbilanz zum 31. März 2020, ergänzt um *pro-forma* Anhänge, bestehen („***Pro-Forma*** **Konzernfinanzinformationen**"). Die *Pro-Forma* Konzernfinanzinformationen werden ausschließlich zu Illustrationszwecken erstellt. Aufgrund ihrer Wesensart beschreiben die *Pro-Forma* Konzernfinanzinformationen lediglich eine hypothetische Situation und beruhen auf Annahmen, die nicht die tatsächliche Vermögens-, Finanz- und Ertragslage der Gesellschaft widerspiegeln.

Pro-forma Konzerngewinn- und –verlustrechnung für den Zeitraum vom 1. Januar 2019 bis zum 31. Dezember 2019

	ADO Properties Gruppe	ADLER Gruppe	ADO Group (einzeln)	Consus Gruppe	Summe	Pro-forma Anpassungen	Pro-forma Konzerngewinn- und -verlustrechnung
	(in TEUR soweit nicht anders angegeben)						
Umsatzerlöse	156.520	904.185	24	671.115	1.731.844	(35.918)	1.695.925
Ergebnis der betrieblichen Geschäftstätigkeit	613.920	469.008	(3.569)	98.159	1.177.518	(402.145)	775.373
Konzernjahresüberschuss	606.924	367.764	194.348	(5.035)	1.164.001	(651.907)	512.094
Reinergebnis je Aktie (in EUR)	13,63	3,46	—	0,15	—	—	4,39
Reinergebnis je Aktie (verwässert) (in EUR)	12,74	3,08	—	0,15	—	—	4,28

Pro-forma Konzerngewinn- und –verlustrechnung für den Zeitraum vom 1. Januar 2020 bis zum 31. März 2020

	ADO Properties Gruppe	ADLER Gruppe	Consus Gruppe	Summe	Pro-forma Anpassungen	Pro-forma Konzerngewinn- und -verlustrechnung
	(in TEUR soweit nicht anders angegeben)					
Umsatzerlöse	31.622	482.183	125.708	639.513	(10.622)	628.891
Ergebnis der betrieblichen Geschäftstätigkeit	18.344	8.772	9.355	36.471	(18.537)	17.934
Konzernperiodenüberschuss	(2.977)	(26.529)	(18.837)	(48.343)	(21.085)	(27.258)
Reinergebnis je Aktie (in EUR)	—	—	—	—	—	(0,14)
Reinergebnis je Aktie (verwässert) (in EUR)	—	—	—	—	—	(0,14)

Pro-forma Konzernbilanz zum 31. März 2020

	ADO Properties Gruppe	ADLER Gruppe	Consus Gruppe	Summe	Pro-forma Anpassungen	Pro-forma Konzernbilanz
				(in TEUR)		
Bilanzsumme	4.486.690	10.506.416	4.938.058	19.931.164	(5.838.745)	14.092.419
Summe Eigenkapital	2.688.294	3.502.650	1.045.956	7.216.900	(3.080.004)	4.136.895

Welches sind die zentralen Risiken, die für die Gesellschaft spezifisch sind?

- *Unser Geschäft hängt in hohem Maße von unserer Fähigkeit ab, Mieteinnahmen zu erzielen. Unsere Mieteinnahmen und unser operative Gewinn können insbesondere durch einen möglichen Anstieg der Leerstandsquote beeinträchtigt werden.*
- *Unsere Fähigkeit, unser Geschäft erfolgreich zu betreiben stützt sich auf Annahmen, die sich als unzutreffend erweisen können, und Eventualitäten, die sich als ungünstig erweisen könnten, teilweise oder vollständig, insbesondere aufgrund unerwarteter Verbindlichkeiten, unvollständigen oder falschen Marktbewertungen, Wertermittlungen und Ergebnissen aus Due-Diligence-Prüfungen sowie Herausforderungen im Zusammenhang mit der Erzielung erwarteter Synergien und unzureichenden Anlagehorizonte.*
- *Wir setzen auf unsere Fähigkeit, Immobilienportfolios als mögliche Akquisitionsziele zur Umsetzung unserer Anlagestrategien zu ermitteln. Unter Umständen sind wir nicht in der Lage, alle Risiken im Zusammenhang mit derartigen Akquisitionen zu identifizieren. Annahmen könnten sich als unzureichend oder unzutreffend erweisen und eine erfolgreiche Integration von Akquisitionen könnte uns nicht möglich sein.*
- *Unser Geschäft ist von regionalen Immobilienmärkten (insbesondere Berlin) und deren Liquidität abhängig, die von nachteiligen Marktentwicklungen betroffen sein können. Die Entwicklung der aktuell hohen Nachfrage und Preise könnten unsere Geschäftstätigkeiten und die Umsetzung unserer Strategie zur Ergreifung weiterer Wachstumschancen erschweren.*
- *Die Bewertung von Immobilien ist grundsätzlich subjektiv und unsicher und beruht auf Annahmen, die sich als unzutreffend erweisen können oder durch Faktoren beeinflusst werden, die außerhalb unserer Kontrolle liegen. Die Ergebnisse der Immobilienbewertung bilden zusammen mit anderen Faktoren die Grundlage für unser Zeitwert-Modell, was letztendlich dazu führen könnte, dass die aktuellen Zeitwerte unserer Anlageimmobilien nach unten korrigiert werden müssen.*
- *Im Falle eines Abschwungs oder anderer Entwicklungen auf den Immobilienmärkten in Deutschland oder einer Verschlechterung des Zinsumfelds kann sich der Zeitwert der Immobilien in unserem Immobilienportfolio verringern, was sich erheblich nachteilig auf die Bewertung unseres Immobilienportfolios auswirken kann.*
- *Ein Anstieg des allgemeinen Zinsniveaus kann unsere Finanzierungskosten erhöhen. Gleichzeitig können sich die derzeitigen wirtschaftlichen Rahmenbedingungen, die durch relativ hohe Werte unserer Immobilien gekennzeichnet sind, verschlechtern, und die Preise, zu denen wir unsere Objekte verkaufen können, können sinken.*
- *Das deutsche Mieterschutzrecht und bestehende Beschränkungen für Mieterhöhungen könnten es uns erschweren, die Mieten unserer Wohneinheiten anzuheben.*
- *Unser Geschäft unterliegt den in Deutschland geltenden allgemeinen rechtlichen Rahmenbedingungen. Ungünstige Änderungen der rechtlichen Rahmenbedingungen, wie beispielsweise verbindliche Vorschriften zur umweltgerechten Modernisierung, Einschränkungen bezüglich Modernisierungsmaßnahmen oder Vorschriften (einschließlich Steuern), die zu Mehrkosten beim Immobilienverkauf führen, oder ungünstige Änderungen des Berliner Mietspiegels oder anderer Regelungen können sich nachteilig auf uns auswirken.*
- *Die Struktur der Gesellschaft wird hauptsächlich vom allgemeinen steuerlichen Umfeld in Luxemburg, Deutschland und weiteren Ländern der Europäischen Union (Niederlande, Dänemark, Malta und Irland) beeinflusst; Änderungen des steuerlichen Umfelds können unsere Steuerbelastung erhöhen.*
- *Bestimmte Risiken in Zusammenhang mit der Geschäftstätigkeit von Consus Real Estate sind vergleichbar mit den Risiken unserer bestehenden Geschäftstätigkeit, die erwarteten Vorteile eines Erwerbs von Consus Real Estate könnten sich nicht vollständig oder überhaupt nicht realisieren und überdies könnte der Consus Real Estate Erwerb nachteilige Auswirkungen auf die ADO Properties Gruppe haben.*
- *Der Unternehmenszusammenschluss und der Consus Real Estate Erwerb setzen die Gesellschaft operationellen Risiken im Zusammenhang mit der Entwicklung von Immobilienprojekten aus.*

C – BASISINFORMATIONEN ÜBER DIE WERTPAPIERE

Welches sind die wichtigsten Merkmale der Wertpapiere?

Art, Gattung, ISIN

Diese Zusammenfassung bezieht sich auf dematerialisierte Aktien der Gesellschaft ohne Nennwert; ISIN: LU1250154413; Wertpapierkennnummer (WKN): A14U78; Common Code: 125015441; Börsenkürzel: ADJ.

Nennwert, Anzahl der Wertpapiere

Gegenstand dieses Prospekts ist das Angebot von 30.819.391 Neuen Aktien.

Währung

Die Aktien der Gesellschaft sind in Euro denominiert.

Verbundene Rechte

Die Neuen Aktien werden uneingeschränkt fungibel sein und in jeder Hinsicht *pari passu* mit den bestehenden Aktien der Gesellschaft sein. Jede Aktie der Gesellschaft, einschließlich der Neuen Aktien, berechtigt zu einer Stimme in der Hauptversammlung der Gesellschaft (die „**Hauptversammlung**"). Es bestehen keine Beschränkungen der Stimmrechte. Alle Aktien sind mit den gleichen Stimmrechten ausgestattet. Die Neuen Aktien sind mit voller Gewinnanteilsberechtigung ab dem 1. Januar 2019 ausgestattet.

Rang

Jeglicher Zahlungsanspruch der Aktionäre ist allen anderen Wertpapieren und Forderungen nachrangig.

Freie Handelbarkeit

Die Aktien der Gesellschaft, einschließlich der Neuen Aktien, sind in Übereinstimmung mit dem Luxemburger Gesetz vom 6. April 2013 über dematerialisierte Wertpapiere frei übertragbar. Es bestehen keine Beschränkungen für die Übertragbarkeit der Aktien der Gesellschaft.

Dividendenpolitik

Grundsätzlich beabsichtigt die Gesellschaft, eine jährliche Dividende von bis zu 50% des operativen Ergebnisses aus Vermietung („**FFO 1**") an die Aktionäre der Gesellschaft auszuschütten. Das FFO 1 ergibt sich aus dem EBITDA aus Vermietung der Gesellschaft für die jeweiligen Zeiträume bereinigt um die allgemeinen Nettobarzinsen und laufende Ertragsteuern. FFO 1 ist ein üblicher Leistungsindikator zur Bewertung der Performance der widerkehrenden operativen Gewinne eines Immobilienunternehmens. Der Beschluss zur Ausschüttung von Dividenden aus dem Jahresüberschuss bedarf eines Beschlusses der Hauptversammlung, wobei der Verwaltungsrat gemäß der Satzung der Gesellschaft auch Zwischendividenden deklarieren kann. Der Verwaltungsrat beabsichtigt, der Hauptversammlung vorzuschlagen, für das zum 31. Dezember 2019 abgelaufenen Geschäftsjahr keine Dividende auszuschütten. Die Gesellschaft beabsichtigt, ihre Dividendenpolitik mit einer Ausschüttung von bis zu 50% des FFO 1 zukünftig aufrecht zu erhalten. Jegliche zukünftige Entscheidung über die Ausschüttung von Dividenden wird in Übereinstimmung mit den geltenden Gesetzen getroffen und ist unter anderem von der Ertragslage, der Finanzlage, den vertraglichen Beschränkungen und den Kapitalanforderungen der Gesellschaft abhängig. Die zukünftige Fähigkeit der Gesellschaft zur Zahlung von Dividenden kann durch die Bedingungen bestehender und zukünftiger Schuldverschreibungen und Vorzugspapiere eingeschränkt sein.

Wo werden die Wertpapiere gehandelt?

Die Aktien der Gesellschaft sind zum Handel im Regulierten Markt der Frankfurter Wertpapierbörse mit gleichzeitiger Zulassung zum Teilbereich des Regulierten Marktes mit weiteren Zulassungsfolgepflichten (Prime Standard) zugelassen. Am oder um den 8. Juli 2020 beabsichtigt die Gesellschaft, einen Antrag zur Zulassung der Neuen Aktien zum Handel im Regulierten Markt der Frankfurter Wertpapierbörse mit gleichzeitiger Zulassung zum Teilbereich des Regulierten Marktes mit weiteren Zulassungsfolgepflichten (Prime Standard) zu stellen.

Welches sind die zentralen Risiken, die für die Wertpapiere spezifisch sind?

- *Zukünftige Kapitalmaßnahmen wie die Ausgabe neuer Aktien aus genehmigten Kapital, welches derzeit EUR 750.000.000 beträgt, die Ausübung von Aktienoptionen und jede durch die Hauptversammlung zu beschließende Änderung der Kapitalstruktur könnten zu einer erheblichen Verwässerung führen und so den Wert der Beteiligung der Altaktionäre der Gesellschaft mindern.*
- *Der Aktienkurs und das Handelsvolumen der Aktie der Gesellschaft könnten erheblich schwanken, u.a. infolge von Verkäufen durch Groß- oder Mehrheitsaktionäre, und letztlich zu erheblichen Verlusten auf Seiten der Aktionäre der Gesellschaft führen.*

- *Die Fähigkeit der Gesellschaft, Dividenden auszuschütten, hängt von unterschiedlichen Faktoren ab. Die in der Vergangenheit ausgeschütteten Dividenden, die für die zum 31. Dezember 2018, 2017 und 2016 endenden Geschäftsjahre jeweils EUR 0,75, EUR 0,60 und EUR 0,45 je Aktie betrugen, geben keinen Aufschluss über künftige Dividendenzahlungen. Außerdem kann sich die Dividendenpolitik der Gesellschaft in Zukunft ändern.*

D – BASISINFORMATIONEN ÜBER DAS ÖFFENTLICHE ANGEBOT VON WERTPAPIEREN UND DIE ZULASSUNG ZUM HANDEL AN EINEM GEREGELTEN MARKT

Zu welchen Konditionen und nach welchem Zeitplan kann ich in dieses Wertpapier investieren?

Angebotskonditionen

Das Angebot (wie nachfolgend definiert) bezieht sich auf 30.819.391 Neuen Aktien, welche den bestehenden Aktionären der Gesellschaft zum Bezug im Verhältnis von 5:12 (das „**Bezugsverhältnis**") angeboten werden. Unter dem Angebot müssen die Aktionäre der Gesellschaft zur Vermeidung des Ausschlusses von der Ausübung der Bezugsrechte ihre Bezugsrechte im Zeitraum vom 6. Juli 2020 bis zum und einschließlich dem 20. Juli 2020 (17.30 Uhr MEZ) (die „**Bezugsfrist**") ausüben. Das Bezugsangebot wird (i) nur in Deutschland und in Luxembourg in Form eines öffentlichen Angebots ausschließlich an bestehende Aktionäre der Gesellschaft und Inhaber von Bezugsrechten der Neuen Aktien, (ii) in Form einer Privatplatzierung an qualifizierte Anleger außerhalb von Deutschland, Luxembourg und den Vereinigten Staaten von Amerika (die „**Vereinigten Staaten**") in *offshore*-Transaktionen (*offshore transactions*) basierend auf *Regulation S* des U.S. Securities Act von 1933 (in der jeweils gültigen Fassung) (der „**Securities Act**"), und (iii) in Form einer Privatplatzierung innerhalb der Vereinigten Staaten an qualifizierte institutionelle Käufer, wie in *Rule 144A* des Securities Act definiert, erfolgen. Jegliche Neue Aktien, die nicht im Rahmen des Bezugsangebots gezeichnet werden (die „**Restaktien**") werden von den Underwritern (wie nachfolgend definiert) in einer Rumpfplatzierung an qualifizierte Anleger außerhalb der Vereinigten Staaten in *offshore*-Transaktionen basierend auf *Regulation S* des Securities Act und innerhalb der Vereinigten Staaten an qualifizierte institutionelle Käufer, wie in *Rule 144A* des Securities Act definiert, angeboten (die „**Rumpfplatzierung**" und zusammen mit dem Bezugsangebot, das „**Angebot**"). Im Zusammenhang mit dem Angebot haben die Gesellschaft und jeder der Underwriter einen auf den 2. Juli 2020 datierten Übernahmevertrag (der „**Übernahmevertrag**") abgeschlossen.

Voraussichtlicher Zeitplan des Angebots

Der voraussichtliche Zeitplan für das Bezugsangebot und für die Zulassung der Neuen Aktien zum Handel im regulierten Markt der Frankfurter Wertpapierbörse und dem Teilbereich des regulierten Marktes mit weiteren Zulassungsfolgepflichten (Prime Standard) ist wie folgt:

2. Juli 2020	• Billigung des Prospekts durch die CSSF
	• Notifizierung des gebilligten Prospekts an die zuständige Behörde in Deutschland (Bundesanstalt für Finanzdienstleistungsaufsicht)
	• Veröffentlichung des Prospekts auf der Webseite der Gesellschaft
3. Juli 2020	• Veröffentlichung des Bezugsrechtsangebots im Luxemburger Amtsblatt (*Recueil électronique des sociétés et associations*) und einer luxemburgischen Tageszeitung
6. Juli 2020	• Gutschrift der Bezugsrechte durch die jeweiligen Depotbanken auf die Depotkonten der Aktionäre der Gesellschaft auf Basis derer Beteiligung am Grundkapital der Gesellschaft zum Handelsschluss am 3. Juli 2020
	• Beginn der Bezugsfrist
	• Beginn des Bezugsrechtshandels
	• "Ex-Bezugsrecht" Handel der Aktien
8. Juli 2020	• Stellung des Antrags zur Zulassung der Neuen Aktien zum Handel im regulierten Markt der Frankfurter Wertpapierbörse und dem Teilbereich des regulierten Marktes mit weiteren Zulassungsfolgepflichten (Prime Standard)
16. Juli 2020	• Ende des Bezugsrechtshandels
20. Juli 2020	• Ende der Bezugsfrist (17.30 Uhr MEZ)
	• Letzter Tag zur Zahlung des Bezugspreises
21. Juli 2020	• Bekanntmachung der Ergebnisse des Bezugsangebots auf der Webseite der Gesellschaft

	• Rumpfplatzierung
22. Juli 2020	• Zulassung der Neuen Aktien zum Handel im regulierten Markt der Frankfurter Wertpapierbörse und dem Teilbereich des regulierten Marktes mit weiteren Zulassungsfolgepflichten (Prime Standard) • Veröffentlichung des Zulassungsbeschlusses der Neuen Aktien durch die Frankfurter Wertpapierbörse im Bundesanzeiger und auf der Webseite der Frankfurter Wertpapierbörse (www.deutsche-boerse.com)
24. Juli 2020	• Beginn des Handels in den Neuen Aktien durch Aufnahme in die bestehende Börsennotierung der Gesellschaft im regulierten Markt der Frankfurter Wertpapierbörse und dem Teilbereich des regulierten Marktes mit weiteren Zulassungsfolgepflichten (Prime Standard) • Einbuchung der Neuen Aktien

Zulassung zum Handel

Am oder um den 8. Juli 2020 beabsichtigt die Gesellschaft, einen Antrag zur Zulassung der Neuen Aktien zum Handel im Regulierten Markt der Frankfurter Wertpapierbörse mit gleichzeitiger Zulassung zum Teilbereich des Regulierten Marktes mit weiteren Zulassungsfolgepflichten (Prime Standard) zu stellen. Die Billigung der Zulassung der Neuen Aktien wird voraussichtlich am oder um den 22. Juli 2020 erteilt. Der Beginn des Handels an der Frankfurter Wertpapierbörse ist gegenwärtig für den 24. Juli 2020 erwartet.

Verwässerung

Aktionäre die ihre Bezugsrechte für die Neuen Aktien vollständig ausüben werden ihre anteilsmäßige Beteiligung am Grundkapital der Gesellschaft nach der Kapitalerhöhung beibehalten. Soweit Aktionäre ihre Bezugsrechte nicht ausüben und unter der Annahme, dass 30.819.391 Neue Aktien ausgegeben werden, würde der Anteil jedes Aktionärs an der Gesellschaft um 29,4% abnehmen und die wertmäßige Verwässerung EUR 7,31 je Aktie der Gesellschaft betragen.

Gesamtkosten

Die Kosten in Zusammenhang mit dem Angebot werden insgesamt voraussichtlich EUR 14.0 Millionen betragen und werden von der Gesellschaft getragen.

Kosten, die Anlegern in Rechnung gestellt werden

Anlegern werden von der Gesellschaft und von den Underwritern keine Kosten in Rechnung gestellt.

Wer ist der Anbieter und/oder die die Zulassung zum Handel beantragende Person?

Beschreibung des Anbieters

Die Gesellschaft wird voraussichtlich am oder um den 8. Juli 2020 einen Antrag zur Zulassung der Neuen Aktien zum Handel im Regulierten Markt der Frankfurter Wertpapierbörse mit gleichzeitiger Zulassung zum Teilbereich des Regulierten Marktes mit weiteren Zulassungsfolgepflichten (Prime Standard) stellen. Der Antrag zur Zulassung wird gemeinsam mit der Gesellschaft von J.P. Morgan Securities plc, 25 Bank Street, Canary Wharf, London E14 5JP, Vereinigtes Königreich, einem Kreditinstitut mit Sitz im Vereinigten Königreich, welches englischem Recht unterliegt, (der „**Listing Agent**") gestellt.

Weshalb wird dieser Prospekt erstellt?

Gründe für das Angebot

Die Nettoerlöse an die Gesellschaft aus dem Angebot ergeben sich aus den Bruttoerlösen abzüglich der Platzierungsprovisionen und anderen nachfolgend dargestellten Kosten. Auf Basis eines Bezugspreises von EUR 14,60 und der Ausgabe von 30.819.391 Neuen Aktien beabsichtigt die Gesellschaft aus dem Angebot Erlöse in Höhe von ungefähr EUR 450 Millionen. Die gesamten von der Gesellschaft an die Underwriter zu zahlenden Provisionen werden insgesamt voraussichtlich EUR 8,5 Millionen betragen. Andere von der Gesellschaft zu tragende Ausgabekosten werden voraussichtlich EUR 5,5 Millionen betragen. Auf dieser Basis erwartet die Gesellschaft Nettoerlöse aus dem Angebot in Höhe von EUR 436 Millionen.

Gesamtnettoerlöse

Die Gesellschaft beabsichtigt die Nettoerlöse aus dem Angebot in voller Höhe von EUR 436 Millionen für die Rückzahlung von Mezzanine und nachrangigen Fremdfinanzierungen zur Reduzierung von Finanzverbindlichkeiten im Zusammenhang mit Consus Real Estate's Entwicklungsprojekten zu verwenden.

Übernahmevertrag

Unter dem Übernahmevertrag verpflichten sich die Underwriter, die Neuen Aktien den bestehenden Aktionären der Gesellschaft durch mittelbare Bezugsrechte für die Neuen Aktien innerhalb der Bezugsfrist und in Übereinstimmung mit dem Bezugsverhältnis und zum Bezugspreis (wie unten definiert) anzubieten. Jegliche Neuen Aktien für welche die Bezugsrechte nicht während der Bezugsfrist ausgeübt wurden werden im Rahmen der Rumpfplatzierung und zu einem Platzierungspreis der mindestens dem Bezugspreis entspricht, angeboten. Darüber hinaus enthält der Übernahmevertrag eine feste Übernahmeverpflichtung der Underwriter hinsichtlich der Neuen Aktien die nicht im Rahmen des Angebots verkauft werden. Jegliche Neuen Aktien, die von den Underwritern auf eigene Rechnung nach der Rumpfplatzierung gezeichnet werden, dürfen im Markt unterhalb, zum oder überhalb des Bezugspreises (wie unten definiert) veräußert werden. Das Angebot unterliegt bestimmten Bedingungen.

Wesentliche Interessen am Angebot, einschließlich Interessenkonflikten

Die Underwriter sind im Zusammenhang mit dem Angebot und der Zulassung der Neuen Aktien zum Handel ein Vertragsverhältnis mit der Gesellschaft eingegangen. Die Underwriter beraten das Unternehmen bei der Transaktion und koordinieren die Strukturierung und Durchführung der Transaktion. Nach Abschluss der Transaktion erhalten die Underwriter eine Provision. Infolgedessen haben die Underwriter ein finanzielles Interesse am Erfolg des Angebots. Jeder der Underwriter und der mit ihnen verbundenen Unternehmen hat sich möglicherweise im regulären Geschäftsverlauf mit der Gesellschaft und/oder mit ihren verbundenen Unternehmen an Transaktionen beteiligt, verschiedene Geschäftsbank-, Investmentbanking-, Finanzberatungs- und Dienstleistungstätigkeiten, einschließlich solcher im regulären Geschäftsbetrieb, erbracht für die sie marktübliche Gebühren und Provisionen erhalten hätten. Jeder der Underwriter und der mit ihnen verbundenen Unternehmen könnte solche Dienstleistungen in Zukunft für die Gesellschaft und/oder der mit ihnen verbundenen Unternehmen erbringen. Darüber hinaus hat die Gesellschaft mit J.P. Morgan Securities plc, J.P. Morgan AG, J.P. Morgan Europe Limited, Barclays Bank PLC und Deutsche Bank Luxembourg S.A. einen Brückenfinanzierungsvertrag abgeschlossen, unter welchem zum Datum dieses Prospekts EUR 885.470.000 in Anspruch genommen wurden. Die Underwriter oder Unternehmen, die mit den Underwritern verbunden sind, haben Wertpapierhandels- und Vermittlungsgeschäfte getätigt und Investmentbanking-, Vermögensverwaltungs-, Finanzierungs- und Finanzberatungsdienstleistungen sowie andere Handels- und Investmentbankingprodukte und -dienstleistungen für eine Vielzahl von Unternehmen und Einzelpersonen erbracht. Dementsprechend könnten die Underwriter und die mit den Underwritern verbundenen Unternehmen künftig Interessenkonflikten mit den Aktionären der Gesellschaft ausgesetzt sein. Darüber hinaus könnten bestimmte Underwriter oder mit diesen verbundene Unternehmen Finanzierungsvereinbarungen (einschließlich Swaps, Differenzkontrakte und Margin-Darlehen) mit Investoren abschließen, in deren Zusammenhang diese Underwriter (oder mit diesen verbundene Unternehmen) von Zeit zu Zeit Aktien der Gesellschaft erwerben, halten oder veräußern könnten. Sofern nicht durch geltendes Recht oder geltende Vorschriften erforderlich, beabsichtigen die Underwriter keine Veröffentlichungen in Bezug auf solche Transaktionen vorzunehmen. Weitere Interessen oder (potentielle) Interessenkonflikte, die wesentlich für das Angebot sein könnten, bestehen mit Ausnahme der vorstehend genannten nicht.

1. RISK FACTORS

*Investing in the shares of ADO Properties S.A. (the "**Company**" and, together with its consolidated subsidiaries, "**we**", "**us**", "**our**" or the "**ADO Properties Group**") involves a high degree of risk. Investors should carefully consider the risks and uncertainties described below, together with all of the other information in this Prospectus and the ADO Properties Group's audited consolidated financial statements as of and for the fiscal years ended December 31, 2019, December 31, 2018 and December 31, 2017 (together, the "**Audited Consolidated Financial Statements of the ADO Properties Group**"), as well the ADO Properties Group's unaudited condensed consolidated interim financial statements as of and for the three-month period ended March 31, 2020 (the "**Consolidated Interim Financial Statements of the ADO Properties Group**"), each prepared in accordance with the International Financial Reporting Standards as adopted by the European Union ("**IFRS**"), before making a decision to invest in the Company's shares. We believe the factors described below represent the material risks inherent in investing in the Company's shares. In all of the following risk categories, the risks are presented in accordance with their likelihood, i.e., based on the probability of their occurrence and the extent of their negative impact on the net assets, financial condition and results of operations and cash flows of the Company. The most significant risk categories are presented first in the following risk categories. The risk factors in sections (i) 1.1.1 to 1.1.5, (ii) 1.2.1 to 1.2.3, (iii) 1.3.1 and 1.3.2, (iv) 1.4.1, (v) 1.5.1 and 1.5.2 as well as (vi) 1.7.1 and 1.7.2 are the principal risks in the Company's estimation. If any of the risks mentioned herein actually occur, the business, net assets, results of operations, financial condition, cash flows and prospects of the ADO Properties Group and the market price of the Company's shares could be materially adversely affected. Additional risks and uncertainties that are not presently known to us or that we currently believe are not material may also adversely affect the business, net assets, results of operations, financial condition, cash flows and prospects of the ADO Properties Group. The risks mentioned herein and those not presently known or believed to be not material may materialize individually or cumulatively and may, in each case, have a varying impact on any of the aforementioned factors, including the market price of the Company's shares.*

1.1 Risks related to the ADO Properties Group's Business Activities and Industry

1.1.1 Our business is significantly dependent on our ability to generate earnings from rentals. Our rental income and operating profit could particularly be negatively affected by a potential increase in vacancy rates.

We rely significantly on earnings from rentals. In the three-month period ended March 31, 2020, 93.1% of our revenue was derived from rental activities (including facility services), and our funds from operations (from rental activities) ("**FFO 1**") amounted to €11,457 thousand (compared to 90.4% and €63,173 thousand in the fiscal year ended December 31, 2019, respectively). Our rental income is impacted predominantly by the size of our portfolio, which consisted of 17,620 units (excluding parking spaces and other units) (with a total lettable area of 1,225,131 sqm) of which 16,248 were residential units (with a total lettable area of 1,064,760 sqm), as well as rents chargeable, which amounted to €7.68 per sqm on average (excluding parking spaces and other units) (all figures as of March 31, 2020). As a result, our performance depends largely on the amount of rental income generated, which in turn is significantly dependent on the vacancy levels of our portfolio. As of March 31, 2020, the average vacancy level of our residential portfolio (in % per sqm) was at 2.7% (or 28,824 sqm) and of our commercial portfolio at 3.2% (or 5,076 sqm), after 3.1% (or 45,392 sqm) and 5.4% (or 9,200 sqm), respectively, as of March 31, 2019. Should we incur an increase in vacancy levels in the future, a worsening economy, in particular, could impede our ability to let our residential units at advantageous conditions.

The vacancy levels within our portfolio could increase, particularly in lower-value residential units, in less attractive locations, in areas with weak infrastructure or in properties where investments do not result in increased rents in line with expected market rents or increased occupancy levels. Our strategy also focuses on the renovation and refurbishment of selected parts of our portfolio with the highest vacancy levels. If these measures do not result in a significant reduction in vacancy levels for these properties after completion of the renovation work, this could have an adverse effect on our financial results relative to our business plan. In addition to lost rental income, additional fixed and ancillary costs incurred for the maintenance of vacant residential units would reduce our operating profit. Furthermore, a longer period of high vacancy levels could generally lead to lower levels of rental earnings and make it more difficult to increase average rental levels. As our income from rental activities (including facility services) represents 93.1% of the total revenues generated in the three-month period ended March 31, 2020 (compared to 90.4% in the fiscal year ended December 31, 2019), our business success inevitably depends on our ability to reduce vacancy levels or increase rents.

1.1.2 Our ability to operate our business successfully relies on assumptions that may prove to be incorrect and contingencies that may be unfavorable, in part or as a whole, in particular due to unexpected liabilities, incomplete or wrong assessment of markets, value determinations and due diligence findings and challenges with respect to achieving anticipated synergies and insufficient investment horizons.

We face the risk that we may not be able to generate returns in the future. In particular, our projections of the future demand for apartments suitable for modernization may turn out to be inaccurate or inappropriate to achieve a positive return. Also, 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 constraints 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 for modernization work to take place. Further, we 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 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. During the three-month period ended March 31, 2020, we incurred maintenance and capital expenditures in an average amount of €14.7 per sqm (compared to €11.6 per sqm in the three-month period ended March 31, 2019), whereas our average like-for-like rental growth of the residential portfolio during the three-month period ended March 31, 2020 amounted to 2.5%. In the fiscal year ended December 31, 2019, the maintenance and capital expenditures amounted to €36.2 per sqm (a 8% decrease compared to the fiscal year ended December 31, 2018) and average like-for-like rental growth of the residential portfolio amounted to 5% for the same period. We plan to continue to invest a significant amount per year for modernization measures. These modernization measures, which sometimes aim at improving energy efficiency, of buildings and refurbishments to current market standard, are implemented in markets where refurbished apartments are believed to deliver an average rent. Even if the real estate we have acquired, or will acquire in the future, is suitable for repositioning, modernization and refurbishment, such acquisitions or expenditures could prove unsuccessful or ineffective. Further, 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, unexpected problems or unrecognized risks could arise that are outside the parameters of our refurbishment and modernization contracts, including, in particular, changes in any applicable regulatory regime. The resolution of such unanticipated problems and risks could require us to 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 "*1.3.2 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, or disadvantageous changes to the Berlin Mietspiegel or other regulation, may be detrimental to us*." and "*1.3.6 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 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, our inability to carry out particular refurbishment or modernization measures, and significantly higher costs for the particular project. These factors could result in our inability 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.

Any cases in which we have relied or will rely on incorrect assumptions or contingencies, e.g., with regard to achievable rents, modernization costs, other investments, the profitability of our business or the value or value development of our portfolio, will have a negative effect on our ability to successfully conduct our business and could have a material adverse effect on our business, financial condition, results of operations, cash flows and prospects.

1.1.3 We rely on our ability to identify potential real estate portfolio acquisitions in order to pursue our investment strategies. We may not be able to identify all risks associated with any such acquisitions. Assumptions could prove to be insufficient or incorrect and a successful integration of acquisitions may not be achievable.

As part of our strategy, we evaluate real estate portfolios in order to identify those that might fit in with both our existing portfolios and our current management platform. Between January 1, 2017 and March 31, 2020, we have acquired 4,650 residential real estate units with a total residential area of 322 thousand sqm. In addition, through the completion of the takeover offer for ADLER Real Estate Aktiengesellschaft ("**ADLER Real Estate**" and, together with its subsidiaries, the "**ADLER Group**"), we acquired an additional 58,007 residential real estate units with a total residential area of 3,494,017 sqm. 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. 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 acquisitions of large portfolios are high due to their significant size. The integration of any future portfolio acquisitions may not be successful or may be more difficult than expected due to legal and contractual restrictions and obligations. In addition, we may be unable to integrate acquisitions or realize anticipated synergies, economies of scale and cost-savings. We may become subject to contractual obligations under 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. Any such failure could cause reduced levels of rental income and operating profit.

Furthermore, investments in property 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 and regulations. 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, we 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. For example, 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. 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. 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.

Although sellers typically make various warranties in purchase agreements that we enter 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.

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.

Our current portfolios, or portfolios that may be acquired in the future, may not develop 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 increased vacancy rates, for example due to unfavorable demographic or economic developments.

Any inability on our part to identify and assess all risks in connection with acquisitions as well as insufficient or inaccurate assumptions could hinder or render impossible a successful integration of acquisitions, as a result of which we may incur higher costs, lower rental income or divergent value developments, which in turn could lead to material adverse effects on our business, net assets, financial position and results of operations as well as our prospects.

1.1.4 Our business is dependent on regional real estate markets and their liquidity, particularly Berlin, which may be subject to adverse market developments. Fluctuation in the development of the currently high demand and prices could make it difficult for us to conduct our business activities and to implement our strategy to capture additional growth opportunities.

As of March 31, 2020, our real estate portfolio comprised 17,620 units, of which 16,248 were residential units, with a joint portfolio value of €3.7 billion. Prior to the completion of the takeover offer for ADLER Real Estate, all of the real estate the ADO Properties Group owned was located in Berlin, and Berlin continues to represent a significant part of our portfolio. Accordingly, we are extensively dependent on trends in the Berlin residential real estate market, as well as general economic conditions and developments in Berlin. Our performance and the valuation of our properties 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. As of March 31, 2020, 24.2% of the total number of residential units owned by the Combined Group (as defined below) are located in Berlin. This could create a disadvantage compared to competitors who have a more geographically diversified real estate portfolio. In particular, the demand for residential real estate is subject to rapid and occasionally unpredictable changes, including as a result of changes to economic conditions, interest rates and business confidence. The effects of any decline in the attractiveness of the Berlin real estate market and of any downturn or illiquidity in the Berlin real estate market could significantly harm our business. In addition, regional economic and political developments, and other trends in the Berlin market, have a significant impact on the demand for our residential real estate and the rents achievable, as well as on the valuation of our properties. Such local developments may differ considerably from overall developments in Germany. For example, the purchasing power of residents of eastern German states lagged behind the purchasing power of the residents of western German states in 2018 and 2019 (*source: GfK—Purchasing Power Germany*). While some cities and regions in eastern Germany have seen decreasing unemployment rates and growing purchasing power in recent years, there is no guarantee that this trend will continue. 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.

1.1.5 Our investments are in real estate and due to the potentially illiquid nature of the real estate market, we may not be able to sell any portion of our portfolio or investments in a timely fashion, on favorable terms or at all.

We invest in real estate and in real estate companies and while our general strategy is to hold properties that we acquire, we may opportunistically from time to time sell properties or portfolios of properties if attractive opportunities or market conditions arise as well as for strategic reasons. Our ability to sell properties generally depends on the liquidity of the real estate markets at the time of the potential sale. The demand for real estate assets is influenced by, among other factors, the quality of the property, vacancy rates, the overall economic and market situation at the time of the sale, the level of interest rates and the availability of debt financing to market participants.

As a result, if we were required to sell parts of our portfolio, particularly on short notice or under legal, financial or time pressure, there is no guarantee that we would be able to do so in a timely fashion or on favorable terms or at all. In the case of a forced sale, if, for example, creditors realize on collateral, there would likely be a significant shortfall between the fair value of the property or property portfolio in question or the shares in the real estate company, as the case may be, and the price achievable upon the sale of such property or property portfolio or shares in such circumstances, and there can be no guarantee that the price obtained by us would represent a fair or market value for the property or property portfolio or shares.

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

1.1.6 Existing rent restrictions in connection with the promotion of public authorities and with heat supply contracts could limit the rent levels we may be able to charge.

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, certain restrictions are imposed, *inter alia*, on the maximum rent levels for the properties constructed, acquired or modernized using such subsidies and the eligibility of prospective tenants of publicly subsidized residential space. 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 March 31, 2020, 3.0% (by sqm) of our properties were rent-restricted due to subsidies. In the three-month period ended March 31, 2020, rental income from such residential units amounted to €0.7 million (or 3.1% of our total rental income), compared to €2.8 million in the fiscal year ended December 31, 2019 (or 2.5% of the total rental income for the fiscal year ended December 31, 2019 (excluding the units sold under the Gewobag Sale (as defined below))). As of March 31, 2020, approximately 37% (by units) of the rent restrictions as a result of subsidies are scheduled to expire by 2022. The subsidies are subject to certain conditions. If we become unable to meet those conditions or violate them, we may have to pay a fine (e.g. in the case of not meeting rent restrictions) or subsidies may even be subject to revocation. In addition, we are subject to certain restrictions relating to heat supply contracting ("*Nahwärme*" and "*Fernwärme*"). As of March 31, 2020, 6.9% (by buildings) of our portfolio received heat through heat supply 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 supply 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 supply contracting has narrowed. Such limitation could ultimately restrict our ability to increase rents for the affected residential units and, ultimately, the profitability of our business activities and our ability to generate earnings from rentals in line with our strategy.

1.1.7 The geographic and/or asset type composition of our property portfolio has changed with the Completion and in the future may change due to further acquisitions or divestures.

The geographic composition of our property portfolio has changed and will change in the future. The completion of the combination of the business (the "**Completion**") of ADLER Real Estate with the business of the ADO Properties Group (together with the ADLER Group, the "**Combined Group**") (the "**Business Combination**") following the voluntary takeover offer by the Company for all shares of ADLER Real Estate in the form of an exchange offer, as published on February 7, 2020, (the "**Tender Offer**") allows the Company to consolidate the ADLER Group's property portfolio in the Company's consolidated financial statements. Although the ADLER Group's property portfolio comprises substantially the same asset classes of properties as our portfolio, the geographical distribution is different. As of March 31, 2020, the *core* residential property portfolio of the ADLER Group (excluding the ADO Properties Group) consisted of 57,252 total units with a lettable area of 3,446,292 sqm and was predominantly located outside of Berlin in secondary conurbations and significant urban areas across Germany. As of the same date, the ADLER Group (excluding the ADO Properties Group) held 1,670 and 2,381, respectively, of these residential units in Berlin (excluding and including project "Riverside" in Berlin). As of March 31, 2020, our residential real estate portfolio comprised 16,248 units with a total lettable area of 1,064,760 square meters, 99.7% of which (based on Fair Value (as defined below)) according to the CBRE Valuation Report (as defined below) were located in Berlin. As a result of the Completion, the total portfolio to be reported by us in the context of a consolidation will therefore change.

In addition, we follow an opportunistic approach to acquisitions and focuses on real estate property which we believe has value increase potential. Consequently, we continuously seek investment opportunities throughout our key markets and the region of our strategic focus. Additionally, we monitor other markets that we believe might meet our investment criteria and, ultimately, such acquisition opportunities might arise in markets outside of our key markets. Therefore, the geographical composition of our property portfolio may change further, either as a result of new acquisitions or as a result of divestitures of properties by us, in particular should we shift our strategic focus to new markets. A change in the geographical composition of the property portfolio may lead to increased concentration in certain geographical areas, or introduce or increase dependencies on regional market conditions in new or different geographical areas. These may have different fundamentals, trends or legal, regulatory and tax regimes than the current region where our real estate properties are located. A broader geographical distribution may also result in additional costs in connection with the management of the properties and reduce the benefits of economies of scale. A different geographical distribution of the property portfolio may result in reduced availability of market data, which could limit our ability to accurately predict the performance of our investments.

1.1.8 Our business could be adversely impacted by negative developments in the economy and in the residential real estate markets in Germany.

We are active in the residential real estate market and have focused our activities on various residential real estate markets in Germany, including, in particular, Berlin. As of March 31, 2020, the value of our real estate portfolio was €3.7 billion, all of which was located in Berlin. In the three-month period ended March 31, 2020, we derived 93.1% of our revenue from rental activities (including facility services). Similarly, as of March 31, 2020, the Fair Value (as defined below) of the total real estate portfolio of the ADLER Group (excluding the ADO Properties Group) was €4,929.7 million. In the three-month period ended March 31, 2020, the ADLER Group derived 95.7% of its earnings from property lettings.

The success of the Combined Business therefore significantly depends on the development of the residential real estate market in Germany, including, in particular, Berlin. Average German disposable income per capita increased from €21,611 in 2016 to €22,899 in 2018 (*source: Volkswirtschaftliche Gesamtrechnung der Länder*) and unemployment decreased from 4.1% to 3.4% over the same period (*source: Federal Statistical Office—Press Release 075*), while our weighted average monthly rent for residential properties also increased from €6.42 (per sqm) in the fiscal year ended December 31, 2017, to €7.29 (per sqm) in the three-month period ended March 31, 2020. Similarly, the ADLER Group's average monthly rent for core residential properties (excluding the ADO Properties Group) increased from €5.17 (per sqm) in the fiscal year ended December 31, 2017, to €5.60 (per sqm) in the three-month period ended March 31, 2020. Real estate markets, however, are generally susceptible to changes in the overall economy. Consequently, our business is affected by factors affecting the general economic environment, such as interest rates, levels of public debt, GDP, inflation rates and political and financial market conditions, primarily in Germany and our various submarkets. These factors play an important role in determining property values, rent levels, re-letting periods, overall demand, vacancy rates and turnover rates in these markets and submarkets. In addition, local and regional variations of these factors may cause their impact to vary significantly across our residential real estate portfolio. In particular, unemployment in Berlin at 6.1% was above the national average (*source: Eurostat—Unemployment*). Additionally, the estimated purchasing power per capita was at €21,689 in Berlin in 2019 and therefore below the national average of €23,779 (*source: GfK—Purchasing Power Germany*). Our business is therefore highly dependent on macroeconomic and political developments, including changes in legislation, as well as other general trends affecting Germany. As an export-driven economy, Germany is particularly affected by the development of the world economy in general and the Eurozone in particular.

While unemployment rates in Germany have been relatively low in recent years, with 3.3% (as adjusted) in Germany as of December 2018 (*source: Federal Statistical Office—Unemployment*), public debt and unemployment levels remain high in many countries in the Eurozone, such as Italy, Ireland, Spain, Greece and Portugal, and future economic growth in the Eurozone is threatened by the fragile state of economic recovery in many Eurozone countries. The European and global economies may be impacted by many factors, *inter alia*, Brexit (see "*1.1.20 The withdrawal of the United Kingdom from the European Union may continue to cause significant political and economic uncertainty in the European Union and in the United Kingdom.*"), current geopolitical crises such as in Syria and the Ukraine, the uncertain economic prospects in China and other parts of the world, the results of recent and future elections in a number of Eurozone countries (including Germany) and other factors, such as the fluctuation of raw material prices and currency fluctuations. Furthermore, increased trade barriers resulting from the imposition of tariffs could negatively impact the global and regional economies. For example, in June 2018, the U.S. introduced new trade tariffs on certain steel and aluminum products (in addition to imposing punitive tariffs on trade partners such as China, Canada or Mexico). In response, the EU introduced retaliatory tariffs on a list of American signature products. Any further escalation of trade disputes could lead to a worsening economic environment or outlook. In addition, strengthening populist movements in a number of EU member states create a risk of further destabilization of the EU and increased economic uncertainty. Such uncertainty and the resulting market volatility may create contagion risks for economically strong countries such as Germany and may spread to the Eurozone or other financial sectors and residential real estate markets.

In addition, the rapid spread of SARS-CoV-2 (the "**Coronavirus**"), first identified in December 2019, has resulted in a deterioration of the political, socio-economic and financial situation in Germany, and consequently this is expected to have a negative impact on our business. Any widespread health crisis, including the Coronavirus and future pandemics, could result in our tenants being unable to pay their rents when due or at all, adversely affect the fair value of our real estate properties, cause a significant decline of aggregate rent levels in affected areas and, ultimately, affect our ability to access debt and equity capital on attractive terms, or at all. On March 25, 2020, the German parliament passed a law to mitigate the impact of the Coronavirus pandemic in civil and insolvency laws as well as in criminal law proceedings (*Gesetz zur Abmilderung der Folgen der COVID-19-Pandemie im Zivil-, Insolvenz- und Strafverfahrensrecht*) (the "**COVID-Act**"). Pursuant to the COVID-Act, landlords may not terminate residential and commercial lease agreements if the tenant fails to pay rent during the period of April 1, 2020 through June 30, 2020, provided that such non-payment is caused by impacts related to the Coronavirus. Therefore, the tenant must demonstrate that non-payment is caused by impacts related to the Coronavirus to avoid termination. Payments that become due during the period of April 1, 2020 through June 30, 2020, but that were not settled, will have to ultimately be settled by June 30, 2022. The described measures under the COVID-Act may, at the discretion of the German Federal Government (*Bundesregierung*), be extended until September 30, 2020.

Adverse economic developments and other negative trends in the commercial and residential real estate markets in which we operate could have a material adverse effect on our business, net assets, financial condition, results of operations, cash flows and prospects.

1.1.9 Our future growth depends on the availability of real estate properties with value-add potential at reasonable prices, but growing competition and other factors may lead to increased prices and lower availability.

As part of our business strategy, we seek to acquire residential real estate portfolios. Since January 1, 2017 and as of March 31, 2020, we have acquired 4,650 residential real estate units with a total residential lettable area of 322 thousand sqm, of which 89 were residential units for privatization with a total property size of approximately 4,000 sqm across three properties. Moreover, as of the date of this Prospectus, we have successfully completed the Business Combination with ADLER Real Estate, whose rental properties are mainly located in the German federal states of Lower Saxony, North Rhine-Westphalia, Saxony, Saxony-Anhalt and Brandenburg.

Such acquisitions are only feasible, however, if attractive real estate portfolios and properties are available for purchase at reasonable prices. Given the current high demand for residential real estate in Germany, and, in particular, in Berlin, such portfolios and properties 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 and properties for privatization through acquisitions and investing into our portfolios with attractive returns.

Our general ability to sell parts of our real estate portfolio depends on the state of investment markets and on market liquidity or declining real estate 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 we 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, 2020, 3.0% (by sqm) of our residential units were subject to rent restrictions that stem from public subsidies. 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.

In addition, a number of factors beyond our control, such as the overall development of real estate markets, construction activity, zoning and planning laws, influence the availability of offices, hotels, logistics/wholesale, retail, and residential properties generally. There is no guarantee that we will be able to continue to identify or acquire a sufficient number of suitable properties at reasonable prices that will allow us to successfully implement our business strategy or grow our business effectively.

The supply of real estate properties and portfolios available for sale may also be reduced due to fewer sales by private or public sellers. If for instance state-owned entities reduce or cease privatizing or selling their real estate holdings, as they have done over the past years, then supply, in particular for residential real estate, could be reduced, which may result in increased competition for acquisitions of suitable properties and may motivate potential sellers to sell properties through an auction process. The use of auction processes for the sale of properties has grown increasingly common in Berlin and may increase in the future. Any of these factors may result in increased prices for the types of properties which are our strategic focus. As a result, it could be more difficult for us to successfully acquire properties, which could limit our ability to grow our businesses effectively.

We are exposed to competition from national and international investors in the markets in which we operate. We compete to acquire attractive properties with other investors, such as international real estate funds, German open-ended and closed-ended funds and publicly listed German real estate companies, any of which may have greater resources, better information or better access to properties or financial resources and lower costs of capital than we do. We also compete with other property companies, investment funds, institutional investors, building contractors, individual owners and other entities to attract and retain suitable tenants on favorable terms. Competition in the real estate markets we target is generally intense and could further intensify in the future. There is no guarantee that we will be able to successfully compete in any of the regions within our strategic focus or will be able to enter new regions successfully. Changes in law or regulation may also create environments in which we can no longer effectively compete. In the future, increased competition could also require us to change our business strategy in part or in whole and could affect our ability to generate sufficient income. 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.

Any inability to adequately react to regional real estate markets and their developments could jeopardize our efforts, business activities and strategic goals, including our strategy to capture external growth opportunities.

1.1.10 We are exposed to certain risks in connection with construction projects, including construction defects, availability of contractors, cost-overruns as well as health, safety and environmental risks.

With respect to the construction of our residential development projects, we are exposed to various risks relating to defective construction work or the use or installation of defective construction materials by third-party suppliers or contractors. The warranty, guarantee or indemnity protection set forth in our contracts with such third-party suppliers and contractors, and the arrangements with insurance providers to insure against certain risks, may prove to be insufficient or may not adequately protect us against relevant risks. Furthermore, we may not be able to enforce claims in the respective amount, or at all, due to the third-party contractor's or supplier's insolvency or for other reasons. Significant liabilities may not be identified or may only come to light after the expiry of our warranty, guarantee or indemnity claims. Any claims relating to defects arising from or related to one of our residential development projects may give rise to contractual or other liabilities, which can extend, depending on the relevant contractual or statutory provisions, for five years following completion of the development project and may not be covered by claims against our contractors or suppliers.

Moreover, our ability to successfully complete our development projects on time, at the anticipated quality or at all, depends on the availability contractors, service providers or sub-contractors. We may fail to meet standards and/or deadlines agreed with contractors and service providers and there can be no assurance that we will be able to hire qualified and reliable contractors. Contractors and service providers may be adversely affected by economic downturns, insolvencies or any other risks inherent to the provision of any such services. These risks include damages caused by severe weather conditions (e.g., fires, floods or natural disasters) and construction-related delays due to personnel shortages, strikes, building site safety, governmental permits, adverse weather conditions, shortage of or inability to source building materials and transportation issues, any of which may be influenced by the respective parties' reliance on third parties. Among others, any of the aforementioned risks may result in significant cost overruns and project delays. Furthermore, we are exposed to cost increases in connection with services of contractors, service providers and sub-contractors. Any cost increases could adversely affect our ability to earn the projected yields related to our residential development projects.

Developing real estate entails certain health, safety, and environmental ("**HSE**") related risks. A significant HSE incident at one of our development projects or a general deterioration in our HSE standards could put our employees, contractors or the general public at risk of injury or death and could lead to litigation, significant penalties or damage to our reputation. We may be liable for the costs of removal, investigation or remediation of hazardous or toxic substances (including asbestos) located on, under or in a property currently or formerly owned by us, whether or not we caused or knew of it. Furthermore, we may also be deemed to be responsible for latent or historic risks from unknown contamination, or may incur greater liability or costs than originally anticipated. The costs of remediation, investigation or defending against claims can be substantial, and they may not be covered by warranties and indemnities from the seller of the affected land plot or property or by our insurance policies, or may prove unenforceable. Any failure in HSE performance, including any delay in responding to changes in HSE regulations, may result in penalties for non-compliance with relevant regulatory requirements. Monitoring and ensuring HSE best practices may become increasingly expensive for us in the future if additional HSE requirements were to come into effect.

1.1.11 An increase in interest rates could have a material adverse effect on the real estate markets in which we operate.

One of the tools used by governments and central banks to support economic development over the last ten years was a lowering of interest rates. While low interest rates have generally not led to the desired levels of inflation, they have benefitted the Eurozone economies and supported demand for real estate, including commercial and residential real estate, due to the resulting availability of inexpensive financing. The benign interest rate environment has also had a positive impact on real estate valuations, as it tends to result in an increase of the value of future cash flows. Should overall economic growth accelerate, however, the European Central Bank could become more vigilant with regard to inflationary pressures and begin a cycle of monetary tightening, including through progressive increases in base interest rates, particularly if this growth leads to a tightening of the labor market. This could lead to a rise in interest rates in Germany and throughout the Eurozone and could result in increased investor interest in investments with a higher risk profile and a decrease in the attractiveness of real estate investments, resulting in lower demand for real estate and broad declines in real estate valuations, among other effects. An increase in interest rates could adversely impact our business in a number of ways, including the willingness of potential purchasers to acquire real estate in an environment of rising interest rates may be negatively affected, thereby restricting our ability to dispose of our properties on favorable terms when desired. Most purchasers finance their acquisitions with lender provided financing through mortgages and comparable security (in Germany so called land-charges). Lack of availability of such financing at attractive rates could therefore reduce demand for properties.

1.1.12 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 or to rent to tenants not eligible for subsidized housing, and thereby potentially prevent us 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 residential 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 March 31, 2020, 3.0% (by sqm) of our residential units, with a total of 31,425 sqm of residential area, which accounted for 3.1% of the rental income generated over the three-month period ended March 31, 2020, were subject to certain contractual restrictions, including multiple restrictions or obligations. These limitations include in particular:

- restrictions on sales;
- preferential subscription 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 "*1.1.6 Existing rent restrictions in connection with the promotion of public authorities and with heat supply contracts could limit the rent levels we may be able to charge.*"

The aforementioned restrictions may limit our ability to attractively market parts or all of our portfolio, which in turn could potentially restrain our ability to capitalize on business opportunities, to pass up opportunities for streamlining and generate profit. They could thereby lower the overall value of our property portfolio and limit our ability to generate cash flow from selective divestitures and have a material adverse effect on our business, net assets, financial condition, results of operations, cash flows and prospects.

1.1.13 While we employ and work together with a large number of service providers, on whose performance we are dependent, we also have an integrated platform for active asset management and privatizations, 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 implemented a multi-facetted human resource approach to enable flexible management of service volumes by contracting with large numbers of service providers and to, at the same time, retain key business competences within the portfolio management by means of our integrated active asset management and privatization platform.

We employ and work together with a large number of service providers, including energy providers, providers of minor repairs and maintenance services and construction companies and therefore are dependent on their performance. As of March 31, 2020, we had business relationships with more than 800 service providers and incurred costs of €43.8 million during the three-month period ended March 31, 2020 in connection therewith (including for intra-group services provided). Such services may not be rendered in a timely manner or their quality may not comply with our requirements, regulatory framework or stipulations included in the service contracts. Moreover, certain contractors may experience operational or financial issues and certain services may become unavailable to us as a result thereof. Any failures by contractors to deliver in accordance with their contractual obligations may result in delays and additional expenses for us.

Since 2007, we have operated 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 307 full-time employees as of March 31, 2020, of which 68, 208 and 31 were assigned to the areas of asset and portfolio management, property and facility management, and construction management, respectively. As further acquisitions take place, we may increase the number of personnel in the future. In addition, we have entered into agreements with third parties for providing additional asset management and services in order to benefit from their expertise and support in the respective areas. During the three-month period ended March 31, 2020, we incurred expenses of approximately €2.1 million (not including non-recurring expenses) in connection with the services provided by third parties. 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 forced to scale down our business operations, it would be substantially more difficult and costly for us to reduce our headcount than to reduce the services provided by third-party contractors.

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. Since some of these tasks are performed internally, we may not be in a position to claim compensation for damages from third parties from non-performance or improper performance. Moreover, if services rendered by our employees are not performed as scheduled or in a timely manner, or if the quality of work or the delayed execution of our work falls below applicable standards, we may face claims from our tenants, including rent reductions and additional compensations, or may not be in a position to re-let vacant units that require maintenance and modernization before new tenants can move in. In addition, in the course of rendering services, our employees, third-party suppliers, tenants or other individuals may be injured which, ultimately, exposes us to liability risks in relation thereto.

If the services from third-party providers are not performed in accordance with their contractual obligations or services, including those rendered by personnel of our integrated platform for portfolio management and privatization, are not performed as scheduled or if the quality of work falls below applicable standards, we may face claims from our tenants or from purchasers of individual residential units and may be exposed to delays and additional expenses, and ultimately not be in a position to re-let vacant units that require maintenance and modernization before new tenants or purchasers can move in.

Any failure to efficiently implement our multi-facetted human resource approach may result in delays, additional expenses, the general failure to be in a position to make apartments available to tenants or purchasers on time, if at all, which could lead to liability claims.

1.1.14 Our business includes condominium sales (privatizations) and our property portfolio contains some commercial units, both of which are subject to different risks than our residential rental units.

As part of our business strategy, we selectively sell individual residential units to owner-occupants or small investors in condominium sales (privatizations). During the three-month period ended March 31, 2020, we sold a total of 10 units (including one commercial unit) at an average price of €3,541 per sqm to owner-occupants or small investors as a part of that strategy (compared to 62 residential units sold at an average price of €3,934 per sqm during the fiscal year ended December 31, 2019). In executing condominium sales (privatizations), we sell individual residential units but not necessarily all units within a building. Any unsold condominiums bind us to continue the maintenance of the building, which may incur increased financial expenses and ultimately negatively affect our ability to sell condominiums at a profit. As of March 31, 2020, we held 131 residential units for sale in 10 apartment buildings. Moreover, our ability to profitably sell condominiums 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, pressure on sales prices could occur through a decline in overall demand, *e.g.* due to rising unemployment or an increase of interest rates. If real estate becomes less popular as an investment in general or in particular in Berlin, the demand for residential properties could also decrease.

As of March 31, 2020, 69.5% of our properties contain a total of 1,372 commercial units with a total lettable area of 161,727 sqm, which also includes seven purely commercial properties with a cumulative lettable commercial area of 17,201 sqm. The commercial portion of our portfolio accounted for 17.4% of our rental income as of March 31, 2020 (compared to approximately 17% of our rental income as of December 31, 2019). While many of the risks described in this Prospectus also apply to the commercial units, a range of characteristics may increase or affect the risks associated with our commercial units. As our commercial units compete with other commercial properties in the neighborhood, demand for such units is site- and location-specific, which may result in narrower demand relative to residential units and may lead to prolonged or permanent vacancies. In terms of rent, the risk is more concentrated as lease contracts are usually made for higher amounts than for residential units. In addition, the re-letting of a commercial unit generally takes longer than the re-letting of a residential unit. Also, in the event of an economic crisis the demand for commercial units is adversely affected quicker than the demand for residential units. Finally, any vacant commercial unit, or a leased commercial unit that conducts an unsavory type of business, within our residential properties may in turn negatively impact our ability to retain residential tenants or locate new residential tenants for that property.

1.1.15 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 through rental income 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 and building laws and extensive regulations (see "*1.3.2 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, or disadvantageous changes to the Berlin Mietspiegel or other regulation, may be detrimental to us.*"). Typically, the costs associated with maintaining a rental property at market standards are borne primarily by the property owner. As maintenance, repair and modernization is required to comply with changing legal or market requirements (e.g. with regard to energy saving), we, as 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 for all modernization projects announced as of January 1, 2019 not exceed 8% of the total costs incurred in connection with certain modernization measures and is capped at €3.0 per square meter within six years, or if the rent is less than €7.0 per square meter the rent may only increase by €2.0 (by sqm) within six years. 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.

During the three-month period ended March 31, 2020, our maintenance and capital expenditures – on average – amounted to €14.7 per sqm to our overall portfolios, amounting to total costs of approximately €0.7 million in that period. This is a decrease compared to the three-month period ended March 31, 2019, during which these expenditures averaged €46.2 per sqm. In comparison, our average maintenance and capital expenditures for the fiscal year ended December 31, 2019 amounted to €36.2 per sqm (corresponding to total costs of approximately €11.6 million during that period), which was a decrease compared to average maintenance and capital expenditures of €39.2 per sqm incurred during the fiscal year ended December 31, 2018. Although we constantly review the condition of our properties and have established a reporting system to monitor and budget the necessary maintenance, repair and modernization measures, numerous factors may generate substantial cost overruns or unexpected increases in costs for maintenance, repairs and modernization. These factors, which may include the material and substances used at the time of construction, currently unknown building code violations, the age of the relevant building and/or any inability to process damage reports in a timely manner, could result in substantial unbudgeted costs for refurbishment, repairs, modernization, damages arising from the delayed execution or non-execution of repairs and/or maintenance measures, 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 51% of our residential units were built between 1949 and 2005 and approximately 49% were built prior to 1949 (calculated on the basis of the fair value of our 16,248 residential units as of March 31, 2020).

We would incur additional and unexpected costs if the actual costs of maintaining or modernizing our properties were to exceed currently recognized 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.

Any failure to undertake appropriate maintenance and modernization work at all or on economically reasonable terms in response to the factors described above could adversely affect the rental income earned from affected properties. Such failures could entitle tenants to withhold or reduce rental payments or even to terminate existing letting contracts.

1.1.16 *We may be unable to find or retain suitable tenants on acceptable terms, and existing tenants may be unable to meet their payment obligations.*

The letting of real estate is the most important aspect of our business as we generated 93.1% of our revenue from rental activities (including facility services) in the three-month period ended March 31, 2020. Our rental income depends on, *inter alia*, our ability to let our properties at profitable rent levels. Such efforts are influenced by a number of factors, including the remaining term of existing lease agreements, the commercial conditions of current tenants and the attractiveness of residential real estate units for new or existing tenants. We may be unable to renew expiring lease agreements on acceptable terms or to find suitable tenants willing to enter into new lease agreements. There is also no guarantee that we will be able to successfully compete for suitable tenants with other landlords, who may be able to offer more attractive properties, lease terms and/or rent levels. If we misjudge the current or future attractiveness of our properties, it may be difficult to find suitable tenants that are willing to rent our properties at the rent levels or for the time periods anticipated by us. To a lesser extent, the same applies to our ability to let our commercial real estate properties which, in the three-month period ended March 31, 2020, generated 17.4% of our rental income (compared to 17.0% in the fiscal year ended December 31, 2019).

Failure to find and retain suitable tenants may prevent us from maintaining our current vacancy rate or letting vacant space, or may force us to reduce the rent levels to demands from current and future tenants.

In addition, the financial capacity or creditworthiness of our tenants may deteriorate over time, reducing their ability to make payments under their leases on time or at all. Reductions in tenants' abilities to make payments under their leases may force us to reduce rent levels for the relevant properties, resulting in rental income that is significantly lower than originally estimated, while our operating and financing costs might remain largely fixed or even increase. We may also be forced to engage in expensive and time-consuming administrative or legal proceedings in order to evict certain defaulting tenants. Further, insolvency or other restructuring activities undertaken by our tenants, with or without our consent, may result in modifications to the terms of our leases. Although we do not consider any single rental agreement to be material to our position, we take steps to verify the financial capacity of our tenants prior to entering into leases with them and, as such steps may not always be adequate or may not reveal undisclosed problems with such tenant's financial capacity. Ultimately, however, we may enter into a significant number of rental agreements on the basis of inadequate verification processes that could, in turn, collectively have a materially adverse impact on us as a whole. In addition, we cannot predict the financial stability of our tenants going forward and we may ultimately be exposed to the risk of cumulative financial instability of a significant number of our tenants.

1.1.17 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 downturn in tenant satisfaction, demand for our services and properties and any damage to our reputation could have a material adverse effect on our business, net assets, financial condition, results of operations, cash flows and prospects.

1.1.18 Our information technology systems could malfunction or become impaired.

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 our 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 ADO Properties Group. Any malfunction or impairment of our 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. The integration of newly acquired portfolios into our information technology systems presents 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 fail, 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. Such a migration would likely incur substantial costs and potential interruptions in our business processes as well as potential losses of data and could have a material adverse effect on our business, net assets, financial condition, results of operations, cash flows and prospects.

1.1.19 We are subject to certain obligations and restrictions due to the stock listing of the Company which also applies to the stake in ADLER Real Estate.

As of the date of this Prospectus, the Company's shares are admitted to trading on the regulated market segment (*Regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) with simultaneous admission to the sub-segment thereof with additional post-admission obligations (Prime Standard). Consequently, the Company is exposed to the restrictions and obligations arising from the applicable laws and regulations in Germany as well as the requirements of the Frankfurt Stock Exchange

(*Frankfurter Wertpapierbörse*). This stock listing imposes obligations and restrictions on the Company under and in connection with, amongst others, (i) the applicable capital markets provisions on an EU level, such as the European Regulation (EU) No 596/2014 of 16 April 2014 on market abuse, including the prohibition of insider trading and obligations to draw up insider lists and disclose inside information, (ii) the implementation of related EU directives in Germany and Luxembourg, respectively, (iii) national legislation in Germany and Luxembourg, and (iv) the applicable rules of the relevant stock exchange on which the Company's shares are traded. In addition, the Company, as a result of being a shareholder of, among others, Consus Real Estate, is subject to applicable capital markets laws and regulations, such as certain notification obligations on shareholding, public takeover regulations and squeeze-out provisions.

Any violation or breach of these laws and regulations could affect the overall reputation of the Company and, depending on the case, expose the Company to administrative or judicial proceedings, which could result in adverse judgments and administrative fines. Furthermore, there is a risk that the obligations and restrictions arising from such laws and regulations may restrict or adversely influence our ability to take material decisions with respect to the Company's interest in Consus Real Estate and in ADLER Real Estate, the shares of which are also admitted to trading on the regulated market segment (*Regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) with simultaneous admission to the sub-segment thereof with additional post-admission obligations (Prime Standard).

1.1.20 The withdrawal of the United Kingdom from the European Union may continue to cause significant political and economic uncertainty in the European Union and in the United Kingdom.

The ongoing political situation surrounding the United Kingdom's withdrawal from the EU ("**Brexit**") is partially characterized by rapid developments and unexpected change. The final consequences of Brexit are impossible to predict. The member states of the EU will face greater barriers to trade and commerce with the United Kingdom, which may in turn diminish overall economic activity between the EU and the United Kingdom, resulting in a general economic downturn. The uncertain consequences of Brexit have already caused additional volatility in the financial markets. Since we rely on access to the financial markets in order to refinance our debt liabilities and gain access to new financing, ongoing political uncertainty and any worsening of the economic environment may reduce our ability to refinance our existing and future liabilities or gain access to new financing, in each case on favorable terms or at all. Furthermore, our counterparties, in particular our hedging counterparties, may not be able to fulfil their obligations under their respective agreements due to a lack of liquidity, operational failure, bankruptcy or other reasons.

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

1.2 Risks related to the ADO Properties Group's Financial Situation

1.2.1 Property valuation is inherently subjective and uncertain and is based on assumptions which may prove to be inaccurate or affected by factors outside of our control. The property valuation serves as a basis of and is combined with other factors for our fair value model which, ultimately, could require downward revisions of the current fair values of our investment properties.

Property assets are inherently difficult to value due to their lack of homogeneity and liquidity. We record investment properties at fair value, which is the price that would be received when selling an asset or transferring a liability in an orderly transaction between market participants at the measurement date ("**Fair Value**"). Our investment properties are appraised as of June 30 and December 31 of each year and the Fair Value of the investment properties as of December 31, 2019 was determined based on valuations as of December 31, 2019, undertaken by the external valuer (as defined by the Royal Institution of Chartered Surveyors Valuation – Global Standards 2017) CBRE GmbH ("**CBRE**"). As of December 31, 2019, the combined property value of all of our properties was €3.7 billion.

The properties owned by the ADLER Group generally undergo a detailed valuation as of June 30 and December 31 of each year. The fair value of certain residential rental units owned by the ADLER Group (including non-core properties) (excluding the ADO Properties Group) as of December 31, 2019 was determined based on valuations as of December 31, 2019, undertaken by the external valuer (as defined by the Royal Institution of Chartered Surveyors Valuation – Global Standards 2017) Savills Advisory Services Germany GmbH & Co. KG ("**Savills**"). As of December 31, 2019, the value of these residential rental units was €2.0 billion. Furthermore, the fair value of the residential rental units owned by Brack German Properties B.V. ("**BGP**"), a wholly-owned subsidiary of Brack Capital Properties N.V. ("**BCP**"), in which ADLER Real Estate holds a 69.81% stake as of December 31, 2019, was determined based on valuations as of December 31, 2019, undertaken by Savills. As of December 31, 2019, the value of these residential rental units was €1.0 billion. Moreover, the fair value of certain existing properties and the development projects of the ADLER Group as of December 31, 2019 was determined based on valuations as of December 31, 2019, undertaken by the external valuer (as defined by the Royal Institution of Chartered Surveyors Valuation – Global Standards 2017) apollo valuation & research GmbH (“**NAI Apollo**”). As of December 31, 2019, the fair value of these certain residential rental units and the development projects owned by the ADLER Group (excluding the ADO Properties Group) was €1.7 billion.

The fair value of the development properties owned by Consus Real Estate AG (“**Consus Real Estate**” and, together with its consolidated subsidiaries, the “**Consus Group**”) was determined based on valuations as of February 29, 2020, undertaken by NAI Apollo. As of February 29, 2020, the fair value of the development properties owned by the Consus Group was €2.8 billion.

Valuations are based on assumptions that could subsequently turn out to have been incorrect. 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 equity attributable to shareholders calculated on the basis of the best practice recommendations of the European Public Real Estate Association (“**EPRA**”) (amended for the value from the revaluation of trading properties and adjusted for deferred taxes, the fair value of derivative financial instruments) (“**EPRA NAV**”) reflects the fair value of net assets on an ongoing and long-term basis. As of March 31, 2020, the EPRA NAV of our real estate properties amounted to €2,824 million. As of the same date, the EPRA NAV of ADLER Real Estate amounted to €1,840 million (as adjusted for goodwill and on a fully diluted basis).

The best evidence of fair value is supplied by, for example, the general market environment, interest rate levels, the creditworthiness of the tenants, conditions in the rental market and the quality and potential development of the locations. The valuation of real estate is therefore subject to numerous uncertainties. The past or future assumptions underlying the property valuations may later be determined to have been erroneous. In particular, there can be no certainty regarding the potential economic effects and outcomes of the *Berliner Mietendeckel* (or any future legislative decisions to restrict or limit rents chargeable for residential units) on the valuations or any potential future revision thereof. 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. In the three-month period ended March 31, 2020, we did not recognize a profit due to a change in fair value, while profit recognized due to a change in fair value amounted to €462 million in the fiscal year ended December 31, 2019.

The valuation of real estate is based on a multitude of factors that also include the appraiser’s subjective judgment. 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, transaction pricing, 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 our properties.

Property valuations are complex, involve the use of data which is not publicly available and involve a degree of subjective professional judgment by the appraiser. As a result, any valuation presents the external appraiser’s best estimate of the value of our properties or acquisition targets. However, there can be no assurance that the valuations accurately reflect the actual sale proceeds that could be achieved upon a sale (or purchase) of the properties valued, even where any such transactions occur shortly after the relevant valuation date, and particularly if, due to unforeseen circumstances, we would be forced to sell (or purchase) properties under unfavorable conditions. Likewise, there can be no assurance that the estimated yields and estimated rental values will prove to be achievable.

Any deviation between the valuations of our properties or acquisition targets to the reflected value of the underlying properties may require us to make significant fair value adjustments in the future.

1.2.2 In the event of a downturn or other developments in the real estate markets in Germany or a downturn in the interest rate environment, the fair values of the properties in our property portfolio may decline, which may have material adverse effects on the valuation of our property portfolio.

We account for our real estate properties at fair value. The valuation model is predominantly based on the present value of net cash flows to be generated from the property in question, taking into account expected rental growth rates, vacancy periods, occupancy rates, lease incentive costs such as rent-free periods and other costs not paid by tenants, as well as capex and maintenance expenses related to the property. In specific cases the appraisers use special assumptions, assuming 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. The expected net cash flows are discounted using risk-adjusted discount rates. Among other factors, the discount rate estimation considers the quality of a building and its location, tenant credit quality, lease duration and terms, and the interest rate environment.

Establishing the valuation parameters involves substantial judgment and such judgments may prove to be inaccurate. In addition, any change to valuation methodology, including as a result of changes to the statutory requirements, may result in gains or losses in our financial statements, based on the change to each property's valuation compared with prior valuations. There can be no assurance that any particular valuation could be realized in a third-party sale.

When evaluating our properties, we engage third-party appraisers. The valuations given to properties by third-party appraisers and reflected in our financial statements and in this Prospectus may exceed or be below the actual amount of net proceeds which would be realized on the relevant property at the time of any sale, and are subject to fluctuation over time. Such variations may be driven by factors outside of our control and we may not be able to realize the full property value reflected in any valuation report.

The fair value determination also reflects not only the circumstances directly connected with the property but also the general conditions of the real estate markets, such as regional market developments and general economic conditions or interest rate levels. Accordingly, there is a risk that in the event of a downturn in the real estate market where the property is located or in the general economic situation, we will need to revise downward the value of our portfolio. In addition, rising interest rates generally may have a negative influence on the fair value of property portfolios, and may impact the value of our real estate portfolio (see "*1.1.10 We are exposed to certain risks in connection with construction projects, including construction defects, availability of contractors, cost-overruns as well as health, safety and environmental risks.*").

Any change in fair value must be recognized as a profit or loss under the fair value adjustment. Any significant negative fair value adjustments that we are required to make could therefore have significant adverse effects on our financial condition and results of operations, as well as the market price of the Company's shares. Additionally, there would be negative effects on certain performance indicators, particularly with respect to net asset value ("**NAV**") and our loan-to-value ratio ("**LTV-Ratio**"), which may have a negative influence on the credit rating of the Company and may constitute a covenant breach under certain financing agreements or debt securities.

1.2.3 An increase in general interest rate levels as well as capital markets instability may increase our financing costs, while the current economic environment, characterized by relatively high values of our properties and the prices at which we are able to sell our properties, may decrease.

The total amount of our net financial liabilities (calculated as financial liabilities less cash and cash equivalents) was €1,094 million as of March 31, 2020. As of the same date, the average interest rate payable for the total amount of our financial liabilities was at 1.6% and the weighted average maturity term was four years. Furthermore, as of March 31, 2020, the total amount of ADLER Real Estate's net financial liabilities (calculated as bonds and financial liabilities to banks, less cash and cash equivalents) was €4,454 million, the average interest rate payable for the total amount of ADLER Real Estate's financial liabilities was at 1.9% and the weighted average maturity term was 3.4 years. 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. As of March 31, 2020, more than half of our outstanding financing arrangements expire in or after 2023. As of the same date, €1,907 million of ADLER Real Estate's outstanding financing arrangements expire in or after 2023. 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.

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, especially in the current low-interest rate environment. The resulting 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, which could adversely impact us in a number of ways. For example, the Fair Value recorded on the Company's balance sheet in accordance with International Accounting Standard ("**IAS**") 40 in conjunction with International Financial Reporting Standards as adopted by the European Union ("**IFRS**") 13 tends to increase in an environment of rising interest rates, which in turn could result in our properties having a lower Fair Value.

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 "*1.2.10 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 agreements may not be effective.*").

Our ability to refinance existing financing agreements on economically reasonable terms is, among others, affected by changes in the general economic environment, increases in interest rates and decreases in prices at which we are able to sell our properties.

1.2.4 A downgrade or a withdrawal of the Company's current credit rating may impact our ability to obtain financing or issue further debt and may have a negative impact on our debt costs and on the share price of the Company.

As of the date of this Prospectus, the Company is assigned a long-term issuer credit rating of "BB" with a stable outlook by Standard & Poor's Global Ratings Europe Ltd. ("**S&P**") and a "Ba2" rating with a stable outlook by Moody's Investors Service Ltd. ("**Moody's**"). ADLER Real Estate is assigned a long-term issuer credit rating of "BB-" with a stable outlook from S&P. Accordingly, ADLER Real Estate is assigned a lower creditworthiness than the Company. Consus Real Estate is assigned a long-term issuer credit rating of "B-" with a stable outlook by S&P and a "B-" rating with a stable outlook by Fitch Ratings Ltd.

The credit ratings of the Company may be downgraded or withdrawn in the future as a result of the Consus Real Estate Majority Acquisition (as defined below) or factors that are beyond our control, such as a deterioration in the real estate or financial markets, or weakened financial performance by us, or future exposure to the development business, which is characterized by increased capital expenditure and leveraged financial profiles. The Completion could lead to a lower assessment of the creditworthiness of the Company in the event of a new review of the Company's current credit rating, which in turn could result in a downgrade or a withdrawal of the credit rating.

Any negative change in the credit rating of the Company may make future financing and debt issuances by us more difficult and expensive, and may require us to, among other things, pay higher interest rates and/or provide increased collateral or other security if they are able to access additional financing at all. A downgrade or withdrawal of the credit ratings of the Company may also result in a breach of certain financial covenants in their respective credit lines, financing arrangements and/or debt issuances, and may have a material adverse effect on our businesses. A downgrade or withdrawal of the credit ratings of the Company may also result in a significant decline in the share price of the Company.

A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organization.

1.2.5 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.

As of March 31, 2020, we had €1,094 million of outstanding net financial liabilities (calculated as financial liabilities less cash and cash equivalents). As of March 31, 2020, the total of our existing financial liabilities amounted to €1,507 million with an average interest rate of 1.6%. As of the same date, €395 million of this amount was due until the end of 2022, €934 million between 2023 and the end of 2024, and €179 million only from 2025. As of the date of the Prospectus, €885,470,000 have been drawn under the Bridge Facility (as defined below). Furthermore, as of March 31, 2020, ADLER Real Estate's total existing net financial liabilities amounted to €4,454 million with an average interest rate of 1.9% and, as of the same date, €2,634 million of this was due until the end of 2022, €1,005 million between 2023 and the end of 2024, and €902 million only from 2025. 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, and 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 which would severely limit our operating flexibility.

1.2.6 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 bonds and/or 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, 2020, the total of our existing financial liabilities amounted to €1,507 million with an average interest rate of 1.6%. As of the same date, €395 million of this amount was due until the end of 2022, €934 million between 2023 and the end of 2024, and €179 million only from 2025. Furthermore, as of March 31, 2020, ADLER Real Estate's total existing net financial liabilities amounted to €4,454 million with an average interest rate of 1.9% and, as of the same date, €2,634 million of this was due until the end of 2022, €1,005 million between 2023 and the end of 2024, and €902 million only from 2025. As of March 31, 2020, our LTV-Ratio was 29.4%, compared to a LTV-Ratio of 39.6% as of March 31, 2019, with the decrease mainly attributable to adjustments as a result of the sale of approximately 5,900 residential apartments to GEWOBAG Wohnungsbau-Aktiengesellschaft Berlin (the "**Gewobag Sale**"). ADLER Real Estate's LTV-Ratio was 52.4% and 61.2% as of March 31, 2020 and 2019, respectively. 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, changes to refinancing conditions or the general market environment that is impacted by the Coronavirus. Although not currently the case, 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 loan-to-value ("**LTV**") and/or require us to maintain a minimum debt service coverage ratio. Our failure to comply with such covenants could trigger the respective creditor's right to terminate the relevant financing arrangement or require us to repay part of our debt to cure a breach in the covenants or may lead to higher interest payments.

Various loans that the Company's subsidiaries obtain are secured by mortgages on real estate owned by us. 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 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, we could 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 we may be forced to sell some or all of the assets comprising our real estate portfolio. In addition, as of March 31, 2020, 57.6% of our assets served 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.

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

As of March 31, 2020, all of our properties are insured against losses due to fire, natural hazards and specified other risks in amounts that we believe to generally be in line with market practice. 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 and thus may experience material losses in excess of insurance proceeds.

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

1.2.8 The Company's cash flows and possible future dividend payments are dependent on the distributable capital and annual profit and profitability of its subsidiaries or must be augmented by borrowed capital.

The Company is a holding company and does not conduct its operating business itself but does so through its subsidiaries. To cover the Company's operating costs, it relies on, among other things, distributions that it receives from its subsidiaries and other investment interests or, as the case may be, scheduled repayments of loans it has granted to its subsidiaries. The distributions by its 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 its payment obligations. If the funds are insufficient, the Company would need to obtain additional funds to be able to pay dividends.

Additionally, the Company requires sufficient distributable results and/or distributable reserves in order to be able to pay out a dividend. In principle, the Company intends to pay out a dividend in the amount of up to 50% of FFO 1. 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. We will most likely refrain from paying dividends if available cash is insufficient for the payment thereof. However, any decision to borrow money to facilitate paying dividends could, while in the short-term potentially strengthen the Company's position among shareholders, result in increased financial obligations over the long run.

1.2.9 We bear risks in connection with greater indebtedness and higher interest expenses.

Any acquisition of additional property by us 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 we are unable to obtain the necessary capital on reasonable terms, we 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. As of March 31, 2020, the EPRA NAV of our real estate portfolio amounted to €2,824 million and the LTV-Ratio was at 29.4%. As of the same date, the EPRA NAV of ADLER Real Estate was €1,840 million (as adjusted for goodwill and on a fully diluted basis) and the LTV-Ratio was at 52.4%. Any additional debt incurred in connection with future acquisitions could have a significant negative impact on our performance indicators EPRA NAV and LTV-Ratio and could result in higher interest expenses for us. 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.

1.2.10 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 agreements 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, 2020, almost all of our loans which carried a variable interest rate, totaling a book value of €76.9 million as of the same date, 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.

1.2.11 We have grown rapidly and there is no guarantee that we will be able to manage future growth successfully. Our historical earnings and other historical financial results are not necessarily predictive of future earnings or other financial results.

The financial information included in this Prospectus relates to our past performance. We have grown rapidly and our future development could deviate significantly from past results due to a large number of internal and external factors. There is no guarantee that we have the capacity to adequately manage and handle our future growth. Our risk management, IT, property management and other operational systems may be unable to handle our growth, and we may be unable to acquire the employees, operating capacity and other resources that we need to handle our growth in the future.

In addition, because of the rapid growth, the historical earnings, historical dividends and other historical financial data of the Company are not necessarily predictive of our future earnings or other financial results. The information presented in this Prospectus often involves forward-looking statements based on our estimates and assumptions. There can be no assurance that these estimates and assumptions will be accurate, reasonable or correct in every market condition, and we may fail to accurately predict future developments.

1.2.12 The assumptions made in preparing the profit forecast included in this Prospectus may prove incomplete or inaccurate.

The profit forecast included in this Prospectus reflects numerous assumptions made by the Company's management. These assumptions relate to commercial expectations and other external factors, including political, legal, fiscal, market and economic conditions and applicable legislation, regulations or rules, all of which are difficult to predict and are beyond the Company's control.

Accordingly, the assumptions made in preparing the profit forecast could prove incomplete or inaccurate and there may be differences between the Company's actual and projected results, which could be material and could in the future impact the price of the Company's shares, including the New Shares. The inclusion of the profit forecast in this Prospectus should not be regarded as an indication that the Company considers such financial targets to be achievable or any outlook to be reliable predictions of future events. Accordingly, investors should not place undue reliance on the profit forecast included in this Prospectus.

1.3 Regulatory and Legal Risks

1.3.1 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 gradual rent (*Staffelmiete*) or an index-linked rent (*Indexmiete*), which is only permissible within certain limits and unusual in residential leases, 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 publishes a new qualified rent index every two years. The latest update of the rent index for Berlin has been published on May 13, 2019. The average residential rents in Berlin increased in the time period 2017 – 2019 by 2.5% per year whereas in the time period from 2015 – 2017 the increase was at a level of 4.6 % per year.

In addition to the generally applicable rent increase restrictions as mentioned above, we are subject to additional restraints on rent increases arising from the acquisition agreements through which the respective real estate portfolio or property for privatization was 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, 2020, 3.0% (by sqm) of our residential units were subject to rent restrictions that stem from public subsidies, accounting for 3.1% of our total rental income. 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 or not as quickly as we have assumed or may remain static.

Affordable housing has been and continues to be a political topic of controversial discussion in Berlin and throughout Germany. During the last couple of years, legislative developments 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 three months.

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. German residential landlord tenant law (*Wohnraummietrecht*) is considered to be tenant friendly in many respects, including limits on the amount of rent chargeable.

Restrictions and ceilings for existing and new leases, such as the rent cap (*Mietpreisbremse*) and the rent freeze (*Mietendeckel*), as well as restrictions on rent increases following modernization of the properties in accordance with the German Tenancy Adjustment Act (*Mietrechtsanpassungsgesetz*), which came into force in January 2019, are further examples for restrictions on rent increases.

The German Act on Curbing Rent Increases in Tight Housing Markets and the Strengthening of the Orderer Principle with respect to the Business of Rental Agents – Tenancy Law Amendment Act (*Gesetz zur Dämpfung des Mietanstiegs auf angespannten Wohnungsmärkten und zur Stärkung des Bestellerprinzips bei der Wohnungsvermittlung – Mietrechtsnovellierungsgesetz*) ("**MietNovG**") entered into force on June 1, 2015. A provision of MietNovG that authorizes the German federal state governments to determine areas with a tight housing market already entered into force on April 27, 2015. A decree declaring Berlin as an area with a tight housing market was issued by the Berlin government on April 28, 2015. One of the main topics of MietNovG is a cap on rents for new leases (*Mietpreisbremse*). This rent cap provides that, subject to certain exceptions such as the first-time lease of newly build apartments, no rent may exceed the local comparative rent by a maximum of 10% in case of new lettings of residential units in areas designated as a tight residential rental market. However, the rent cap only applies if the federal states have implemented ordinances designating areas as tight residential rental market.

In addition, the German Tenancy Adjustment Act tightens the provisions for implementing the rent cap at the expense of landlords. According to the new provisions, landlords are obliged in certain cases to provide a tenant with unsolicited information on the rent achieved for the apartment prior to the conclusion of the rental agreement. In addition, it has been made easier for tenants to make a complaint based on the rent cap. Whereas tenants previously had to submit a qualified complaint, which had to contain the facts on which the complaint was based, a simple complaint is sufficient under the new law.

On June 18, 2019, Berlin's municipal government (*Berliner Senat*) announced its intention to freeze rents in Berlin for the next five years. The so-called "*Mietendeckel*" was passed on January 30, 2020 by Berlin's parliament (*Berliner Abgeordnetenhaus*) and entered into force on February 23, 2020. On the basis of the Law on Rent Limitation in Housing in Berlin (*Gesetz zur Mietenbegrenzung im Wohnungswesen in Berlin – MietenWoG Bln*) (the "**Berlin Rent Limitation Law**"), the rents for living space in Berlin (except for subsidized and newly built living space) shall be capped retrospectively as of June 18, 2019. Among other things, the passed law provides that the administration can take action *ex officio* against landlords in the event of violations of the permitted rent amount. An application by the tenant to lower the rent to the permissible level, as was provided for by the draft law of the Berlin municipal government (*Berliner Senat*), is not necessary. Furthermore, violations of the rent freeze in connection with existing rents and future rent increases, insofar as these exceed the limits intended by the rent freeze constitute administrative offenses. These administrative offenses may be punished with fines of up to €500,000 per individual case. In case we have agreed on provisions in individual or a multitude of cases in connection with our approximately 21,300 existing leases as of March 31, 2020 or with new leases, by which we would violate the provisions of the Law on Rent Limitation in Housing in Berlin or comparable laws that restrict or lower the current rent level, this could have a material adverse effect on our business, net assets, financial condition, results of operations and prospects. The Combined Group has approximately €29.6 million of rental income as of March 31, 2020, or 33.6% of its total net rental income as of March 31, 2020, exposed to the "*Mietendeckel*" regulation. It expects the combined impact of such regulation to result in a decrease of rental income in the amount of approximately €1 million for 2020 and €9 million for 2021, mostly due to the reversion of rents to the maximum levels as of November 2020.

On May 6, 2020, certain members of the German Federal Parliament (*Bundestag*) filed an application for judicial review (*Normenkontrollantrag*) with the German Federal Constitutional Court (*Bundesverfassungsgericht*) to ascertain the compliance of the Berlin Rent Limitation Law with German federal constitutional law.

Any further tightening of existing or the introduction of additional rent restrictions could limit our ability to implement an increase in rental costs across any part of or all of our portfolio and, ultimately, negatively affect our strategy. Any failure to comply with or violation of legislation regarding rent restrictions could result in our obligation to repay any surplus rents charged and, additionally, to pay substantial fines. Furthermore, any other cap, tenant-friendly regulation or regulation serving the protection of tenants may considerably impair our ability to raise rents.

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.

1.3.2 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, or disadvantageous changes to the Berlin Mietspiegel or other regulation, may be detrimental to us.

Our business is subject to the general legal framework that applies to housing, including German tenancy law, as well as special provisions in other laws and regulations, such as social legislation, building and construction laws, monument protection laws and federal or state laws and regulations. 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, results of operations and prospects.

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 German 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. On March 3, 2015, the Berlin government passed a regulation (*Umwandlungsverordnung*) according to which a conversion of a building into condominiums is prohibited in milieu protection areas (*Milieuschutzgebiete*) of the city unless the relevant district has granted permission by means of an exception to this regulation. The landlords of rented apartments require an exception permission (*Ausnahmebewilligung*) by the relevant district to sell the apartment. Such exception permissions may be granted, for example, in case that the apartment shall be sold to the current tenant. As of March 31, 2020, we owned 40 residential units for sale under our privatization portfolio that are or may potentially be effected by such changes. Although this does not affect the sale of an entire property, regulation may hinder the conversion and sale of single apartments. As of the date of this Prospectus, 61 areas of Berlin are defined as milieu protection areas (*Milieuschutzgebiete*), within which 4,291 units of our real estate portfolios are located. The Berlin government may, on an ongoing basis, decide to extend milieu protection (*Milieuschutz*).

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 *vis-à-vis* a buyer, with the consequence that the buyer's obligation to pay the purchase price would be excused or deferred.

1.3.3 We may fail to comply with applicable or future laws and regulations in relation to privacy and data protection or such laws and regulations may change in a manner that is unfavorable to our business.

Before entering into a lease agreement, a potential tenant provides us with certain personal data on which basis we determine whether to enter into a lease agreement with such tenant. Furthermore, such personal data is stored by us. As of March 31, 2020, we have cumulatively entered into approximately 35,900 lease agreements with more than 53,300 parties (excluding the units sold under the Gewobag Sale) and, as a result thereof, stored a significant amount of personal data. The collection, use and storing of data is subject to regulation under German data protection law. In addition, the EU recently enacted Regulation 2016/679/EU of April 27, 2016 (General Data Protection Regulation) (the "**GDPR**"). The GDPR automatically came into effect in all EU member states as of May 25, 2018, and imposed stricter conditions and limitations in relation to the processing, use and transmission of personal data. The GDPR introduced extensive documentation obligations and considerably higher transparency requirements, which affect not only initial data collection but also the monitoring and investigation once personal data has been collected.

We may not have prepared for these changes to the extent necessary and our preparations may not yield the expected results. Additionally, although we strive to comply with all applicable laws, regulations and legal obligations relating to data usage and data protection, it is possible that these laws, regulations and other obligations may be interpreted and applied in a manner that is inconsistent with our practices. Furthermore, there can be no assurance that our practices have complied, comply or will comply fully with all such laws, regulations and other legal obligations. Our process of developing and advancing our data protection standards and procedures may take longer and require more resources than originally planned.

Any non-compliance by us with the applicable regulations could lead to fines and other sanctions. For example, the GDPR provides that violations can be fined, depending on the circumstances, by up to the higher of €20 million and 4% of the annual global turnover of the non-compliant company.

1.3.4 Administrative decisions could affect our ability to conduct our business at our discretion.

We could be adversely affected by decisions from public authorities on a municipal level. For instance, as of March 31, 2020, 1,268 units of our real estate portfolios, accounting for 7.5% of our rental income as of the same date, are situated in preservation areas (*Erhaltungsgebiete*) within Berlin, 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 administrative decision that would affect our ability to conduct our business at our discretion could have a material adverse effect on our business, net assets, financial condition, results of operations, cash flows and prospects.

1.3.5 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 of March 31, 2020, we are the lessor under approximately 21,300 lease agreements with our tenants. As of the same date, ADLER Real Estate was the lessor under approximately 63,600 lease agreements with its tenants. 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. In addition, we have adopted long-term standardized lease agreements through our various acquisitions. 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.

1.3.6 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 ordnance (including potentially unexploded ordnance) and/or other residual pollution and environmental risks. A certain number of our assets are listed in the register of contaminated sites. Buildings and their fixtures might also contain asbestos, dichlorodiphenyltrichloroethane ("**DDT**"), polychlorinated biphenyl ("**PCB**"), pentachlorophenol ("**PCP**") and lindane above the allowable or recommended thresholds, or the buildings could bear other environmental risks, e.g. flooring material containing asbestos (i.e. "Floorflex" flooring). In total, as of March 31, 2020, 24.0% of our residential real estate units (by sqm) and 11.3% of our commercial real estate units (by sqm) contain this flooring material. For example, certain of our properties contain asbestos contamination which, from time to time, requires us to do refurbishments. In particular, we have received notice that one of our buildings contains substantial asbestos contamination for which we expect significant refurbishment expenses. Refurbishment and removal of this material takes place regularly 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 built around the turn of the nineteenth century and legionella (see "*1.3.2 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, or disadvantageous changes to the Berlin Mietspiegel or other regulation, may be detrimental to us."), 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 ordnance 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 ordnance 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 properties we currently own or operate, properties we have formerly owned or operated or properties where waste 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 chrysotile containing materials (CCM), 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 building codes or environmental regulations, including those applicable in Berlin. 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.

1.3.7 *We may not be granted building and other permits, or may be granted them only subject to onerous conditions, or additional requirements may be imposed on existing building and other 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. As of the date of this Prospectus, we have two pending requests for the issuance of building permits, comprising a total of 1,382 sqm. As of the same date, ADLER Real Estate has two pending requests for the issuance of building permits, comprising a total of 22,886 sqm. 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 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, we may not be able to or decide to not 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.

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

In connection with the sale of properties (privatization), 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 the three-month period ended March 31, 2020 and the fiscal year ended December 31, 2019, we have sold 10 and 62 residential units of our units held for privatization, respectively. 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.

In connection with any of the aforementioned or similar risks, we may be facing 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. This could, in turn, have a material adverse effect on our business, financial condition, results of operations, cash flows and prospects.

1.3.9 Our risk management and compliance systems as well as our accounting practices may prove to be partially or completely insufficient or fail, and unknown, unrecognized, underestimated or unexpected risks may materialize, any of which could lead to government investigations and significant reputation, financial or other consequences. We may fail to adequately account for potential liabilities or risk exposures.

There is no guarantee that our risk management or compliance systems are sufficient to manage the risks we face. We may be faced with risks that were previously unknown, unrecognized, underestimated or unconsidered, and our risk management or compliance systems may function incorrectly or fail. Inappropriate risk management or compliance measures may cause irregularities leading to, among other things, cash losses or delays in completion of development projects, or to official investigations or third-party claims against us, which in turn could have significant financial, reputational and other consequences.

Moreover, there can be no assurance that our application of accounting policies is in accordance with principles set by various standard-setting and supervisory authorities as well as national laws. The CSSF is currently conducting a focused examination on the application of IFRS 15 in accordance with the priorities of its 2020 enforcement campaign. In connection with the campaign, we have received an information request from the CSSF in relation to our financial information and the application of IFRS 15 for the fiscal year ended December 31, 2019. The CSSF may impose administrative sanctions if it concludes that our application of IFRS 15 is in violation of Luxembourg laws.

We book provisions for potential liabilities such as tax liabilities, litigation exposure and bad debt. These provisions are based on management's assumptions, estimates and judgements, and there is no guarantee that the provisions we have taken will adequately account for our actual liabilities. Failure to take adequate provisions against potential liabilities could have significant financial consequences for us.

1.4 Risks related to the ADO Properties Group's Tax Structure

1.4.1 The structure of the Company is mainly influenced by the general tax environment in Luxembourg, Germany and further countries of the European Union (Netherlands, Denmark, Malta and Ireland) and changes in the tax environment may increase our tax burden.

In addition to the Company, which is established in Luxembourg, we consist of more than 100 companies. These companies have registered offices in Germany, Luxembourg and further countries of the European Union (Netherlands, Denmark, Malta and Ireland). Our companies are subject to the tax laws of their jurisdictions of registration and the jurisdictions where they conduct business. The cross-border participation of the Company in its subsidiaries provides for various tax aspects, including cross-border taxation issues governed by directives of the European Union and/or double-tax treaties between Luxembourg and the jurisdictions of the subsidiaries. It cannot be excluded that tax authorities in the countries in which we are active may not share the view of our tax assessment, which could lead to additional tax burdens for us in any of these countries. For example, in the course of our business, we have entered into several cross-border financing transactions and any change or different treatment in the tax treatment in this context may have adverse tax effects. The same applies to the non-deductibility or requalification of intragroup loans and financings with third parties, intragroup payments for services, the different interpretation of the tax residency of a subsidiary, the assumption of a permanent establishment, the non-recognition of the VAT group with regard to the group companies or the non-granting of the so-called further reduction for the German real estate companies. Also, the tax laws in any of these jurisdictions or double-tax treaties between these countries could change in the future, even with retroactive effect, which could cause additional tax burdens for us.

Moreover, some of our companies have significant tax loss carry forwards ("**Tax Losses**") in an amount above €1 million. The aggregate amount of the companies' Tax Losses as of December 31, 2017 was €135.3 million for corporate income tax ("**CIT**") purposes and €69.5 million for trade tax ("**TT**") purposes. As of the date of this Prospectus, the aggregate amount of Tax Losses for 64 group companies as of December 31, 2018 was €61.8 million for CIT purposes and €29.2 million for TT purposes. Final data regarding Tax Losses following the fiscal year ended December 31, 2017 are not yet available and could turn out to be significant. 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 initial public offering in July 2015 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.

1.4.2 We are subject to the tax environment in Luxembourg, Germany and further countries of the European Union (Netherlands, Denmark, Malta and Ireland). Our tax burden may increase as a consequence of current or future tax assessments, tax audits or court proceedings based on changes in tax laws or changes in the application or interpretation thereof.

We are subject to the tax environment in Luxembourg, Germany and further countries of the European Union (Netherlands, Denmark, Malta and Ireland). Our tax burden primarily depends on various aspects of tax laws, as well as their application and interpretation. Amendments to tax laws may have a retroactive effect, and the application or interpretation of tax laws by tax authorities or courts may change. Furthermore, court decisions are occasionally limited to their specific facts by tax authorities. Any of these developments may increase or alter our tax burden.

A number of factors may also impact our tax situation. We are required to file tax declarations in Luxembourg, Germany and further countries of the European Union, from time to time, and any tax assessments that deviate from our tax declarations may increase or alter our tax obligations. Our individual entities are regularly subject to tax audits by the competent tax authorities which may result in increases in our tax obligations or penalties and fines. We may also be subject to administrative or judicial proceedings with respect to its tax declarations, and may incur substantial time and effort in addressing and resolving tax issues.

In addition, changes in tax legislation, administrative practice or case law, which are possible at any time and may occur on short notice, could have adverse tax consequences for us. The applicable tax rates, for example with respect to property tax, property transfer tax or capital gains tax, may also change rapidly and with short notice. Changes in RETT may also negatively affect the value of our portfolio. Additionally, changes could be made to the ability to depreciate owned real estate. Additionally, divergent statutory interpretations by the tax authorities or the courts are possible.

1.4.3 We are exposed to real estate transfer taxes (RETT).

Increases in the applicable RETT rates for the properties in our portfolio could negatively impact the portfolio by, among other things, reducing the value of and the proceeds from a sale of the affected properties or by reducing purchase demand for the affected properties or by reducing the valuation of the affected properties in the portfolio.

We currently hold real estate in Germany and shares in companies which own real estate in Germany. In Germany, the transfer of real estate or of a 95% or greater interest in a company that owns real estate triggers a potential liability for RETT. It cannot be excluded that RETT will be triggered post-Completion, upon an acquisition of additional ADLER Shares after the Completion or the reorganization of the Combined Group.

Because of the complexity of the RETT laws in Germany, we may from time to time seek to acquire properties with less than a 95% stake in the ownership company. This may result in an increased complexity of the transaction and stronger minority rights of the associate parties. As a consequence, transaction costs and future administrative expenses for the newly acquired property would generally rise, too. Recently proposed changes to German RETT laws aim to tighten the statutory RETT framework with regard to share deals. Accordingly, share deals that do not trigger any RETT may no longer be possible in the future or such acquisitions might be more difficult. In broad terms these proposals are to (i) extend the stricter partnership RETT rules to incorporated companies; (ii) reduce the economic ownership threshold upon which RETT is triggered from 95% of the shares or interest in a property company, as it is currently, to 90%; and (iii) extend the 5 year cooling period to 10 years. As a result, RETT will be payable unless the seller retains over 10% of the shares or interest in a property company for at least 10 years. While the draft bill originally stipulated that the respective legislative changes shall come into force in January 2020, it has recently been announced by the political parties currently forming the German government that the intended changes to RETT will not come into force as of January 1, 2020 as originally planned. Instead, it is now expected that a revised draft bill will be introduced to the German parliament in 2020. It is currently unclear if and to which extent such changes will enter into force with retroactive effect.

Any increase in applicable RETT rates for the properties in our portfolio could have a material adverse effect on our business, net assets, financial condition, results of operations, cash flows and prospects.

1.5 Risks related to the Company's Shares

1.5.1 Future capital measures like the issuance of new shares from authorized capital, which currently amounts to €750,000,000, the exercise of share options and any amendment to the capital structure to be resolved by the General Meeting could lead to a significant dilution, thereby reducing the value of the shareholding of the existing shareholders of the Company.

We could in the future be required to raise additional capital to finance our business and our growth. By resolution of an extraordinary general meeting of the shareholders of the Company (the "**General Meeting**") of June 16, 2015, the Company's board of directors (the "**Board of Directors**") is authorized, for a period of five (5) years ending from the date of the publication of such resolution (*i.e.* August 20,

2015) creating the authorized capital in the Official Gazette of Luxembourg (unless amended or extended by the General Meeting), to increase the Company's share capital up to €750,000,000 by issuing new shares with no nominal value against contributions in cash and/or in kind (the "**Authorized Capital**"). As of the date of this Prospectus, the share capital of the Company amounts to €91,718.51. In addition, the General Meeting may at any time, in compliance with the applicable Luxembourg laws, resolve on changes in the capital structure, in particular by further extending the authorization granted to the Board of Directors in the framework of the Authorized Capital. Raising additional equity by the issuance of new shares and the potential exercise of convertible bonds and option rights by holders of convertible bonds or bonds with option rights that could be exercised in the future could ultimately reduce the value of the shareholding of the existing shareholders of the Company. Additionally, a dilution could occur as the result of the acquisition of other companies or stakes in companies if these were to occur, as a whole or in part, in exchange for the issuance of new shares of the Company. The same applies to the exercise of stock options by employees of the Company in connection with future stock option programs or the issuance of shares to employees in connection with future employee participation programs.

1.5.2 The share price and the trading volume of the shares of the Company could fluctuate significantly, including due to disposals by any major or majority shareholder, which could, ultimately, result in significant losses for shareholders of the Company.

The share price of the Company has previously been subject to volatility and affected by fluctuating trading volumes. These shifts could continue to occur in the future. If the share price of the Company were to fluctuate, shareholders may not be in a position to sell their shares in the Company at purchase price or at a premium.

As of the date of this Prospectus, the shares of the Company are part of the "Small-Cap-DAX", a stock market index composed of 70 small to medium-sized companies in Germany ("**SDAX**"). Should the Company's shares be excluded from the SDAX and included in another index which is not viewed in the same way by investors, as a result of market fluctuations or developments, which could also result from market movements not specific to the real estate sector, in particular also the valuations of other companies, this could have a material adverse effect on the share price of the Company.

Generally, stock markets and, in particular, the shares of real estate companies, have previously been volatile. Factors that could negatively the share price of the Company or result in fluctuations of the share price or the trading volumes of the shares of the Company include, among others:

- changes in the actual or projected earnings performances of the Company or its competitors;
- changes to the earnings forecasts or any failure to meet earnings expectations of investors and analysts;
- a downgrade in the Company's rating;
- the valuation of the success and the effects of the strategy set forth in this Prospectus by investors and the valuation of the associated risks;
- changes in general economic conditions; and
- changes in the shareholder structure.

Shareholders could, for a variety of reasons, dispose of or sell all or parts of their shareholdings in the Company including, among others, in order to diversify their investments. To the extent any major shareholders or any majority shareholder of the Company disposes of or sells a significant amount of shares held in the Company, or if market participants believe that such disposals could take place, the share price of the Company could be adversely negatively affected.

Additionally, ordinary fluctuations of the share prices, in particular of the share prices of real estate companies, could result in an increased pressure for the share price and for the sale of the shares of the Company, even if these are not necessarily associated to the business- or earnings perspectives of the Company.

1.5.3 The ability of the Company to distribute dividends is dependent on a variety of factors. The previous dividend distributions, which amounted to €0.75, €0.60 and €0.45 per share for the fiscal years ended December 31, 2018, 2017 and 2016, respectively, are no indication for future dividend distributions. Additionally, the dividend policy of the Company may change in the future.

The Company may only distribute dividends if they have sufficient funds available for distribution as determined pursuant to the Luxembourg Companies Law. The annual dividend proposal to the General

Meeting is dependent on the development of our business and must be made under consideration of the capital base required for growth measures and current business prospects. In principle, the Company intends to distribute an annual dividend of up to 50% of FFO 1 to the shareholders. For the fiscal years ended December 31, 2018, 2017 and 2016, the dividend distribution amounted to €0.75, €0.60 and €0.45 per share. In addition, the Board of Directors resolved to recommend to the General Meeting to make no distribution of dividends to shareholders for the fiscal year ended December 31, 2019. There can be no certainty that future dividends can be distributed in line with the current dividend policy, if at all.

1.5.4 Future sales or market expectations of sales of a large number of shares by the Company's largest shareholders or other shareholders could cause the share price to decline.

There are no lock-up agreements with respect to the shares in the Company with existing or future shareholders. Thus, all shareholders are free to sell their shares in the Company at any time. The Company's share price could fall substantially if one or more of the major shareholders of the Company sell some or all of their shares or if such sales are anticipated by investors.

In addition, the sale or market expectation of a sale of a large number of shares by significant shareholders could make it difficult for the Company to issue new shares in the future on favorable terms. In addition, this may have a material adverse effect on the market price of the shares of the Company.

1.5.5 Investors with a reference currency other than the Euro may be subject to foreign exchange rate 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 investors' reference currency is a currency other than the Euro, investors may be adversely affected by any reduction in the value of the Euro relative to their reference currency. Investors may also incur further transaction costs by converting Euro into another currency. As a result, prospective investors are strongly urged to consult their financial advisers with a view to determining whether they should enter into hedging transactions to offset these currency risks.

1.5.6 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 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 return on their invested capital, as interest-bearing securities, such as bonds, may offer more attractive returns.

1.5.7 The Company might be classified by U.S. tax authorities as a passive foreign investment company for U.S. federal income tax purposes.

Generally, if for any taxable year 75% or more of the Company's gross income consists of certain types of "passive income", or at least 50% of the average quarterly value of the Company's assets (which may be determined in part by the market value of the Company's shares, which is subject to change) are held for the production of or produce passive income, the Company would be characterized as a passive foreign investment company ("**PFIC**") for U.S. federal income tax purposes. If the Company is characterized as a PFIC, U.S. Holders (as defined below) may suffer materially adverse tax consequences, including having gains realized on the sale of the New Shares treated as ordinary income rather than capital gain, the loss of the preferential rate applicable to dividends received on New Shares by individuals who are U.S. Holders (as defined below), and having interest charges apply to certain distributions by the Company and the proceeds of share sales.

Certain elections exist that may be available to alleviate some of the adverse consequences of PFIC status and would result in an alternative treatment (such as a mark-to-market election or an election to treat the Company as a "qualified electing fund" election) of the New Shares; however, we do not intend to provide the information necessary for a U.S. Holder (as defined below) to make an election to treat the Company as a "qualified electing fund" with respect to the New Shares if the Company is classified as a PFIC, and the Company's "holding company" status for purposes of the PFIC rules could substantially limit or nullify the utility to U.S. Holders (as defined below) of a mark-to-market election.

For the purposes of this Prospectus section, a "**U.S. Holder**" is, after the Completion, a beneficial owner of New Shares that is for U.S. federal income tax purposes (i) a citizen or an individual resident of the United States, (ii) a corporation (or other business entity treated as a corporation) that is created or organized in or under the laws of the United States of America, any State thereof or the District of Columbia, (iii) an estate the income of which is subject to U.S. federal income taxation without regard to its source or (iv) a trust (a) if a court within the United States of America is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust, or (b) that has a valid election in effect under applicable Treasury regulations to be treated as a U.S. person for U.S. federal income tax purposes.

1.6 Risks related to the Business Combination

1.6.1 ADLER Real Estate is a real estate company that is exposed to a variety of risks that we believe are comparable to the risks associated with our business activities. However, it cannot be ruled out that ADLER Real Estate may be exposed to further, previously unrecognized risks, the realization or intensification of which could also have a material adverse effect on the net assets, financial position and results of operations of the Combined Group created through the Completion and the Integration.

The business models of the Company and ADLER Real Estate are comparable in many aspects and areas. Therefore, the Company has reason to believe that ADLER Real Estate is subject to very similar risks with regard to its business activities and the industry as we are. There is, however, a risk that after the Completion, the corresponding risks could increase and negative consequences could have a greater impact on us than we currently expect.

In addition, risks that materialize at ADLER Real Estate will also have an indirect negative impact on us following the Completion. Furthermore, it cannot be ruled out that ADLER Real Estate may be exposed to further, previously unrecognized risks, the realization of which could also have material adverse effects on our business, financial condition, results of operations, cash flows and prospects and those of the Combined Group.

1.6.2 The integration of the ADLER Group into the ADO Properties Group could potentially not be consummated as intended and could result in expenses not anticipated at all or not adequately accounted for and the Company could potentially be legally bound to consummate the integration regardless of a materially adverse change of its economic rationale.

Following the Completion, the ADLER Group is being integrated into the ADO Properties Group (the "**Integration**") in order to create the Combined Group. It is expected that the Integration will be a multi-year process and require significant human and financial resources. The successful integration of the existing workforces, IT systems, corporate cultures and corporate structures of the Combined Group and the introduction of joint processes for the Combined Group are essential to the success of the Integration. The Integration will be time-consuming and costly and could negatively affect our business operations and/or those of the ADLER Group. We and the ADLER Group could be confronted with a variety of difficulties during the process of the Integration, including, among others:

- The administration of a significantly larger Combined Group, including the size of the portfolio and number of assets;
- The combinations and standardizations of the business activities, including the services offered to tenants and customers and the coordination of the business activities;
- The coordination of the corporate and administrative structures and the harmonization of insurance coverage for the Combined Group;
- Unexpected problems relating to the coordination of the accounting-, IT-, communications and administrative systems and other systems;
- Problems to adequately cope with potential differences in the corporate cultures and leadership philosophies;
- The implementation of uniform standards, control mechanisms, procedures and guidelines for the Combined Group;

- Legal disputes related to the Integration, including legal disputes with shareholders;
- The diversion of the attention of the management from other areas of the business activities;
- Maintaining existing agreements and business relationships with tenants, customers, service providers and financing banks and delays related to the entering into of new contracts with future tenants, customers, service providers and financing banks;
- Unforeseen and unexpected obligations in relation to the Integration and the business of the ADLER Group;
- The inability to enter into a domination agreement (*Beherrschungsvertrag*) with ADLER Real Estate in order to give us effective control over its management; and
- The identification and elimination of obsolete business activities and assets, including those that fall short of expectations.

Any inability of the Combined Group to efficiently and effectively carry out the Integration could lead to a reduction or failure or delay in the realization of the anticipated advantages and cost savings envisaged in connection with the Integration could negatively affect the Combined Group.

Furthermore, the deconsolidation of the ADO Properties Group from the ADLER Group and subsequent consolidation of the ADLER Group into the ADO Properties Group may trigger a market value revaluation of the treasury shares indirectly held by ADLER Real Estate. This could lead to a significant depreciation of the book value of these treasury shares as recorded in the financial position of the ADO Properties Group.

The Integration could result in additional or unforeseen costs and the anticipated advantages of the Integration could potentially not be realized in full or not at all. To the extent actual growth and costs savings are realized, these could fall short of anticipations and their achievement could require more time than currently anticipated by the Company. Any inability of the Company to adequately address and manage the challenges of the Integration could result in a decrease of the anticipated benefits of the Integration or in the premature termination of the Integration.

1.6.3 The synergies expected as a result of the Integration could potentially not be fully realized or not realized at all or eroded by expenses not anticipated.

The Company believes that the Integration could entail various effects from synergies and economies of scale. In particular, it is anticipated that these effects will be realized by the continuous advancement of complementing services and offerings, a combined management organization, combined back-office functions, optimized local managements and a focus to achieve synergies with regards to the overhead costs of the Combined Group. In addition to operational synergies, the Company expects certain financing synergies in relation to ADLER Real Estate’s current indebtedness. However, it cannot be ruled out that the anticipated effects from synergies and economies of scale will be realized in full or at all. Additionally, the costs incurred with the realization of these synergies could be higher than currently estimated by the Company.

A transfer of goodwill could occur in connection with the acquisition of ADLER Real Estate. Whether the Company will undertake such transfer of goodwill is dependent on a variety of factors, including, for example, the true value of the net assets of ADLER Real Estate and the share price of the Company at the time of the Completion. The potential goodwill is subject to the usual impairment tests and could, if the realized synergies turn out to be lower than anticipated, result in a significant impairment, which, ultimately, would have to be included as impairment expenses in the consolidated financial statements of the Company.

1.6.4 We could be exposed to negative reactions and feedback from our employees, tenants, business partners, service providers and financing banks related to the Business Combination.

In order to facilitate the Integration, the Board of Directors may emphasize their focus on tasks and measures related thereto and not pursue other business opportunities that could be beneficial to us to a similar extent, if at all. As a result thereof, employees, tenants, customers, service providers and financing banks could react negatively to the Business Combination and the Integration.

1.6.5 ADLER Shareholders that did not accept the Tender Offer may take measures to delay or prevent future plans or measures to promote the Integration.

Under German law, ADLER Shareholders that, following the Completion, continue to hold a stake as minority shareholders of ADLER Real Estate, have certain rights. As of the date of this Prospectus, approximately 5.2% of the share capital and voting rights of ADLER Real Estate remain attributable to ADLER Shareholders other than the Company. These shareholder rights could result in a delay or disruption of any corporate structural measures intended in relation to ADLER Real Estate (including, among others, a change in their legal form, a squeeze-out, the conclusion of a domination and profit-and-loss transfer agreement or a merger) and the Integration. Any such delay or failure to implement certain essential measures as well as legal disputes in relation thereto could limit our control over and our access to the cash flows of ADLER Real Estate and delay or prevent the execution of corporate structural measures envisaged to facilitate the Integration. Any risk in relation to ADLER Shareholders that did not accept the Tender Offer could have a material adverse effect on our business, net assets, financial condition, results of operations, cash flows and prospects.

1.6.6 Shareholders of the Company may take measures to delay or prevent future plans or measures to promote the Integration.

Shareholders of the Company may take measures that could result in a delay or failure to implement certain measures as part of the Integration. Any such measure as well as legal disputes in relation thereto could delay or prevent the execution of corporate structural measures envisaged to facilitate the Integration. Any risk in relation to shareholders of the Company that take measures to delay or prevent future plans or measures to promote the Integration could have a material adverse effect on our business, net assets, financial condition, results of operations, cash flows and prospects.

1.6.7 We were not able to conduct a complete due diligence exercise of ADLER Real Estate prior to the Completion and, consequently, may not have been in a position to identify and assess all risks in connection with the Completion.

Due to restrictions in time and because ADLER Real Estate is a listed stock corporation, we were unable to conduct a complete due diligence exercise of ADLER Real Estate prior to the Completion, however completed a due diligence extending only to publicly available documents. As a result thereof, important circumstances that could have been relevant for a valuation of ADLER Real Estate or in connection therewith, the determination of the consideration under the Tender Offer and the assessment of the commercial benefits of the Integration may not have been adequately or sufficiently considered. In particular, we may not have been in a position to adequately and sufficiently identify and assess all risks in connection with the Completion. Furthermore, the portfolio and assets of ADLER Real Estate may develop differently than anticipated by us or than set out in public information provided by ADLER Real Estate.

Any inadequacy and insufficiency in the identification and assessment of risks associated and in connection with the Completion could negatively affect the Combined Group.

1.6.8 The Pro Forma Consolidated Financial Information of the ADO Properties Group is only provided for assessment purposes and is no indicator for the future business-, asset-, financial- and earnings situation of the Combined Group. It must be assumed that these will deviate substantially from the Pro Forma Consolidated Financial Information of the Combined Group.

The *pro forma* consolidated financial information of the Company included in this Prospectus (the "**Pro Forma Consolidated Financial Information**") are only provided for illustrative purposes. They should not be considered as an indicator for the future business-, asset-, financial- and earnings situation of the Combined Group following the Completion, the Integration and the Consus Real Estate Acquisition (as defined below).

The *Pro Forma* Consolidated Financial Information is based on historic consolidated financial statements of the Company and, *inter alia*, on the historic consolidated financial statements of ADLER Real Estate and Consus Real Estate, subject to certain adjustments, assumptions and estimates. These adjustments, assumptions and estimates are preliminary and based on information that were available during the time of preparation of the *Pro Forma* Consolidated Financial Information. For example, it is assumed that the Offer, the Business Combination and the Consus Real Estate Acquisition (as defined below) had taken place as of January 1, 2019. Additionally, the *Pro Forma* Consolidated Financial Information could not reflect all costs that the Company has incurred and will incur in connection with the Completion, the bridge facility agreement the Company as borrower and J.P. Morgan Securities plc as mandated lead arranger, J.P. Morgan AG as original lender and J.P. Morgan Europe Limited as agent entered into, and to which Barclays Bank PLC and Deutsche Bank Luxembourg S.A. acceded as additional lenders, (the "**Bridge Facility Agreement**" and such facility the "**Bridge Facility**"), the Integration and the Consus Real Estate Acquisition (as defined below). As a result thereof, it must be assumed that the actual prospective business-, asset-, financial- and earnings situation of the Combined Group will differ significantly from the *Pro Forma* Consolidated Financial Information. In addition, the assumptions made during the preparation of the *Pro Forma* Consolidated Financial Information could prove incorrect or inaccurate and other factors could significantly negatively affect the prospective business-, asset-, financial- and earnings situation as well as the cash flows and prospects of the Combined Group following the Completion, the Integration and the Consus Real Estate Acquisition (as defined below).

1.6.9 Due to the Integration, our economic development also depends on the economic development of ADLER Real Estate, in particular on the value of ADLER Real Estate's property portfolio and the positive continuation of the development projects. Any adverse development or any decline in the fair value of ADLER Real Estate's property portfolio could therefore have a material adverse effect on us.

As a result of the Integration, we will also be dependent on the further development and the intrinsic value of ADLER Real Estate's property portfolio. The Company cannot rule out that ADLER Real Estate's property portfolio will not develop negatively, particularly with regard to its development and fair value. Such a negative development of ADLER Real Estate's real estate portfolio and a decline in the fair value could therefore have a material adverse effect on our business activities and our business, net assets, financial position, results of operations, cash flows and prospects.

1.6.10 The Completion could cause the loss of tax loss carryforwards of ADLER Real Estate.

As of December 31, 2019, ADLER Real Estate recognized deferred tax assets of €78.1 million for corporate income tax loss carryforwards and trade tax loss carryforwards. As of the same date, no deferred tax assets were recognized for corporate income tax loss carryforwards of €179.5 million and trade tax loss carryforwards of €146.7 million, as their recoverability is not sufficiently probable, as well as for corporate tax loss carryforwards of €289.8 million and trade tax loss carryforwards of €188.2 million, as such tax loss carryforwards are expected to be lost in the first half of 2020 due to the Completion.

The Completion could lead to a full or partial forfeiture of the tax loss carryforwards. According to German tax laws, such tax loss carryforwards are completely forfeited if more than 50% of the shares in an entity are transferred to a new acquirer. One exception to this general rule refers to domestic taxable hidden reserves. To the extent such taxable hidden reserves are allocable to ADLER Real Estate for tax purposes, no forfeiture of tax loss carryforwards should occur, if the difference between the tax equity of ADLER Real Estate at Completion compared to the share purchase price based on the value of the Company includes sufficient hidden reserves. However, only some of the existing tax loss carryforwards may survive the Completion and tax loss carryforwards may be partially forfeited.

Furthermore, the German tax law applicable to tax loss carryforwards and their forfeiture is controversial, and at least for the years from 2008 up to and including 2015 and for transfers of up to 50% of the shares of an entity, the German Constitutional Court (*Bundesverfassungsgericht*) has ruled that the applicable laws violate the German constitution and shall be amended with retroactive effect. Accordingly, the legislature has limited the application of Section 8c para. 1 of the German Corporate Income Tax Act (*Körperschaftssteuergesetz – KStG*) with retroactive effect to cases where more than 50% of the shares are transferred to a new acquirer. In addition, there are pending fiscal court cases regarding the loss forfeiture rules applicable in case of a transfer of more than 50% of the shares in an entity. These court proceedings may have an impact on the amount of tax loss carryforwards forfeited.

1.7 Risks related to the Consus Real Estate Acquisition

1.7.1 Certain risks in connection with the business of Consus Real Estate are similar to the risks of our existing business, the benefits expected as a result of an acquisition of Consus Real Estate may not be fully realized or not be realized at all and, moreover, the acquisition of Consus Real Estate could have adverse effects on the ADO Properties Group.

As of the date of this Prospectus, the Company intends to acquire a majority stake in Consus Real Estate in several steps: In a first step, on December 15, 2019, the Company entered into various share purchase agreements with minority shareholders of Consus Real Estate to acquire a 22.18% stake in Consus Real Estate (the “**Consus Real Estate Minority Acquisition**”), which, as a result of the Completion, increased to 25.75% due to the fact that ADLER Real Estate held 3.57% in Consus Real Estate prior to the Completion. In addition, on December 15, 2019, the Company and Consus Real Estate entered into a strategic cooperation agreement (the “**SCA**”) to engage in a strategic partnership and strategic cooperation and, to the extent legally permissible, work together to fully investigate and potentially undertake mutually beneficial property developments, including the acquisitions of land plots for new-builds (the “**Strategic Cooperation**”).

Furthermore, on June 29, 2020, the Company, by way of a resolution of a delegate authorized by the Board of Directors, exercised a call option under a call/put-option agreement with Aggregate Holdings S.A. (“**Aggregate**”) for the acquisition of 69,619,173 shares in Consus Real Estate, as amended (the “**Call/Put-Option Agreement**”) (the “**Consus Real Estate Majority Acquisition**” and, together with the Consus Real Estate Minority Acquisition, the “**Consus Real Estate Acquisition**”). The settlement of the call option exercise under the Call/Put-Option Agreement (the “**Consus Real Estate Call Option Exercise**”) occurs in two tranches by transfer of the Company’s treasury shares and transfer of newly issued shares in the Company. The Company will transfer to Aggregate 14,692,889 of the Company’s treasury shares currently indirectly held by ADLER Real Estate and has transferred newly issued shares created in utilization of the Authorized Capital. The first tranche was settled on July 2, 2020, by issue of 1,946,093 new shares in the Company, and the second tranche is expected to be settled during the subscription period on or around July 6, 2020 by transfer of all of the Company’s treasury shares.

The SCA and the Consus Real Estate Acquisition are part of our strategy to benefit from access to Consus Real Estate’s development platform with a pipeline of over 15,000 residential rental units and focused on Berlin, Cologne, Düsseldorf, Dresden, Frankfurt am Main, Hamburg, Leipzig, Munich and Stuttgart (together, the “**Top 9 Cities**”).

There is no assurance that the anticipated benefits of the Consus Real Estate Acquisition will realize in full or at all. Prior to the Consus Real Estate Minority Acquisition, we were unable to conduct a complete due diligence of Consus Real Estate. Moreover, prior to the Consus Real Estate Majority Acquisition, we conducted a restricted due diligence on the basis of limited information. Therefore, certain important circumstances relevant for the valuation of Consus Real Estate, including the particulars of the internal business operations and financial reporting of Consus Real Estate, may not have been adequately or sufficiently considered. In particular, we may not have been in a position to adequately and sufficiently identify and assess all risks in connection with the Consus Real Estate Acquisition. For example, in connection with a joint venture agreement, the Consus Real Estate Acquisition may trigger a change of control under a provision that obligates the Company to present its joint venture partner with an offer to sell its participation to the Company in a multi-step procedure. In connection therewith, we could incur additional costs and be exposed to transactional and legal risks.

1.7.2 *The Business Combination and the Consus Real Estate Acquisition expose the Company to operational risks related to the development of real estate projects.*

The majority of Consus Real Estate’s revenue is generated from the development of real estate projects. The development of real estate projects involves specific significant risks to which the Company is exposed by way of the Consus Real Estate Acquisition and the Strategic Cooperation. The Company may overestimate the value of and/or the business opportunities of or associated with the acquisition of real estate properties due to numerous factors, in particular the inability to identify all risks associated with the development of real estate properties.

Consus Real Estate’s profitability will depend on its ability to successfully acquire land plots, listed buildings and commercial real estate properties suitable for development, either through building, conversion or redevelopment, at financially attractive prices in appropriate geographic locations and at terms that are in line with its acquisition strategy and criteria.

A key factor contributing to Consus Real Estate’s future growth as a developer and profitability is the ability to identify and, at economically reasonable prices, acquire land plots or properties utilizing Consus Real Estate’s sourcing network, in particular through the individual contacts of its branches. There can, however, be no assurance that Consus Real Estate’s sourcing network will be able to continue identifying acquisition targets or that Consus Real Estate will be able to maintain its sourcing network in the future. In addition, Consus Real Estate’s ability to acquire land plots or real estate properties for its business may be adversely affected by the willingness of sellers to sell at financially attractive prices, the availability of acquisition financing, regulatory requirements, including those relating to building, zoning and environmental laws and various other market conditions. In addition, the emergence of competitors with similar business models and strategies may lead to an increasing demand for suitable real estate properties and may, therefore, lead to an increase in the acquisition costs for development opportunities or affect Consus Real Estate's acquisition opportunities in part or in whole. Moreover, there can be no assurance that Consus Real Estate will be able to acquire any of the identified land plots or properties on attractive terms, if at all. Additionally, Consus Real Estate may not be able to secure all necessary permits on a timely basis or on economically viable terms, or at all.

In connection with the acquisition of land plots or properties, Consus Real Estate is exposed to risks caused by the condition of the real estate property and the inaccurate assessment thereof. Consus Real Estate may not be able to identify all material risks in connection with the due diligence processes it conducts. Due to market competition and limited time frames between introduction of an acquisition opportunity onto the market and the transaction closing date, Consus Real Estate's ability to evaluate acquisition opportunities and to engage in a diligent analysis of the specifics and constraints imposed by a seller may be limited. There can be no assurance that Consus Real Estate has been or will be in a position to accurately identify, examine and evaluate all risks associated with an acquisition. For example, Consus Real Estate may not be able to assess whether the original owner of an acquisition target or any potential successor has obtained, maintained or renewed all require permits, satisfied all permit conditions and obtained all necessary licenses. Acquisition targets may suffer from hidden defects, including contaminations, or damages that Consus Real Estate was not able to discover during the acquisition process.

Consus Real Estate is also exposed to various risks relating to defective construction work or the use or installation of defective construction materials by third-party suppliers or contractors. The warranty, guarantee or indemnity protection set forth in Consus Real Estate's contracts with such third-party suppliers and contractors, and the arrangements with insurance providers to insure against certain risks, may prove to be insufficient or may not adequately protect Consus Real Estate against relevant risks. Furthermore, it may not be able to enforce claims in the respective amount, or at all, due to the third-party contractor's or supplier's insolvency, or for other reasons. Significant liabilities may not be identified or may only come to light after the expiry of Consus Real Estate's warranty, guarantee or indemnity claims. Any claims relating to defects arising from or related to one of Consus Real Estate's development projects may give rise to contractual or other liabilities, which can extend, depending on the relevant contractual or statutory provisions, for five years following completion of the development project and may not be covered by claims against Consus Real Estate's contractors or suppliers.

In addition, unanticipated cost overruns and substantial delays can arise in a development project due to numerous factors, including increases in the acquisition costs for land, increases in the costs of building materials, adverse events affecting contractors and sub-contractors (including their insolvency), increases in the costs of professional service providers, unidentified property defects, and unforeseen technical and ground conditions. In particular, higher building costs than expected may arise due to the current labor market in Germany, which exhibits a shortage of qualified personnel in the construction sector. Delays can also arise during the building permits application process as, for the realization of its development projects, Consus Real Estate has to acquire a variety of approvals from local authorities, including land-use plans (*Bebauungspläne*) and building permits (*Baugenehmigungen*). Any such delay could result in significant cost increases and, ultimately, the profitability of Consus Real Estate's business operations.

Consus Real Estate sells its real estate developments to institutional purchasers by entering into forward sale agreements. If Consus Real Estate is unable to enter into forward sale agreements, even after letters of intent have been negotiated or agreed, or fulfill its obligations under the forward sale agreements by completing the respective project development as planned, that would permit it to refinance the acquisition costs and finance the development of a project, Consus Real Estate may experience delays in or fail to launch real estate development projects. In this event, it may have to hold real estate properties or real estate development projects for a longer period than anticipated at the time of acquisition, or, alternatively may have to dispose of an undeveloped real estate property at a price that may not provide an adequate return, if any, or may result in a loss. Additionally, any forward sale agreement may not materialize on the terms agreed upon, including as a result of amendments, withdrawals, failure to make payments or terminations by institutional purchasers. In the event that the purchaser withdraws from or terminates the forward-sale agreement, Consus Real Estate must bear the costs in connection with the sale of the property. Moreover, institutional purchasers are generally entitled to withdraw from the forward sale agreement if Consus Real Estate does not meet the agreed deadlines. In such event, Consus Real Estate is obligated to bear the costs in connection with the forward sale agreement and in most cases will also be obligated to pay compensation to the respective institutional purchaser. Furthermore, Consus Real Estate may be unable to let residential units in its developed properties as required under the respective forward sale agreement in a timely manner or at all, which in turn could impair Consus Real Estate's ability to complete such forward sale agreement, which in aggregate, across Consus Real Estate's various forward-sold development projects, could have a material adverse effect on its revenue and thus results of operations. Also, Consus Real Estate may not achieve the targeted rent per square meter or the targeted vacancy rate of a development as agreed under the forward sale agreement.

In addition, this Prospectus contains figures representing the estimated gross development value ("**GDV**") of ongoing development projects of Consus Real Estate. GDV is a measure of the total sales revenue that is expected to be generated from a project when it is fully developed. It reflects expected sales value of the fully constructed and let development. The metric provides investors with the sense of scale of the business and of the total income possible from the portfolio.

1.7.3 Prior to the Consus Majority Acquisition, Consus Real Estate announced various transactions, including a material divestment of real estate development projects, and could be materially adversely affected by any delay in the closing of or failure to close any of these transaction.

On May 8, 2020 and May 20, 2020, Consus Real Estate publicly announced the divestment of 17 and 8 development projects with a GDV of €2.3 billion and €2.0 billion, respectively, thereby reducing the total number of development projects and the total GDV to 40 and €8.0 billion, respectively. The divested development projects primarily comprise projects located in non-core locations and have a predominantly commercial use. Additionally, on June 22, 2020, Consus Real Estate acquired the outstanding 25% minority stake (on a fully diluted basis) in Consus RE AG (formerly CG Gruppe AG), the largest subsidiary of Consus Real Estate. The closing of each of the above transactions is subject to certain adjustments and conditions. Consus Real Estate intends to use a portion of the proceeds from the above transactions to reduce its project finance debt, which, as of March 31, 2020, was at €2,316 million and includes high cost mezzanine debt. On a pro forma basis, after giving effect to the debt reduction as a result of the divestments, Consus Real Estate estimates that its average run-rate cost of debt decreases by 0.3% to approximately 7.4%. Any delay in the closing of or failure to close any of the above transactions could result in negative effects on and/or the failure of any anticipated positive effects on, among others, the LTV-Ratio, net debt and adjusted EBITDA of Consus Real Estate. Furthermore, as a result of such delay or failure, Consus Real Estate's strategy to increase its focus on residential real estate in its strategic markets can be negatively affected.

1.7.4 Consus Real Estate requires a significant amount of cash to service its debt, and its ability to generate sufficient cash depends on factors that may be beyond its control and Consus Real Estate's debt service obligations may make it difficult to operate its business.

Consus Real Estate utilizes a financing structure under which the acquisition of land plots or real estate properties is typically highly leveraged. Its development projects require significant up-front costs to acquire and develop land plots. Following an acquisition of a land plot, Consus Real Estate incurs considerable costs before construction work commences. Real estate development projects typically require substantial capital during construction periods and Consus Real Estate is dependent on its ability to obtain sufficient capital. Consus Real Estate depends on its ability to obtain and the availability of external funding to finance its operating business.

Consus Real Estate's targeted leverage ratio will depend on, among others, the valuation of its real estate properties. In the event that such valuation decreases materially, for example, if the currently favorable economic environment for the real estate industry deteriorates, Consus Real Estate may have to refinance its current financing arrangements to continue to meet its targeted leverage ratio, which may lead to higher financing costs. Consus Real Estate may also fail to enter into new financing arrangements on terms similar to previous terms due to a decreased valuation of its real estate properties.

To service and refinance its existing and future indebtedness and for current and future development projects and real estate acquisitions, Consus Real Estate is dependent on a stable cash flow. Such cash flow is influenced by various factors, including the general economic and real estate market environment in Germany, developments affecting the legal environment in Germany and other factors beyond its control. In addition, factors in relation to Consus Real Estate's operations may negatively impact its cash flow from operating activities due to defaults of institutional purchasers in relation to down payments under forward sale agreements or cost overruns or delays in relation to Consus Real Estate's development projects. Consus Real Estate may also incur expenditures for non-scheduled maintenance measures. Any of these or similar factors may limit or prevent its ability to generate sufficient cash flow and could require that Consus Real Estate implements cost-cutting measures or efficiency improvements regarding operating and fundraising activities, delay capital expenditures or sell assets, each of which in turn may affect its ability to service its financial liabilities.

There can be no assurance that Consus Real Estate's cash flow generation will be sufficient to meet its financial needs and/or debt service obligations. Consus Real Estate may be required to obtain additional debt or equity financing at terms that may be economically less favorable than in the past. Any inability to source additional financing at favorable terms or at all may force Consus Real Estate to dispose of assets, or render it unable to pursue business opportunities, including the acquisition of land plots, real estate properties or real estate companies. Additionally, in the event that a liquidity shortage occurs, Consus Real Estate may be forced to restructure or refinance all or a portion of its debt, including convertible bonds, notes or other financial instruments that it may have issued in the past. It may be required to agree upon terms and conditions which are unfavorable to its business and which are a likely to restrict its business activities even further. Additional debt may negatively affect key financial figures, such as market LTV-ratio, which describes the ratio of net debt to the fair value of investment properties and inventories. Such figures are typically referred to in the covenants included in Consus Real Estate's financial agreements.

Consus Real Estate currently has and is expected to continue to have a substantial amount of outstanding debt. As of March 31, 2020, Consus Real Estate's total financing liabilities amounted to €2,981 million, consisting of non-current financing liabilities in the amount of €1,792 million and current financing liabilities in the amount of €1,189 million. A high level of financial debt may, among others, require Consus Real Estate to dedicate a substantial part of its cash flow to debt repayment (thereby reducing the free cash flow available to fund internal growth through capital expenditure and to pursue business opportunities), restrict its ability to borrow additional funds or raise equity at reasonably economic terms, if at all, and, ultimately, will make Consus Real Estate more susceptible to a downturn in the real estate industry and/or general economic conditions.

1.7.5 Consus Real Estate has recorded substantial goodwill, which could be subject to impairments.

As of March 31, 2020, Consus Real Estate recorded goodwill in the amount of €1,036 million. Goodwill is recognized as an intangible asset and is subject to an impairment review, which takes place at least annually, or upon the occurrence of significant events or changes in circumstances that indicate an impairment. For purposes of impairment testing following an acquisition, goodwill is allocated to a cash-generating unit (usually a country or a region) that is expected to benefit from the synergies of the acquisition. In testing goodwill, economic factors play an important role, including the global economic development or interest rates. Any negative development in relation to economic factors could necessitate an impairment test and require Consus Real Estate to reduce its goodwill or such reduction may occur during the annual impairment review. There can be no assurance that the Consus Real Estate Acquisition will not result in a significant goodwill impairment.

1.7.6 Financing agreements and other agreements entered into by Consus Real Estate include change-of-control provisions that are triggered by the Consus Real Estate Majority Acquisition and we may not be in a position to refinance the existing financing arrangements of Consus Real Estate. The Combined Group could be affected by the termination of existing agreements of Consus Real Estate.

As of March 31, 2020, the current liabilities and non-current liabilities of Consus Real Estate amounted to €1,948 million and €1,945 million, respectively. Some of the corresponding financing agreements and certain other agreements of Consus Real Estate include so-called change-of-control provisions that, triggered by the Consus Real Estate Majority Acquisition, provide the other parties to the agreements, respectively, with a right to demand early redemption or to declare the termination. Additionally, any financing agreement and other agreement entered into by Consus Real Estate could include additional termination rights that could be triggered in connection with the Consus Real Estate Majority Acquisition (such as, among others, cross-default provisions that allow the lender to declare due a loan or other agreement of Consus Real Estate if other liabilities of Consus Real Estate have not been paid, are declared due prior to the agreed maturity or the lender's right to declare the immediate collectability and Consus Real Estate's inability to fulfill its obligations).

In the case of contracts that provide for termination- or redemption rights, the other party to the contract could exercise their rights following the Consus Real Estate Majority Acquisition. To the extent Consus

Real Estate terminates financing agreements or such financing agreements must be repaid otherwise, we could decide to refinance any of the existing financing agreements of Consus Real Estate. In case of termination of existing financings due to the exercise of termination rights in case of a change of control of Consus Real Estate, the Company has entered into bridge financings. However, there can be no assurance that we will be in a position to refinance financing agreements beyond the amount available to us under the Bridge Facility. Additionally, in that case, we may not be in a position to refinance our own business and the conditions of a refinancing by the Company could be negatively affected. The termination of contracts of Consus Real Estate could result in Consus Real Estate's obligation to pay prepayment penalties. Furthermore, Consus Real Estate could lose any advantageous provisions of agreements that are terminated as a result of the Consus Real Estate Majority Acquisition or be required to re-negotiate such agreements on less favorable terms.

1.7.7 We may face additional legal risks in relation to development projects in connection with the Consus Majority Acquisition.

The Consus Group's business is exposed to the risk of non-compliance with building codes or environmental regulations. These regulations are frequently implemented retro-actively, thereby also impacting previously built real estate properties. There can be no assurance that all building codes or environmental regulations were, or are, complied with for all of Consus Group's real estate properties. In the future, Consus Real Estate may acquire real estate properties that are, at the time of the acquisition, not in compliance with building codes or environmental regulations which remain undiscovered during the acquisition process. There can be no assurance that landlord responsibilities relating to environmental regulations, including, among others, environmental protection and energy efficiency, will not be amended or tightened in the future. Any measures utilized to adapt to future regulations could require capital-intensive modernization measures which, in turn, may depend on the grant of building permits, issued by relevant building authorities. There can be no assurance that such permits will be issued promptly, or at all. Subsequently, we may not comply with the applicable building codes or environmental regulations and ultimately be in violation thereof.

Furthermore, the lack of building permits (*Baugenehmigungen*) or incomplete documentation thereof could have adverse consequences under German law. Any lack of permits may partially or completely entitle the authorities to prohibit the use of the real estate property to the extent that such use is not covered by the required permit ("**Formal Illegality**"). In addition, building permits frequently set forth certain requirements, for example, in relation to the statics or the structural stability of a building. In the event that we fail to comply with such requirements, the constructed building would not be compliant with its building permit and therefore subject to Formal Illegality. To the extent that the status and the use of the property is not in line with currently applicable laws ("**Material Illegality**"), any missing permits may not be granted. In the event of Material Illegality, there is no protection from the limitation of the use of the property and a partial or complete demolition of the existing real estate property may be ordered by the respective authorities. In the case of Formal Illegality and/or Material Illegality, sole discretion rests with the relevant authorities to decide to what extent to intervene, if at all. However, even if the authorities do not intervene, the existence of any of these circumstances may have an adverse effect on Consus Real Estate's ability to sell a non-compliant development project or commercial real estate property.

In addition, some of the Consus Group's real estate properties are subject to public easements (*Baulasten*) or easements in the land register (*Dienstbarkeiten*) for the benefit of other real estate properties or persons. Public easements and easements in the land register may affect the extent of structural use of a property, e.g., individual areas may not be built on or the extent of structural use may be limited with regard to inter alia permissible floor area, floor space index or basic area index. In addition, certain of the Consus Group's development projects are located in urban planning zones (*Gebiete des besonderen Städtebaurechts*) which are issued by municipalities in order to remediate specific planning deficiencies or facilitate specific urban developments. The Federal Building Act (*Baugesetzbuch*) provides for different types of special urban planning zones, such as redevelopment areas (*Sanierungsgebiete*), conservation areas (*Erhaltungsgebiete*) or development areas (*Entwicklungsgebiete*). Existing properties located in areas, which are designated as special urban planning zones following the erection of such properties as well as properties which will be built in such urban planning zones may be subject to certain restrictions. Such restrictions include municipal pre-emptive rights or the requirement of a written permission of the municipality, for example, for rental agreements for a certain period of more than one year, property purchase agreements, the subdivision of a plot or the establishment, modification or revocation of a public easement). Additionally, it may be required to use the property in accordance with the aims and purposes of the respective planning zone. If one does not comply with such requirements, the municipality may initiate expropriation proceedings. Furthermore, in order to facilitate the redevelopment, the municipality may undertake infrastructure measures and may force the developer to compensate the respective municipality for any increase in the value of the properties resulting from such measures.

1.7.8 The acquisition of shares in Consus Real Estate could cause the loss of tax loss carryforwards of Consus Real Estate and/or its subsidiaries.

The acquisition of shares in Consus Real Estate could lead to a complete or partial forfeiture of tax loss carryforwards of Consus Real Estate and/or its subsidiaries. According to German tax law, tax loss carryforwards are completely forfeited if more than 50% of the shares in an entity are transferred to an acquirer. An exception to this general rule relates to domestic taxable hidden reserves. To the extent such taxable hidden reserves are allocable to Consus Real Estate and/or its subsidiaries (to be individually analyzed for each company) for tax purposes, no forfeiture of tax loss carryforwards should occur if the difference between the tax equity of Consus Real Estate and/or its subsidiaries compared to the share purchase price based on the value of the Consus Real Estate and/or its subsidiaries includes sufficient hidden reserves. However, hidden reserves from participations in corporations held by the loss-making company are not taken into account in this respect. Accordingly, none or only some of the existing tax loss carryforwards may survive the acquisition and tax loss carryforwards may be fully or partially forfeited.

Furthermore, the current German tax law that is applicable to tax loss carryforwards and their forfeiture is under dispute, and at least for the years 2008 to and including 2015 and for transfers of up to 50% of the shares of an entity, the German Constitutional Court (*Bundesverfassungsgericht*) ruled that the applicable laws violate the German constitution and shall be amended with retroactive effect. Accordingly, the legislature has limited the application of section 8c para. 1 of the German Corporate Income Tax Act (*Körperschaftssteuergesetz –KStG*) with retroactive effect to cases where more than 50% of the shares are transferred to an acquirer. In addition, there are pending fiscal court cases regarding the loss forfeiture rules applicable in case of transfers of more than 50% of the shares in an entity. These court proceedings may have an impact on the amount of tax loss carryforwards forfeited.

1.7.9 The acquisition of shares in Consus Real Estate could trigger an exposure to real estate transfer tax (RETT).

The acquisition of 95% or more of the shares in Consus Real Estate could trigger RETT. Despite possible and intended structures that mitigate RETT being triggered upon the acquisition of Consus Real Estate or any future increase in shareholding, it cannot be excluded that the tax authorities will not share the Company's tax assessment and subject the acquisition to RETT. Further, there is a risk that RETT may be triggered if certain transactions implemented by Consus Real Estate in the past may be audited by German tax authorities and these authorities may take a different view on the legal interpretation of the German tax laws relating to RETT or if the intended changes to RETT should enter into force with retroactive effect (see above "*1.4.2 We are subject to the tax environment in Luxembourg, Germany and further countries of the European Union (Netherlands, Denmark, Malta and Ireland). Our tax burden may increase as a consequence of current or future tax assessments, tax audits or court proceedings based on changes in tax laws or changes in the application or interpretation thereof.*" and "*1.4.3 We are exposed to real estate transfer taxes (RETT).*").

1.7.10 The synergies expected as a result of the Consus Real Estate Acquisition and the integration of the Consus Group into the ADO Properties Group could potentially not be fully realized or not realized at all or eroded by expenses not anticipated.

Following the Consus Real Estate Acquisition, the ADO Properties Group will gain full access to, what is in our view, Consus Real Estate's market-leading development platform as well as high-quality project development assets. We believe that the ADO Properties Group could benefit from various synergy effects in connection therewith, e.g., a combined management organization, combined back office, streamlined local operations and reduced overhead costs. The current expectation of an illustrative development FFO contribution from Consus Real Estate for 2020 is between €50 million and €80 million before run-rate operating and refinancing synergies of €90 million to €104 million. This target is based on the assumption of a total EBITDA of Consus Real Estate (prior to giving effect to the Consus Real Estate Acquisition) of €230 million, which is based on the assumptions that in the financial year 2020, Consus Real Estate generates (prior to giving effect to the Consus Real Estate Acquisition) (i) €150 million EBITDA for recent upfront sales, and (ii) €400 million EBITDA from forward sales (based on an assumed 20% margin on €2.0 billion of signed forward and condominium sales agreements), of which 70% will be distributed over the upcoming 3.5 years (less assumed interest of €130 million, which is the annualized interest expense of Consus Real Estate for the three months ended March 31, 2020, adjusted for €11 million non-recurring impact of derivatives and €34 million capitalized interest, plus estimated impact of reduced expensed interest post-closing of disposals and less 30% taxes). However, there can be no assurance that the anticipated synergies from the Consus Real Estate Acquisition will be realized in full or at all or that the underlying assumptions made in connection with estimates are complete and/or accurate. Moreover, the costs incurred in connection with the realization of these synergies could be higher than currently estimated by the Company. Any incompleteness or inaccuracy in connection with the aforementioned assumptions or estimates could materially affect the expected synergies effects resulting from the Consus Real Estate Acquisition.

The integration of the Consus Group into the ADO Properties Group, which is a multiyear process, could potentially not be consummated as intended and could result in expenses not anticipated at all or not adequately accounted for and the Company could potentially be legally bound to consummate the integration regardless of a materially adverse change of its economic rationale. The successful integration of the existing workforces, IT systems, corporate cultures and corporate structures and the introduction of joint processes are essential to the success of the integration of the Consus Group. Such integration will be time-consuming and costly and could negatively affect the business operations of the ADO Properties Group and/or those of the Consus Group. The integration of the Consus Group could result in additional or unforeseen costs and any anticipated advantages could potentially not be realized in full or not at all.

1.8 Risks related to the Offering

1.8.1 The market price of the New Shares may fluctuate and may decline below the Subscription Price.

The market price of the New Shares may fluctuate and may decline below the Subscription Price. Moreover, given that the market price of the subscription rights depends to a significant degree on the price of the Company's shares, a decline in the trading price of the shares would also be expected to negatively affect the trading price of the subscription rights.

In addition, the Company cannot assure holders of subscription rights that the market price of the Company's shares will not decline below the Subscription Price after such holders elect to exercise their subscription rights. If that occurs, such holders will have committed to buy the New Shares at a price above the prevailing market price, and such holders will suffer an immediate unrealized loss as a result thereof.

The market price of the New Shares may fluctuate significantly as a result of various factors, many of which are beyond the Company's control, including, but not limited to:

- market expectations for the Company's financial performance
- actual or anticipated fluctuations in the Company's business, results of operations and financial condition;
- changes in the estimates of the Company's results of operations by securities analysts;
- investor perception of the impact of the Offering on the Company and its shareholders;
- potential or actual sales of blocks of shares in the market or short selling of shares, including any sales by the Underwriters of shares purchased for their own accounts pursuant to the Underwriting Agreement or in connection with the enforcement of security under margin loans made to investors in the Offering;
- volatility in the market as a whole or investor perception of the Company's industry and competitors;
- announcements by the Company or its competitors of significant contracts;
- acquisitions, strategic partnerships, joint ventures, capital commitments or new business activities;
- additions or departures of key personnel;
- any shortfall in revenue or net income or any increase in losses from levels expected by securities analysts;
- future issues or sales of shares;
- new government regulation;
- general, economic, financial and political conditions; and
- any other risk in relation to the Company and its industry set out above.

The market price of the New Shares may be adversely affected by most of the preceding or other factors regardless of the Company's actual results of operations and financial condition. Publicly traded securities from time to time experience significant price and volume fluctuations that may be unrelated to the performance of the companies that have issued them. The Company cannot make any predictions about the market price of its shares. No assurance can be given that the market price of the New Shares will not decline below the Subscription Price or their market price at the commencement of the Offering.

1.8.2 No assurance can be given that a trading market will develop for the subscription rights and, if a market does develop, the subscription rights may be subject to greater volatility than the shares of the Company.

Trading in the subscription rights on the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) is expected to begin on July 6, 2020 and will end on July 16, 2020. There will be no application for the subscription rights to be traded on any other exchange. There is no assurance that an active trading market in the subscription rights will develop during that period and, if a market does develop, there is no assurance regarding the nature of such trading market. If an active trading market does not develop or is not substantial, the liquidity and trading price of the subscription rights could be adversely affected. The trading price of the subscription rights depends on a variety of factors, including but not limited to the performance of the price of the Company's shares, but may also be subject to significantly greater price fluctuations than the Company's shares.

1.8.3 Failure by a shareholder of the Company to exercise allocated subscription rights during the applicable exercise period will result in a dilution of such shareholder's percentage ownership of the shares.

The Offering enables the Company to raise capital in a manner that gives its eligible shareholders the opportunity to subscribe for the New Shares *pro rata* to their shareholding at the record date, subject to applicable securities laws. To the extent that shareholders of the Company do not exercise their subscription rights, their proportionate ownership and voting interest in the Company will be reduced. If shareholders of the Company elect to sell their subscription rights, the consideration they receive, if any, may not be sufficient to fully compensate them for the dilution of their percentage ownership of the New Shares that may be issued under the Offering.

1.8.4 Termination of the Underwriting Agreement could have a material adverse effect on the trading price of the subscription rights and the subscription rights would become null and void.

Pursuant to the Underwriting Agreement, the Underwriters have agreed on a several basis, on the terms and subject to the conditions disclosed therein, to underwrite their relevant proportion of any New Shares that are not subscribed in the Subscription Offer, including through over subscription, and to market such New Shares to potential investors. The Underwriting Agreement entitles the Underwriters to terminate the Underwriting Agreement under certain circumstances. If the Underwriting Agreement is terminated prior to the issuance of the New Shares on or about July 21, 2020, the Offering will be cancelled and any funds transferred in respect of the Subscription Price will be returned to the holders of subscription rights. However, the subscription rights would thereby become null and void. No prior trading in the subscription rights will be unwound and no compensation will be paid for the subscription rights. If, on the other hand, the Underwriting Agreement is terminated after the issuance of the New Shares, shareholders and purchasers of subscription rights who have exercised their subscription rights will be entitled to acquire and the Underwriters are obliged to deliver any New Shares at the Subscription Price.

1.8.5 Any future capital increase by the Company could have a negative impact on the price of shares of the Company and dilute the stakes of the Company's existing shareholders.

The Company may in the future increase its share capital against cash or contributions in kind for various reasons including to finance any future acquisition or other investment or to strengthen its balance sheet. In connection with such transactions, the Company may, subject to certain conditions, limit or cancel the preferential subscription rights of the existing shareholders otherwise applicable to capital increases through contributions in cash, and no preferential subscription rights apply to capital increases through contributions in kind. As of the date of this Prospectus, the share capital of the Company amounts to €91,718.51. In particular, the Company is obligated under the Call/Put-Option Agreement to make an offer to all shareholders of Consus Real Estate to purchase their shares in Consus Real Estate by way of a voluntary public exchange offer (the "**Consus Tender Offer**"). The Consus Tender Offer shall be based on an exchange ratio corresponding to the applicable ratio of the Consus Real Estate Call Option Exercise, subject to an adjustment for the Offering. The Consus Tender will and similar transactions could therefore dilute the stakes in the Company's share capital held by the shareholders at that time and could have a negative impact on the price of the shares of the Company, earnings per share and NAV per share.

2. GENERAL INFORMATION

2.1 Responsibility Statement

ADO Properties S.A., with its registered office at 1B, Heienhaff, L-1736 Senningerberg, Grand Duchy of Luxembourg, and registered with the Luxembourg Register of Commerce and Companies (*Registre de Commerce et des Sociétés, Luxembourg*) under number B197554 (the "**Company**" and, together with its consolidated subsidiaries, the "**ADO Properties Group**"), assumes responsibility for the content of this prospectus (the "**Prospectus**") pursuant to Article 11 of the Prospectus Regulation and declares, to the best of its knowledge, that, as of the date of this Prospectus, the information contained in this Prospectus is correct and contains no material omissions likely to affect its import.

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 this Prospectus prior to the commencement of the court proceedings pursuant to the national legislation of the member states of the European Economic Area (the "**EEA**").

The information provided in this Prospectus will not be updated subsequent to the date hereof except for any significant new factor, material mistake or material inaccuracy relating to the information included in the Prospectus which may affect the assessment of the securities and which arises or is noted between the time when the Prospectus is approved and the later of (i) the closing of the offer period or (ii) the time when trading of the New Shares on a regulated market begins. These updates must be disclosed in a prospectus supplement in accordance with Article 23 para. 1 sentence 1 of Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017.

2.2 Subject-Matter of this Prospectus

The subject-matter of this Prospectus is the offer of 30,819,391 newly issued ordinary shares in dematerialized form with no nominal value of the Company (the "**New Shares**"), which will be offered to the Company's shareholders and holders of subscription rights to the New Shares for subscription at a ratio of 5:12 (the "**Subscription Offer**").

By resolution of the extraordinary General Meeting of June 16, 2015, the Company's board of directors (the "**Board of Directors**") is authorized for a period of five (5) years ending from the date of the publication of such resolution (*i.e.* August 20, 2015) creating the authorized capital in the Official Gazette of Luxembourg (unless amended or extended by the General Meeting), to increase the Company's share capital up to €750,000,000 by issuing new shares with no nominal value against contributions in cash and/or in kind (the "**Authorized Capital**").

The issue of the New Shares shall originate from two separate resolutions: (i) a resolution of the Board of Directors, adopted on July 2, 2020, resolving, in principle, to increase the Company's share capital from €91,718.51 to €129,934.56 by the issuance of 30,819,391 New Shares against contribution in cash by way of partial utilization of the Authorized Capital with subscription rights for existing shareholders of the Company, launching the Subscription Offer as well as determining the Subscription Price (as defined below) and the Subscription Ratio (as defined below) (the "**Board Resolution**") and (ii) a resolution expected to be adopted on or about July 21, 2020 by a duly appointed delegate of the Board of Directors effectively implementing the capital increase by issue of the New Shares (the "**Share Issuance Resolution**" and, together with the Board Resolution, the "**Capital Increase**"). In connection with the Capital Increase, the Board of Directors further resolved to approve (i) the required application to the CSSF for approval of this Prospectus and its further notification to the German Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht*) ("**BaFin**") for purposes of the admission to the regulated market segment (*Regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) and the sub-segment thereof with additional post-admission obligations (Prime Standard), (ii) that the Company enters into the Underwriting Agreement (as defined below), and (iii) that the Company makes all other filings necessary or desirable in connection with the Capital Increase.

For the purpose of admission to trading on the regulated market segment (*Regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) with simultaneous admission to the sub-segment thereof with additional post-admission obligations (Prime Standard), this prospectus relates to 30,819,391 New Shares.

2.3 No Consent for Use of the Prospectus

A consent to the use of the Prospectus with respect to a subsequent resale or a final placement of the Company's shares by any third party has not been granted.

2.4 Admission to Trading

The Company is expecting to apply to have the New Shares admitted to trading on the regulated market segment (*Regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) with simultaneous admission to the sub-segment thereof with additional post-admission obligations (Prime Standard) on or around July 8, 2020. The trading on the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) is expected to commence on July 24, 2020.

2.5 Costs of the Offering

The total costs related to the Offering are expected to be approximately €14.0 million and will be borne by the Company.

2.6 Existing Quotation of the Company's Shares

As of the date of this Prospectus, 73,966,539 of the Company's outstanding shares are admitted to trading on the regulated market segment (*Regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) with simultaneous admission to the sub-segment thereof with additional post-admission obligations (Prime Standard).

2.7 Approval of this Prospectus

This Prospectus constitutes a prospectus in the form of a single document within the meaning of Article 6 para. 3 of the Prospectus Regulation and has been prepared in accordance with the Prospectus Regulation. The CSSF, in its capacity as competent authority in the Grand Duchy of Luxembourg under the Prospectus Regulation and pursuant to Article 6 of the Luxembourg law of 16 July 2019 on prospectuses for securities (the "**Luxembourg Prospectus Law**"), has approved this document as a prospectus. By approving this Prospectus in accordance with Article 20 of the Prospectus Regulation, the CSSF assumes no responsibility and does not give any undertaking with regard to the economic and financial soundness of the transaction or the quality or solvency of ADO Properties S.A. in line with the provisions of Article 6 (4) of the Luxembourg Prospectus Law and the responsibility for the contents of this Prospectus are exclusively determined in accordance with Article 5 of the Luxembourg Prospectus Law. The CSSF approves this Prospectus only as regards the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation. Such approval should not be considered as an endorsement of the Issuer or the quality of the securities which are subject of this Prospectus. Investors should make their own assessment as to the suitability of investing in the securities.

2.8 Forward-looking Statements

This Prospectus contains forward-looking statements. A forward-looking statement is a 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 the ADO Properties Group's future earnings capacity, plans and expectations regarding its business growth and profitability, and the general economic conditions to which the ADO Properties Group is exposed. Statements made using words such as "believes", "predicts", "forecasts", "plans", "intends", "endeavors", "expects", "will", "aims", "targets" or similar terms and phrases, including reference and assumptions, may be an indication of forward-looking statements.

The forward-looking statements contained 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 ADO Properties 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 different sections of this Prospectus, particularly in the sections entitled "*1. Risk Factors*", *"11. Description Of The Transactions"*, *"12. Markets And Competition"* and wherever information is contained in this Prospectus regarding the Company's intentions, beliefs, or current expectations relating to its 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 the ADO Properties Group is subject.

It should be noted that the Company does not assume any obligation, except as required by law, to update or revise any forward-looking statement or to conform any such statement to new information, future events or developments or otherwise.

2.9 Appraisers

The independent, external valuer CBRE GmbH, Hausvogteiplatz 10, 10117 Berlin, Germany ("**CBRE**"), has prepared a condensed valuation report (the "**CBRE Valuation Report**") on the fair value of the ADO Properties Group's properties with a valuation date as of December 31, 2019 pursuant to IAS 40 in conjunction with IFRS 13 under the International Financial Reporting Standards, as adopted by the European Union ("**IFRS**"), which is reprinted in this Prospectus on pages V-2 *et seqq*. For more information on CBRE's independence, see "*1.9 Compliance with Valuation Standards*" on page V-8 of the Valuation Reports (as defined below). CBRE employs members of the Royal Institution of Chartered Surveyors (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 independent, external valuer Savills Advisory Services Germany GmbH & Co. KG, Taunusanlage 18, 60325 Frankfurt, Germany ("**Savills**"), has prepared condensed valuation reports on the fair value of the ADLER Group's residential rental units (including non-core properties) (excluding the ADO Properties Group) (the "**Savills ADLER Valuation**") and on the fair value of the residential rental units owned by Brack German Properties B.V. ("**BGP**"), a wholly-owned subsidiary of Brack Capital Properties N.V. ("**BCP**"), in which ADLER Real Estate holds a 69.81% stake (the "**Savills BGP Valuation**" and, together with the Savills ADLER Valuation, the "**Savills Valuation Report**"), in each case with a valuation date as of December 31, 2019 in conjunction with the International Financial Reporting Standards, as adopted by the European Union ("**IFRS**") 13. The Savills ADLER Valuation is reprinted in this Prospectus on pages V-33 *et seqq*. The Savills BGP Valuation is reprinted in this Prospectus on pages V-106 *et seqq*. For more information on Savills' independence, see "*Declaration of Independence & Status of Valuer*" on pages V-44 and V-116, respectively, of the Valuation Reports (as defined below). Savills employs members of the Royal Institution of Chartered Surveyors (RICS). Savills has consented to the inclusion of the Savills Valuation Report in this Prospectus in the unmodified form in which it is presented.

The independent, external valuer apollo valuation & research GmbH, Große Eschenheimer Str. 13, 60313 Frankfurt am Main, Germany ("**NAI Apollo**"), has prepared a condensed valuation report (the "**NAI ADLER Valuation Report**") on the fair value of residential rental units of the ADLER Group (excluding the ADO Properties Group) and on the fair value of the ADLER Group's development projects (excluding the ADO Properties Group) with a valuation date as of December 31, 2019 on the basis of the *RICS Valuation – Professional Standards 2017 (RICS Red Book)* published by the Royal Institution of Chartered Surveyors and in accordance with IVSC International Valuation Standards 2017 (11th edition), which is reprinted in this Prospectus on pages V-83 *et seqq*. For more information on NAI Apollo's independence, see "*1.9 Independence and Objectivity*" on page V-86 of the Valuation Reports (as defined below).

NAI Apollo has also prepared a condensed valuation report (the "**NAI Consus Valuation Report**" and, together with the CBRE Valuation Report, the Savills Valuation Report and the NAI ADLER Valuation Report, the "**Valuation Reports**") on the fair value of the investment properties of the Consus Real Estate AG ("**Consus Real Estate**" and, together with its consolidated subsidiaries, the "**Consus Group**") with a valuation date as of February 29, 2020 on the basis of the *RICS Valuation – Professional Standards 2020 (RICS Red Book)* published by the Royal Institution of Chartered Surveyors and in accordance with IVSC International Valuation Standards 2020 (12th edition), which is reprinted in this Prospectus on pages V-157 *et seqq*. For more information on NAI Apollo's independence, see "*1.9 Independence and Objectivity*" on page V-160 of the Valuation Reports.

NAI Apollo employs members of the Royal Institution of Chartered Surveyors (RICS). NAI Apollo has consented to the inclusion of the NAI Consus Valuation Report and the NAI ADLER Valuation Report in this Prospectus in the unmodified forms in which they are presented.

The Company affirms that, as of the date of this Prospectus and other than as a result of the transactions described under *"11.7 Description of the Consus Group*", no material change in the value of the properties appraised in the Valuation Reports has occurred since the valuation dates as of December 31, 2019 and February 29, 2020, respectively.

2.10 Sources of Market Data

In this Prospectus, the Company relies on and refers to information regarding its business and the markets in which it operates and competes. Certain economic and industry data, market data and market forecasts set forth in this Prospectus were extracted from the following market research, governmental and other publicly available information and independent industry publications.

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None of the information has been separately verified by the Company.

Where information in this Prospectus has been specifically identified as having been extracted from third party documents, the Company confirms that this information has been accurately reproduced and that as far as the Company is aware and is able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading. Although the Company has no reason to believe that any of this information is inaccurate in any material respect, the Company has not independently verified the competitive position, market share, market size, market growth or other data provided by third parties or by industry or other publications. The Company does not make any representation as to the accuracy of such information.

This Prospectus also contains estimates of market data and information derived from these estimates that would not be available from publications issued by market research firms or from any other independent sources. This information is based on internal estimates of the Company and, as such, may differ from the estimates made by competitors of the Company or from data collected in the future by market research firms or other independent sources. In addition, the Company assumes no obligation, except as required by law, to give updates of these figures.

2.11 Documents Available for Inspection

For the duration of the validity of this Prospectus, copies of the following documents will be available free of charge for inspection during regular business hours on any weekday (Saturdays, Sundays and public holidays excepted) at the offices of the Company at 1B, Heienhaff, L-1736 Senningerberg, Grand Duchy of Luxembourg:

- the Company's articles of association (the "**Articles of Association**");
- the Company's unaudited condensed consolidated interim financial statements prepared in accordance with IFRS (IAS 34) as of and for the three-month period ended March 31, 2020;
- the Company's audited consolidated annual financial statements prepared in accordance with IFRS as of and for the fiscal year ended December 31, 2019;
- the Company's audited consolidated annual financial statements prepared in accordance with IFRS as of and for the fiscal year ended December 31, 2018;
- the Company's audited consolidated annual financial statements prepared in accordance with IFRS as of and for the fiscal year ended December 31, 2017; and
- the Prospectus (including the Valuation Reports).

For a period of ten years commencing on the date of this Prospectus, the abovementioned documents will also be available on the Company's website at www.ado.properties.

This Prospectus contains certain references to websites. The information on these websites does not form part of the Prospectus and has not been scrutinized or approved by the CSSF in its capacity as competent authority for the approval of publication of the Prospectus.

The Company's future consolidated financial statements and condensed interim consolidated financial statements will be available from the Company on its website and from the paying agent named in this Prospectus (see "*16.7 Luxembourg Paying Agent and LuxCSD Principal Agent*").

2.12 Currency Presentation and Presentation of Figures

In this Prospectus, unless otherwise indicated, all references to "**€**", "**EUR**" or "**Euro**" are to the currency introduced at the start of the third stage of the European economic and monetary union, and as defined in Article 2 of Council Regulation (EC) No 974/98 of May 3, 1998 on the introduction of the Euro, as amended. Furthermore, all references to "**ILS**" or "**Israeli new shekel**" are to the currency of Israel.

Where financial information in tables in this Prospectus is labelled "audited", this means that it has been taken from the audited financial statements included elsewhere in this Prospectus. The label "unaudited" is used in tables in this Prospectus to indicate financial information that has not been taken from the audited financial statements included elsewhere in this Prospectus, but was taken from the Company's internal reporting system, or is based on calculations of figures from the abovementioned sources.

All of the financial data presented in the Prospectus are shown in thousands of Euro (in € thousands or "€ thousand"), except as otherwise stated.

Certain financial information (including percentages) in this Prospectus have been rounded according to established commercial standards. As a result, the aggregate amounts (sum totals or sub-totals or differences or if numbers are put in relation) in tables in this Prospectus may not correspond in all cases to the aggregated amounts of the underlying (unrounded) figures appearing elsewhere in this Prospectus. Furthermore, in those tables, these rounded figures may not add up exactly to the totals contained in those tables. Financial information presented in parentheses denotes the negative of such number presented. In respect of financial information set out in this Prospectus, a dash ("–") signifies that the relevant figure is not available, while a zero ("0.0") signifies that the relevant figure is available but has been rounded to zero.

2.13 Time Specifications

References to "**CEST**" in this Prospectus refer to Central European Time or Central European Summertime, as the case may be. References to time in this Prospectus refer to CEST, unless stated otherwise.

2.14 Rating

The Company is assigned a long-term issuer credit rating of "BB" with a stable outlook by Standard & Poor's Global Ratings Europe Ltd. ("**S&P**"). S&P has a registered office in the United Kingdom and has been validly registered by ESMA pursuant to Regulation (EC) 1060/2009 of the European Parliament and of the Council of September 16, 2009 on credit rating agencies, as amended.

The Company is assigned a "Ba2" rating with a stable outlook by Moody's Investors Service Ltd. ("**Moody's**"). Moody's has a registered office in the United Kingdom and has been validly registered by ESMA pursuant to Regulation (EC) 1060/2009 of the European Parliament and of the Council of September 16, 2009 on credit rating agencies, as amended.

A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organization (see: "*1.2.4 A downgrade or a withdrawal of the Company's current credit rating may impact our ability to obtain financing or issue further debt and may have a negative impact on our debt costs and on the share price of the* Company.").

The following statements are based on the information (in English) on the websites of S&P (standardandpoors.com) and Moody's (moodys.com) as of the date of this Prospectus.

An S&P Global Ratings issuer credit rating is a forward-looking opinion about an obligor's overall creditworthiness. This opinion focuses on the obligor's capacity and willingness to meet its financial commitments as they come due. It does not apply to any specific financial obligation, as it does not take into account the nature of and provisions of the obligation, its standing in bankruptcy or liquidation, statutory preferences, or the legality and enforceability of the obligation. Issuer credit ratings can be either long-term or short-term. The long-term issuer credit rating categories awarded by S&P range from the highest rating "AAA", which is defined as an extremely strong capacity of an obligor to meet its financial commitments to the lowest rating "D", which is defined as a default on all or substantially all of an obligor's financial obligations as they come due, whether long- or short-term, including rated and unrated obligations but excluding hybrid instruments classified as regulatory capital or in nonpayment according to terms. S&P define a "BB" rating for a long-term issuer as follows: An obligor rated "BB" is regarded as having significant speculative characteristics but is less vulnerable in the near term than other lower-rated obligors. However, it faces major ongoing uncertainties and exposure to adverse business, financial, or economic conditions that could lead to the obligor's inadequate capacity to meet its financial commitments. Ratings from "AA" to "CCC" may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within the rating categories.

Ratings assigned on Moody's global long-term and short-term rating scales are forward-looking opinions of the relative credit risks of financial obligations issued by non-financial corporates, financial institutions, structured finance vehicles, project finance vehicles, and public sector entities. Moody's defines credit risk as the risk that an entity may not meet its contractual financial obligations as they come due and any estimated financial loss in the event of default or impairment. Issuers are assigned long-term ratings. The global long-term rating scales awarded by Moody's range from the highest rating "Aaa" defined as obligations of the highest quality, subject to the lowest level of credit risk to the lowest rating "C" defined as the lowest rated obligations and typically in default, with little prospect for recovery of principal or interest. Moody's defines a "Ba" rating as follows: Obligations rated Ba are judged to have speculative elements and are subject to substantial credit risk. Moody's appends numerical modifiers 1, 2, and 3 to each generic rating classification from "Aa" through "Caa". The modifier 1 indicates that the obligation ranks in the higher end of its generic rating category; the modifier 2 indicates a mid-range ranking; and the modifier 3 indicates a ranking in the lower end of that generic rating category.

3. THE OFFERING

3.1 Subject Matter of the Offering

The Offering (as defined below) relates to a subscription offer of the Company of 30,819,391 new ordinary shares in dematerialized form with no nominal value of the Company and full dividend entitlements from January 1, 2019 (the "**New Shares**"), which will be offered to the Company's shareholders and holders of subscription rights to the New Shares for subscription at a ratio of 5:12 (that is, 12 existing shares of the Company entitle their holder to subscribe for 5 New Shares (the "**Subscription Ratio**")) (the "**Subscription Offer**").

The New Shares originate from two separate resolutions: the Board Resolution and the Share Issuance Resolution. In connection with the Capital Increase, the Board of Directors further resolved to approve (i) the required application to the CSSF for approval of this Prospectus and its further notification to the German Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht*) ("**BaFin**") for purposes of the admission to the regulated market segment (*Regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) and the sub-segment thereof with additional post-admission obligations (Prime Standard), (ii) that the Company enters into the Underwriting Agreement (as defined below), and (iii) that the Company makes all other filings necessary or desirable in connection with the Capital Increase.

The Subscription Offer will (i) in Germany and Luxembourg only take the form of a public offering exclusively to existing shareholders of the Company and holders of subscription rights to the New Shares, (ii) be in the form of a private placement with qualified investors outside Germany, Luxembourg and the United States of America (the "**United States**") in offshore transactions in reliance on Regulation S under the U.S. Securities Act of 1933 (as amended) (the "**Securities Act**"), and (iii) be in the form of a private placement with qualified institutional buyers as defined in Rule 144A under the Securities Act in the United States. Any New Shares that are not subscribed for in the Subscription Offer (the "**Rump Shares**") will be offered by the Underwriters (as defined below) in a rump placement to qualified investors outside the United States in offshore transactions in reliance on Regulation S under the Securities Act and qualified institutional buyers in the United States in reliance on Rule 144A under the Securities Act (the "**Rump Placement**" and together with the Subscription Offer, the "**Offering**").

In connection with the Offering, the Company and each of the Underwriters (as defined below) have entered into an underwriting agreement dated July 2, 2020 (the "**Underwriting Agreement**"), pursuant to which the Underwriters agree to offer the New Shares to the existing shareholders by way of indirect subscription rights to the New Shares during the Subscription Period (as defined below), in accordance with the Subscription Ratio and at the Subscription Price (as defined below). Any New Shares for which subscription rights were not exercised in the Subscription Period (as defined below) shall be placed in the Rump Placement and at a placement price corresponding to at least the Subscription Price. Additionally, the Underwriting Agreement provides for a firm underwriting of the New Shares not sold in the Offering by the Underwriters. Any New Shares subscribed by the Underwriters for their own accounts following the Rump Placement may be sold in the market above, at or below the Subscription Price (as defined below). The Offering is subject to certain conditions. For more information, see "*3.8 Underwriting Agreement*".

Under the Offering, to avoid exclusion from the exercise of their subscription rights, the Company's shareholders must exercise their subscription rights in the New Shares during the period from July 6, 2020 up to and including July 20, 2020 (the "**Subscription Period**").

For information regarding changes to or the premature termination of the Offering, please see "*3.3.10 Changes to and Termination of the Offering*" and "*3.4.5 Important Notice*".

3.2 Timetable

The anticipated timetable for the Subscription Offer and for the admission to trading of the New Shares on the regulated market segment (*Regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) with simultaneous admission to the sub-segment thereof with additional post-admission obligations (Prime Standard) is as follows:

July 2, 2020	• Approval of the Prospectus by the CSSF • Notification of the approved Prospectus to the BaFin • Publication of the Prospectus on the Company's website

July 3, 2020	• Publication of the Subscription Offer in the Luxembourg official gazette (*Recueil électronique des sociétés et associations*) and a Luxembourg newspaper
July 6, 2020	• Credit of the subscription rights by the Custodian Banks to the custodian accounts of the Company's shareholders based on their holdings in the Company's shares as of the end of trading on July 3, 2020 • Commencement of the Subscription Period • Commencement of trading of subscription rights • "Ex-rights" trading of shares
July 8, 2020	• Application for the admission to trading of the New Shares on the regulated market segment (*Regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) with simultaneous admission to the sub-segment thereof with additional post-admission obligations (Prime Standard)
July 16, 2020	• End of trading in subscription rights
July 20, 2020	• End of the Subscription Period (5:30 p.m. CET) • Last day for payment of the Subscription Price (as defined below)
July 21, 2020	• Announcement of the results of the Subscription Offer on the Company's website • Placement of the Rump Shares
July 22, 2020	• Admission of the New Shares to trading on the regulated market segment (*Regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) with simultaneous admission to the sub-segment thereof with additional post-admission obligations (Prime Standard) • Publication of the admission of the New Shares by the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) in the German Federal Gazette (*Bundesanzeiger*) and on the website of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) (www.deutsche-boerse.com)
July 24, 2020	• Commencement of trading in the New Shares by inclusion in the Company's current stock quotation on the regulated market segment (*Regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) and the sub-segment thereof with additional post-admission obligations (Prime Standard) • Book-entry delivery of the New Shares

This Prospectus will be published on the Company's website at www.ado.properties under the heading *Rights Offering*. Printed copies of this Prospectus are available from the Company free of charge during normal business hours at the following address: 1B, Heienhaff, L-1736 Senningerberg, Grand Duchy of Luxembourg (telephone: +352 278 456 710).

Information included on the websites listed in this section and information accessible via these websites is neither part of nor incorporated by reference into this Prospectus.

3.3 Subscription Offer

3.3.1 Offer of the New Shares

J.P. Morgan Securities plc, London, United Kingdom ("**J.P. Morgan**"), Deutsche Bank Aktiengesellschaft, Frankfurt am Main, Germany ("**Deutsche Bank**" and, together with J.P. Morgan, the "**Joint Global Coordinators**"), Barclays Bank PLC, London, United Kingdom ("**Barclays**") and Van Lanschot Kempen Wealth Management N.V., Amsterdam, The Netherlands ("**Kempen & Co**" and, together with Barclays, the "**Joint Bookrunners**" and the Joint Bookrunners together with the Joint Global Coordinators, the "**Underwriters**") have agreed, pursuant to the Underwriting Agreement, to offer the New Shares to the Company's existing shareholders during the Subscription Period for indirect subscription at a ratio of 5:12 (that is, 12 existing shares of the Company entitle their holder to subscribe for 5 New Shares) at the Subscription Price (as defined below).

3.3.2 Subscription Price

The subscription price per New Share is €14.60 (the "**Subscription Price**") and must be received at the latest on July 20, 2020 (no later than 5:30 p.m. CET).

3.3.3 Subscription Ratio

12 existing shares of the Company entitle their holder to subscribe for 5 New Shares (the "**Subscription Ratio**"). The holding of 12 subscription rights enables the exercise of the subscription right for the purchase of 5 whole New Shares, *i.e.*, 5 New Shares may be purchased for 12 subscription rights. Accordingly, the exercise of 12 subscription rights entitles holders thereof to subscribe for 5 New Shares against payment of the Subscription Price.

No fractional New Shares will be issued. Accordingly, should a holder of subscription rights decide to exercise all of its subscription rights, it may hold more subscription rights than can be exercised for an integral number of New Shares. A holder of the subscription rights must either sell these excess subscription rights or purchase additional subscription rights to be able to subscribe for additional whole New Shares.

3.3.4 Allotment of Subscription Rights

The Company will grant holders of existing shares of the Company subscription rights for the New Shares on the basis of the Subscription Ratio, whereas the number of shares respectively held in the Company will be determined as of the end of trading on July 3, 2020.

The subscription rights will be automatically credited into the respective custodian accounts of the Company's shareholders by the respective custodian banks (the "**Custodian Banks**").

The Company has received firm subscription commitments from certain shareholders. For more information, see "*3.3.8 Firm Subscription Commitments*".

3.3.5 Trading in Subscription Rights

The subscription rights (ISIN LU2199485652) for the New Shares will be traded during the period from July 6, 2020 up to and including July 16, 2020 (until the close of trading) on the regulated market segment (*Regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) (Xetra and Xetra Specialist). The Company has not applied for admission of the subscription rights to trading on any other stock exchange and does not intend to do so. The market rate of the subscription rights depends, *inter alia*, on the development of the price of the Company's shares, however, it can substantially deviate from the price of the shares.

On the stock exchange on which the Company's existing shares are quoted as ex-subscription rights (*ex Bezugsrecht*), such quotation will commence on July 6, 2020.

3.3.6 Exercise of Subscription Rights

In accordance with the Subscription Ratio, the exercise of 12 subscription rights entitles holders thereof to subscribe for 5 New Shares against payment of the Subscription Price. The exercise of a subscription right is irrevocable and may not be withdrawn, cancelled or modified. Holders of subscription rights must exercise their subscription rights during the Subscription Period, *i.e.* between July 6, 2020 and up to and including July 20, 2020.

Holders of subscription rights who wish to exercise their subscription rights must (i) submit a completed and signed subscription instruction, which will be made available to them by their respective Custodian Bank, to their respective Custodian Bank, and (ii) pay the Subscription Price to the account notified by the respective Custodian Bank, whereas such payment must be received by LuxCSD S.A. as the central securities depository ("**LuxCSD**") on or before July 20, 2020 (no later than 5:30 p.m. CET).

The aforementioned instructions must be sent through Clearstream Banking S.A., Clearstream Banking Aktiengesellschaft or Euroclear Investments S.A., respectively (together, the "**Clearing Systems**") which will then send these to LuxCSD S.A. which, in turn, shall send them to BNP Paribas Securities Services, Luxembourg Branch, acting as the Company's subscription agent (the "**Subscription Agent**"). These instructions must be received by the Subscription Agent not later than the end of the day on July 20, 2020 (no later than 5:30 p.m. CET).

Holders of subscription rights are instructed to consult with their own Custodian Bank regarding the form required for instructions and the deadline for receipt of such instructions (in particular, the subscription instruction and the instruction to receive the New Shares) and of the Subscription Price that would, in turn, allow the respective Custodian Bank to transmit these instructions to the Subscription Agent (through the Clearing Systems and LuxCSD) prior to the end of the Subscription Period on July 20, 2020 (no later than 5:30 p.m. CET).

At the end of the Subscription Period, *i.e.*, on June 20, 2020, LuxCSD will collect the payments of the Subscription Price via the Clearing Systems and transfer the amounts to the Subscription Agent.

Holders of subscription rights who wish to exercise their subscription rights are also requested to instruct their Custodian Bank to arrange for the credit of the New Shares to the respective holder's account following the Capital Increase on or around July 21, 2020.

No fractional New Shares will be issued. Accordingly, should a holder of subscription rights decide to exercise all of its subscription rights, it may hold more subscription rights than can be exercised for an integral number of New Shares. A holder of the subscription rights must either sell these excess subscription rights or purchase additional subscription rights to be able to subscribe for additional whole New Shares.

No arrangements have been made for an automatic sale of subscription rights on behalf of any shareholder of the Company that does not take affirmative action to exercise or sell its subscription rights. Accordingly, unless a holder of subscription rights takes appropriate action to exercise its subscription rights as described in this section "*3. The Offering*", any subscription rights will lapse automatically and be of no value.

The subscription rights will be granted to all shareholders of the Company but may only be exercised by shareholders of the Company (or subsequent purchasers of subscription rights) who can lawfully do so under any applicable law. The New Shares to be issued upon exercise of the subscription rights will only be issued to holders of subscription rights who are lawfully able to exercise subscription rights under any applicable law. The Company has taken all actions necessary to ensure that the subscription rights may lawfully be exercised by, and New Shares to be issued upon the exercise of the subscription rights may lawfully be offered to, the public (including shareholders of the Company and holders of subscription rights) in Luxembourg and in Germany.

The Company reserves the right to treat as invalid any acceptance or purported exercise of subscription rights which appears to the Company or any of its agents to have been executed, effected or dispatched in a manner which may involve a breach of the securities laws or regulations of any jurisdiction or if the Company or any of its agents believe that the same may violate applicable legal or regulatory requirements.

3.3.7 Subscription Rights not Exercised and Transferability

No compensation will be paid for subscription rights not exercised.

Any subscription rights, including subscription rights in excess of the nearest integral multiple of the Subscription Ratio, that are neither exercised nor sold within the Subscription Period (i.e., by July 20, 2020 (no later than 5:30 pm CET)) will expire and become null and void without any payment of compensation upon expiration of the Subscription Period. Accordingly, upon the expiration of the Subscription Period, any subscription rights not exercised will lapse automatically and be of no value.

The subscription rights are fully transferable.

3.3.8 Firm Subscription Commitments

By way of firm subscription commitments, certain shareholders, among others, Aggregate Holdings S.A. (following the settlement of the Consus Real Estate Call Option Exercise), Fairwater Multi-Strategy Investment ICAV and Fortitudo Capital SPC have each undertaken to the Company that their respective subscription rights shall be exercised in respect of, in aggregate, 35.69% shareholding in the Company.

3.3.9 Placement of Unsubscribed New Shares / Rump Placement

The Underwriters will offer any Rump Shares at a price to be determined by way of book-building at least equivalent to the Subscription Price in a rump placement by way of private placements to (i) qualified investors outside the United States in offshore transactions in reliance on Regulation S under the Securities Act, and (ii) qualified institutional buyers in the United States in reliance on Rule 144A under the Securities Act.

The allocation of the Rump Shares to investors will be determined by the Joint Global Coordinators after consultation with the Company. The decision ultimately rests with the Joint Global Coordinators. Allocations will be made on the basis of the quality of individual investors, such as the expected investment timeline and trading behavior of the investor, and individual orders and other important allocation criteria to be determined by the Joint Global Coordinators after consultation with the Company and based on the allocation guidelines provided by the Joint Global Coordinators.

The Rump Placement, if any, is expected to take place on or about July 21, 2020.

To the extent that the Underwriters fail to procure purchasers for any Rump Shares by 18:00 CEST on July 21, 2020 at or above the Subscription Price, the Underwriters are, severally and not jointly, obliged to purchase such shares at the Subscription Price. Shares not placed during the Rump Placement may be retained or dealt with by the Joint Global Coordinators by way of coordinated sell-down for the account of the Underwriters in their absolute discretion and may be sold in the market above, at or below the Subscription Price.

3.3.10 Changes to and Termination of the Offering

Under certain circumstances, the terms of the Offering may be changed and the Offering may be terminated prematurely. The Company reserves the right to, together with the Joint Global Coordinators, extend or shorten the Subscription Period insofar legally permissible. The extension or shortening of the Subscription Period will not invalidate any offers to subscribe New Shares that have already been submitted. Neither existing shareholders nor qualified investors or qualified institutional buyers will be notified individually in relation to any change in or termination of the Offering. Any amendments to the terms of the Offering that may affect an assessment of the New Shares and occurs or comes to light following the approval of this Prospectus, but before the admission of the New Shares to trading, must be disclosed in a prospectus supplement. If any right to change the terms of the Offering is exercised or if the Subscription Period is extended or curtailed, 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 Subscription Period is extended or curtailed or in any other case if required pursuant to Article 23 of the Prospectus Regulation, as a supplement to this Prospectus. Any reduction in subscription occurs prior to payment to the Underwriters and therefore no refund will be required as only the final amount due will be paid/collected.

3.4 New Shares Offered

3.4.1 Form, Certification, Voting Rights and Dividend and Liquidation Rights of the New Shares

All of the Company’s shares are and the New Shares will be ordinary shares in dematerialized form with no nominal value. The Company’s shares have been and the New Shares will be issued in dematerialized form only and are subject to the Luxembourg law of April 6, 2013 on dematerialized securities, as amended. All of the Company's shares are and the New Shares will be registered in a single securities issuance account with the single settlement organization LuxCSD. The Company's shares are and the New Shares will be denominated in Euro.

Dematerialized shares are only represented, and ownership of the shareholder over such shares is only established, by a record in the securities account. LuxCSD may, however, issue or request the Company to issue certificates relating to the Company's shares, including the New Shares, for the purpose of the international circulation thereof.

Subject to any limitations imposed by Luxembourg laws, each of the Company's shares entitles a shareholder to one vote at the general meeting of the Company (the "**General Meeting**"), there are no restrictions on voting rights, and all of the Company's shares carry the same voting rights.

The New Shares will be fully fungible and rank *pari passu* in all respects with the existing shares of the Company. The New Shares carry the same rights as the Company's other shares, including full dividend entitlements as from January 1, 2019.

The existing shares of the Company and the New Shares are freely transferable in accordance with the legal requirements for dematerialized shares. The Board of Directors 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 respectively applicable requirements.

In the event that the Company is liquidated, once all debts, charges and liquidation expenses have been met, any surplus will be distributed among shareholders in proportion to their interest in the Company's share capital.

3.4.2 Commissions charged by Custodian Banks

The Custodian Banks may charge a customary commission in connection with the subscription of the New Shares.

3.4.3 Settlement and Delivery

On the settlement date, which is expected to be on or about July 24, 2020, LuxCSD will deliver the New Shares by book-entry transfer into the Clearing Systems to the appropriate securities accounts as instructed by J.P. Morgan as the settlement agent.

3.4.4 Admission to Trading and Listing of the New Shares

The admission of the New Shares to trading on the regulated market segment (*Regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) with simultaneous admission to the sub-segment thereof with additional post-admission obligations (Prime Standard) is expected to take place on July 22, 2020. The New Shares are expected to be included in the existing quotation for the Company's listed shares on the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) (ISIN: LU1250154413/WKN: A14U78) from July 24, 2020 onwards.

3.4.5 Important Notice

Prior to making a decision to exercise, purchase or sell subscription rights for the New Shares, shareholders and investors are advised to carefully read this Prospectus and to take particular note of, among others, the risks described in section "*1. Risk Factors*" of this Prospectus and to consider such information, together with any other information included in the Prospectus, when making any decision with respect to the subscription rights for the New Shares. In light of the current high volatility of equity prices and the market environment, shareholders should inform themselves of the Company's current share price before exercising their subscription rights for the New Shares at the Subscription Price. As the Offering to which this Prospectus relates is only addressed to the existing shareholders of the Company, the level of disclosure included herein is proportionate to this type of issue.

Furthermore, prior to making a decision to exercise, purchase or sell subscription rights for the New Shares, shareholders and investors are warned of and advised to carefully consider the tax legislation of the shareholders' and the investors' home country and of Luxembourg as the Company's country of incorporation which may have an impact on the income received from the New Shares.

The Underwriters are entitled to terminate the Underwriting Agreement under certain circumstances. These circumstances include, in particular, material adverse changes in the condition, business, prospects, management, consolidated financial position, shareholders' equity or results of operations of the Company and its subsidiaries, a rating downgrade, material restrictions on stock exchange trading or banking activities, the outbreak or escalation of hostilities or war, or the occurrence of acts of terrorism or other calamity or crisis, which have a material adverse impact on the financial markets in Germany, Luxembourg, the United Kingdom, the Netherlands or the United States. The Underwriters are further relieved from their obligations under the Underwriting Agreement if a stop-order or similar action by any governmental, regulatory or stock exchange authority having jurisdiction over the Company or the Offering suspending the effectiveness thereof in whole or in part has been threatened or initiated by any such authority.

If the Joint Global Coordinators (acting reasonably and after consultation with the Company) terminate the Underwriting Agreement before the Share Issuance Resolution has been made, shareholders' subscription rights will lapse without compensation. In this case, the institutions brokering subscription rights trading will not reverse any transactions already completed with investors and investors who have acquired subscription rights through a stock exchange would suffer a complete loss. However, if the Joint Global Coordinators or the Company terminate the Underwriting Agreement after the Share Issuance Resolution has been made, shareholders and purchasers of subscription rights who have exercised their subscription rights will be entitled to acquire and the Underwriters are obliged to deliver any New Shares at the Subscription Price; a withdrawal of the shareholders and those acquiring subscription rights is no longer possible in such case.

J.P. Morgan and Barclays are authorized by the Prudential Regulation Authority ("PRA") and regulated in the United Kingdom by the Financial Conduct Authority and the PRA. Deutsche Bank is authorized under the German Banking Law and is subject to supervision by the European Central Bank and by the BaFin. Kempen & Co is authorized by the Dutch Central Bank (*De Nederlandsche Bank)* ("DNB") and regulated in the Netherlands by the Authority Financial Markets (*Autoriteit Financiële Markten*) and DNB. Each of the Underwriters is acting exclusively for the Company and no one else in connection with the Offering or any other matters referred to in the Prospectus. Each of the Underwriters will not regard any other person (whether or not a recipient of the Prospectus) as a client in relation to the Offering or any other matters referred to in the Prospectus and will not be responsible to anyone other than the Company for providing the protections afforded to their respective clients or for the giving of advice in relation to the contents of the Prospectus, the Offering or any transaction, matter, or arrangement referred to in the Prospectus.

Apart from the responsibilities and liabilities, if any, which may be imposed on the Underwriters by the regulatory regime of any jurisdiction where the exclusion of liability under the relevant regulatory regime would be illegal, void or unenforceable, none of the Underwriters nor any of their respective affiliates accepts any responsibility whatsoever for the contents of the Prospectus including its accuracy, completeness and verification or for any other statement made or purported to be made by them, or on their behalf, in connection with the Company, the New Shares or the Offering. Each of the Underwriters and each of their respective affiliates accordingly disclaim, to the fullest extent permitted by applicable law, all and any liability whether arising in tort, contract or otherwise (save as referred to above) which they might otherwise be found to have in respect of the Prospectus or any such statement.

No representation or warranty, express or implied, is made by any of the Underwriters or any of their respective affiliates as to the accuracy, completeness, verification or sufficiency of the information set out in the Prospectus, and nothing in the Prospectus will be relied upon as a promise or representation in this respect, whether or not as to the past or future.

The Prospectus is not intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by any of the Company or the Underwriters or any of their respective representatives that any recipient of the Prospectus should purchase the New Shares.

3.4.6 Stabilization Measures

In connection with the Offering, no stabilization measures will be effected by, or on behalf of, the Company on the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*), the over-the-counter market or otherwise.

3.5 Lock-up Agreement

In the Underwriting Agreement, the Company has agreed with the Joint Global Coordinators, for a period commencing on the date of the Underwriting Agreement and ending six months after commencement of trading in the New Shares and without the prior written consent of the Joint Global Coordinators, which consent may not be unreasonably withheld, that the Company or the Board of Directors will not, and will not agree to, to the extent legally permissible (other than in relation to the Capital Increase or a proposal to the Company's next ordinary shareholders meeting to resolve upon new authorized capital or conditional capital):

(i) announce or effect an increase of the share capital of the Company out of authorized capital (except for the Capital Increase to which this Prospectus relates);

(ii) submit a proposal for a capital increase to any shareholders' meeting for resolution;

(iii) announce to issue, effect or submit a proposal for the issuance of any securities convertible into shares of the Company or with option rights for shares of the Company; or

(iv) enter into a transaction or perform any action economically similar to those described in (i) through (iii) above.

The above does not apply to (i) the New Shares to be sold hereunder, (ii) the issuance or sale, as applicable, of shares or other securities issued under management or employee participation programs or stock option plans to members of the Board of Directors, the Company's or any of its subsidiaries employees or affiliates, and (iii) the issuance of shares against contributions in kind in connection with any acquisition, equity investment or joint venture, provided, however, that the Company shall use its best efforts to negotiate an undertaking with the parties to the acquisition, equity investment or joint venture to which such shares or other securities will be issued pursuant to which the recipient(s) shall assume towards the Joint Global Coordinators the obligation to comply with certain restrictions on the disposal of the shares contained in the Underwriting Agreement.

3.6 Dilution

Shareholders who fully exercise their subscription rights for the New Shares will maintain their percentage of ownership of the Company's share capital following the capital increase. To the extent that shareholders do not exercise their subscription rights, assuming that 30,819,391 New Shares will be issued, each shareholder's share in the Company would decrease by 29.4% and, accordingly, value-related dilution amounts to €7.31 per share of the Company.

As of March 31, 2020, the net asset value (corresponding to the total equity attributable to owners of the Company plus the revaluation of trading properties, less the fair value of derivative financial instruments, less deferred taxes of the Company) (based on the best practice recommendations of the European Public Real Estate Association) of the Company ("**NAV**") derived from the Consolidated Interim Financial Statements of the ADO Properties Group, amounted to €2,824,292,000, which resulted in a NAV per share of €63.91 (rounded and based on 44,194,607 outstanding shares of the Company as of March 31, 2020). On this basis, assuming completion of the Offering at the Subscription Price and after deduction of the estimated expenses of the Offering in an amount of €14.0 million, the adjusted NAV per share of the Company as of March 31, 2020 would amount to €31.11 (calculated as adjusted by the effects of the Offering assuming that 104,785,930 shares of the Company will be outstanding after completion of the Offering pursuant to which 30,819,391 New Shares would be issued). For the existing shareholders of the Company, this means a decrease in NAV of €32.79, or 51.3%, per ordinary share in dematerialized form with no nominal value of the Company. For investors who did not previously hold participations in the Company and who acquire New Shares at the Subscription Price, this entails a theoretical gain of €16.51 per ordinary share in dematerialized form with no nominal value of the Company.

For the avoidance of doubt and for illustrative purposes only: If the Subscription Price is €14.60 (corresponding to 30,819,391 New Shares), the adjusted NAV of the Company as of March 31, 2020 would amount to €31.11 per share of the Company (calculated as adjusted by the effects of the Offering assuming that 104,785,930 shares of the Company will be outstanding after completion of the Offering pursuant to which 30,819,391 New Shares would be issued). Accordingly, this would for the existing shareholders of the Company mean a decrease in NAV of €32.79, or 51.3%, per ordinary share in dematerialized form with no nominal value of the Company, and for investors who did not previously hold participations in the Company and who acquire New Shares at the Subscription Price entail a theoretical gain of €16.51, or 113.1%, per ordinary share in dematerialized form with no nominal value of the Company.

For additional information, see "*1.8.5 Any future capital increase by the Company could have a negative impact on the price of the shares of the Company and dilute the stake of the Company's existing shareholders.*"

3.7 Costs of the Offering and Net Issue Proceeds

Assuming gross proceeds of €450 million from the sale of the New Shares and total costs related to the Offering of approximately €14.0 million, the net issue proceeds from the capital increase are expected to total approximately €436 million. Investors will not be charged expenses by the Company or the Underwriters.

3.8 Underwriting Agreement

On July 2, 2020, the Company and the Underwriters entered into an Underwriting Agreement with respect to the Subscription Offer and the Rump Placement. Pursuant to the Underwriting Agreement, the Underwriters have undertaken to, *inter alia*, firmly underwrite the New Shares. Each of the Underwriters has, severally and not jointly, agreed to underwrite a number of New Shares and the Company has agreed to issue the corresponding number of New Shares to the Underwriters.

The following table sets forth the number of New Shares which the Company has agreed to issue to the Underwriters:

	Address	Number of New Shares	Percentage of New Shares
J.P. Morgan Securities plc	25 Bank Street Canary Wharf London E14 5JP United Kingdom	9,985,483	32.40%
Deutsche Bank Aktiengesellschaft	Taunusanlage 12 60325 Frankfurt am Main Germany	9,985,483	32.40%
Barclays Bank PLC	5 The North Colonnade Canary Wharf London E14 4BB United Kingdom	8,290,416	26.90%
Van Lanschot Kempen Wealth Management N.V.	Beethovenstraat 300 1077 WZ Amsterdam The Netherlands	2,558,009	8.30%
Total		30,819,391	**100.00**

The Subscription Offer will (i) in Germany and Luxembourg only take the form of a public offering exclusively to existing shareholders of the Company and holders of subscription rights to the New Shares, (ii) be in the form of a private placement with qualified investors outside Germany, Luxembourg and the United States in offshore transactions in reliance on Regulation S under the U.S. Securities Act, and (iii) be in the form of a private placement with qualified institutional buyers as defined in Rule 144A under the Securities Act in the United States. The Underwriters will offer any Rump Shares at a price at least equivalent to the Subscription Price in a rump placement by way of private placements to (i) qualified investors outside the United States in offshore transactions in reliance on Regulation S under the Securities Act, and (ii) qualified institutional buyers in the United States in reliance on Rule 144A under the Securities Act.

To the extent that the Underwriters fail to procure purchasers for any Rump Shares by 18:00 CEST on July 21, 2020 at or above the Subscription Price, the Underwriters are, severally and not jointly, obliged to purchase such shares at the Subscription Price.

In the event that the Underwriters purchase any Rump Shares which are not taken up by placees, the Underwriters may co-ordinate disposals of such shares in accordance with applicable law and regulation. Except as required by applicable law or regulation, the Underwriters and their respective affiliates do not propose to make any public disclosure in relation to such transactions.

The Underwriters subscribe for the New Shares solely for the purpose of placement of the New Shares with existing shareholders and investors and will not, until completion of such placement, exercise any shareholder rights attached to the New Shares. The Underwriters have each acknowledged and agreed that they will not act in concert with each other in relation to the Company, including, in particular, regarding the exercise of voting rights in relation to the New Shares.

The Underwriting Agreement stipulates that the Underwriters, through J.P. Morgan as settlement agent, will pay to the Company the gross proceeds from the Offering (as derived from the number of New Shares multiplied by the Subscription Price and, in relation to the Rump Shares, the number of Rump Shares multiplied by the higher of (x) the Subscription Price or (y) the final price per New Share paid by investors in the Rump Placement) less the aggregate par value of the New Shares and less certain agreed fees. The Underwriting Agreement also stipulates that the Company must release the Underwriters from certain liabilities and that their obligations under the agreements are contingent on the fulfillment of certain conditions, including, *inter alia*, the receipt of standard legal opinions that the Underwriters deem satisfactory.

Under the Underwriting Agreement, the Company is obliged to pay to the Joint Global Coordinators a management fee and an underwriting fee to the Underwriters. The Company has agreed to reimburse the Underwriters for certain costs and expenses reasonably incurred by them in connection with the Offering and the subsequent admission to trading of the New Shares.

For additional information on the termination of the Underwriting Agreement, see "*3.4.5 Important Notice*".

3.9 Material Interests, Including Conflicts of Interest

The Underwriters have entered into a contractual relationship with the Company in connection with the Offering and admission to trading of the New Shares. The Underwriters will advise the Company on the transaction and coordinate the structuring and execution of the transaction. Upon execution of the transaction, the Underwriters will receive a commission. As a result, the Underwriters have a financial interest in the success of the Offering. Each of the Underwriters and their respective affiliates may have engaged in transactions with, and provided various commercial banking, investment banking, financial advisory transactions and services in the ordinary course of their business with the Company and/or its affiliates for which they would have received customary fees and commissions. Each of the Underwriters and their respective affiliates may provide such services to the Company and/or its affiliates in the future. In particular, the Company and J.P. Morgan Securities plc, J.P. Morgan AG, J.P. Morgan Europe Limited, Barclays Bank PLC and Deutsche Bank Luxembourg S.A. entered into a bridge facility agreement under which €885,470,000 have been drawn as of the date of this Prospectus. In their capacity as lenders, such lenders may, in the future, seek a reduction of a loan commitment to the Company and/or its affiliates, or impose incremental pricing or collateral requirements with respect to such facility or credit arrangements, in the ordinary course of business. In addition, such lenders may routinely hedge their credit exposure to the Company consistent with their customary risk management policies; a typical hedging strategy would include these lenders or their affiliates hedging such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in the Company's shares.

The Underwriters or companies affiliated with the Underwriters have engaged in securities trading and brokerage activities, as well as providing investment banking, asset management, financing and financial advisory services and other commercial and investment banking products and services to a wide range of corporations and individuals. They may from time to time enter into business relationships with companies of the ADO Properties Group, or perform services on their behalf as part of their normal course of business including such relating to lending and asset-backed securities transactions. In the ordinary course of the Underwriters' trading, brokerage, asset management, and financing activities, the Underwriters may at any time deal as principal or agent for more than one party in, or hold long or short positions, and may trade or otherwise effect transactions, for its own account or the accounts of customers, in debt or equity securities or senior loans of the Company, its affiliates or other entities that may be involved in or connected with the transactions contemplated hereby, including in connection with the Offering. Accordingly, references in this document to the New Shares being issued, offered, subscribed, acquired, placed or otherwise dealt in should be read as including any issue, offer, subscription, acquisition, placing or dealing by each of the Underwriters and any of their affiliates acting as investors for their own accounts. Accordingly, the Underwriters and companies affiliated with the Underwriters may in the future face conflicts of interests with shareholders in the Company. In addition, certain of the Underwriters or their affiliates may enter into financing arrangements (including swaps, contracts for difference and margin loans) with investors in connection with which such Underwriters (or their affiliates) may from time to time acquire, hold or dispose of shares of the Company. Except as required by applicable law or regulation, the Underwriters do not propose to make any public disclosure in relation to such transactions. There are no other interests or (potential) conflicts of interest that could be material to the Offering.

The Company intends to use the entire net proceeds from the Offering for the repayment of mezzanine and junior debt to reduce financing liabilities relating to Consus Real Estate's development projects (for further information, see "*4. Reasons For The Offering And Use Of Proceeds*").

3.10 Selling Restriction Notices

The New Shares and subscription rights for the New Shares will be offered to the existing shareholders of the Company and holders of subscription rights by way of public offering solely in Germany and in Luxembourg. The acceptance of the Subscription Offer outside Germany and Luxembourg may be subject to restrictions. Persons who intend to accept the Subscription Offer outside Germany and Luxembourg are requested to inform themselves of or seek professional advice for and comply with the restrictions that exist outside Germany and Luxembourg.

The New Shares and the subscription rights have not been and will not be registered under the Securities Act or with the securities regulatory authority of any state of the United States. They may not be offered, sold or delivered, directly or indirectly, within 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 provisions of U.S. law. Thus, pursuant to the Underwriting Agreement, each of the Underwriters, severally and not jointly, has covenanted to and agreed with the Company that neither it nor any of its affiliates (as defined in Rule 405 under the Securities Act), nor any third party acting on its or their behalf, with regard to the subscription rights or the New Shares:

(i) directly or through any agent, has or have offered, solicited offers to buy or sold, or will offer, solicit offers to buy or sell these (y) by any form of "general solicitation" or "general advertising" in the United States, each within the meaning of Regulation D under the Securities Act, or in any manner involving a public offering within the meaning of Section 4(a)(2) of the Securities Act, or (z) to any persons in the United States, except to such persons whom they reasonably believe to be qualified institutional buyers (within the meaning of Rule 144A) for its own account or for the account of another qualified institutional buyer in transactions meeting the requirements of Rule 144A; or

(ii) has or have engaged, or will engage in any "directed selling efforts" in the United States within the meaning of Regulation S under the Securities Act.

The Company does not intend to register the Offering or any portion thereof in the United States or to conduct a public offering of the New Shares or subscription rights in the United States.

Until 40 days after commencement of the Offering, the offer, sale, purchase or transfer of the subscription rights or New Shares within the United States by a dealer (whether or not participating in the Offering) may violate the registration requirements of the Securities Act. The subscription rights and the New Shares have not been approved or rejected by any federal or state securities commission or regulatory authority of the United States. Furthermore, none of these authorities have confirmed or approved the terms of the Offering, the subscription rights, the New Shares or the accuracy or completeness of the prospectus.

The subscription rights will not be distributed by the Company to any shareholder of the Company that is located or resident in Canada, except in limited circumstances after such shareholder has established its eligibility to receive the subscription rights to the Company's satisfaction. The New Shares may be sold in certain provinces of Canada pursuant to an exemption from the prospectus requirements of Canadian securities laws.

Sales in the United Kingdom are also subject to restrictions. Each of the Underwriters has, severally and not jointly, covenanted to and agreed with the Company that it or any of its affiliates or any person acting on its or their behalf:

(i) 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 United Kingdom Financial Services and Markets Act 2000 ("**FSMA**") received by it in connection with the issue or sale of any New Shares in circumstances in which Section 21 para. 1 of the FSMA does not apply to the Company; and

(ii) has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the subscription rights and the New Shares in, from, or otherwise involving the United Kingdom.

Each of the Underwriters has, severally and not jointly, represented and warranted to the Company in the Underwriting Agreement that it has not publicly offered and will not publicly offer the subscription rights or the New Shares to existing shareholders of the Company or holders of subscription rights to the New Shares in any member state of the European Economic Area (each, an "**EEA Member State**") bound by the Prospectus Regulation (other than the offers in Germany and Luxembourg) from the date of implementation of the Prospectus Regulation unless:

(i) a prospectus for the New Shares has been approved by the CSSF and published and notified in accordance with the Prospectus Regulation;

(ii) the Offering is addressed solely to "qualified investors" (within the meaning of the Prospectus Regulation);

(iii) the Offering is made to fewer than 150 natural or legal persons (other than a "qualified investor" within the meaning of (ii) above) in the respective EEA Member State;

(iv) for the existence of any other circumstances falling within Article 1(3) or Article 1(4) of the Prospectus Regulation; or

(v) for the existence of any other circumstance falling within Article 3(2) of the Prospectus Regulation, as a result of which the publication of a prospectus by the Company is not required in the respective Member State;

and provided that, in each of (ii) to (v) above, no such offer of subscription rights shall result in the requirement by the Company or the Underwriters to publish a prospectus under the Prospectus Regulation, and whereas, for the purposes of this Offering, any limitation arising as a result of or in connection with the requirement for the publication of a prospectus shall apply *mutatis mutandis* to the requirement to publish a supplement to prospectus pursuant to Article 23 of the Prospectus Regulation.

In addition, each of the Underwriters has, severally and not jointly, represented and warranted to the Company in the Underwriting Agreement that it:

(i) and none of its affiliates has taken or will take any action in any jurisdiction other than in Germany and Luxembourg that would constitute an offer to the public of any subscription rights or New Shares; and

(ii) it will comply in all material respects with such laws and regulations that are applicable to the offering in any jurisdictions in which it offers, sells or delivers subscription rights or New Shares.

3.11 Identification of Target Market

Each distributor is responsible for undertaking its own target market assessment with respect to the New Shares and determining appropriate distribution channels.

Solely for the purpose of the product governance requirements contained within (i) Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU ("**MiFID II**"), (ii) Articles 9 and 10 of Commission Delegated Directive (EU) 2017/593 of 7 April 2016 supplementing Directive 2014/65/EU of the European Parliament and of the Council with regard to safeguarding of financial instruments and funds belonging to clients, product governance obligations and the rules applicable to the provision or reception of fees, commissions or any monetary or non-monetary benefits, and (iii) local implementing measures (together, the "**MiFID II Requirements**"), and disclaiming any and all liability, whether arising in tort, contract or otherwise, which any 'manufacturer' (for purposes of the MiFID II Requirements) may otherwise have with respect thereto, the New Shares have been subject to a product approval process. As a result, it has been determined that the New Shares are (i) compatible with an end target market of retail investors and investors who meet the criteria of professional clients and eligible counterparties, each as defined in MiFID II, and (ii) eligible for distribution through all distribution channels permitted by MiFID II (the "**Target Market Assessment**").

Notwithstanding the Target Market Assessment, the price of the New Shares may decline and investors could lose all or part of their investment. The New Shares offer no guaranteed income and no capital protection, and an investment in the New Shares is suitable only for investors who:

- do not need a guaranteed income or capital protection;

- either alone or together with an appropriate financial or other adviser, are capable of evaluating the merits and risks of such an investment; and
- who have sufficient resources to be able to bear any losses that may result from such investment.

The Target Market Assessment is without prejudice to the requirements of any contractual, legal or regulatory selling restrictions with respect to the Offering and does not constitute (i) an assessment of suitability or appropriateness for the purposes of MiFID II, or (ii) a recommendation to any investor or group of investors to invest in, purchase or take any other action whatsoever with respect to, the New Shares.

4. REASONS FOR THE OFFERING AND USE OF PROCEEDS

The net proceeds to the Company from the Offering result from the gross proceeds less the placement commissions and other expenses described below. On the basis of a Subscription Price of €14.60 and issuance of 30,819,391 New Shares, the Company is seeking to raise funds of €450 million in this Offering. The overall commissions to be paid by the Company to the Underwriters are expected to amount to approximately €8.5 million. Other issue costs incurred by the Company will be approximately €5.5 million. On this basis, the Company expects net proceeds from this Offering of €436 million.

Following the Offering, the Company intends to list the New 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), where the Company's existing shares are currently listed.

The Company intends to use the entire net proceeds of the Offering in the amount of €436 million for the repayment of mezzanine and junior debt to reduce financing liabilities relating to Consus Real Estate's development projects.

5. DIVIDEND POLICY; RESULTS AND EARNINGS PER SHARE; USE OF PROFITS

5.1 General Provisions relating to Profit Allocation and Dividend Payments

The shareholders' share in profits is determined based on their respective interest in the Company's share capital. In a Luxembourg public limited liability company (*société anonyme*), resolutions concerning the distribution of dividends for a given financial year, and the amount thereof, are adopted by the annual general shareholders' meeting relating to such financial year.

The annual general shareholders' meeting decides on the allocation of the annual profit, if any. In accordance with applicable laws and the Articles of Association, every year at least 5% of the net profit of the Company will be used to build up the legal reserve. This allocation ceases to be compulsory when the legal reserve amounts to 10% of the issued share capital, but is again compulsory if the reserve falls below this threshold. The remaining balance of the net profit will be at the disposal of the annual general shareholders' meeting for distribution.

The annual general shareholders' meeting shall determine how the remainder of the annual net profits shall be used and it may decide to resolve upon and pay dividends from time to time, as in its discretion it believes best suits the corporate purpose and company policy and within the limits of the Luxembourg Companies Law. Dividends, when payable, shall be paid in Euro or any other currency selected by the Board of Directors and will be paid at the time and place fixed by the Board of Directors within the limits of the decision of the general shareholders' meeting.

The Articles of Association also provide that the Board of Directors may decide on and distribute interim dividends (also by way of staggered payments) by way of a cash dividend or by way of a dividend in kind, within the provisions of Article 461-3 of the Luxembourg Companies Law. The provisions included in Article 461-3 of the Luxembourg Companies Law provide that, *inter alia*, (i) interim accounts showing that the funds available for distribution are sufficient shall be drawn up, and (ii) the amount to be distributed 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 of the articles. Where the payments on account of interim dividends exceed the amount of the dividend subsequently decided upon by the general meeting, they shall, to the extent of the overpayment, be deemed to have been paid on account of the next dividend.

5.2 Dividend Policy and Earnings per Share

In principle, as its dividend policy, the Company intends to pay dividends in an amount of approximately 50% of funds from operations (from rental activities) ("**FFO 1**"). In accordance with this dividend policy, the amount shall be distributed as annual dividends to the shareholders. FFO 1 is a measure of the ADO Properties Group operational profit (for a definition and reconciliation of FFO 1 see "*7.2 Additional Non-IFRS Performance Measures*"). The distribution of dividends is subject to a respective resolution of the General Meeting (see "*5.1 General Provisions relating to Profit Allocation and Dividend Payments*").

The following table sets forth the Company's distributions to its shareholders for the periods indicated:

	For the year ended December 31,		
	2019	2018	2017
	(audited, unless otherwise indicated) (in € thousand, unless otherwise indicated)		
Profit for the year	606,924	397,464	367,512
Weighted number of shares outstanding (in thousand) (IFRS)	44,162	44,101	44,100
Basic earnings per share (in €)	13.63	8.77	8.07
Dividends distributed	— (2)	26,460	19,845
Dividend per share (in €)	— (2)	0.75	0.60
Adjusted dividend per share (in €, unaudited) (1)	— (2)	0.46	0.37

(1) Amount shows theoretical calculation of dividend per share on the basis of the total number of 72,020,446 outstanding shares of the Company as of the date of this Prospectus. The actual paid out dividends per share are in the line item "Dividend per share (in €)".

(2) Unaudited. As of the date of this Prospectus, no distributions of dividends have been declared or made to shareholders for the fiscal year ended December 31, 2019. In addition, the Board of Directors resolved to recommend to the General Meeting to make no distribution of dividends to shareholders for the fiscal year ended December 31, 2019.

Other than stated above, the Company has not made any distributions to its shareholders for the fiscal years ended December 31, 2019, 2018 and 2017, and the period up to and including the date of this Prospectus. As of the date of this Prospectus, no distributions of dividends have been declared or made to shareholders for the fiscal year ended December 31, 2019. In addition, the Board of Directors resolved to recommend to the General Meeting to make no distribution of dividends to shareholders for the fiscal year ended December 31, 2019. Going forward, the Company intends to uphold a dividend policy with a payout ratio of up to 50% of its yearly FFO 1.

6. CAPITALIZATION AND INDEBTEDNESS; STATEMENT ON WORKING CAPITAL AND SIGNIFICANT CHANGES

The following tables set forth, on an unaudited basis and under IFRS, the Company's consolidated capitalization and indebtedness as of April 30, 2020, taken or derived from the Company's internal reporting system, (i) on an actual basis, and (ii) as adjusted for the completion of the Offering. The adjustments in (ii) are based on the assumption that all of the 30,819,391 New Shares are sold and subscribed for at the Subscription Price of €14.60. For details regarding the proceeds from the Offering and their intended use, see "*4. Reasons For The Offering And Use Of Proceeds*".

Investors should read these tables in conjunction with "*7. Selected Consolidated Financial Information Of The Company*", "*8. Management's Discussion And Analysis Of Net Assets, Financial Condition And Results Of Operations*". The information in the following tables should also be read in conjunction with the Company's consolidated financial statements, including the notes thereto, included in this Prospectus, and the financial information included elsewhere in this Prospectus. Regarding the Company's *pro forma* consolidated financial statements, see "*10. Pro Forma Consolidated Financial Information of ADO Properties S.A.*".

6.1 Capitalization

	As of April 30, 2020 (i)	**As adjusted for the completion of the Offering (ii)**
	(in € thousand) (unaudited)	
Total current liabilities	**728,310**	**728,310**
of which guaranteed	—	—
of which secured (1)	245,463	245,463
of which unguaranteed/unsecured	482,846	482,846
Total non-current liabilities	**6,229,296**	**6,229,296**
of which guaranteed	—	—
of which secured (1)	2,746,926	2,746,926
of which unguaranteed/unsecured	3,482,370	3,482,370
Shareholder's equity (2)	**2,465,869**	**2,465,869**
Share capital (3)	71	109
Legal reserves (4)	782,336	1,218,197
Other reserves (5)	1,683,462	1,683,462
Total	**9,423,474**	**9,859,374**

(1) The security comprises land charges, bank account pledges and pledges of shares in affiliates.

(2) Referred to as total equity attributable to owners in the company in the Company's consolidated financial statements.

(3) Referred to as share capital in the Company's consolidated financial statements. This comprises share capital in an amount of €89 thousand less treasury shares in an amount of €18 thousand.

(4) Referred to as share premium in the Company's consolidated financial statements.

(5) Comprises the line items retained earnings and (other) reserves in the Company's consolidated financial statements.

6.2 Indebtedness

	As of April 30, 2020 (i)	As adjusted for the completion of the Offering (ii)
	(in € thousand) (unaudited)	
A. Cash [(1)]	424,168	860,068
B. Cash equivalents	—	—
C. Trading securities	—	—
D. Liquidity (A) + (B) + (C)	**424,168**	**860,068**
E. Current Financial Receivable [(2)]	**236,795**	**236,795**
F. Current bank debt	—	—
G. Current portion of non-current debt [(3)]	245,463	245,463
H. Other current financial debt [(4)]	1,346,633	1,346,633
I. Current Financial Debt (F) + (G) + (H)	**1,592,096**	**1,592,096**
J. Net Current Financial Indebtedness (I) – (E) – (D)	**931,133**	**495,233**
K. Non-current bank loans [(5)]	1,883,140	1,883,140
L. Bonds Issued [(6)]	2,690,107	2,690,107
M. Other non-current loans [(7)]	792,263	792,263
N. Non-current Financial Indebtedness (K) + (L) + (M)	**5,365,510**	**5,365,510**
O. Net Financial Indebtedness (J) + (N)	**6,296,643**	**5,860,743**

(1) Referred to as cash and cash equivalents in the Company's consolidated financial statements.
(2) Comprises the line items trade receivables as well as other receivables in the Company's consolidated financial statements.
(3) Referred to as current portion of other loans and borrowings in the Company's consolidated financial statements.
(4) Comprises the line items current portion of other financial liabilities, trade payables, other payables as well as the current portion of lease liabilities in the Company's consolidated financial statements.
(5) Referred to as non-current portion of other loans and borrowings in the Company's consolidated financial statements.
(6) Comprises the line items corporate bonds as well as convertible bonds in the Company's consolidated financial statements.
(7) Referred to as the non-current portion of other financial liabilities in the Company's consolidated financial statements.

As of April 30, 2020, the Company had no indirect or contingent obligations.

Other than the changes described in *"24.1 Recent Developments*", no material change in the capitalization and indebtedness of the Company has occurred between April 30, 2020 and the date of this Prospectus.

6.3 Statement on Working Capital

The Company is of the opinion that the ADO Properties Group has sufficient working capital to meet its due payment obligations for at least a period of 12 months from the date of this Prospectus.

6.4 Statement on Material Changes

Other than the changes described in "*10. Pro Forma Consolidated Financial Information of ADO Properties S.A.*" and "*24.1 Recent Developments*", no significant change in the financial position of the ADO Properties Group has occurred as from March 31, 2020.

7. SELECTED CONSOLIDATED FINANCIAL INFORMATION OF THE COMPANY

*The following financial data is extracted or derived from the audited consolidated annual financial statements of the Company as of and for the fiscal year ended December 31, 2019 (the "**Fiscal Year 2019**"), the audited consolidated annual financial statements of the Company as of and for the fiscal year ended December 31, 2018 (the "**Fiscal Year 2018**") and the audited consolidated annual financial statements of the Company as of and for the fiscal year ended December 31, 2017 (the "**Fiscal Year 2017**") as well as the unaudited condensed consolidated interim financial statements of the Company as of and for the three-month period ended March 31, 2020 (the "**3M 2020**"), including comparative figures as of and for the three-month period ended March 31, 2019 (the "**3M 2019**"). These audited consolidated annual financial statements and the unaudited condensed consolidated interim financial statements have been prepared in accordance with IFRS (IAS 34).*

*KPMG Luxembourg, Société cooperative ("**KPMG**"), has audited and issued an unqualified auditor's report with respect to the consolidated financial statements for the Fiscal Year 2019, Fiscal Year 2018 and Fiscal Year 2017. The aforementioned audited consolidated annual financial statements 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 from the accounting or controlling records of the Company, 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 ("0.0") signifies that the relevant figure is available, but has been rounded to zero.

The following selected consolidated financial data should be read together with the section "8. Management's Discussion And Analysis Of Net Assets, 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.*

7.1 Selected Consolidated Financial Information

7.1.1 Selected Consolidated Statements of Profit or Loss Data

	For the three-month period ended March 31,		For the year ended December 31,		
	2020	**2019**	**2019**	**2018**	**2017**
	(unaudited) (in € thousand)		(audited) (in € thousand)		
Revenue	31,622	39,989	156,520	154,853	128,852
Cost of operations	(7,790)	(10,949)	(44,011)	(41,996)	(36,174)
Gross profit	**23,832**	**29,040**	**112,509**	**112,857**	**92,678**
General and administrative expenses	(6,236)	(4,581)	(25,050)	(18,451)	(12,762)
Other expenses	(6,052)	—	(13,188)	—	—
Other income	6,800	—	78,132	—	—
Changes in fair value of investment properties	—	—	461,517	404,936	383,638
Results from operating activities	**18,344**	**24,459**	**613,920**	**499,342**	**463,554**
Finance income	2,010	24	102,475	1,399	1,602
Finance costs	(25,354)	(12,573)	(32,375)	(32,915)	(29,609)
Net finance income (costs)	**(23,344)**	**(12,549)**	**70,100**	**(31,516)**	**(28,007)**
Profit before tax	**(5,000)**	**11,910**	**684,020**	**467,826**	**435,547**
Income tax income (expense)	2,023	(1,721)	(77,096)	(70,362)	(68,035)
Profit for the period	**(2,977)**	**10,189**	**606,924**	**397,464**	**367,512**

7.1.2 Selected Consolidated Statements of Financial Position Data

	As of March 31,		As of December 31,		
	2020	2019	2019	2018	2017
	(unaudited) (in € thousand)		(audited) (in € thousand)		
Certain Assets					
Trading properties	25,104	45,776	25,860	35,028	42,961
Advances in respect of investment properties	—	6,300	6,300	6,300	34,425
Investment properties	3,626,994	4,054,288	3,624,453	4,044,023	3,271,298
Total assets	**4,486,690**	**4,187,344**	**4,396,465**	**4,170,173**	**3,518,263**
Certain Liabilities					
Other loans and borrowings (current)	215,758	17,675	37,605	17,064	72,768
Current liabilities	**284,409**	**77,704**	**111,711**	**74,989**	**122,860**
Other loans and borrowings (non-current)	734,749	1,036,917	740,212	1,040,909	953,955
Non-current liabilities	**1,533,987**	**1,902,677**	**1,568,306**	**1,897,902**	**1,563,910**

7.1.3 Selected Consolidated Cash Flow Statement Data

	For the three-month period ended March 31,		For the year ended December 31,		
	2020	2019	2019	2018	2017
	(unaudited) (in € thousand)		(audited) (in € thousand)		
Net cash from operating activities	4,906	20,959	88,764	103,933	86,313
Net cash used in investing activities	(125,913)	(16,472)	269,061	(334,034)	(494,499)
Net cash from financing activities	147,171	(8,169)	1,767	136,537	346,295
Change in cash and cash equivalents during the period	26,164	(3,682)	359,592	(93,564)	(61,891)
Cash and cash equivalents at the beginning of the period	387,558	27,965	27,965	121,530	183,421
Cash and cash equivalents at the end of the period	413,722	24,283	387,558	27,966	121,530

7.2 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 ADO Properties Group's business.

We expect the performance measures EBITDA from rental activities, EBITDA from rental activities margin, EBITDA total (including disposal results) (adjusted), EBITDA total (including disposal results) (adjusted) margin, FFO 1 (from rental activities), FFO 2 (including disposal result), AFFO (from rental activities) and EPRA NAV to be of use for potential investors. We believe that the performance measures are useful in evaluating the ADO Properties Group's operating performance, the net value of the ADO Properties Group's property portfolio, the level of the ADO Properties Group's indebtedness and of cash flow generated by the ADO Properties Group's business, because a number of companies, in particular companies in the real estate business, also publish these figures as key performance indicators. In particular, we are of the opinion that the performance measures, FFO 1 (from rental activities), FFO 2 (including disposal results), AFFO (from rental activities) and EPRA NAV are important indicators to measure the operative and financial performance of the business of the ADO Properties Group and its internal controlling system. Furthermore, we are of the opinion that the performance measures EBITDA from rental activities, EBITDA from rental activities margin, EBITDA total (including disposal results) (adjusted), EBITDA total, (including disposal results) (adjusted) margin are useful in the assessment of the operating and financial performance of the ADO Properties Group. 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 ADO Properties Group's cash requirements, nor whether any such measure is indicative of the ADO Properties 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,		
	2020	2019	2019	2018	2017
	(unaudited) (in € thousand, unless otherwise specified)		(unaudited) (in € thousand, unless otherwise specified)		
Key performance measures					
In-place rent (end of period, annualized)	112,337	137,111	112,715	135,877	110,782
of which residential units	90,585	115,430	91,529	114,711	93,806
of which commercial units	19,537	19,155	18,829	18,509	14,808
of which other & parking units	2,395	2,604	2,357	2,657	2,168
In-place rent (per month in € per sqm) (1)	7.77	7.16	7.68	6.75	6.89
residential units	7.29	6.76	7.39	6.73	6.42
commercial units	10.30	9.77	10.04	9.42	8.94
EBITDA from rental activities (2)	17,706	23,860	91,997	93,777	77,090
Net profit from privatizations (3)	712	639	1,809	2,478	2,928
EBITDA from rental activities margin (in %) (4)	63.5	70.9	68.6	73.3	74.6
EBITDA total (including disposal results) (adjusted) (5)	18,419	24,499	93,806	96,255	80,018
EBITDA total (including disposal results) (adjusted) margin (in %) (6)	64.4	71.4	69.0	73.8	75.3
FFO 1 (from rental activities) (7),(8)	11,457	16,716	63,173	66,777	54,345
FFO 2 (including disposal results) (7),(9)	12,170	17,355	64,982	69,255	57,272
AFFO (from rental activities) (8)	10,745	12,456	51,525	53,739	45,857
Financing and financing position					
LTV-Ratio (in %) (10)	29.4	39.6	27.0	39.6	39.6
Total portfolio value (11)	3,652,098	4,086,654	3,650,313	4,079,051	3,314,259
EPRA NAV (12)	2,824,292	2,443,365	2,905,699	2,429,544	1,988,757
Average interest rate (in %)	1.6	1.7	1.6	1.7	1.8
Average debt maturity (in years)	4.0	4.4	4.3	4.7	5.4
Portfolio measures					
Number of units	17,620	23,641	17,637	23,658	21,970
residential	16,248	22,186	16,255	22,202	20,649
commercial	1,372	1,455	1,382	1,456	1,321
Vacancy rate at period end (in % of sqm) (13)	2.8	3.2	2.7	3.2	3.6
residential units (1,064,760 sqm as of March 31, 2020)	2.7	3.1	2.7	3.2	3.6
commercial units (161,727 sqm as of March 31, 2020)	3.2	5.4	3.6	4.6	4.9
Maintenance and capital expenditures (annualized) (€ per sqm)	58.8	46.4	36.2	39.2	29.1
Certain per share information					
FFO 1 (from rental activities) per share (14) (in €)	0.26	0.38	1.43	1.51	1.23
FFO 2 (including disposal results) per share (14) (in €)	0.28	0.39	1.47	1.57	1.30

(1) **In-place rent (per month in € per sqm)** is defined as the current gross rental income per month for rented residential, commercial and other units and parking spaces as agreed in the corresponding rent agreements as of March 31, 2020 and 2019 and December 31, 2019, 2018 and 2017, 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) **EBITDA from rental activities** is defined as results from operating activity, net of (i) other expenses, (ii) other income, (iii) changes in fair value of investment properties, (iv), one-off costs, (v) selling of condominiums, (vi) selling of condominiums – cost, and (vii) depreciation and amortization. The following table shows the calculation of EBITDA from rental activities for the periods presented:

	For the three-month period ended March 31,		For the year ended December 31,		
	2020	**2019**	**2019**	**2018**	**2017**
	(unaudited) (in € thousand)		(unaudited, unless otherwise indicated) (in € thousand)		
Profit for the period	**(2,977)**	**10,189**	**606,924**	**397,464**	**367,512**
Income tax benefit (expense)	(2,023)	1,721	77,096	70,362	68,035
Net finance costs	23,344	12,549	(70,100)	31,516	28,007
Results from operating activities	**18,344**	**24,459**	**613,920***	**499,342***	**463,554***
Other expenses	6,052	—	13,188*	—	—
Other income	(6,800)	—	(78,132)*	—	—
Changes in fair value of investment properties	—	—	(461,517)*	(404,936)*	(383,638)*
One-off costs**	532	256	7,074*	3,293*	633*
Selling of condominiums	(2,188)	(4,293)	(14,948)*	(20,265)*	(19,671)*
Selling of condominiums - cost	1,401	3,127	11,058*	15,817*	15,760*
Depreciation and amortization***	365	311	1,354*	450*	452*
EBITDA from rental activities	**17,706**	**23,860**	**91,997**	**93,700**	**77,090**

* Audited.

** One-off costs include costs for long-term incentive plans, termination fees for previous senior management and legal and audit expenses.

*** In relation to general and administrative expenses.

(3) **Net profit from privatization** is defined as revenue from "Selling of condominiums" less "Selling of condominiums – cost", less current income taxes relating to the selling of condominiums. The following table shows the calculation of net profit from privatizations for the periods presented:

	For the three-month period ended March 31,		For the year ended December 31,		
	2020	**2019**	**2019**	**2018**	**2017**
	(unaudited) (in € thousand)		(unaudited, unless otherwise indicated) (in € thousand)		
Selling of condominiums	2,188	4,293	14,948*	20,265*	19,671*
Selling of condominiums - cost	1,401	3,127	11,058*	15,817*	15,760*
Current income taxes relating to the selling of condominiums	(75)	(527)	(2,081)	(1,970)	(983)
Net profit from privatizations	**712**	**639**	**1,809**	**2,478**	**2,928**

* Audited.

(4) **EBITDA from rental activities margin** is defined as EBITDA from rental activities divided by net rental income.

(5) **EBITDA total (including disposal results) (adjusted)** is defined as EBITDA from rental activities including net profit from privatizations.

(6) **EBITDA total (including disposal results) (adjusted) margin** is the EBITDA total (including disposal results (adjusted) divided by rental income including net profit from privatizations. The following table shows the EBITDA total (including disposal results) (adjusted) margin for the periods shown:

	For the three-month period ended March 31,		For the year ended December 31,		
	2020	**2019**	**2019**	**2018**	**2017**
	(unaudited) (in € thousand, unless otherwise specified)		(unaudited) (in € thousand, unless otherwise specified)		
EBITDA total (including disposal results) (adjusted)	18,419	24,499	93,806	96,255	80,018
Rental income including net profit from privatizations	28,616	34,292	135,950	130,460	106,228
EBITDA total (including disposal results) (adjusted) margin (in %)	**64.4**	**71.4**	**69.0**	**73.8**	**75.3**

(7) **Funds from operations (FFO)** is an indicator of available cash flow from operating activities. FFO 1 (from rental activities) is defined as EBITDA from rental activities for the respective periods adjusted to generally reflect net cash interest and current income taxes. FFO 2 (including disposal results) is defined as FFO 1 (from rental activities) including the net profit from privatizations (see footnotes (8) and (9) below).

(8) **Capex-adjusted FFO (AFFO (from rental activities))** is FFO 1 (from rental activities) adjusted for maintenance capital expenditure. The following table shows the calculation of FFO 1 (from rental activities) and AFFO (from rental activities) for the periods shown:

	For the three-month period ended March 31,		For the year ended December 31,		
	2020	2019	2019	2018	2017
	(unaudited) (in € thousand)		(unaudited) (in € thousand)		
EBITDA from rental activities [8a]	17,706	23,860	91,997	93,777	77,090
Net cash interest [8b]	(5,705)	(6,695)	(27,183)	(25,408)	(21,702)
Current income taxes [8c]	(544)	(449)	(1,641)	(1,592)	(1,043)
FFO 1 (from rental activities)	**11,457**	**16,716**	**63,173**	**66,777**	**54,345**
Maintenance capital expenditure [8d]	(713)	(4,261)	(11,648)	(13,038)	(8,488)*
AFFO (from rental activities)	**10,745**	**12,456**	**51,525**	**53,739**	**45,857**

* As adjusted for energetic modernization capital expenditures.

(8a) For a calculation of EBITDA from rental activities, see footnote (2) above.

(8b) **Net cash interest** refers to interest on other loans and borrowings, excluding day-one fair value non-cash adjustments, plus interest on bonds as adjusted for nominal interest. The following table shows the net cash interest for the periods presented:

	For the three-month period ended March 31,		For the year ended December 31,		
	2020	2019	2019	2018	2017
	(unaudited) (in € thousand)		(unaudited, unless otherwise indicated) (in € thousand)		
Interest on other loans and borrowings	3,679	4,655	19,046*	19,214*	18,279*
Interest on bonds	2,672	2,637	10,670*	6,927*	2,824*
Adjustment of interest of bonds for nominal interest.	646	597	(2,533)	(733)	(599)
Net cash interest	**5,705**	**6,695**	**27,183**	**25,408**	**21,702**

* Audited.

(8c) Refers to current income taxes relating to rental activities only.

(8d) Refers to public area investments that are designed to preserve the value of the respective properties.

(9) The following table shows the calculation of FFO 2 (including disposal results) as of the dates shown:

	For the three-month period ended March 31,		For the year ended December 31,		
	2020	2019	2019	2018	2017
	(unaudited) (in € thousand)		(unaudited) (in € thousand)		
FFO 1 (from rental activities)	11,457	16,716	63,173	66,777	54,345
Net profit from privatizations	712	639	1,809	2,478	2,928
FFO 2 (including disposal results)	**12,170**	**17,355**	**64,982**	**69,255**	**57,272**

(10) The **LTV-Ratio** (in %) is the ratio of net financial liabilities (calculated as financial liabilities less cash and cash equivalents) to the fair value of properties (including investment properties and trading properties at their fair value, advances paid in respect of investment properties and trading properties as of the respective reporting date). The following table shows the calculation of the LTV-Ratio as of the dates shown:

	For the three-month period ended March 31,		As of December 31,		
	2020	2019	2019	2018	2017
	(unaudited) (in € thousand, unless otherwise specified)		(unaudited, unless otherwise indicated) (in € thousand, unless otherwise specified)		
Financial liabilities [10a]	1,507,471	1,648,774	1,379,535*	1,651,151*	1,451,224*
Cash and cash equivalents	(413,722)	(24,283)	(387,558)*	(27,966)*	(121,530)*
Net financial liabilities	**1,093,749**	**1,624,491**	**991,977***	**1,623,185***	**1,329,694***
Fair value of properties (including advances) [10b]	**3,715,116**	**4,106,364**	**3,670,023**	**4,098,763***	**3,355,623***
LTV ratio (in %)	**29.4**	**39.6**	**27.0**	**39.6***	**39.6***

* Audited.

(10a) Includes bonds, other loans and borrowings and other financial liabilities.

(10b) Fair value of properties (including advances) is the fair value of the investment properties, the trading properties and the advances. The following table shows the calculation of the fair value of properties (including advances) as of the dates presented:

	For the three-month period ended March 31,		For the year ended December 31,		
	2020	2019	2019	2018	2017
	(unaudited) (in € thousand)		(unaudited, unless otherwise indicated) (in € thousand)		
Investment properties	3,626,994	4,054,288	3,624,453*	4,044,023*	3,271,298*
Trading properties	38,122	45,776	39,270*	48,440*	49,900*
Advances	50,000	6,300	6,300*	6,300*	34,425*
Fair value of properties (including advances)	**3,715,116**	**4,106,364**	**3,670,023**	**4,098,763**	**3,355,623**

* Audited.

(11) **Total portfolio value** is the sum of investment properties and trading properties.

(12) **EPRA NAV** is used as an indicator of ADO Properties Group's long-term equity and is calculated based on the total equity attributable to shareholders of the Company increased by the revaluation of trading properties, the fair value of derivative financial instruments and deferred taxes. The following table shows the calculation of the EPRA NAV as of the dates presented:

	For the three-month period ended March 31,		As of December 31,		
	2020	2019	2019	2018	2017
	(unaudited) (in € thousand)		(unaudited, unless otherwise indicated) (in € thousand)		
Total equity attributable to owners of the Company	2,569,273	2,160,051	2,646,792*	2,150,679*	1,795,390*
Revaluation of trading properties(12a)	13,018	12,695	13,410	13,412	6,939
Fair value of derivative financial instruments	4,226	21,439	6,150*	16,339*	2,985*
Deferred tax liabilities	237,775	249,180	239,347*	249,114*	183,443*
EPRA NAV	**2,824,292**	**2,443,365**	**2,905,699**	**2,429,544**	**1,988,757**

* Audited.

(12a) The difference between trading properties carried in the balance sheet at cost (IAS 2) and the fair value of those trading properties.

(13) **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.

(14) **FFO 1 (from rental activities) per share (in €)** is calculated using the FFO 1 (from rental activities), divided by number of shares. The following table shows the calculation of FFO 1 (from rental activities) per share (in €) for the periods presented:

	For the three-month period ended March 31,		For the year ended December 31,		
	2020	2019	2019	2018	2017
	(unaudited) (in € thousand, unless otherwise specified)		(unaudited) (in € thousand, unless otherwise specified)		
FFO 1 (from rental activities)	11,457	16,716	63,173	66,777	54,345
Number of shares (in thousand)*	44,195	44,131	44,163	44,101	44,100
FFO 1 (from rental activities) per share (in €)	**0.26**	**0.38**	**1.43**	**1.51**	**1.23**

* On December 14, 2018, the Company issued 30,757 new shares to Mr. Shlomo Zohar, the former executive vice chairman of the Board of Directors and on July 5, 2019, the Company issued 63,850 new shares to Mr. Rabin Savion (the former chief executive officer of the Company), Mr. Florian Goldgruber (the former chief financial officer of the Company) and Mr. Eyal Horn (the former chief operating officer of the Company). The number of shares is calculated as weighted average for the related period.

(15) **FFO 2 (including disposal results) per share (in €)** is calculated using the FFO 2 (including disposal results), divided by the number of shares. The following table shows the calculation of FFO 2 (including disposal results) per share (in €) for the periods presented:

	For the three-month period ended March 31		For the year ended December 31,		
	2020	**2019**	**2019**	**2018**	**2017**
	(unaudited) (in € thousand, unless otherwise specified)		(unaudited) (in € thousand, unless otherwise specified)		
FFO 2 (including disposal results)	12,170	17,355	64,982	69,255	57,272
Number of shares (in thousand)*	44,195	44,131	44,163	44,101	44,100
FFO 2 (including disposal results) per share (in €)	**0.28**	**0.39**	**1.47**	**1.57**	**1.30**

* On December 14, 2018, the Company issued 30,757 new shares to Mr. Shlomo Zohar, the former executive vice chairman of the Board of Directors and on July 5, 2019, the Company issued 63,850 new shares to Mr. Rabin Savion (the former chief executive officer of the Company), Mr. Florian Goldgruber (the former chief financial officer of the Company) and Mr. Eyal Horn (the former chief operating officer of the Company). The number of shares is calculated as weighted average for the related period.

8. MANAGEMENT'S DISCUSSION AND ANALYSIS OF NET ASSETS, FINANCIAL CONDITION AND RESULTS OF OPERATIONS

*The financial data contained in the following tables is extracted or derived from the audited consolidated annual financial statements of the Company as of and for the fiscal year ended December 31, 2019 (the "**Fiscal Year 2019**"), the audited consolidated annual financial statements of the Company as of and for the fiscal year ended December 31, 2018 (the "**Fiscal Year 2018**") and the audited consolidated annual financial statements of the Company as of and for the fiscal year ended December 31, 2017 (the "**Fiscal Year 2017**") as well as the unaudited condensed consolidated interim financial statements of the Company as of and for the three-month period ended March 31, 2020 (the "**3M 2020**"), including comparative figures as of and for the three-month period ended March 31, 2019 (the "**3M 2019**"). These audited consolidated annual financial statements and the unaudited condensed consolidated financial interim financial statements have been prepared in accordance with IFRS (IAS 34).*

The consolidated financial statements of the Company for the Fiscal Year 2019, Fiscal Year 2018 and Fiscal Year 2017 have each been audited by and issued with an unqualified auditor's report by KPMG. The aforementioned audited consolidated annual financial statements 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 from the accounting or controlling records of the Company, 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 ("0.0") signifies that the relevant figure is available, but has been rounded to zero.

This section also includes selected financial information of ADLER Real Estate, which is taken from or derived from the audited consolidated financial statements of ADLER Real Estate as of and for the financial years ended December 31, 2019, December 31, 2018 and December 31, 2017 as well as the unaudited consolidated interim financial statements of ADLER Real Estate as of and for the three-month period ended March 31, 2020, including comparative figures as of and for the three-month period ended March 31, 2019.

Furthermore, this section also includes selected financial information of Consus Real Estate, which is taken from or derived from the audited consolidated financial statements of Consus Real Estate as of and for the financial years ended December 31, 2019, December 31, 2018 and December 31, 2017 as well as the unaudited consolidated interim financial statements of Consus Real Estate as of and for the three-month period ended March 31, 2020, including comparative figures as of and for the three-month period ended March 31, 2019.

The following management's discussion and analysis should be read together with the section "7. Selected Consolidated Financial Information Of The Company", the consolidated financial statements including the related notes contained in this Prospectus and additional financial information contained elsewhere in this Prospectus.

8.1 Overview

We believe that we are a top-five residential real estate company in Germany based on gross asset value. On April 9, 2020, we combined the business of ADLER Real Estate Aktiengesellschaft (**"ADLER Real Estate"**) and its subsidiaries (together, the **"ADLER Group"**) with the business of the ADO Properties Group (together with the ADLER Group, the **"Combined Group"**) (the **"Business Combination"**). Prior to the Business Combination, we focused on residential real estate located only in Berlin, Germany, and after the closing of the Business Combination are focusing on becoming a leading integrated residential property group that is active throughout Germany. We create value by active portfolio and property management and opportunistic growth through strategic acquisitions, for which we have broadened our scope from Berlin-only to Germany-wide.

We specialize in and focus on the purchase, management and development of income-producing multi-family residential real estate. The portfolio value of the Combined Group as of March 31, 2020 was approximately €8.6 billion. As of March 31, 2020, the Combined Group's property portfolio consisted of 73,500 residential units with a total residential lettable area of 4,511,127 sqm, 2,323 commercial units (retail, office and other commercial) with a total commercial lettable area of 280,506 sqm, 17,610 parking spaces and spaces for storage, antennas, etc.

As of March 31, 2020, the ADO Properties Group's vacancy rate was 2.7% and 3.2% for its residential units and commercial units, respectively. The average monthly net rent per sqm was €7.29 and €10.30 for its residential units and commercial units, respectively. As of the same date, the ADLER Group's (excluding the ADO Properties Group) vacancy rate was 5.9% and 16.3% for its core residential units and core commercial units, respectively. The average monthly net rent per sqm was €5.60 and €6.82 for its core residential units and core commercial units, respectively. As of March 31, 2020, on a *pro forma* basis, the Combined Group's residential average net rent per sqm was approximately €6.01 and the combined residential portfolio vacancy rate was 5.1%.

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 affecting and related to the residential property market in Germany, in particular macro-economic indicators such as population growth, economic growth, employment, purchasing power and the consumer price index. Furthermore, we are significantly affected by trends in micro-economic indicators, such as the future development of housing prices, rent levels, vacancy rates and home ownership rates. As a result, we compete with a number of privately and communally owned residential real estate companies.

Berlin remains an important real estate market for us following the Business Combination. We believe that the residential real estate market in Berlin benefits notably from positive demographic trends. Berlin is the most populous city in Germany and had 3.64 million inhabitants in December 2018. It is expected that the number of inhabitants in Berlin will increase to 3.83 million by 2030 (*source: Federal Statistical Office–Projected Population Figures*). 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 center for economy, business, politics and culture in continental Europe. In addition to a growing number of governmental employees in the city, Berlin is a particularly dynamic economic center for, among others, the services, pharmaceuticals, media, creative and technology sectors.

In order to keep up with the fast demographic growth, on the one hand, and to ease the strained situation on the housing market, on the other hand, a total of 194,000 new residential units would have to be built between now and the year 2030 according to the Berlin senate department for urban development and housing *(source: Berlin Senate Department for Urban Development and Housing–Press Release*).

Our business model currently focuses on asset and property management, portfolio and facility management and identifying residential properties throughout Germany that present opportunities for us to create value by increasing rents, decreasing vacancy and privatizing condominiums. Market rents as well as the official rent table ("*Mietspiegel*") have been constantly increasing in Germany over the recent years. The average growth per annum in market rents has been higher in Berlin than for other major German cities (*source: JLL–Housing Market Report Germany*). Despite the recent increases in rent levels, rents in Berlin are still relatively low compared to the other big cities in Germany (*source: JLL–Housing Market Report Germany*), thereby presenting 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 active approach to capital expenditure for refurbishment.

In addition, we seek to add value through the use of our efficient, fully integrated in-house management and tenant service platform 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 long-standing track record in achieving strong rental growth (see "*13.2 Competitive Strengths*").

During the 3M 2020, the ADO Properties Group generated **income from rental activities** of €29,434 thousand (3M 2019: €35,696 thousand; Fiscal Year 2019: €141,572 thousand; Fiscal Year 2018: €134,588 thousand; Fiscal Year 2017: €109,181 thousand) and **EBITDA from rental activities** of €17,706 thousand (3M 2019: €23,860 thousand; Fiscal Year 2019: €91,997 thousand; Fiscal Year 2018:

€93,777 thousand; Fiscal Year 2017: €77,090 thousand). **EBITDA total (including disposal results) (adjusted)** for the 3M 2020 was €18,419 thousand (3M 2019: €24,499 thousand; Fiscal Year 2019: €93,806 thousand; Fiscal Year 2018: €96,255 thousand; Fiscal Year 2017: €80,018 thousand). During the 3M 2020, the ADO Properties Group generated **FFO 1 (from rental activities)** of €11,457 thousand (3M 2019: €16,716 thousand; Fiscal Year 2019: €63,173 thousand; Fiscal Year 2018: €66,777 thousand; Fiscal Year 2017: €54,345 thousand), **FFO 2 (including disposal results)** of €12,170 thousand (3M 2019: €17,355 thousand; Fiscal Year 2019: €64,982 thousand; Fiscal Year 2018: €69,255 thousand; Fiscal Year 2017: €57,272 thousand) and **AFFO (from rental activities)** of €10,745 thousand (3M 2019: €12,456 thousand; Fiscal Year 2019: €51,525 thousand; Fiscal Year 2018: €53,739 thousand; Fiscal Year 2017: €45,857 thousand). As of March 31, 2020, the ADO Properties Group's **EPRA NAV** amounted to €2,824,292 thousand (3M 2019: €2,443,365 thousand; Fiscal Year 2019: €2,905,699 thousand; Fiscal Year 2018: €2,429,544 thousand; Fiscal Year 2017: €1,988,757 thousand). As of March 31, 2020, the ADO Properties Group's **LTV-Ratio** was 29.4%.

For a reconciliation of EBITDA from rental activities, EBITDA total (including disposal results) (adjusted), EBITDA total (including disposal results) (adjusted) margin, FFO 1 (from rental activities), FFO 2 (including disposal results), AFFO (from rental activities), LTV-Ratio and EPRA NAV to the most nearly comparable IFRS figures, see "*7.2 Additional Non-IFRS Performance Measures*".

On a combined basis, as of and for the Fiscal Year 2019, the Combined Group achieved €6.2 of rent per square meter per month (ADO Properties Group: €7.4; ADLER Group: €5.6), like-for-like rental growth of 3.3% (ADO Properties Group: 5.0%; ADLER Group: 2.4%), a vacancy rate of 4.8% (ADO Properties Group: 2.8%; ADLER Group: 5.4%) and an FFO 1 (from rental activities) of €147 million (ADO Properties Group: €63 million; ADLER Group: €84 million) as well as an EPRA NAV of €4,879 million (ADO Properties Group: €2,906 million; ADLER Group: €1,973 million).

On a combined basis, as of and for the 3M 2020, the Combined Group achieved €6.17 of rent per square meter per month (ADO Properties Group: €7.77; ADLER Group: €5.60), like-for-like rental growth of 2.8% (ADO Properties Group: 3.3%; ADLER Group: 2.3%), a vacancy rate of 5.4% (ADO Properties Group: 2.8%; ADLER Group: 5.9%) and an FFO 1 (from rental activities) of €30.6 million (ADO Properties Group: €11.5 million; ADLER Group: €19.1 million) as well as an EPRA NAV of €4,664 million (ADO Properties Group: €2,824 million; ADLER Group: €1,840 million).

In a first step, on December 15, 2019, the Company entered into various share purchase agreements with minority shareholders of Consus Real Estate AG ("**Consus Real Estate**") to acquire a 22.18% stake in Consus Real Estate (the "**Consus Real Estate Minority Acquisition**") which, as a result of the completion of a voluntary public takeover bid for all ADLER Shares in the form of an exchange offer (the "**Tender Offer**") increased to a shareholding of 25.75% due to the fact that ADLER Real Estate held 3.57% in Consus Real Estate prior to the completion of the Tender Offer. On the same date, the Company entered into a strategic cooperation agreement (the "**Strategic Cooperation Agreement**") with Consus Real Estate to engage in a strategic partnership and, to the extent legally permissible, work together to fully investigate and potentially undertake mutually beneficial property developments, including the acquisitions of land plots for new-builds (the "**Strategic Cooperation**"). Through the Strategic Cooperation, the Company is receiving access to an experienced development platform with a pipeline of over 15,000 residential rental units and focused on Berlin, Cologne, Düsseldorf, Dresden, Frankfurt am Main, Hamburg, Leipzig, Munich and Stuttgart (together, the "**Top 9 Cities**") in Germany, thereby securing a value-creating growth path for the future.

Furthermore, on June 29, 2020, the Company, by way of a resolution of a delegate authorized by the Board of Directors, exercised a call option under a call/put-option agreement with Aggregate Holdings S.A. ("**Aggregate**") for the acquisition of 69,619,173 shares in Consus Real Estate, as amended (the "**Call/Put-Option Agreement**") (the "**Consus Real Estate Majority Acquisition**" and, together with the Consus Real Estate Minority Acquisition, the "**Consus Real Estate Acquisition**"). The settlement of the call option exercise under the Call/Put-Option Agreement (the "**Consus Real Estate Call Option Exercise**") occurs in two tranches by transfer of the Company's treasury shares and transfer of newly issued shares in the Company. The Company will transfer to Aggregate 14,692,889 of the Company's treasury shares currently indirectly held by ADLER Real Estate and has transferred newly issued shares created in utilization of the Authorized Capital. The first tranche was settled on July 2, 2020, by issue of 1,946,093 new shares in the Company, and the second tranche is expected to be settled during the subscription period on or around July 6, 2020 by transfer of all of the Company's treasury shares during the Subscription Period, additional newly issued shares of the Company's will be granted in a third tranche of the settlement.

Under the Call/Put-Option Agreement, the Company undertakes to, following the Consus Real Estate Call Option Exercise, conduct a voluntary tender offer in the form of an exchange offer to acquire the remaining shares of Consus Real Estate (save for any applicable RETT-Blocker). The consideration for one share in Consus Real Estate will, in each case, be 0.2390 newly issued shares in the Company, provided that this ratio will be adjusted to any dividends paid and equity raises done by the Company, including this Offering, or Consus Real Estate. Accordingly, the Company intends to make an offer to all shareholders of Consus Real Estate to purchase their shares in Consus Real Estate by way of a voluntary public exchange offer (the "**Consus Tender Offer**"). The Consus Tender Offer shall be based on an exchange ratio corresponding to the applicable ratio of the Consus Real Estate Call Option Exercise, subject to an adjustment for the Offering.

8.2 Key Factors Affecting Our Results of Operations

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.

8.2.1 Economic and Demographic Developments in Berlin and in Germany

Our business activities are subject to general economic conditions especially in Berlin, where, prior to the Business Combination, 99.7% (based on the fair value pursuant to the CBRE Valuation Report) of the real estate we own was 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. After years of steady growth there have been increasing signs of a slowdown in the German economy with a GDP decrease of 0.1% for the second quarter of 2019 (compared to 2018) while price-adjusted exports were down 0.8%, resulting in the largest decline recorded in the last six years (*source: Federal Statistical Office press release no. 321*). The German economy returned to growth in the third quarter of 2019 with an increase in GDP of 1.0% (compared to the same quarter in 2018) (*source: Federal Statistical Office press release no. 448*). A decrease in GDP in Germany or an increase in unemployment could adversely affect the population's purchasing power, and therefore its propensity to acquire residential real estate.

Berlin's real GDP grew by 3.1% in 2018 which is higher than any other German federal state. Per capita GDP in Berlin stood at €40,568 in 2018 compared to €38,864 in 2017, a nominal increase of 4.4% and a price-adjusted increase of 2.3% (*source: Volkswirtschaftliche Gesamtrechnung der Länder*). This is slightly lower than the average German per capita GDP of €40,851 as of 2018.

Disposable per capita income increased by 4.1% from an average of €19,538 in 2016 to €20,330 in 2017 (latest available, *source: Volkswirtschaftliche Gesamtrechnung der Länder*). The estimated per capita purchasing power in Berlin for 2019 is €21,689 which is lower than the German average of €23,779 but an increase of 3.1% compared to 2018 (*source: GfK–Purchasing Power Germany*). Since 2015, the average gross wages and salaries in Berlin are above the German average. In 2018, they amounted to €36,146, an increase by 4.2% compared to 2017.

In addition, 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. In addition, in October 2019, the Berlin senate of the governing coalition proposed an edict to freeze rents of existing and new leases of existing residential apartments (except for subsidized or newly constructed apartments) in Berlin for five years. The bill was passed by Berlin's parliament (*Berliner Abgeordnetenhaus*) on January 30, 2020 and entered into force on February 23, 2020. An adoption of a law that includes rent caps or similar measures could have a negative impact on our results of operations, cash flows (including FFO 1) and financial condition.

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. For example, the number of households in Berlin stood at 2.028 million in 2018 compared to 2.003 million in 2017, an increase of 1.2% which is higher than the population growth in the same year (*source: Federal Statistical Office–Privathaushalte Bundesländer*). Based on this, Berlin represents the largest residential rental market in Germany. The average number of persons per household amounted to 1.8. Of the private households in Berlin 53% were one person households compared to the German average of 42%. For further information, see also the risk factor "*1.1.1 Our business is significantly dependent on our ability to generate earnings from rentals. Our rental income and operating profit could particularly be negatively affected by a potential increase in vacancy rates.*"

8.2.2 Acquisitions, Portfolio Size, Rent Level and Vacancy Rates

Rental income depends on the performance of the key operational measures in the rental business: (i) portfolio size, (ii) rent levels and (iii) vacancy rates. The following table sets forth information on our portfolio size, in-place rent per month per square meter and vacancy rate for the periods indicated.

	As of and for the three-month period ended March 31,		**As of and for the year ended December 31,**		
	2020	**2019**	**2019**	**2018**	**2017**
	(unaudited)			**(unaudited)**	
Number of units	17,620	23,641	17,637	23,658	21,970
residential	16,248	22,186	16,255	22,202	20,649
commercial	1,372	1,455	1,382	1,456	1,321
In-place rent (in € thousand)	112,337	137,111	112,715	135,877	110,782
of which residential	90,585	115,430	91,529	114,711	93,806
of which commercial	19,537	19,155	18,829	18,509	14,808
of which other and parking	2,395	2,604	2,357	2,657	2,168
In-place rent (per month in € per sqm) (1)	7.77	7.16	7.68	6.75	6.89
residential	7.29	6.76	7.39	6.73	6.42
commercial	10.30	9.77	10.04	9.42	8.94
Vacancy rate at period end (in % of sqm) (2)	2.8	3.2	2.7	3.2	3.6
residential units (1,064,760 sqm as of March 31, 2020)	2.7	3.1	2.7	3.2	3.6
commercial units (161,727 sqm as of March 31, 2020)	3.2	5.4	3.6	4.6	4.9
Total portfolio value (in € thousand) (3)	3,652,098	4,086,654	3,650,313	4,079,051	3,314,259

(1) **In-place rent (per month in € per sqm)** is defined as the current gross rental income per month for rented residential, commercial and other units and parking spaces as agreed in the corresponding rent agreements as of March 31, 2020 and 2019 and December 31, 2019, 2018 and 2017, 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 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.

(3) **Total portfolio value** is the sum of investment properties and trading properties.

Portfolio size: Our rental income is affected by the overall size of our investment portfolio. On September 26, 2019, the Company announced the sale of certain subsidiaries owning 23 properties, consisting in aggregate of approximately 5,900 residential apartment units. The sale price for the shares amounted to €920 million, less €340 million of net debt of the sold companies. The sale was completed on November 29, 2019. Previously, 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 in the fourth quarter of 2018. 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. Through the Business Combination, we have acquired a portfolio throughout Germany, which complements our Berlin portfolio.

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. In particular, we monitor closely the recently resolved bill to freeze rents of existing and new leases of existing residential apartments in Berlin for five years. We endeavor to improve 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 in-place rent per square meter per month for our residential units from €6.42 for the year ended December 31, 2017, to €6.73 and to €7.39 for the years ended December 31, 2018 and 2019, respectively and to €7.29 for the three-month period ended March 31, 2020.

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 sell vacant units in individual sales at a premium. Therefore, we decide from time to time 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, 2020, of approximately 2.8% (where residential vacancy is 2.7% and commercial vacancy is 3.2%).

Subsidies: As of March 31, 2020, 3.0% (by sqm) 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. 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 "*1.1.6 Existing rent restrictions in connection with the promotion of public authorities and with heat supply contracts could limit the rent levels we may be able to charge.*"

8.2.3 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 specifically convert apartments into condominium properties and sell these in single unit sales (privatizations). This refers to single units in condominium properties and periodic sales of selected buildings and other properties, fully or partially comprised of condominium properties. On September 26, 2019, the Company announced the sale of certain subsidiaries owning 23 properties, consisting in aggregate of approximately 5,900 residential apartment units. The sale price for the shares amounted to €920 million, less €340 million of net debt of the sold companies. The sale was completed on November 29, 2019. Historically, we have engaged in privatizations and in the future will engage in more as a strategy.

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

	For the three-month period ended March 31,		For the year ended December 31,		
	2020	2019	2019	2018	2017
	(unaudited)		(unaudited)		
Number of units sold (recorded sales)	10	17	62	66	84
Revenues from disposal of units sold (in € thousand)	2,188	4,293	14,948	20,265	19,671

8.2.4 *Changes in Fair Value of Investment Properties and Assets Classified as Held for Sale*

We value our investment properties initially at cost at the time of acquisition, including capitalized borrowing costs. We value assets classified as held for sale at the lower of their carrying amount and their value less expected costs to sell. After an acquisition, we measure the fair value of investment properties as of June 30 and December 31 of each fiscal year. Changes in certain market conditions such as prevailing rent levels, vacancy rates and interest rates may affect the valuation of investment properties. Any changes in fair value of the investment portfolio of investment property and assets classified as held for sale are recognized as gains or losses on the ADO Properties Group's income statement and can substantially affect the ADO Properties Group's results of operations. Changes in fair value of investment property and assets classified as held for sale amounted to €461,517 thousand in the Fiscal Year 2019, €404,936 thousand in the Fiscal Year 2018 and €383,638 thousand in the Fiscal Year 2017.

8.2.5 *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 maintenance and capital expenditures in the periods under review:

	For the three-month period ended March 31,		For the year ended December 31,		
	2020	2019	2019	2018	2017
	(unaudited) (in € thousand)		(unaudited) (in € thousand)		
Maintenance and Capital Expenditures					
Maintenance	965	10,671	14,537	12,177	8,774
Capitalized maintenance	713	4,261	11,648	13,038	8,488
Energetic modernization	480	1,205	3,143	5,813	2,322
Modernization capital expenditures	2,451	3,066	29,349	32,415	19,752
Total	**4,573**	**19,203**	**58,677**	**63,443**	**39,336**

Maintenance comprises costs relating to smaller repairs and refurbishment work.

Capitalized maintenance comprises public area investments and form part of the total capitalized capital expenditures.

Energetic modernization comprises investments for increasing the energy efficiency of a property, for example, regarding heating systems.

Modernization capital expenditures comprises general investments in our units.

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 ADO Properties Group's balance sheet and increase the reported value of investment properties on the ADO Properties Group's balance sheet.

8.2.6 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 1.6% as of March 31, 2020, while the average debt maturities amounted to approximately four years as of the same date. Our properties are largely debt-financed through classic banking loans secured by mortgages. 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 "*1.2.6 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.*".

8.2.7 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 classified as 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. Most of our interest rates (based on the value weighted interest rates on the liabilities due to financial institutions as of March 31, 2020) 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.

8.2.8 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.

8.3 Key Statement of Profit or Loss Items

The following is a description of certain line items in our consolidated profit or loss statement.

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

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

General and administrative expenses comprises primarily salaries and related expenses, professional services, office, communication and IT expenses, advertising and marketing expenses, impairment loss on trade receivables, director fee and rent fees.

Other expenses comprises broker fees, bonuses and professional services related to non-current assets and liabilities of disposal groups classified as held for sale.

Changes in fair value of investment properties comprises the changes in the fair value of investment properties of the ADO Properties Group. The fair value is determined by the valuation expert CBRE, an industry specialist with appropriate and recognized professional qualifications and up-to-date experience regarding the location and category of the properties. According to our fair value valuation policies for investment properties, investment properties generally undergo a detailed valuation as of June 30 and December 31 of each year.

Finance income comprises interest received on bank deposits and change in fair value of derivatives.

Finance costs comprises interest on bank loans and loans from related parties, interest on bonds, change in fair value of derivatives and other finance expenses.

8.4 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,		
	2020	**2019**	**2019**	**2018**	**2017**
	(unaudited) (in € thousand)		(audited) (in € thousand)		
Revenue	31,622	39,989	156,520	154,853	128,852
Cost of operations	(7,790)	(10,949)	(44,011)	(41,996)	(36,174)
Gross profit	**23,832**	**29,040**	**112,509**	**112,857**	**92,678**
General and administrative expenses	(6,236)	(4,581)	(25,050)	(18,451)	(12,762)
Other expenses	(6,052)	—	(13,188)	—	—
Other income	6,800	—	78,132	—	—
Changes in fair value of investment properties	—	—	461,517	404,936	383,638
Results from operating activities	**18,344**	**24,459**	**613,920**	**499,342**	**463,554**
Finance income	2,010	24	102,475	1,399	1,602
Finance costs	(25,354)	(12,573)	(32,375)	(32,915)	(29,609)
Net finance income (costs)	**(23,344)**	**(12,549)**	**70,100**	**(31,516)**	**(28,007)**
Profit before tax	**(5,000)**	**11,910**	**684,020**	**467,826**	**435,547**
Income tax income (expense)	2,023	(1,721)	(77,096)	(70,362)	(68,035)
Profit for the period	**(2,977)**	**10,189**	**606,924**	**397,464**	**367,512**

8.4.1 Comparison of the Three-Month Periods Ended March 31, 2020 and March 31, 2019

8.4.1.1 Revenue

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

	For the three-month period ended March 31,		
	2020	**2019**	**% Change**
	(unaudited) (in € thousand)		
Net rental income	27,904	33,653	(17.1)
Selling of condominiums	2,188	4,293	(49.0)
Income from facility services	1,530	2,043	(25.1)
Revenue	**31,622**	**39,989**	**(20.9)**

Revenue decreased by 20.9% from €39,989 thousand in the 3M 2019 to €31,622 thousand in the 3M 2020 primarily due to the decrease in net rental income after the Company's sale of certain subsidiaries owning 23 properties, consisting in aggregate of approximately 5,900 residential apartment units to Gewobag (the "**Gewobag Sale**").

8.4.1.2 Cost of operations

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

	For the three-month period ended March 31, 2020	2019	% Change
	(unaudited) (in € thousand)		
Salaries and other expenses	2,593	3,202	(19.0)
Cost of utilities recharged, net	370	435	(14.9)
Sale of condominiums – cost	1,401	3,127	(55.2)
Property operations and maintenance	3,426	4,185	(18.1)
Cost of operations	**7,790**	**10,949**	**(28.9)**

Cost of operations decreased by 28.9% from €10,949 thousand in the 3M 2019 to €7,790 thousand in the 3M 2020 primarily due to the decrease in salaries and other expenses and property operations and maintenance after the Gewobag Sale.

8.4.1.3 Gross profit

Gross profit decreased by 17.9% from €29,040 thousand in the 3M 2019 to €23,832 thousand in the 3M 2020 primarily due to the decrease in revenue, which was only partially off-set by a decrease in cost of operations.

8.4.1.4 General and administrative expenses

General and administrative expenses increased by 36.1% from €4,581 thousand in the 3M 2019 to €6,236 thousand in the 3M 2020 primarily due to expenses in connection with the termination of the service agreement of the Company's previous senior management as well as expenses in relation to certain professional services.

8.4.1.5 Other expenses

Other expenses increased from zero in the 3M 2019 to €6,052 thousand in the 3M 2020 primarily due to transaction costs in relation to the Tender Offer and the preparation of a rights issue.

8.4.1.6 Other income

Other income increased from zero in the 3M 2019 to €6,800 thousand in the 3M 2020 due to a reduction of fees as a result of the Gewobag Sale.

8.4.1.7 Changes in fair value of investment properties

Changes in fair value of investment properties remained unchanged at zero in the 3M 2019 and in the 3M 2020.

8.4.1.8 Results from operating activities

Results from operating activities decreased by 25.0% from €24,459 thousand in the 3M 2019 to €18,344 thousand in the 3M 2020 primarily due to the decrease in gross profit and the increase in general and administrative expenses.

8.4.1.9 Finance income

Finance income increased from €24 thousand in the 3M 2019 to €2,010 thousand in the 3M 2020 primarily due to the change in the derivative component of the convertible bond.

8.4.1.10 Finance costs

Finance costs increased by 101.7% from €12,573 thousand in the 3M 2019 to €25,354 thousand in the 3M 2020 primarily due to a change in the fair value of the call option under the Call/Put-Option Agreement.

8.4.1.11 Net finance income

Net finance income decreased by 86.0% from costs of €12,549 thousand in the 3M 2019 to costs of €23,344 thousand in the 3M 2020 primarily due to the increase in finance costs.

8.4.1.12 Profit before tax

Profit before tax decreased from a profit before tax of €11,910 thousand in the 3M 2019 to a loss before tax of €5,000 thousand in the 3M 2020 primarily due to a decrease in results from operating activities and a decrease in net finance income.

8.4.1.13 Income tax income (expense)

Income tax income increased from income tax expenses of €1,721 thousand in the 3M 2019 to income tax benefits of €2,023 thousand in the 3M 2020 primarily due to a deferred tax asset recognized for a loan measured at fair value and tax credit from the tax authorities in relation to previous financial years.

8.4.1.14 Profit for the period

Profit for the period decreased by 70.8% from €10,189 thousand in the 3M 2019 to €2,977 thousand in the 3M 2020 primarily due to a decrease in profit before tax, which was partially off-set by a decrease in income tax expense.

8.4.2 Comparison of the Fiscal Years Ended December 31, 2019 and December 31, 2018

8.4.2.1 Revenue

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

	For the year ended December 31,		
	2019	**2018**	**% Change**
	(audited) (in € thousand)		
Net rental income	134,141	127,982	4.8
Selling of condominiums	14,948	20,265	(26.2)
Income from facility services	7,431	6,606	12.5
Revenue	**156,520**	**154,853**	**1.1**

Revenue increased by 1.1% from €154,853 thousand in the Fiscal Year 2018 to €156,520 thousand in the Fiscal Year 2019 primarily due to like-for-like rental growth generated by targeted capital expenditures for the repositioning and refurbishment of our assets.

8.4.2.2 Cost of operations

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

	For the year ended December 31,		
	2019	**2018**	**% Change**
	(audited) (in € thousand)		
Salaries and other expenses	11,443	10,320	10.9
Cost of utilities recharged, net	1,630	1,843	(11.6)
Sale of condominiums – cost	11,058	15,817	(30.0)
Property operations and maintenance	19,880	14,016	41.8
Cost of operations	**44,011**	**41,996**	**4.8**

Cost of operations increased by 4.8% from €41,996 thousand in the Fiscal Year 2018 to €44,011 thousand in the Fiscal Year 2019 primarily due to additional employees and increased operating expenses.

8.4.2.3 *Gross profit*

Gross profit decreased by 0.3% from €112,857 thousand in the Fiscal Year 2018 to €112,509 thousand in the Fiscal Year 2019 due to the sale of a portfolio of the Company.

8.4.2.4 *General and administrative expenses*

General and administrative expenses increased by 35.8% from €18,451 thousand in the Fiscal Year 2018 to €25,050 thousand in the Fiscal Year 2019 primarily due to one-off termination fees paid to the previous senior management of the Company in an amount of €4,042 thousand, compensation paid to past members of the Board of Directors as well as an increase in fees for consulting and professional advisory services, e.g. in connection with legal advice on the rent freeze in Berlin.

8.4.2.5 *Other expenses*

Other expenses increased from zero in the Fiscal Year 2018 to €13,188 thousand in the Fiscal Year 2019 primarily due to broker fees, bonuses and professional services related to non-current assets, liabilities of disposal groups classified as held for sale and transaction costs related to the Business Combination.

8.4.2.6 *Other income*

Other income increased from zero in the Fiscal Year 2018 to €78,132 thousand in the Fiscal Year 2019 primarily due to profit from the sale of a property portfolio.

8.4.2.7 *Changes in fair value of investment properties*

Changes in fair value of investment properties increased by 14.0% from €404,936 thousand in the Fiscal Year 2018 to €461,517 thousand in the Fiscal Year 2019 primarily due to ongoing market rent increases, yield compression and operational outcome.

8.4.2.8 *Results from operating activities*

Results from operating activities increased by 22.9% from €499,342 thousand in the Fiscal Year 2018 to €613,920 thousand in the Fiscal Year 2019 primarily due to an increase in the fair value of investment properties, an increase in rental income and the sale of a property portfolio.

8.4.2.9 *Finance income*

Finance income increased from €1,399 thousand in the Fiscal Year 2018 to €102,475 thousand in the Fiscal Year 2019 primarily due to a change in the fair value of derivatives.

8.4.2.10 *Finance costs*

Finance costs decreased by 1.6% from €32,915 thousand in the Fiscal Year 2018 to €32,375 thousand in the Fiscal Year 2019 primarily due to a change in the fair value of the derivative component of a convertible bond and the disposal of a property portfolio, which included net debt in an amount of €340,000 thousand.

8.4.2.11 *Net finance income*

Net finance income increased from finance costs in the amount of €31,516 thousand in the Fiscal Year 2018 to finance income €70,100 thousand in the Fiscal Year 2019 primarily due to an increase in finance income and a change in the fair value of derivatives.

8.4.2.12 *Profit before tax*

Profit before tax increased by 46.2% from €467,826 thousand in the Fiscal Year 2018 to €684,020 thousand in the Fiscal Year 2019 primarily due to an increase in results from operating activities.

8.4.2.13 Income tax income (expense)

Income tax expense increased by 9.6% from €70,362 thousand in the Fiscal Year 2018 to €77,096 thousand in the Fiscal Year 2019 primarily due to an increase of the value of the Company's assets.

8.4.2.14 Profit for the period

Profit for the period increased by 52.7% from €397,464 thousand in the Fiscal Year 2018 to €606,924 thousand in the Fiscal Year 2019 primarily due to profit from the sale of a property portfolio, an increase in changes in the fair value of investment properties and an increase in profit before tax.

8.4.3 Comparison of the Fiscal Years Ended December 31, 2018 and December 31, 2017

8.4.3.1 Revenue

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

	For the year ended December 31,		
	2018	**2017**	**% Change**
	(audited) (in € thousand)		
Net rental income	127,982	103,300	23.9
Selling of condominiums	20,265	19,671	3.0
Income facility services	6,606	5,881	12.3
Revenue	**154,853**	**128,852**	**20.2**

Revenue increased by 20.2% from €128,852 thousand in the Fiscal Year 2017 to €154,853 thousand in the Fiscal Year 2018 primarily due to an increase in net rental income in relation to new property acquisitions as well as like-for-like rental growth, mainly due to rent increases based on strategic capital expenditure.

8.4.3.2 Cost of operations

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

	For the year ended December 31,		
	2018	**2017**	**% Change**
	(audited) (in € thousand)		
Salaries and other expenses	10,320	7,995	29.1
Cost of utilities recharged, net	1,843	1,409	30.8
Sale of condominiums – cost	15,817	15,760	0.4
Property operations and maintenance	14,016	11,010	27.3
Cost of operations	**41,996**	**36,174**	**16.1**

Cost of operations increased by 16.1% from €36,174 thousand in the Fiscal Year 2017 to €41,996 thousand in the Fiscal Year 2018 primarily due to increased salaries and other expenses as well as increased property operations and maintenance costs, both in relation to new property acquisitions.

8.4.3.3 Gross profit

Gross profit increased by 21.8% from €92,678 thousand in the Fiscal Year 2017 to €112,857 thousand in the Fiscal Year 2018 because the increase in revenue was higher than the increase in costs of operations.

8.4.3.4 General and administrative expenses

General and administrative expenses increased by 44.6% from €12,762 thousand in the Fiscal Year 2017 to €18,451 thousand in the Fiscal Year 2018 primarily due to an increase in the number of employees, one-off termination fees for the previous vice chairman of the Board of Directors and an increase in professional services fees incurred in connection with, among other things, the implementation of the new general data protection regulations.

8.4.3.5 *Changes in fair value of investment properties*

Changes in fair value of investment properties increased by 5.6% from €383,638 thousand in the Fiscal Year 2017 to €404,936 thousand in the Fiscal Year 2018 primarily due to new acquisitions, ongoing market rent increases and yield compression.

8.4.3.6 *Results from operating activities*

Results from operating activities increased by 7.7% from €463,554 thousand in the Fiscal Year 2017 to €499,342 thousand in the Fiscal Year 2018 primarily due to an increase in gross profit and an increase in the fair value of investment properties and partially off-set by an increase in general and administrative expenses.

8.4.3.7 *Finance income*

Finance income decreased by 12.7% from €1,602 thousand in the Fiscal Year 2017 to €1,399 thousand in the Fiscal Year 2018 primarily due to a lower increase in the fair value of derivatives.

8.4.3.8 *Finance costs*

Finance costs increased by 11.2% from €29,609 thousand in the Fiscal Year 2017 to €32,915 thousand in the Fiscal Year 2018 primarily due financing costs in relation to a bank loan in the amount of €51,900 thousand as of September 27, 2018, a corporate bond with a total nominal amount of €400,000 thousand issued by the Company in July 2017 as well as a convertible bond with a total nominal amount of €165,000 thousand issued by the Company in November 2018.

8.4.3.9 *Net finance income (costs)*

Net finance costs increased by 12.5% from €28,007 thousand in the Fiscal Year 2017 to €31,516 thousand in the Fiscal Year 2018 primarily due to a decrease in finance income and an increase in finance costs.

8.4.3.10 *Profit before tax*

Profit before tax increased by 7.4% from €435,547 thousand in the Fiscal Year 2017 to €467,826 thousand in the Fiscal Year 2018 primarily due to an increase in results from operating activities, which was partially off-set by an increase in net finance costs.

8.4.3.11 *Income tax income (expense)*

Income tax expense increased by 3.4% from €68,035 thousand in the Fiscal Year 2017 to €70,362 thousand in the Fiscal Year 2018 primarily due to an increase in profit before tax.

8.4.3.12 *Profit for the period*

Profit for the period increased by 8.1% from €367,512 thousand in the Fiscal Year 2017 to €397,464 thousand in the Fiscal Year 2018 primarily due to an increase in profit before tax.

8.5 Real Estate Portfolio and Investments

The following table provides an overview of the development of our real estate portfolio in terms of investment properties and trading properties from January 1, 2017 through March 31, 2020.

	Investment Properties	Trading Properties	Total
		(in € thousand)	
Balance as of January 1, 2017	2,278,935	39,718	2,318,653
Additions by way of acquiring subsidiaries	411,539	12,343	423,882
Additions by way of acquiring assets	169,895	—	169,895
Capital expenditure	31,021	613	31,634
Disposals	—	(13,443)	(13,443)
Transfer from investment properties to trading properties	(3,730)	3,730	0
Fair value adjustments	383,638	—	383,638
Balance as of December 31, 2017	3,271,298	42,961	3,314,259
Balance as of January 1, 2018	3,271,298	42,961	3,314,259
Additions by way of acquiring subsidiaries	229,077	5,651	234,728
Additions by way of acquiring assets	87,150	—	87,150
Capital expenditure	51,562	221	51,783
Disposals	—	(13,805)	(13,805)
Transfer from investment properties to trading properties	—	—	—
Fair value adjustments	404,936	—	404,936
Balance as of December 31, 2018	4,044,023	35,028	4,079,051
Balance as of January 1, 2019	4,044,023	35,028	4,079,051
Additions by way of acquiring subsidiaries	—	—	—
Additions by way of acquiring assets	—	—	—
Capital expenditure	44,013	657	44,670
Disposals	—	(9,825)	(9,825)
Transfer from Investment Property to Property and Equipment	(5,100)	—	(5,100)
Transfer from investment properties to assets of disposal groups classified as held for sale	(920,000)	—	(920,000)
Fair value adjustments	461,517	—	461,571
Balance as of December 31, 2019	3,624,453	25,860	3,650,313
Balance as of January 1, 2020	3,624,453	25,860	3,650,313
Additions by way of acquiring subsidiaries	—	—	—
Additions by way of acquiring assets	—	—	—
Capital expenditure	2,541	—	2,541
Disposals	—	(756)	(756)
Transfer from Investment Property to Property and Equipment	—	—	—
Transfer from investment properties to assets of disposal groups classified as held for sale	—	—	—
Fair value adjustments	—	—	—
Balance as of March 31, 2020	3,626,994	25,104	3,652,098

We have no ongoing investments since March 31, 2020, as we have not entered into any agreements regarding the acquisition of real estate, real estate portfolios or real estate development projects and have not acquired any real estate, real estate portfolios or real estate development projects. See the description of purchase agreements under "*13.7.5 Purchase Agreements and Letters of Intent*".

8.6 Overview of Our Properties

8.6.1 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, 2020 were based on the valuation as of December 31, 2019 undertaken by CBRE and up-to-date experience regarding the location and category of the properties, and the fair values for our investment properties as of December 31, 2019, December 31, 2018 and December 31, 2017 were based on valuations undertaken by CBRE. The valuations are based on a discounted cash flow model. The valuation model considers the present value of net cash flows to be generated from the property, taking into account expected rental growth rate, void periods, occupancy rate, lease incentive costs such as rent-free periods and other costs not paid by tenants.

The expected net cash flows are discounted using risk-adjusted discount rates. Among other factors, the discount rate estimation considers the quality of a building and its location (prime vs. secondary), tenant credit quality and lease terms.

As of March 31, 2020, the ADO Properties Group's portfolio also included 4,735 parking spaces and 653 other units. We lease some of our investment property under commercial tenancy or lease agreements. The commercial tenancy or lease agreements usually run for five years. Most of our tenancy agreements for residential property provide for the tenant to give three months' notice as of the end of a month if the agreement is to be terminated.

8.6.2 *Assets Classified as 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.

8.6.3 *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.

8.7 Maintenance and Capital Expenditures

Targeted investments in our portfolio are at the core of our strategy. The following table provides an overview of the ADO Properties Group's maintenance and capital expenditures for the periods presented:

	For the three-month period ended March 31,		For the year ended December 31,		
	2020	2019	2019	2018	2017
	(unaudited) (in € per sqm)		(unaudited) (in € per sqm)		
Maintenance and Capital Expenditures					
Maintenance	7.8	7.4	9.0	7.5	6.5
Capitalized maintenance	2.3	10.3	7.2	8.1	6.3
Energetic modernization	1.5	2.9	1.9	3.6	1.7
Modernization capital expenditures	3.1	25.8	18.1	20.0	14.6
Total	**14.7**	**46.4**	**36.2**	**39.2**	**29.1**

The maintenance and capital expenditure cost per square meter of €14.7 in the 3M 2020 was in line with our expectations for our long-term average levels.

8.8 Liquidity and Capital Resources

The ADO Properties Group finances its business activities primarily through cash flows from operating activities as well as raising funds on the debt capital markets and through bank loans.

8.8.1 Cash Flows

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

	For the three-month period ended March 31,		For the year ended December 31,		
	2020	2019	2019	2018	2017
	(unaudited) (in € thousand)		(audited) (in € thousand)		
Cash flows from operating activities					
Profit for the period	(2,977)	10,189	606,924	397,464	367,512
Adjustments for:					
Depreciation	375	315	1,488	527	452
Profit from selling portfolio	—	—	(78,132)	—	—
Change in fair value of investment properties	—	—	(461,517)	(404,936)	(383,638)
Net finance costs	23,344	12,549	(70,100)	31,516	28,007
Income tax income (expense)	(2,023)	1,721	77,096	70,362	68,035
Share-based payments	63	125	1,530	546	564
Change in short-term restricted bank deposits related to tenants	(245)	(761)	(2,142)	(1,624)	(4,727)
Change in long-term restricted bank deposits from condominium sales	(4,892)	(878)	(4,102)	(3,320)	(539)
Change in trade receivables	(814)	84	(2,959)	(2,926)	(3,148)
Change in other receivables	(2,135)	(2,921)	(2,931)	2,427	(3,742)
Change in trading properties	756	2,662	9,168	13,585	12,830
Change in trade payables	1,774	(1,702)	5,632	4,623	1,408
Change in other payables	(8,341)	(38)	15,896	(156)	4,163
Income tax paid	21	(386)	(7,087)	(4,155)	(864)
Net cash flows from operating activities	**4,906**	**20,959**	**88,764**	**103,933**	**86,313**
Cash flows from investing activities					
Purchase of and CAPEX on investment properties	(2,540)	15,421	(44,068)	(117,118)	(189,182)
Advances paid for investment property purchase	6,300	—	—	—	(33,975)
Proceeds from selling portfolio	—	—	570,335	—	—
Investment in financial instrument (Consus)	(40,159)	—	(254,342)	—	—
Purchase of and CAPEX on property and equipment	(66)	(1,055)	(3,121)	(1,182)	(795)
Interest received	18	4	39	143	3
Grant of long-term loans	(43,542)	—	—	—	—
Acquisition of other investments	(50,000)	—	—	(216,685)	(280,542)
Change in short-term restricted bank deposits, net	4,076	—	218	808	9,992*
Net cash flows used in investing activities	**(125,913)**	**(16,472)**	**296,061**	**(334,034)**	**(494,499)**
Cash flows from financing activities					
Proceeds from issue of corporate bonds, net	—	—	—	—	396,185
Proceeds from issue of convertible bonds, net	—	—	—	163,740	—
Long-term loans received	—	—	79,427	121,637	114,606
Repayment of long-term loans	(2,703)	(3,870)	(15,876)	(93,283)	(116,061)
Proceeds from issuance of commercial papers	—	—	—	673,000	—
Repayment of commercial papers	—	—	—	(673,000)	—
Short-term loans received	175,000	—	—	—	—
Repayment of short-term loans	—	—	—	(2,300)	(10,487)

	For the three-month period ended March 31,		For the year ended December 31,		
	2020	2019	2019	2018	2017
	(unaudited) (in € thousand)		(audited) (in € thousand)		
Upfront fees paid for credit facilities	(168)	(162)	(702)	(1,377)	—
Interest paid	(3,266)	(3,962)	(26,427)	(24,873)	(18,103)
Compensation fee payments in respect of other financial liabilities	—	—	(768)	(537)	—
Payment of lease liabilities	(209)	(175)	(789)	—	—
Payment from settlement of derivatives	—	—	—	(10)	—
Prepaid costs of raising debt	(17,418)	—	—	—	—
Issuance of ordinary shares, net	(4,065)	—	**	—	—
Dividend distributed	—	—	(33,098)	(26,460)	(19,845)
Net cash from financing activities	**147,171**	**(8,169)**	**1,767**	**136,537**	**346,295**
Change in cash and cash equivalents during the period	**26,164**	**(3,682)**	**359,592**	**(93,564)**	**(61,891)**
Cash and cash equivalents at the beginning of the period	**387,558**	**27,965**	**27,966**	**121,530**	**183,421**
Cash and cash equivalents at the end of the period	**413,722**	**24,283**	**387,558**	**27,966**	**121,530**

* Immaterial adjustment of comparative data.

** Represents an amount less than €1 thousand

8.8.2 Comparison of the Three-Month Periods Ended March 31, 2020 and March 31, 2019

8.8.2.1 Cash Flows from Operating Activities

Cash flows from operating activities decreased by 76.6% from €20,959 thousand in net cash generated from operating activities in the 3M 2019 to €4,906 thousand in net cash generated from operating activities in the 3M 2020 primarily due to the Gewobag Sale.

8.8.2.2 Cash Flows from Investing Activities

Cash flows from investing activities increased from €16,472 thousand in net cash used in investing activities in the 3M 2019 to €125,913 thousand in net cash used in investing activities in the 3M 2020 primarily due to the investment in the call option under the Call/Put-Option Agreement, the grant of a long-term loan and a minority stake acquisition in Consus Real Estate.

8.8.2.3 Cash Flows from Financing Activities

Cash flows from financing activities increased from €8,169 thousand in net cash used in financing activities in the 3M 2019 to €147,171 thousand in net cash generated from financing activities in the 3M 2020 primarily due to the drawdown of €175,000 thousand in connection with a credit facility and the prepaid costs of raising debt.

8.8.3 Comparison of the Fiscal Years Ended December 31, 2019 and December 31, 2018

8.8.3.1 Cash Flows from Operating Activities

Cash flows from operating activities decreased by 14.6% from €103,933 thousand in net cash generated from operating activities in the Fiscal Year 2018 to €88,764 thousand in net cash generated in operating activities in the Fiscal Year 2019 primarily due to an increase in payments for professional services and income tax paid as well as a decrease in the number of property units sold in the Fiscal Year 2019.

8.8.3.2 Cash Flows from Investing Activities

Cash flows from investing activities increased from €334,034 thousand in net cash used in investing activities in the Fiscal Year 2018 to €269,061 thousand in net cash from investing activities in the Fiscal Year 2019 primarily due to proceeds from the disposal of investment properties.

8.8.3.3 Cash Flows from Financing Activities

Cash flows from financing activities decreased from €136,537 thousand in net cash generated from financing activities in the Fiscal Year 2018 to €1,767 thousand in net cash generated in financing activities in the Fiscal Year 2019 primarily due to the issuance of a convertible bond in an amount of €165,000 thousand in the Fiscal Year 2018.

8.8.4 Comparison of the Fiscal Years Ended December 31, 2018 and December 31, 2017

8.8.4.1 Cash Flows from Operating Activities

Cash flows from operating activities increased from €86,313 thousand in net cash generated from operating activities in the Fiscal Year 2017 to €103,933 thousand in net cash generated in operating activities in the Fiscal Year 2018 primarily due to higher rental income.

8.8.4.2 Cash Flows from Investing Activities

Cash flows from investing activities decreased from €494,499 thousand in net cash used in investing activities in the Fiscal Year 2017 to €334,034 thousand in net cash used in investing activities in the Fiscal Year 2018 primarily due to fewer acquisitions in the Fiscal Year 2018.

8.8.4.3 Cash Flows from Financing Activities

Cash flows from financing activities decreased from €346,295 thousand in net cash generated from financing activities in the Fiscal Year 2017 to €136,537 thousand in net cash generated in financing activities in the Fiscal Year 2018 primarily due to the placement of a €400.0 million corporate bond in the Fiscal Year 2017 which was partially offset by the placement of a €165.0 million convertible bond in the Fiscal Year 2018.

8.8.5 Liabilities

8.8.5.1 Financial Liabilities

Our principal financial liabilities comprise secured mortgage loans and capital markets instruments, including corporate bonds and convertible bonds. In connection with the Business Combination, we also entered into an interim credit facility agreement with a nominal amount of €1,085,470,000 which can be utilized to refinance certain existing liabilities and of which, as of the date of this Prospectus, €885,470,000 have been utilized. See *"13.7.7 Bridge Facility Agreement*".

The following table sets forth our financial liabilities outstanding as of the dates indicated below:

	As of March 31,	As of December 31,		
	2020	2019	2018	2017
	(unaudited) (in € thousand)		(audited) (in € thousand)	
Corporate bonds	397,368	397,433	396,899	396,396
Convertible bonds	156,863	156,334	154,252	—
Other loans and borrowings	734,749	777,817	1,057,973	1,026,723
Other financial liabilities	998	47,951	42,027	28,105
Financial liabilities	**1,289,978**	**1,379,535**	**1,651,151**	**1,451,224**

For further information on our main financings refer to "*13.7.8 Other Financing Agreements*".

8.8.5.2 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 made for such litigation.

8.9 Disclosure about Market Risk

8.9.1 Credit Risk

We are exposed to a default risk resulting from the potential failure of a counterparty to fulfill its part of the contract. In order to minimize risks, financial transactions are only executed with creditworthy third parties. The maximum carrying amount of the financial assets as reported in the statement of financial position. Our exposure to credit risk is included mainly by the individual characteristics of each customer. The revenue of the Company is primarily driven by rental income from approximately 21,300 existing leases as of March 31, 2020. Accordingly, the ADO Properties Group believes it does not bear any concentration credit risk.

8.9.1.1 Cash and cash equivalents

The Company holds cash and cash equivalents with banks and financial institutions. The Company believes that its cash and cash equivalents have low credit risk based on the credit ratings of its counterparties. The carrying amount of financial assets represents the maximum credit exposure, notwithstanding the carrying amount of security or any other credit enhancements.

8.9.1.2 Assessment of expected credit losses for individual customers

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

8.9.2 Market Risk

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

We review the need to enter into derivative transactions to manage the interest rate risk arising from our operations and our sources of finance.

8.9.3 Liquidity Risk

We continuously monitor all financing options available on the capital and banking markets and use these options in a targeted manner. We also subject our existing financings to an early review prior to the respective final maturity date in order to ensure refinancing.

Under conditions of existing loan agreements, we are obliged to fulfill certain financial covenants. If financial covenants are violated and all commonly practiced solutions will be unsuccessful, the lenders could make such loans due and payable. Fulfilling these financial covenants is continually monitored as part of risk management.

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

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

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

8.10 Critical Accounting Policies

The preparation of our consolidated financial statements in accordance with IFRS requires management to use estimates and make assumptions and judgments that affect the ADO Properties Group's results or financial statements. Some of these estimates, assumptions and judgments are critical to the ADO Properties 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 ADO Properties Group's financial statements. Following is a summary of the ADO Properties Group's critical accounting policies.

8.10.1 Currency Translation

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

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

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

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

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

8.10.2 Formation Expenses

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

8.10.3 Financial Assets

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

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

8.10.4 Debtors

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

8.10.5 Derivative Financial Instruments

The Company may enter into derivative financial instruments such as options, swaps and futures. These derivative financial instruments are initially recorded at cost. At each balance sheet date, unrealized losses are recognized in the profit and loss account whereas gains are accounted for when realized. In the case of hedging of an asset or a liability that is not recorded at fair value, unrealized gains or losses are deferred until the recognition of the realized gains or losses on the hedged item.

8.10.6 Prepayments

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

8.10.7 Provisions

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

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

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

8.10.8 Creditors

Creditors are recorded at repayable amount.

8.10.9 Net Turnover

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

8.10.10 Interest Income and Expenses

Interest income and expenses are recognized on an accrual basis. Dividend income is recognized when the Company receives the cash related to shares in affiliated undertakings.

8.10.11 Value Adjustments

Value adjustments are deducted directly from the related asset.

8.11 Recent Accounting Pronouncements

8.11.1 IFRS 16 (Leases)

We have initially adopted IFRS 16 as of January 1, 2019. IFRS 16 introduced a single, on-balance sheet accounting model for lessees. As a result, the ADO Properties Group, as lessee, has recognized right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments.

We elected to apply the standard using the modified retrospective approach, with an adjustment to the balance of retained earnings as of January 1, 2019 and without a restatement of comparative data. In respect of all the leases, we elected to apply the transitional provisions such that on the date of initial application it recognized a liability at the present value of the balance of future lease payments discounted at its incremental borrowing rate at that date calculated according to the average duration of the remaining lease period as from the date of initial application, and concurrently recognized a right-of-use asset at the same amount of the liability, adjusted for any pre-paid or accrued lease payments that were recognized as an asset or liability before the date of initial application. Therefore, application of IFRS 16 did not have an effect on our equity at the date of initial application.

As part of the initial application of IFRS 16, we have chosen to apply the following expedients:

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

On the inception date of the lease, we determine whether the arrangement is a lease or contains a lease, while examining if it conveys the right to control the use of identified asset for a period of time in exchange for consideration. In our assessment of whether an arrangement conveys the right to control the use of an identified asset, we assess whether we have the following two rights throughout the lease term:

(1) The right to obtain substantially all the economic benefits from use of the identified asset; and

(2) The right to direct the identified asset's use.

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

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

As of March 31, 2020, the balance of right-of-use assets amounted to €563 thousand, non-current lease liabilities of €414 thousand and current lease liabilities of €653 thousand. Also in relation to those leases under IFRS 16, we recognized depreciation and interest costs instead of operating lease expense. During the fiscal year ended December 31, 2019, we recognized €739 thousand of depreciation changes and €531 thousand interest costs from these leases. During the three-month period ended March 31, 2020, we recognized €215 thousand of depreciation.

8.11.2 IFRIC 23 (Uncertainty Over Income Tax Treatments)

We have initially adopted IFRIC 23 as of January 1, 2019, which does not have a material effect on our financial statements.

8.11.3 IFRS 3 (Business Combinations)

The amendment to IFRS 3 is effective for transactions to acquire an asset or business for which the acquisition date is in annual periods beginning on or after January 1, 2020, as well as for the acquisition of assets that takes place on or after the begin of this period. In each case, an earlier application being permitted.

We examined the effects of adopting the amendment to IFRS 3 and reached the conclusion that in our opinion the amendment to IFRS 3 does not have a material effect on the accounting treatment of our future acquisitions or our operations.

8.11.4 IAS 1

The amendment to IAS 1 replaces certain classification requirements for current or non-current liabilities. For example, pursuant to the amendment to IAS 1, a liability will be classified as non-current when the entity has the right to defer settlement for at least 12 months after the reporting period, and it "has substance" and is in existence at the end of the reporting period. A right is in existence at the end of the reporting period only if the entity complies with conditions for deferring settlement at that date. Furthermore, the amendment to IAS 1 clarifies that the conversion option of a liability will affect its classification as current or non-current, other than when the conversion option is recognized as equity.

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

As of the date of this Prospectus, we have not yet commenced to examine the effects of applying the amendment to IAS 1 on our financial statements.

8.12 Selected Results of ADLER Real Estate

8.12.1 Factors affecting ADLER Real Estate's Results of Operations

ADLER Real Estate's results of operations during the periods presented below have been primarily affected by factors that have also affected the Company's results of operations, including (i) changes in the size of the portfolio, (ii) rent levels, (iii) vacancy rates, (iv) expenses from lettings, including recoverable and non-recoverable operating and maintenance expenses, (v) personnel expenses, including asset and portfolio management, (vi) changes in the valuation of the investment properties, and (vii) earnings from the sale of properties.

8.12.2 ADLER Real Estate's Results of Operations

8.12.2.1 Comparison of the three-month periods ended March 31, 2020 and 2019

8.12.2.1.1 Earnings from property lettings

Earnings from property lettings decreased by 10.1% to €49,937 thousand in the three-month period ended March 31, 2020 from €55,523 thousand in the three-month period ended March 31, 2019. This decrease was mainly due to the sale of rental units of the non-core portfolio and the commercial properties of BCP.

8.12.2.1.2 Earnings from the sale of properties

Earnings from the sale of properties increased to a gain of €2,244 thousand in the three-month period ended March 31, 2020 from a loss of €432 thousand in the three-month period ended March 31, 2019. This increase was mainly due to the sale of a project development of BCP in Düsseldorf.

8.12.2.1.3 Income from fair value adjustments of investment properties

Income from fair value adjustments of investment properties decreased to a loss of €10,334 thousand in the three-month period ended March 31, 2020 from a gain of €9,660 thousand in the three-month period ended March 31, 2019. This valuation loss was mainly driven by value adjustments in relation to certain BCP commercial properties that were affected by administrative measures due to the Coronavirus.

8.12.2.1.4 Earnings before interest and tax (EBIT)

Earnings before interest and tax (EBIT) decreased by 81.0% to €8,772 thousand in the three-month period ended March 31, 2020 from €46,157 thousand in the three-month period ended March 31, 2019. This decrease was mainly due to the valuation loss described above and a significant increase in other operating expenses, which was due to significant non-recurring expenses in connection with legal and advisory services during the acquisition of ADO Group Ltd. and the subsequent takeover offer by the Company.

8.12.2.1.5 Earnings before taxes (EBT)

Earnings before tax (EBT) decreased to losses of €15,523 thousand in the three-month period ended March 31, 2020 from earnings of €6,828 thousand in the three-month period ended March 31, 2019. This decrease was mainly due to the valuation loss described above, a significant increase in other operating expenses, which was only partially offset by an increase in net financial income.

8.12.2.1.6 Consolidated net profit

Consolidated net profit decreased to losses of €26,529 thousand in the three-month period ended March 31, 2020 from earnings of €14,673 thousand in the three-month period ended March 31, 2019. This decrease was mainly due to the factors described above and an increase in tax expenses.

8.12.2.2 Comparison of the financial years ended December 31, 2019 and 2018

8.12.2.2.1 Earnings from property lettings

Earnings from property lettings increased by 7.7% to €219,317 thousand in the financial year ended December 31, 2019 from €203,687 thousand in the financial year ended December 31, 2018. This increase was mainly due to an increase of net rental income, income from charged operating costs and other income from property management. The increases in net rental income and charged operating costs resulted partially from the full-year consolidation of the operations of BCP, following ADLER Real Estate's acquisition of a 69.81% stake in April 2018. During the financial year ended December 31, 2019, BCP contributed €73,771 thousand in net rental income (compared to €59,406 thousand in the financial year ended December 31, 2018) and €25,904 thousand in charged operating costs (compared to €20,406 thousand in the financial year ended December 31, 2018). This was partially off-set by the sale of a non-core portfolio of approximately 3,700 rental units in the first quarter of the financial year ended December 31, 2019, which, following the sale, no longer contributed to net rental income. Additionally, approximately two-thirds of BCP's commercial portfolio was sold in several tranches in the course of the financial year ended December 31, 2019.

8.12.2.2.2 Earnings from the sale of properties

Earnings from the sale of properties decreased to €495 thousand in the financial year ended December 31, 2019 from €8,105 thousand in the financial year ended December 31, 2018. This decrease was mainly due to proportionally higher costs of disposal.

8.12.2.2.3 Income from fair value adjustments of investment properties

Income from fair value adjustments of investment properties decreased by 22.0% to €362,638 thousand in the financial year ended December 31, 2019 from €465,129 thousand in the financial year ended December 31, 2018. This decrease in valuation gain was mainly driven by a decrease in portfolio size due to divestments as well as market conditions.

8.12.2.2.4 Earnings before interest and tax (EBIT)

Earnings before interest and tax (EBIT) decreased by 19.5% to €469,008 thousand in the financial year ended December 31, 2019 from €582,828 thousand in the financial year ended December 31, 2018. This decrease was mainly due to lower income from fair value adjustments of investment properties. In addition, personnel expenses increased in the financial year ended December 31, 2019, primarily as a result of the full-year consolidation of BCP and the internalization of property and facilities management services.

8.12.2.2.5 Earnings before taxes (EBT)

Earnings before tax (EBT) decreased by 21.5% to €356,986 thousand in the financial year ended December 31, 2019 from €454,762 thousand in the financial year ended December 31, 2018. This decrease was mainly due to the decrease in earnings before interest and tax (EBIT), which was partially offset by lower financial costs.

8.12.2.2.6 Consolidated net profit

Consolidated net profit increased by 10.6% to €367,764 thousand in the financial year ended December 31, 2019 from €332,449 thousand in the financial year ended December 31, 2018. This increase was mainly due to an increase in earnings after taxes of discontinued operations, which consisted of the consolidated net income of the ADO Properties Group. As a result of ADLER Real Estate's acquisition of ADO Group Ltd. in December 2019, ADLER Real Estate consolidated the ADO Properties Group. ADLER Real Estate classified the ADO Properties Group as a discontinued operation in accordance with IFRS 5 because of the expected consequences of the Business Combination. The contribution of the ADO Properties Group to consolidated net income of ADLER Real Estate consisted exclusively of valuation gains in an amount of €92,009 thousand.

8.12.2.3 Comparison of the financial years ended December 31, 2018 and 2017

8.12.2.3.1 Earnings from property lettings

Earnings from property lettings increased by 61.9% to €203,687 thousand in the financial year ended December 31, 2018 from €125,799 thousand in the financial year ended December 31, 2017. This increase was mainly due to a significant increase in gross rental income. The increase in gross rental income was mainly attributable to the growth of ADLER Real Estate's portfolio by approximately 12,000 residential units through the acquisition of the majority of shares in Brack Capital Properties N.V. in April 2018.

8.12.2.3.2 Earnings from the sale of properties

Earnings from the sale of properties increased by 927.2% to €8,105 thousand in the financial year ended December 31, 2018 from €789 thousand in the financial year ended December 31, 2017. This increase was mainly due to an increase in income from the disposal of project development inventory properties, which was partially offset by an increase in the carrying amount of disposed project development inventory properties.

8.12.2.3.3 Income from fair value adjustments of investment properties

Income from fair value adjustments of investment properties increased by 97.6% to €465,129 thousand in the financial year ended December 31, 2018 from €235,386 thousand in the financial year ended

December 31, 2017. This valuation gain was partly driven by the rise in average rents and measures to maintain and modernize the properties. The initial market valuation of the newly acquired portfolios also made a contribution. Income from fair value adjustments also resulted from the fact that ADLER Real Estate adjusted the valuations of individual portfolios from the existing portfolio to the change in market circumstances, which were characterized by persistent yield compression in 2018.

8.12.2.3.4 Earnings before interest and tax (EBIT)

Earnings before interest and tax increased by 86.9% to €582,828 thousand in the financial year ended December 31, 2018 from €311,820 thousand in the financial year ended December 31, 2017. This increase was mainly due to significant increases in income from fair value adjustments of investment properties and gross rental income, which was partially offset by an increase in legal and consulting expenses as well as wages, salaries and other benefits.

8.12.2.3.5 Earnings before taxes (EBT)

Earnings before tax increased by 187.0% to €454,762 thousand in the financial year ended December 31, 2018 from €158,437 thousand in the financial year ended December 31, 2017. This increase was mainly due to a significant increase income from fair value adjustments of investment properties and gross rental income.

8.12.2.3.6 Consolidated net profit

Consolidated net profit increased by 133.1% to €332,449 thousand in the financial year ended December 31, 2018 from €142,631 thousand in the financial year ended December 31, 2017. This increase was mainly due to a significant increase in consolidated net profit from continuing operations, which was partially offset by an increase in deferred taxes.

8.12.3 ADLER Real Estate's significant critical accounting policies

Due to the similarity of the businesses of the Company and ADLER Real Estate, the significant accounting policies of the Company and ADLER Real Estate are comparable.

8.13 Selected Results of Consus Real Estate

8.13.1 Factors affecting Consus Real Estate's Results of Operations and their Comparability

Consus Real Estate's results of operations during the periods presented below have been primarily affected by (i) demand and market conditions of the German residential and commercial real estate markets, (ii) acquisitions of properties for developments, (iii) disposals of development projects, including through forward sales, (iv) sales prices and number of sold and delivered units, (v) the ability to meet projected development costs and delivery dates, (vi) gains and losses from fair value adjustments of the properties held, (vii) the availability and cost of land suitable for development, (viii) the ability to control cost, and (ix) financial expenses.

Since January 1, 2018, Consus Real Estate was required to apply the new standard IFRS 15, which establishes a five-step model to determine when and at what amount to recognize revenue arising from a contract with a customer. IFRS 15 disclosures includes qualitative and quantitative information about the Consus Group's contracts with customers, significant judgements made, changes in those judgements, and contract cost. IFRS 15 supersedes all prior revenue recognition requirements under IFRS. All changes have been adjusted retrospectively, thereby modifying the consolidated statement of financial position, statement of comprehensive income, consolidated cash flow statement and consolidated statement of changes in equity as well as the selected explanatory notes to the affected line items as of and for the financial year ended December 31, 2018 as well as as of and for the three-month period ended March 31, 2019. The following financial information as of and for the financial year ended December 31, 2018 was derived from the comparative financial information contained in the audited consolidated financial statements as of and for the financial year ended December 31, 2019.

8.13.2 Consus Real Estate's Results of Operations

8.13.2.1 Comparison of the three-month periods ended March 31, 2020 and 2019

8.13.2.1.1 Total income

Total income increased to €125,709 thousand in the three-month period ended March 31, 2020 from €94,305 thousand in the three-month period ended March 31, 2019. This increase was the result of higher income from property development which was driven by the building progress on existing forward sales projects.

8.13.2.1.2 Overall performance

Overall performance increased to €228,397 thousand in three-month period ended March 31, 2020 from €132,548 thousand in the three-month period ended March 31, 2019. This increase was the result of higher total income and higher change in project related inventory.

8.13.2.1.3 EBITDA (Earnings before interest, taxes, depreciation and amortization)

EBITDA (Earnings before interest, taxes, depreciation and amortization) increased to €45,955 thousand in the three-month period ended March 31, 2020 from €27,355 thousand in the three-month period ended March 31, 2019. This increase was the result of an increase in overall performance, which was partially offset by an increase in cost of materials and an increase in personnel expenses.

8.13.2.1.4 EBIT (Earnings before interest and taxes)

EBIT (Earnings before interest and taxes) increased to €43,647 thousand in the three-month period ended March 31, 2020 from of €25,885 thousand in the three-month period ended March 31, 2019. This increase was the result of an increase in overall performance as described above, which was partially offset by an increase in depreciation and amortization.

8.13.2.1.5 EBT (earnings before taxes)

EBT (Earnings before taxes) decreased to losses before tax of €26,977 thousand in the three-month period ended March 31, 2020 from losses before taxes of €13,703 thousand in the three-month period ended March 31, 2019. This decrease was the result of higher financial expenses, which is in part driven by the coupon on bonds issued in the second and fourth quarter of 2019.

8.13.2.1.6 Consolidated net income

Consolidated net income decreased to consolidated net expenses of €18,836 thousand in the three-month period ended March 31, 2020 from consolidated net expenses of €9,593 thousand in the three-month period ended March 31, 2019. This decrease was the result of an increase in losses before tax as described above, which was partially offset by an increase in income tax expenses.

8.13.2.1.7 Total comprehensive income

Total comprehensive income decreased to total comprehensive expenses of €18,439 thousand in the three-month period ended March 31, 2020 from total comprehensive expenses of €9,376 thousand in the three-month period ended March 31, 2019. This decrease was the result of higher consolidated net expenses as described above, which was only partially offset by an increase in other comprehensive income.

8.13.2.2 Comparison of the financial years ended December 31, 2019 and 2018

8.13.2.2.1 Total income

Total income increased to €671,115 thousand in the financial year ended December 31, 2019 from €485,502 thousand in the financial year ended December 31, 2018. This increase was primarily the result of an increase in income from property development, income from the disposal of real estate inventory and income from service, maintenance and management activities.

8.13.2.2.2 Overall performance

Overall performance increased to €863,812 thousand in the financial year ended December 31, 2019 from €466,498 thousand in the financial year ended December 31, 2018. This increase was the result of an increase in project related inventory.

8.13.2.2.3 EBITDA (Earnings before interest, taxes, depreciation and amortization)

EBITDA (Earnings before interest, taxes, depreciation and amortization) increased to €236,435 thousand in the financial year ended December 31, 2019 from €101,440 thousand in the financial year ended December 31, 2018. This increase was the result of the increase in overall performance described above, which was partially offset by an increase in cost of materials and higher personnel expenses.

8.13.2.2.4 EBIT (Earnings before interest and taxes)

EBIT (Earnings before interest and taxes) increased to €227,992 thousand in the financial year ended December 31, 2019 from of €99,265 thousand in the financial year ended December 31, 2018. This increase was the result of an increase in overall performance described above, which was partially offset by an increase in depreciation and amortization.

8.13.2.2.5 EBT (earnings before taxes)

EBT (Earnings before taxes) increased to €11,486 thousand in the financial year ended December 31, 2019 from losses before taxes of €14,824 thousand in the financial year ended December 31, 2018. This increase was primarily the result of higher earnings before interest and taxes described above, the majority of which was off-set by an increase in financial expenses.

8.13.2.2.6 Consolidated net income

Consolidated net income decreased to consolidated net expenses of €5,035 thousand in the financial year ended December 31, 2019 from consolidated net expenses of €1,162 thousand in the financial year ended December 31, 2018. This decrease was primarily the result of higher income tax expenses and higher net expenses from continued operations.

8.13.2.2.7 Total comprehensive income

Total comprehensive income decreased to total comprehensive expenses of €4,604 thousand in the financial year ended December 31, 2019 from total comprehensive expenses of €2,936 thousand in the financial year ended December 31, 2018. This decrease was primarily the result of higher consolidated net expenses as described above, which was partially offset by an increase in other comprehensive income.

8.13.2.3 Comparison of the financial years ended December 31, 2018 and 2017

Consus Real Estate is a holding company and only had limited operations prior to the acquisition of CG Gruppe AG (renamed to Consus RE AG) ("**CG Group**") at the end of 2017. CG Group was fully consolidated as from January 1, 2018, prior to which the activities of Consus Real Estate were limited.

8.13.2.3.1 Total income

Total income encompasses (i) income from letting activities, (ii) income from real estate inventory disposed of, (iii) income from property development, and (iv) income from service, maintenance and management activities. Total income increased to €485,502 thousand in the financial year ended December 31, 2018 from €7,691 thousand in the financial year ended December 31, 2017. The increase was primarily the result of an increase in income from property development in the amount of €278,992 thousand due to the initiation of over-time revenue recognition of several development projects for which building permits were received and an increase in income from real estate inventory disposed of in the amount of €163,515 thousand resulting from the disposal of several real estate properties.

8.13.2.3.2 Overall performance

Overall performance increased to €466,498 thousand in the financial year ended December 31, 2018 from €7,961 thousand in the financial year ended December 31, 2017. This increase was the result of the increase in total income for the reasons described above, which was partially offset by changes in project-related inventory.

8.13.2.3.3 EBITDA (Earnings before interest, taxes, depreciation and amortization)

EBITDA (Earnings before interest, taxes, depreciation and amortization) increased to €101,440 thousand in the financial year ended December 31, 2018 from €4,697 thousand in the financial year ended December 31, 2017. This increase was the result of the increase in overall performance for the reasons described above, which was partly off-set by an increase expenses from letting activities, cost of materials as well as personnel and other operating expenses.

8.13.2.3.4 EBIT (Earnings before interest and taxes)

EBIT (Earnings before interest and taxes) increased to €99,265 thousand in the financial year ended December 31, 2018 from of €4,697 thousand in the financial year ended December 31, 2017. This increase was the result of the increase in overall performance for the reasons described above.

8.13.2.3.5 EBT (Earnings before taxes)

EBT (Earnings before taxes) decreased to a loss before taxes of €14,824 thousand in the financial year ended December 31, 2018 from a loss before taxes of €3,920 thousand in the financial year ended December 31, 2017. This decrease in losses was primarily the result of an increase in financial expenses in the amount of €115,226 thousand due to various loans and the issuance of a convertible bond as well as a bond.

8.13.2.3.6 Consolidated net income

Consolidated net income decreased to consolidated net expenses of €1,162 thousand in the financial year ended December 31, 2018 from consolidated net expenses of €7,946 thousand in the financial year ended December 31, 2017. This increase was primarily the result of an increase in income tax expenses.

8.13.2.3.7 Total comprehensive income

Total comprehensive income increased to total comprehensive expenses of €2,936 thousand in the financial year ended December 31, 2018 from total comprehensive expenses of €7,946 thousand in the financial year ended December 31, 2017. This increase was primarily the result of the factors described above.

8.13.3 Consus Real Estate's significant critical accounting policies

8.13.3.1 Revenue recognition

Consus Real Estate recognizes revenue from letting activities where the property's rental agreement or lease is classified as an operating lease as a straight line over the term of the contract. If incentives of any kinds are provided to the tenants, the cost of the incentive is recognized over the lease term, on a straight-line basis, as a reduction of revenue from letting activities. For the purpose of accounting treatment, a deferred asset is recognized which is released later on over the duration of the base lease term including prolongation options of the Consus Group. Service charges passed on to tenants are generally offset against the corresponding expense and are therefore not recognized as income, as Consus Real Estate collects these charges on behalf of third parties.

For a discussion of our revenue recognition policy in accordance with IFRS 15, see "*8.13.3.6 IFRS 15*".

8.13.3.2 Goodwill

Goodwill principally results from the acquisition of subsidiaries and corresponds to the sum of the transferred consideration, the amount of all non-controlling interests in the acquiree and the fair value of the previously held equity interests in the acquiree less the fair value of acquired net assets. Goodwill is subject to an annual impairment test in accordance with IAS 36 as well as in the case of an impairment indicator. For the purpose of impairment testing, goodwill is allocated to a cash-generating unit (CGU). The allocation is made to those CGUs or groups of CGUs that are expected to benefit from the business combination in which the goodwill arose.

8.13.3.3 Investment properties

Properties which are held for the purpose of generating rental income or achieving value appreciation or both have been identified as investment property.

Mix-used properties, where a certain part is occupied by the owner and the remainder by third parties, are recognized separately in the balance sheet as investment property and property, plant and equipment as long as a legal means of dividing the property exists and neither the owner-occupied nor the rented portion is negligible. With respect to properties that have not been acquired in the course of a business combination, investment property is measured initially at cost, including transaction costs. Subsequent to initial recognition, an investment property is stated at fair value. IFRS 13.9 defines the fair value as 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.

Gains or losses arising from changes in the fair market values of investment properties are included in profit or loss in the period in which they arise, including the corresponding tax effect. Fair market values of investment properties are determined in accordance with the discounted cash flow method or the German Income Approach (*Deutsches Ertragswertverfahren*). The liquidation method has been applied for the valuation of properties with negative net cash flows. According to this method, the fair market value is determined as the sum of the land value less removal expenses and remaining net income.

Costs in connection with the maintenance, extension and replacement of properties are capitalized if they are reliably measurable and if they constitute the replacement of parts of a unit in accordance with the component approach. Prepayments for purpose of acquiring a property are separately disclosed as prepayments for an investment property. An investment property is derecognized either when it has been disposed of or when it is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss in the period of de-recognition. Transfers are made to (or from) an investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. An investment property that is likely to be sold within a period of twelve month is recognized under current assets as an asset held for sale according to IFRS 5 and measured according to this accounting policy.

8.13.3.4 Work-in-progress including acquired land and buildings

Work-in-progress is valued at the lower of cost and net realizable value. In case of a purchase, cost is the acquisition cost which is equal to the fair value of the inventories. The net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and sale. The cost of inventories includes expenses incurred in acquiring the inventories (*i.e.*, land and buildings) and related purchase costs. The cost of inventories includes furthermore a reasonable share of the indirect overhead based on normal production capacity as well as attributable borrowing costs.

8.13.3.5 Contract Assets

Revenue from development activities is recognized progressively based on the cost-to-cost method. Development activities are billed as work progresses in accordance with agreed-upon contractual terms, either at periodic intervals or upon achievement of contractual milestones. Generally, billing occurs subsequent to revenue recognition, resulting in contract assets (total revenue recognized-to-date less total payments received-to-date). However, the Consus Group sometimes receives advances or deposits from its customers before revenue is recognized, resulting in contract liabilities. These assets and liabilities are reported in the consolidated statement of financial position on a contract-by-contract basis at the end of each reporting period.

8.13.3.6 IFRS 15

Since January 1, 2018, Consus Real Estate was required to apply the new standard IFRS 15, which establishes a five-step model to determine when and at what amount to recognize revenue arising from a contract with a customer. The goal of IFRS 15 is to compile currently existing guidance and interpretations into a uniform model of revenue recognition. IFRS 15 disclosures includes qualitative and quantitative information about the Consus Group's contracts with customers, significant judgements made, changes in those judgements, and contract cost. IFRS 15 supersedes all prior revenue recognition requirements under IFRS.

Prior to the adoption of IFRS 15, the Consus Group's subsidiary CG previously recognized revenue from the sale of property development and construction contracts when the risks and rewards of the developed and constructed property had been transferred and it did not retain either continuing managerial involvement to the degree usually associated with ownership, or effective control over the property sold. This was generally the point in time when the property in its entirety had been accepted by the customer.

However, under IFRS 15, Consus Real Estate distinguishes between two types of development projects for which revenue is recognized over time: forward sales to institutions and forward sale of freehold flats. In the past, both types were treated as if they only contain one material performance obligation. However, in order to ensure a more precise interpretation of the IASB guidance, Consus Real Estate decided to amend the accounting principles. Forward sales to institutions are now separated into two material performance obligations: one involving the sale of land and the other representing the development work performed. Whereas the development work continues to be accounted for on a percentage of completion basis, revenue for the sale of the land is recognized at the point when the customer obtains control over the land, typically at the end of the forward sale. The accounting for forward sales of freehold flats is treated as if they only contain one material performance obligation, as per IASB guidance.

In line with these changes, the fair value step-up on the development work performed is expensed over the project period for both forward sales to institutions and forward sales of freehold flats. The impact of the changes in the application of IFRS 15 relates mainly to the following line items:

- Income from property development was reduced due the different timing of revenues from the sale of land (previously over time and now point in time, typically at the end of the forward sale).
- Two effects had an impact on changes in project related inventory:
- There was a positive impact on changes in project related inventory due to the removal of land from work-in-progress being deferred due to revenue recognition for land being deferred.
- There was a net positive impact on changes in project related inventory from the fair value step-up recognized from business combinations in the prior years no longer being expensed in full at the start of the forward sale, with PPA related to the development activities now being expensed in line with the revenue based on percentage of completion.
- Contract assets decreased while work-in-progress increased primarily due to the reclassification of land previously recognized as part of contract assets.
- Due to the land asset value remaining in work-in-progress, the prepayments received related to land are now not netted off against contract assets and are reclassified non-current and current prepayments received.

9. PROFIT FORECAST

9.1 Guidance of the Funds From Operations (FFO 1) for the Fiscal Year 2020 of the Company

On March 31, 2020, the Company has published its guidance on its expected funds from operations (from rental activities) ("**FFO 1**") for the fiscal year ending December 31, 2020 on a consolidated basis (the "**FFO 1 Guidance 2020**"). The FFO 1 Guidance 2020 is not a presentation of facts and should not be interpreted as such by investors.

Rather, it reflects the forward-looking expectations of the Board of Directors with respect to the future development of the Company's FFO 1. Potential investors should not place undue reliance on this FFO 1 Guidance 2020. Investors should also read the section "*2.8 Forward-looking Statements*" of this Prospectus.

The calculation of the FFO 1 for the purpose of the FFO 1 Guidance 2020 was based on the calculation methodology and reconciliation used by the Company to calculate the FFO 1.

The FFO 1 is an industry standard performance indicator for evaluating operational recurring profit of a real estate firm. The FFO 1 is derived from the EBITDA from rental activities for the respective periods adjusted to generally reflect net cash interest and current income taxes, see "*7.2 Additional Non-IFRS Performance Measures*".

The FFO 1 Guidance 2020 is based on the following assumptions made by the Board of Directors. These assumptions relate to factors (i) outside of the Company's influence, (ii) that can be influenced by the Company to a limited extent or (iii) that can be influenced by the Company. Even though the Company considered these assumptions as appropriate when preparing the FFO 1 Guidance 2020, they may prove in retrospect to be inappropriate or unfounded in the future. If one or more of these assumptions should prove to be inappropriate or unfounded, the actual FFO 1 can deviate materially from the FFO 1 Guidance 2020. The FFO 1 Guidance 2020 reflects any effects from the takeover of ADLER Real Estate, which has been fully consolidated into the ADO Properties Group as of April 9, 2020, including certain synergies which are expected to already be realized in 2020.

9.2 FFO 1 Guidance 2020

On March 31, 2020, the Company published its audited consolidated financial statements as of and for the fiscal year ended December 31, 2019, which included the FFO 1 Guidance 2020. The Company expects the FFO 1 for the fiscal year ending December 31, 2020 to amount between €105 and €125 million. As of the date of this Prospectus, the FFO 1 Guidance 2020 is still valid.

9.3 Explanatory Notes to the FFO 1 Guidance 2020

9.3.1 Basis of Preparation

The FFO 1 Guidance 2020 was based on the Company's accounting information prepared on the basis of the International Financial Reporting Standards as adopted by the European Union ("**IFRS**"). The accounting policies applied by the Company are described in the notes to the audited consolidated financial statements of the Company as of and for the fiscal year ended December 31, 2019. The FFO 1 Guidance 2020 has been compiled and prepared on a basis that is comparable with the audited consolidated financial statements of the Company as of and for the fiscal years ended December 31, 2019, December 31, 2018 and December 31, 2017, and is consistent with the Company's accounting policies.

9.3.2 Factors and Assumptions

The FFO 1 Guidance 2020 is influenced by a range of factors as well as assumptions of the Board of Directors.

9.3.2.1 Factors outside of the Company's influence

The FFO 1 Guidance 2020 is generally subject to factors which are completely outside of the influence of the Company. The main factors and related assumptions are described below:

9.3.2.1.1 Factor: Legislative and regulatory conditions

On June 18, 2019, Berlin's municipal government (*Berliner Senat*) announced its intention to freeze rents in Berlin for the next five years ("*Mietendeckel*"). On January 30, 2020, the Berlin parliament (*Berliner*

Abgeordnetenhaus) passed the Law on Rent Limitation in Housing in Berlin (*Gesetz zur Mietenbegrenzung im Wohnungswesen in Berlin – MietenWoG Bln*). The law entered into force on February 23, 2020. See "*14.2.2 Rent Freeze* ("*Mietendeckel*")". As a result, while preparing its FFO 1 Guidance 2020, the Company has assumed a €1 million decrease in its net rental income in the financial year ending December 31, 2020.

On March 25, 2020, the German federal government passed a Law on mitigation of the impact of the COVID-19 pandemic in Civil and Insolvency and Criminal Procedure Law (*Gesetz zur Abmilderung der Folgen der COVID-19-Pandemie im Zivil-, Insolvenz- und Strafverfahrensrecht*) (the "**COVID-Act**"). Pursuant to the COVID-Act, landlords may not terminate residential and commercial lease agreements if the tenant fails to pay rent during the period of April 1, 2020 through June 30, 2020, provided that such non-payment is caused by impacts related to the Coronavirus. Payments that become due during the period of April 1, 2020 through June 30, 2020, but that were not settled, will have to ultimately be settled by June 30, 2022. The described measures under the COVID-Act may, at the discretion of the German Federal Government (*Bundesregierung*), be extended until September 30, 2020. In light of current uncertainty in relation to the impact of the Coronavirus, the Company has not assumed any material impact to FFO 1 as a result of this law.

The Company has otherwise assumed that there will be no or only insignificant changes in the current and legal framework.

9.3.2.1.2 Factor: Demographic developments in the residential real estate industry

For purposes of the FFO 1 Guidance 2020, the Company has assumed that the demographic developments in the German residential real estate market, and in Berlin in particular, remain unchanged. See "*12.3 Berlin Macroeconomic Situation, Demographic Drivers and Residential Real Estate Market*".

9.3.2.1.3 Factor: Changes in interest rates

While preparing the FFO 1 Guidance 2020, the Company has assumed that the current interest rates will remain stable, with the Company's financing strategy and financing structure remaining largely unchanged. As the Company has secured a significant portion of its floating rate liabilities with interest rate hedges, the Company does not expect any significant negative short-term effects on its financial expenses. The Company has assumed that the same remains true for ADLER Real Estate.

9.3.2.1.4 Factor: Cost inflation

For the purposes of the FFO 1 Guidance 2020, the Company did not assume any significant cost inflation in the fiscal year ending December 31, 2020.

9.3.2.1.5 Factor: Unforeseeable events such as "force majeure"

While preparing the FFO 1 Guidance 2020, the Company has assumed that no significant unforeseeable events will occur that could lead to significant constraints in the ongoing business operations of the Company or its subsidiaries, for instance force majeure (e.g. fire, flooding, hurricanes, storms, earthquakes or terrorist attacks), strikes, extraordinary macroeconomic events or war.

The Coronavirus has resulted in a deterioration of the political, socio-economic and financial situation in Germany. With the Coronavirus expanding rapidly, the negative impact on the Company's business cannot be adequately determined or reliably quantified at this time and has therefore not been taken into account when preparing the FFO 1 Guidance 2020. In particular, the potential impact of Coronavirus on tenants' ability to pay rent and the Company's finance costs has not been considered.

9.3.2.2 Factors that can be influenced by the Company to a limited extent

Likewise, other factors that can be influenced by the Company to a limited extent affect the FFO 1 Guidance 2020. The relevant assumptions are described below:

9.3.2.2.1 Factor: Net rental income

For the purposes of the FFO 1 Guidance 2020, the Company has assumed that the net rental income for the fiscal year ending December 31, 2020 will be between €280 million and €300 million. Net rental income of the Company in the fiscal year ending December 31, 2020 will therefore increase by approximately €146 million to €166 million compared to the fiscal year ended December 31, 2019, primarily due to the Business Combination.

Net rental income has been adjusted to take into account the full-year effect of the Gewobag Sale (as defined below), resulting in an expected €27 million decrease in net rental income, as well as an expected €1 million decrease due to the new legislation in Berlin as mentioned above. The Company has assumed no rental growth at the ADO Properties Group level for 2020.

In addition, ADLER Real Estate's net rental income has been adjusted to include expected lettings of its development project "Riverside" which has been completed at the end of 2019, less the effect from commercial asset disposals which occurred throughout 2019 and will continue in 2020 resulting in a decrease of net rental income. The Company has also assumed rental growth at ADLER Real Estate based on the current market environment.

9.3.2.2.2 Factor: Cost of operations

Costs of operations comprises salaries and related expenses, property operations and maintenance costs, costs of utilities recharged net and cost of sales of housing units. For the purposes of the FFO 1 Guidance 2020, the Company has assumed that the cost of operations in the fiscal year ending December 31, 2020 will increase relative to its net rental income compared to the fiscal year ended December 31, 2019, primarily due to the Business Combination. The Company has assumed that the increase in costs of operations will be partly offset due to the realization of certain operational synergies, which the Company expects to already occur in the fiscal year ending December 31, 2020. The relation of the costs of operations to the net rental income assumed is based on historical experience and may deviate considerably from the budget assumptions owing to events such as unplanned increases of the vacancy rate or major unscheduled maintenance work.

9.3.2.2.3 Factor: General and administrative expenses

General and administrative expenses comprises primarily salaries and related expenses, professional services, office, communication and IT expenses, advertising and marketing expenses, impairment loss on trade receivables, director fee and rent fees. For the purposes of the FFO 1 Guidance 2020, the Company has assumed that, relative to the net rental income, general and administrative expenses in the fiscal year ending December 31, 2020, will increase compared to the fiscal year ended December 31, 2019, primarily due to the Business Combination. The Company has assumed that the increase in general and administrative expenses will be partly offset due to the realization of certain operational synergies, which the Company expects to already occur in the fiscal year ending December 31, 2020.

9.3.2.2.4 Factor: Finance costs

Finance costs comprises interest on bank loans and loans from related parties, interest on bonds, change in fair value of derivatives and other finance expenses. For the purposes of the FFO 1 Guidance 2020, the Company has assumed:

- the refinancing of certain of ADLER Real Estate's debt with amounts available under the Bridge Facility;
- a €450 million rights issue will be completed in 2020, the proceeds of which will be partially used to refinance debt;
- the total amount of debt of €4.8 billion based on the expected amount of debt as of December 31, 2020, which includes debt of ADLER Real Estate in the amount of €3.6 billion;
- the average costs of the Company's overall debt, including the cost of ADLER Real Estate's debt, of 2.0%;
- all of the terms and conditions of its financing contracts, especially financial covenants, will be met;
- the interest rate risk will remain low in the fiscal year ending December 31, 2020, also due to interest rate hedges (interest rate swaps) concluded by the Company;
- the liquidity risk will remain low as the Company has assumed that sufficient liquidity is available and that the current level of the average financing costs of existing loan agreements can be reached even if new loan agreements are concluded or existing loan agreements are extended;

- the net loan-to-value ratio of the property portfolio as a whole will increase to approximately 47% (excluding convertible bonds) due to the Business Combination; and
- the Company has been put on credit watch negative and may be downgraded, which, however will not have an immediate impact on its financings and therefore has not been taken into account.

9.3.2.2.5 Factor: Current income tax expenses

The Company expects corporation income tax rates to remain stable and does not expect the tax laws concerning the Company to change in the fiscal year ending December 31, 2020. The Company expects the current income taxes for the fiscal year ending December 31, 2020 to amount to approximately €5 million.

9.3.2.3 Factors that can be influenced by the Company

9.3.2.3.1 Factor: Timing of disposals

The FFO 1 Guidance 2020 has been adjusted downward for certain commercial disposals at ADLER Real Estate, which occurred throughout 2019 and will continue in 2020. The date of such further disposals is not in full control of the Company. A delay in such transactions can have an impact on the FFO 1 Guidance 2020.

9.4 Other Explanatory Notes

The FFO 1 Guidance 2020 for the current fiscal year 2020 was prepared on March 31, 2020 in connection with the preparation of the Company's consolidated financial statements as of and for the fiscal year ended December 31, 2019. As the FFO 1 Guidance 2020 relates to a period not yet completed and is 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 actual FFO 1 for the current fiscal year 2020 may differ materially from the FFO 1 Guidance 2020.

10. PRO FORMA CONSOLIDATED FINANCIAL INFORMATION OF ADO PROPERTIES S.A.

The expected effects of (i) a successful business combination (the "**Business Combination**") of ADLER Real Estate Aktiengesellschaft ("**ADLER Real Estate**" and, together with its subsidiaries, the "**ADLER Group**"), a stock corporation incorporated under the laws of Germany, the shares of which are admitted to trading on the regulated market (*Regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) with simultaneous admission to the sub-segment of the regulated market with additional post-admission obligations (Prime Standard) (WKN: 500800, ISIN: DE0005008007) with ADO Properties S.A. (the "**Company**" or "**ADO Properties**" and, together with its subsidiaries, the "**ADO Properties Group**"), and a €450 million rights offering ("**Rights Offering**") on the financial position and results of operation of the ADO Properties Group, (ii) a successful merger (the "**Merger**") between ADLER Real Estate and ADO Group Ltd. ("**ADO Group**"), a public limited liability company incorporated under the laws of Israel and (iii) a successful acquisition (the "**Acquisition**") of a majority stake in Consus Real Estate AG ("**Consus Real Estate**" and, together with its subsidiaries, the "**Consus Group**"), a stock corporation incorporated under the laws of Germany, the shares of which are admitted to trading on the open market (Freiverkehr) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) are presented below on the basis of *Pro Forma* financial information.

10.1 Introduction

On September 23, 2019, (i) ADLER Real Estate, (ii) LI Lorgen Ltd., Ramat Gan, Israel, a wholly-owned subsidiary of ADLER Real Estate, which was acquired solely for purposes of the acquisition, and (iii) ADO Group whose most substantial asset is its stake in ADO Properties S.A., entered into an agreement and plan of merger by way of reverse-triangular merger (the "**Merger Agreement**"). According to the Merger Agreement, LI Lorgen Ltd. was merged into ADO Group as the absorbing entity (the Merger Agreement and the transactions contemplated thereby are referred to as the "**Merger**"). As a consequence of the Merger, LI Lorgen Ltd. ceased to exist and ADO Group became a wholly-owned subsidiary of ADLER Real Estate on the terms and subject to the conditions set forth in the Merger Agreement and in accordance with certain provisions of the companies law of the State of Israel.

As of the date of the merger agreement between ADLER Real Estate and ADO Group, ADO Group held a 38.16% stake in ADO Properties. In accordance with a condition for the closing of the Merger, which took place on December 10, 2019, ADO Group sold 4.91% of the share capital and voting rights in ADO Properties, thus effectively reducing its stake in ADO Properties to 33.25%.

On December 15, 2019, the Company announced its intention to make a voluntary public takeover offer for all shares of ADLER Real Estate in the form of an exchange offer and, by entering into a business combination agreement, to combine the business of the ADLER Group with the business of the ADO Properties Group. The Company offered 0.4164 offer shares for every one share of ADLER Real Estate. The offer period commenced on February 7, 2020 and it expired on March 25, 2020. 91.93% of the ADLER Real Estate shareholders accepted the offer. Additionally, on December 15, 2019, the Company announced its intention of a €500 million rights offering subsequent to the successful business combination, which was subsequently reduced to €450 million following a resolution of the Board of Directors to recommend to the shareholders of the Company to not distribute any dividend for the 2019 financial year.

In addition, on December 15, 2019, the Company entered into various share purchase agreements with minority shareholders (the "**Share Purchase Agreements")** to acquire 22.18% of the shares in Consus Real Estate, which, as a result of the successful completion of the Business Combination, increased to a shareholding of 25.75%. Furthermore, the Company entered into a call/put-option agreement with Aggregate Holdings S.A. ("**Aggregate**") for its 69,619,173 shares in Consus Group, as amended (the "**Call/Put-Option Agreement**"). The Company undertakes to, following the exercise of the call option under the Call/Put-Option Agreement, conduct a voluntary tender offer in the form of an exchange offer to acquire the remaining shares of Consus Real Estate (save for any applicable RETT-Blocker). The consideration for one share in Consus Real Estate is, in each case, 0.2390 newly issued shares in the Company, provided that this ratio will be adjusted to any dividends paid and equity raise done by the Company, including this Rights Offering, or Consus Real Estate, as relevant. The Company also entered into a strategic cooperation agreement (the "**SCA**") with Consus Real Estate to engage in a strategic partnership and strategic cooperation and, to the extent legally permissible, work together to fully investigate and potentially undertake mutually beneficial property developments, including the acquisitions of land plots for new-builds (the "**Strategic Cooperation**").

Since the transactions described above are expected to have a material impact on the financial position and results of operations of the ADO Properties Group, the following *pro forma* consolidated financial information (the "***Pro Forma* Consolidated Financial Information**") was prepared by the Company, comprising a *Pro Forma* Consolidated Statement of Profit or Loss for the period from January 1, 2020 to March 31, 2020, a *Pro Forma* Consolidated Balance Sheet as of March 31, 2020 as well as a *Pro Forma* Consolidated Statement of Profit or Loss for the period from January 1, 2019 to December 31, 2019, and accompanying *Pro Forma* Notes. In addition, the *Pro Forma* Consolidated Financial Information accounts for the Merger of ADLER Real Estate with ADO Group, as it had a material impact on the results of operations of ADLER Real Estate and is in turn considered as a separate *pro forma* event. The effects from the Merger are not shown in the *Pro Forma* Consolidated Balance Sheet as of March 31, 2020 and the *Pro Forma* Consolidated Statement of Profit or Loss for the period from January 1, 2020 to March 31, 2020 as ADLER Real Estate included the ADO Group as of December 31, 2019 in their consolidated financial statements.

The purpose of the *Pro Forma* Consolidated Financial Information is to show the material effects that the transactions described above would have had on the Company's *Pro Forma* Consolidated Balance Sheet as of March 31, 2020 and Consolidated Statements of Profit or Loss for the periods from January 1, 2020 to March 31, 2020 and from January 1, 2019 to December 31, 2019 as if the ADO Properties Group had already existed as of January 1, 2019 in the structure created by (i) the Business Combination and Rights Offering , (ii) the Merger, and (iii) the Acquisition.

The *Pro Forma* Consolidated Financial Information is based on assumptions and bears uncertainties and, thus, does not represent the actual performance of the financial development of the ADO Properties Group and the results of its operations and its cash flows as (i) the Business Combination and Rights Offering, (ii) the Merger, and (iii) the Acquisition were already successfully completed as of January 1, 2019. Furthermore, the *Pro Forma* Consolidated Financial Information should not be considered as an indicator for the future performance of the financial position of the ADO Properties Group and the results of its operations and its cash flows post completion of the (i) the Business Combination and Rights Offering, (ii) the Merger, and (iii) the Acquisition .

The *Pro Forma* Consolidated Financial Information should only be read in conjunction with the historical audited consolidated financial statements of the Company as of and for the fiscal year ended December 31, 2019 and unaudited interim condensed consolidated financial statements as of and for the three-month period ended March 31, 2020 prepared in accordance with IFRS as adopted by the European Union and also, in particular, taking into account the requirements of IAS 34 ("Interim Financial Reporting") . The *Pro Forma* Consolidated Financial Information is not meaningful on a stand-alone basis.

10.2 Historical financial information

The preparation of the *Pro Forma* Consolidated Financial Information is based on the following underlying information:

- the Company's audited and published consolidated financial statements as of and for the year ended December 31, 2019, prepared in accordance with IFRS as adopted by the European Union (the "**ADOP Financials 2019**");
- the Company's unaudited and published condensed consolidated interim financial statements as of and for the three-month period ended March 31, 2020, prepared in accordance with IFRS as adopted by the European Union (IAS 34) (the "**ADOP Interim Financials 2020**");
- ADLER Real Estate's audited and published consolidated financial statements as of and for the year ended December 31, 2019, prepared in accordance with IFRS as adopted by the European Union (the "**ADLER Financials 2019**");
- ADLER Real Estate's unaudited and published condensed consolidated interim financial statements as of and for the three-month period ended March 31, 2020, prepared in accordance with IFRS as adopted by the European Union (IAS 34) (the "**ADLER Interim Financials 2020**");
- ADO Group's audited separate financial information as of and for the fiscal year ended December 31, 2019, prepared in accordance with IFRS and in accordance with Regulation 9C of the Israeli Securities Regulations (Periodic and Immediate Reports) – 1970 (annual) (the "**ADO Group Financials 2019**");
- the Consus Real Estate audited and published consolidated financial statements as of and for the year ended December 31, 2019, prepared in accordance with IFRS as adopted by the European Union (the "**Consus Financials 2019**"); and

- the Consus Real Estate's unaudited and published consolidated interim financial statements as of and for the three-month period ended March 31, 2020, prepared in accordance with IFRS as adopted by the European Union (IAS 34) (the "**Consus Interim Financials 2020**").

With regard to the accounting policies applied consistently to the underlying historical financial information of the *Pro Forma* Consolidated Financial Information, reference is made to the consolidated financial statements of the Company as of and for the fiscal year ended December 31, 2019 and the three-month period ended March 31, 2020.

The ADO Group Financials 2019 are originally presented in Hebrew only and were translated into English solely for purposes of preparing these *Pro Forma* Consolidated Financial Information. Moreover, the ADO Group Financials 2019 are presented in Israeli shekel (ILS), whereas the ADLER Financials 2019, the ADLER Interim Financials 2020, the ADOP Financials 2019, the ADOP Interim Financials 2020, the Consus Financials 2019, and the Consus Interim Financials 2020 are presented in EUR. To align with the presentation currency of the Company (EUR), the ADO Group Financials 2019 are calculated from ILS to EUR based on the average exchange rate of the European Central Bank of ILS to Euro of 0.2508 for the *Pro Forma* Consolidated Statement of Profit or Loss for the fiscal year ended December 31, 2019.

10.3 Basis for preparation

The Company, ADLER Real Estate, and Consus Real Estate have each prepared their consolidated financial statements in accordance with IFRS as adopted by the European Union. ADO Group has prepared their separate financial statements in accordance with IFRS and in accordance with Regulation 9C of the Securities Regulations (Periodic and Immediate Reports) – 1970 (annual).

The required *Pro Forma* Adjustments are based on available information, estimates, and certain assumptions, as described in "*10.7 Notes to the Pro Forma Consolidated Financial Information as of and for the three-month period ended March 31, 2020*" and in "*10.9 Notes to the Pro Forma Consolidated Financial Information for the fiscal year ended December 31, 2019*".

Due to the aforementioned reference to the ADLER Interim Financials 2020 and the Consus Interim Financials 2020, respectively, the Company has not yet finally determined all potential fair value step-ups and encumbrances in connection with the purchase price allocation in accordance with IFRS 3 for the hypothetical acquisition of ADLER Real Estate including ADO Group as well as Consus Real Estate. Consequently, the *Pro Forma* Adjustments in the *Pro Forma* Consolidated Financial Information are subject to uncertainties.

The *Pro Forma* Consolidated Financial Information was prepared based on IDW Accounting Practice Statement: Preparation of *Pro Forma* Financial Information (IDW AcPS AAB 1.004) and information available as well as certain *Pro Forma* Assumptions of the Company as described in these *Pro Forma* Notes. The preparation was solely conducted for illustrative purposes. Due to their nature, the *Pro Forma* Consolidated Financial Information present only a hypothetical situation and not the actual status of the ADO Properties Group.

The *Pro Forma* Consolidated Financial Information is presented in Euro. In addition, certain financial information regarding ADO Group is presented in ILS. Unless otherwise stated, all figures have been rounded to the nearest EUR thousand. The presentation of the *Pro Forma* Consolidated Financial Information in € thousand may result in rounding differences.

Parentheses around any figures in the tables indicate negative values. 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 or equals zero.

10.4 Procedures and assumptions

The *Pro Forma* Consolidated Financial Information has been prepared based on the assumption that (i) the Business Combination and Rights Offering, (ii) the Merger, as well as (iii) the Acquisition had been successfully completed as of January 1, 2019. Accordingly, all assets acquired and liabilities assumed and any non-controlling interest in ADLER Real Estate and Consus Real Estate have been recognized within the *Pro Forma* Consolidated Balance Sheet.

The *Pro Forma* Consolidated Financial Information does not include deferred tax effects as a result of accounting policy adjustments or *Pro Forma* Adjustments resulting from (i) the Business Combination and Rights Offering, (ii) the Merger, as well as (iii) the Acquisition. Income tax effects are only considered for *Pro Forma* Adjustments, if a material impact on the *Pro Forma* Consolidated Financial Information was identified and explicitly stated. In addition, the *Pro Forma* Consolidated Financial Information does not include any adjustment to deferred tax assets for tax loss carry forwards that could potentially be lost if shares are transferred and certain thresholds are exceeded.

Furthermore, no fair value adjustments with regard to contractual termination clauses (e.g. for financial liabilities) or contractual termination clauses as such, which could be triggered in the context of a change of control were taken into account. The effects of the Merger on any of the covenants of contracts in place with ADLER Real Estate and/or Consus Real Estate and/or ADO Group and any third party (e.g. for financial liabilities) could not be conclusively assessed for purposes of the *Pro Forma* Consolidated Financial Information.

No effects of the conversion of stock options were taken into account for purposes of these *Pro Forma* Consolidated Financial Information.

To reflect the Company's assumed shareholding in ADLER Real Estate and Consus Real Estate, the Company's share capital as of March 31, 2020 was taken into account when preparing the *Pro Forma* Consolidated Financial Information. The same principle was applied with regard to the positions "treasury shares", "share premium" and "reserves".

Any goodwill (negative goodwill) recognized in the *Pro Forma* Consolidated Financial Information considers both goodwill attributable to non-controlling interests as well as goodwill (negative goodwill) attributable to owners of the company (accounting policy choice for full goodwill method under IFRS 3.19). The non-controlling interests are, therefore, measured at fair value. Hence, the net assets and liabilities identified for purposes of the preliminary purchase price allocation based solely on the ADLER Interim Financials 2020, the Consus Interim Financials 2020, and the ADOP Interim Financials 2020 will potentially deviate from the net assets and liabilities that would be determined in the final purchase price allocation.

In the ADLER Financials 2019 and the ADLER Interim Financials 2020, the income from charged operating costs are recorded according to the principal method, in particular due to the Company's business model, which provides for a high share of in-house services. ADLER Real Estate differentiated these services according to whether the company is a principal or an agent. Services, which ADLER Real Estate provides as an agent are recognized as net costs. Other services are recognized as gross costs, because ADLER Real Estate provides these services as a principal. Consus Real Estate also recognizes service charges passed on to tenants as revenue. Therefore, the reporting of expenses related to operating costs and the corresponding income from additional charges to the tenant provided as an agent was not offset in accordance with IFRS 15 in the *Pro Forma* Consolidated Statement of Profit or Loss in the ADLER Financials 2019 and the ADLER Interim Financials 2020 as well as in the Consus Financials 2019 and the Consus Interim Financials 2020. In the ADOP Financials 2019 and the ADOP Interim Financials 2020, the income from charged operating costs are recorded according to the agent method of ADO Properties. Therefore, the reporting of expenses related to operating costs and the corresponding income from additional charges to the tenant provided as a principal was offset in accordance with IFRS 15 in the Consolidated Statement of Profit or Loss in the ADOP Financials 2019 and the ADOP Interim Financials 2020. Both methods are in accordance with IFRS and do not represent an accounting policy choice, therefore, no presentation adjustment were recorded in the *Pro Forma* Consolidated Financial Information.

For purposes of the *Pro Forma* Consolidated Financial Information regarding the alignment of the ADLER Financials 2019, the ADLER Interim Financials 2020, the Consus Financials 2019, and the Consus Interim Financials 2020 with the Company's accounting policies in relation to the recognition of income and expenses, no different treatment of operating costs was taken into account and in turn no alignment was considered.

On March 25, 2020, the Company announced its decision to make a voluntary public takeover offer to all shareholders of WESTGRUND, for the acquisition of all ordinary bearer shares of WESTGRUND against payment of a cash consideration. On April 17, 2020, the Company announced its decision to, simultaneously with the takeover offer, combine the takeover offer with a delisting offer to delist the WESTGRUND shares from the regulated market (*Regulierter Markt*) of the Düsseldorf Stock Exchange (*Börse Düsseldorf*).

On May 6, 2020, the Company published the voluntary public takeover offer and delisting tender offer, pursuant to which it offers a cash consideration of €11.74 per WESTGRUND share. On June 8, 2020, in the publication required pursuant to Section 23 para. 1 sentence 1 no. 1 of the German Takeover and Acquisition Act, the Company announced that WESTGRUND shareholders representing 0.92% of share capital of WESTGRUND have tendered their shares into the Company's voluntary public takeover offer and delisting tender offer.

As of the date of the *Pro Forma* Consolidated Financial Information, ADLER Real Estate holds 77,093,817 WESTGRUND Shares (corresponding to 96.88% of the share capital and voting rights of WESTGRUND). In each time period, covered by the *Pro Forma* Consolidated Financial Information, WESTGRUND is fully consolidated by ADLER Real Estate. Therefore, for purposes of the Pro Forma Consolidated Financial Information neither the voluntary public takeover offer nor the delisting tender offer have been taken into account due to materiality considerations when preparing the *Pro Forma* Consolidated Financial Information and therefore no adjustments regarding WESTGRUND were recorded.

10.5 Alignment of the historical financial information of ADLER Real Estate, ADO Group, and Consus Real Estate

In order to present uniform historical financial information for purposes of the *Pro Forma* Consolidated Financial Information, the ADLER Interim Financials 2020, the ADLER Financials 2019, the ADO Group Financials 2019, the Consus Interim Financials 2020, and the Consus Financials 2019 have been adjusted to align with the accounting policies of ADO Properties.

10.5.1 Accounting policy adjustments for the consolidated balance sheet as of March 31, 2020

10.5.1.1 ADLER Real Estate accounting policy adjustments for the consolidated balance sheet as of March 31, 2020

The following table summarizes the accounting policy adjustments to the consolidated balance sheet of ADLER Real Estate as of March 31, 2020. As no accounting and valuation adjustments were identified, accounting policy adjustments refer to presentation adjustments only.

		Accounting policy adjustments		
	Historical ADLER Real Estate	Presentation adjustments	Presentation note	Adjusted ADLER Real Estate
		(in € thousand)		
Assets				
Non-current assets				
Goodwill	169,439	—		169,439
Intangible assets	546	—		546
Investment properties	4,929,746	—		4,929,746
Investment in financial instrument	—	24,598	(ii)	24,598
Advances in respect of investment properties	—	78,765	(i)	78,765
Property and equipment	19,311	(6,323)	(iii)	12,988
Loans to associated companies	139,180	—		139,180
Investments in associated companies	79,539	—		79,539
Other financial investments	43,473	(43,473)	(ii)	—
Other financial assets	—	150,114	(i), (ii)	150,114
Other non-current assets	210,004	(210,004)	(i)	—
Deferred tax assets	2,222	—		2,222
Advance expenses	—	—		—
Restricted bank deposit	—	—		—
Deferred expenses	—	—		—
Right-of-use-of-assets	—	6,323	(iii)	6,323
Loans granted	—	—		—
	5,593,460			**5,593,460**
Current assets				
Inventories	85,935	(85,935)	(iv)	—
Trading properties	—	85,935	(iv)	85,935
Restricted bank deposits	—	29,865	(i)	29,865
Trade receivables	44,226	—		44,226
Income tax receivables	4,108	(4,108)	(v)	—
Other receivables	—	123,927	(i), (v)	123,927
Other current assets	149,684	(149,684)	(i)	—
Cash and cash equivalents	75,095	—		75,095
Non-current assets held for sale	4,553,908	(4,553,908)	(vi)	—
Assets of disposal groups classified as held for sale	—	4,553,908	(vi)	4,553,908
Advances paid	—	—		—
	4,912,956			**4,912,956**
Total assets	**10,506,416**			**10,506,416**

	Historical ADLER Real Estate	Presentation adjustments	Presentation note	Adjusted ADLER Real Estate
	Accounting policy adjustments			
	(in € thousand)			
Shareholders' equity				
Capital stock	72,236	(72,236)	(vii)	—
Share capital	—	72,236	(vii)	72,236
Treasury shares	(1,603)	—		(1,603)
Capital reserves	315,148	(315,148)	(viii)	—
Share premium	—	315,148	(viii)	315,148
Currency translation reserves	1,216	(1,216)	(ix)	—
Reserves	—	(52,935)	(ix)	(52,935)
Net retained profit	1,071,791	(1,071,791)	(ix)	—
Retained earnings	(54,151)	1,125,942	(ix)	1,071,791
Total equity attributable to owners of the Company	1,404,637	—		1,404,637
Non-controlling interests	2,098,013	—		2,098,013
	3,502,650			**3,502,650**
Non-current liabilities				
Pension provisions	4,049	(4,049)	(xii)	—
Other provisions	3,148	(3,148)	(xii)	—
Liabilities from convertible bonds	110,148	(110,148)	(x)	—
Liabilities from bonds	2,051,157	(2,051,157)	(x)	—
Corporate bonds	—	2,051,157	(x)	2,051,157
Convertible bonds	—	110,148	(x)	110,148
Financial liabilities to banks	2,135,053	(2,135,053)	(xi)	—
Other loans and borrowings	—	2,135,053	(xi)	2,135,053
Other financial liabilities	—	2,659	(xii)	2,659
Other non-current liabilities	28,701	(28,701)	(xii)	—
Other payables	—	7,197	(xii)	7,197
Derivatives	—	5,866	(xii)	5,866
Lease liabilities	—	20,176	(xii)	20,176
Deferred tax liabilities	444,658	—		444,658
	4,776,914			**4,776,914**
Current liabilities				
Other provisions	412	(412)	(xii)	—
Income tax liabilities	18,555	(18,555)	(xiii)	—
Liabilities from convertible bonds	1,179	(1,179)	(x)	—
Liabilities from bonds	51,938	(51,938)	(x)	—
Corporate bonds	—	51,938	(x)	51,938
Convertible bonds	—	1,179	(x)	1,179
Financial liabilities to banks	180,011	(180,011)	(xi)	—
Other loans and borrowings	—	180,011	(xi)	180,011
Other financial liabilities	—	—		—
Trade payables	43,531	—		43,531
Other current liabilities	65,021	(65,021)	(xii)	—
Other payables	—	80,936	(xii), (xiii)	80,936
Lease liabilities	—	2,663	(xii)	2,663
Derivatives	—	389	(xii)	389
Liabilities held for sale	1,866,205	(1,866,205)	(xiv)	—
Liabilities of disposal groups classified as held for sale	—	1,866,205	(xiv)	1,866,205
	2,226,852			**2,226,852**
Total equity and liabilities	**10,506,416**			**10,506,416**

10.5.1.2 Notes to the ADLER Real Estate accounting policy adjustments for the consolidated balance sheet as of March 31, 2020

(i) Other non-current and current assets

ADLER Real Estate does not disclose advances in respect of investment properties as a separate line item. Accordingly, these amounts (€78,765 thousand) of other non-current assets were re-classified from other non-current assets to advances in respect of investment properties. The remaining other non-current assets (€131,239 thousand) were re-classified to other financial assets. Additionally, ADLER Real Estate discloses other current assets (€149,684 thousand) which were re-classified to the following separated lines: restricted bank deposits (€29,865 thousand) and other receivables (€119,819 thousand), respectively.

(ii) Other financial investments

ADLER Real Estate does not separately disclose other financial assets. These assets (€43,473 thousand) represent investments accounted for at fair value. The investment in Consus Real Estate in the amount of €24,598 thousand was re-classified to Investment in financial instrument in line with the Company's reporting structure while the remainder (€18,875 thousand) was re-classified from other financial investments to other financial asset.

(iii) Right-of-use of assets

ADLER Real Estate does not disclose separately right-of-use asset as defined by IFRS 16. The Company, however, separately discloses right-of-use-of assets. Therefore, these assets (€6,323 thousand) were re-classified from property and equipment to right-of-use assets.

(iv) Inventories

The line item inventories represents inventories that were re-classified to trading properties (€85,935 thousand).

(v) Income tax receivables

The Company does not disclose income tax receivables as a separate line item. Accordingly, these assets (€4,108 thousand) were re-classified to other receivables.

(vi) Non-current assets held for sale

The Company discloses assets held for sale on the account assets of disposal groups classified as held for sale. ADLER Real Estate discloses asset held for sale in the account non-current assets held for sale. Therefore, these assets (€4,553,908 thousand) which represent non-current assets held for sale were re-classified to assets of disposal groups classified as held for sale.

(vii) Capital stock

Capital stock (€72,236 thousand) was re-classified to share capital.

(viii) Capital reserves

The Company does not separately disclose a capital reserve. The capital reserve (€315,148 thousand) refers to capital surplus generated from stock issuance and therefore the amount was re-classified to share premium.

(ix) Reserves and net retained profit

ADLER Real Estate presents its reserves in the balance sheet item retained earnings and its retained earnings in the balance sheet item net retained profit. Accordingly, retained earnings were re-classified to reserves (€52,935 thousand) and currency translation reserve (€1,216 thousand). Net retained profit (€1,071,791 thousand) was re-classified to retained earnings.

(x) Liabilities from (convertible) bonds

ADLER Real Estate discloses liabilities from convertible bonds and liabilities from bonds; the Company discloses corporate bonds and convertible bonds instead. Therefore, non-current liabilities

(€ 2,051,157 thousand and €110,148 thousand) and current liabilities (€51,938 thousand and €1,179 thousand) were re-classified to corporate bonds and convertible bonds, respectively.

(xi) Financial liabilities to banks

ADLER Real Estate discloses loans and borrowings as financial liabilities to banks. However, the Company discloses bank loans under other loans and borrowings. Therefore, the entire balance in the amount of €2,135,053 thousand was re-classified from financial liabilities to banks to other loans and borrowings for non-current liabilities. Likewise, the entire balance in the amount of €180,011 thousand was re-classified from financial liabilities to banks to other loans and borrowings for current liabilities.

(xii) Other non-current and current liabilities

ADLER Real Estate does not disclose derivatives and lease liabilities as separate line items but includes them in other non-current liabilities. Therefore, derivatives (€5,866 thousand) and lease liabilities (€20,176 thousand) were re-classified to separate lines. Remaining other non-current liabilities (€2,659 thousand) were re-classified to other financial liabilities. Additionally, pension provisions (€4,049 thousand) and other provisions (€3,148 thousand) were re-classified to other payables.

Within current liabilities, other current liabilities (€65,021 thousand) were re-classified to other payables (€61,969 thousand), lease liabilities (€2,663 thousand), and derivatives (€389 thousand). Furthermore, other provisions (€412 thousand) were re-classified to other payables.

(xiii) Income tax liabilities

The Company does not disclose income tax liabilities. Accordingly, income tax liabilities in the amount of €18,555 thousand were re-classified to other payables.

(xiv) Liabilities held for sale

ADLER Real Estate discloses liabilities held for sale in the line item current liabilities held for sale. Therefore, these liabilities (€1,866,205 thousand) were re-classified to liabilities of disposal groups classified as held for sale.

	Presentation adjustments			
	Other non-current and current assets	Other financial investments	Right-of-use assets	Total presentation adjustments
	(in € thousand)			
	(i)	(ii)	(iii)	
Assets				
Non-current assets				
Goodwill	—	—	—	—
Intangible assets	—	—	—	—
Investment in financial instrument	—	24,598		24,598
Investment properties	—	—	—	—
Advances in respect of investment properties	78,765	—	—	78,765
Property and equipment	—	—	(6,323)	(6,323)
Loans to associated companies	—	—	—	—
Investments in associated companies	—	—	—	—
Other financial investments	—	(43,473)	—	(43,473)
Other financial assets	131,239	18,875	—	150,114
Other non-current assets	(210,004)	—	—	(210,004)
Deferred tax assets	—	—	—	—
Advance expenses	—	—	—	—
Restricted bank deposit	—	—	—	—
Deferred expenses	—	—	—	—
Right-of-use-of-assets	—	—	6,323	6,323
Loans granted	—	—	—	—
Current assets				
Inventories	—	—	—	—
Trading properties	—	—	—	—
Restricted bank deposits	29,865	—	—	29,865
Trade receivables	—	—	—	—
Income tax receivables	—	—	—	—
Other receivables	119,819	—	—	119,819
Other current assets	(149,684)	—	—	(149,684)
Cash and cash equivalents	—	—	—	—
Non-current assets held for sale	—	—	—	—
Assets of disposal groups classified as held for sale	—	—	—	—
Advances paid		—	—	—
Total assets				

	Presentation adjustments			
	Inventories	Income tax receivable	Non-current assets held for sale	Total presentation adjustments
	(in € thousand)			
	(iv)	(v)	(vi)	
Assets				
Non-current assets				
Goodwill	—	—	—	—
Intangible assets	—	—	—	—
Investment in financial instrument	—	—	—	—
Investment properties	—	—	—	—
Advances in respect of investment properties	—	—	—	—
Property and equipment	—	—	—	—
Loans to associated companies	—	—	—	—
Investments in associated companies	—	—	—	—
Other financial investments	—	—	—	—
Other financial assets	—	—	—	—
Other non-current assets	—	—	—	—
Deferred tax assets	—	—	—	—
Advance expenses	—	—	—	—
Restricted bank deposit	—	—	—	—
Deferred expenses	—	—	—	—
Right-of-use-of-assets	—	—	—	—
Loans granted				
Current assets				
Inventories	(85,935)	—	—	(85,935)
Trading properties	85,935	—	—	85,935
Restricted bank deposits	—	—	—	—
Trade receivables	—	—	—	—
Income tax receivables	—	(4,108)	—	(4,108)
Other receivables	—	4,108	—	4,108
Other current assets	—	—	—	—
Cash and cash equivalents	—	—	—	—
Non-current assets held for sale	—	—	(4,553,908)	(4,553,908)
Assets of disposal groups classified as held for sale	—	—	4,553,908	4,553,908
Advances paid				
Total assets	—	—	—	—

	Presentation adjustments				
	Capital stock	Capital reserves	Reserves / Net retained profit	Liabilities from (convertible) bonds	Total presentation adjustments
	(in € thousand)				
	(vii)	(viii)	(ix)	(x)	
Shareholders' equity					
Capital stock	(72,236)	—	—	—	(72,236)
Share capital	72,236	—	—	—	72,236
Treasury shares	—	—	—	—	—
Capital reserves	—	(315,148)	—	—	(315,148)
Share premium	—	315,148	—	—	315,148
Currency translation reserves	—	—	(1,216)	—	(1,216)
Reserves	—	—	(52,935)	—	(52,935)
Net retained profit	—	—	(1,071,791)	—	(1,071,791)
Retained earnings	—	—	1,125,942	—	1,125,942
Total equity attributable to owners of the Company	—	—	—	—	—
Non-controlling interests	—	—	—	—	—
Non-current liabilities	—	—	—	—	—
Pension provisions	—	—	—	—	—
Other provisions					
Liabilities from convertible bonds	—	—	—	(110,148)	(110,148)
Liabilities from bonds	—	—	—	(2,051,157)	(2,051,157)
Corporate bonds	—	—	—	2,051,157	2,051,157
Convertible bonds	—	—	—	110,148	110,148
Financial liabilities to banks	—	—	—	—	—
Other loans and borrowings	—	—	—	—	—
Other financial liabilities	—	—	—	—	—
Other non-current liabilities	—	—	—	—	—
Derivatives	—	—	—	—	—
Lease liabilities	—	—	—	—	—
Deferred tax liabilities	—	—	—	—	—
Current liabilities					
Other provisions	—	—	—	—	—
Income tax liabilities	—	—	—	—	—
Liabilities from convertible bonds	—	—	—	(1,179)	(1,179)
Liabilities from bonds	—	—	—	(51,938)	(51,938)
Corporate bonds	—	—	—	51,938	51,938
Convertible bonds	—	—	—	1,179	1,179
Financial liabilities to banks	—	—	—	—	—
Other loans and borrowings	—	—	—	—	—
Other financial liabilities	—	—	—	—	—
Trade payables	—	—	—	—	—
Other current liabilities	—	—	—	—	—
Other payables	—	—	—	—	—
Lease liabilities	—	—	—	—	—
Derivatives	—	—	—	—	—
Liabilities held for sale	—	—	—	—	—
Liabilities of disposal groups classified as held for sale	—	—	—	—	—
Total equity and liabilities	**—**	**—**	**—**	**—**	**—**

	Presentation adjustments				
	Financial liabilities to banks	Other non-current and current liabilities	Income tax liabilities	Liabilities held for sale	Total presentation adjustments
	(in € thousand)				
	(xi)	(xii)	(xiii)	(xiv)	
Shareholders' equity					
Capital stock	—	—	—	—	—
Share capital	—	—	—	—	—
Treasury shares	—	—	—	—	—
Capital reserves	—	—	—	—	—
Share premium	—	—	—	—	—
Currency translation reserves	—	—	—	—	—
Reserves	—	—	—	—	—
Net retained profit	—	—	—	—	—
Retained earnings	—	—	—	—	—
Total equity attributable to owners of the Company	—	—	—	—	—
Non-controlling interests	—	—	—	—	—
Non-current liabilities					
Pension provisions	—	(4,049)	—	—	(4,049)
Other provisions	—	(3,148)	—	—	(3,148)
Liabilities from convertible bonds	—	—	—	—	—
Liabilities from bonds	—	—	—	—	—
Corporate bonds	—	—	—	—	—
Convertible bonds	—	—	—	—	—
Financial liabilities to banks	(2,135,053)	—	—	—	(2,135,053)
Other loans and borrowings	2,135,053	—	—	—	2,135,053
Other financial liabilities	—	2,659	—	—	2,659
Other non-current liabilities	—	(28,701)	—	—	(28,701)
Other payables	—	7,197	—	—	7,197
Derivatives	—	5,866	—	—	5,866
Lease liabilities	—	20,176	—	—	20,176
Deferred tax liabilities	—	—	—	—	—
Current liabilities					
Other provisions	—	(412)	—	—	(412)
Income tax liabilities	—	—	(18,555)	—	(18,555)
Liabilities from convertible bonds	—	—	—	—	—
Liabilities from bonds	—	—	—	—	—
Corporate bonds	—	—	—	—	—
Convertible bonds	—	—	—	—	—
Financial liabilities to banks	(180,011)	—	—	—	(180,011)
Other loans and borrowings	180,011	—	—	—	180,011
Other financial liabilities	—	—	—	—	—
Trade payables	—	—	—	—	—
Other current liabilities	—	(65,021)	—	—	(65,021)
Other payables	—	62,381	18,555	—	80,936
Lease liabilities	—	2,663	—	—	2,663
Derivatives	—	389	—	—	389
Liabilities held for sale	—	—	—	(1,866,205)	(1,866,205)
Liabilities of disposal groups classified as held for sale	—	—	—	1,866,205	1,866,205
Total equity and liabilities	**—**	**—**	**—**	**—**	**—**

10.5.1.3 Consus Real Estate accounting policy adjustments for the consolidated balance sheet as of March 31, 2020

The following table summarizes the accounting policy adjustments to the consolidated balance sheet of Consus Real Estate as of March 31, 2020. As no accounting and valuation adjustments were identified, accounting policy adjustments refer to presentation adjustments only.

	Historical Consus Real Estate	Accounting policy adjustments: Presentation adjustments	Accounting policy adjustments: Presentation note	Adjusted Consus Real Estate
	(in € thousand)			
Assets				
Non-current assets				
Goodwill	1,036,489	—		1,036,489
Intangible assets	—	4,934	(i)	4,934
Other intangible assets	4,934	(4,934)	(i)	—
Investment properties	401,905	—		401,905
Advances in respect of investment properties	—	—		—
Property and equipment	11,396	—		11,396
Loans to associated companies	—	—		—
Investments in associated companies	—	20,570	(ii)	20,570
Investments accounted for using the equity method	20,570	(20,570)	(ii)	—
Receivables from related parties	190	(190)	(vii)	—
Other financial assets	—	40,478	(iii), (vi), (vii)	40,478
Other assets	194	(194)	(vi)	—
Financial assets	64,067	(64,067)	(iii)	—
Contract assets	18,536	(18,536)	(iii)	—
Deferred tax assets	—	—		—
Restricted bank deposit	—	42,509	(iii)	42,509
Deferred expenses	—	—		—
Right-of-use-of-assets	11,966	—		11,966
Loans granted	—	—		—
	1,570,247			**1,570,247**
Current assets				
Inventories	2,565,951	(2,565,951)	(iv)	—
Trading properties	—	2,565,951	(iv)	2,565,951
Restricted bank deposits	—	39	(iii)	39
Trade receivables	—	47,501	(v)	47,501
Other receivables	—	564,000	(iii), (vi)	564,000
Trade and other receivables	47,501	(47,501)	(v)	—
Receivables from related parties	109,641	(109,641)	(vi)	—
Tax receivables	7,887	(7,887)	(vi)	—
Financial assets	35,636	(35,636)	(iii)	—
Contract assets	381,073	(381,073)	(iii)	—
Other assets	29,802	(29,802)	(vi)	—
Cash and cash equivalents	164,220	—		164,220
Assets of disposal groups classified as held for sale	26,100	—		26,100
	3,367,811			**3,367,811**
Total assets	**4,938,058**			**4,938,058**
Shareholders' equity				
Subscribed capital	136,582	(136,582)	(viii)	—
Share capital	—	136,582	(viii)	136,582
Treasury shares	—	—		—
Capital reserves	877,132	(877,132)	(ix)	—
Other reserves	(94,763)	94,763	(x)	—
Share premium	—	877,132	(ix)	877,132
Reserves	—	(37,149)	(x)	(37,149)
Retained earnings	—	(57,614)	(x)	(57,614)
Total equity attributable to owners of the Company	918,951	—		918,951
Non-controlling interests	127,005	—		127,005
	1,045,956			**1,045,956**

	Historical Consus Real Estate	Presentation adjustments	Presentation note	Adjusted Consus Real Estate
		Accounting policy adjustments		
		(in € thousand)		
Non-current liabilities				
Pension provisions	—	—		—
Provisions	3,086	(3,086)	(xiii)	—
Other liabilities	30,933	(30,933)	(xii)	—
Other payables	—	30,586	(xiii), (xv)	30,586
Liabilities to related parties	27,500	(27,500)	(xv)	—
Other financial liabilities	—	18,104	(xii)	18,104
Corporate bonds	—	—		—
Convertible bonds	—	—		—
Other loans and borrowings	—	1,791,932	(xi)	1,791,932
Financing liabilities	1,791,932	(1,791,932)	(xi)	—
Derivatives	—	—		—
Lease liabilities	—	12,829	(xii)	12,829
Deferred tax liabilities	91,079	—		91,079
	1,944,530			**1,944,530**
Current liabilities				
Corporate bonds	—	—		—
Convertible bonds	—	—		—
Other loans and borrowings	—	1,188,852	(xi)	1,188,852
Financing liabilities	1,188,852	(1,188,852)	(xi)	—
Other financial liabilities	—	101,206	(xii)	101,206
Trade payables	110,430	—		110,430
Other payables	—	542,443	(xii), (xiii), (xiv)	542,443
Provisions	7,679	(7,679)	(xiii)	—
Liabilities to related parties	59,080	(59,080)	(xiv)	—
Tax payables	56,241	(56,241)	(xiv)	—
Prepayments received	377,327	(377,327)	(xiv)	—
Other liabilities	105,847	(105,847)	(xii)	—
Contract liabilities (current))	42,116	(42,116)	(xii)	—
Lease liabilities	—	4,641	(xii)	4,641
Derivatives	—	—		—
Liabilities of disposal groups classified as held for sale	—	—		—
	1,947,572			**1,947,572**
		—		—
Total equity and liabilities	**4,938,058**			**4,938,058**

10.5.1.4 Notes to the Consus Real Estate accounting policy adjustments for the balance sheet as of March 31, 2020

(i) Other intangible assets

Consus does not disclose intangible assets as a separate line item. Accordingly, these amounts (€4,934 thousand) were re-classified from other intangible assets to intangible assets.

(ii) Investments accounted using equity method

Consus does not separately disclose investments in associated companies as a separate line item. Therefore, the investments accounted for using the equity method (€20,570thousand) were re-classified as investments in associated companies.

(iii) Financial assets / contract assets

Consus discloses contract assets in the total amount of €399,609 thousand. The non-current contract assets amounting to €18,536 thousand were re-classified to other financial asset. The current portion amounting to €381,073 thousand was re-classified as other receivables. Furthermore, Consus discloses financial assets amounting to €99,703 thousand. The non-current financial assets amounting to €64,067 thousand were split up into non-current other financial assets (€21,558 thousand) and non-current restricted bank deposits (€42,509 thousand). The current financial assets amounting to €35,636 thousand were split up into current other financial assets (€35,597 thousand) and current restricted bank deposits (€39 thousand).

(iv) Inventories

Consus does not disclose trading properties as a separate line item. Accordingly, these amounts (€2,565,951 thousand) were re-classified from inventories to trading properties.

(v) Trade receivables

As the entity does not disclose trade receivables as a separate line item, the amounts of €47,501 thousand were re-classified from trade and other receivables to trade receivables.

(vi) Other assets and receivables

The following line items were re-classified as other receivables, as Consus splits these current assets into different line items: other assets (€29,802 thousand), tax receivables (€7,887 thousand) and receivables from related parties (€109,641 thousand). Receivables from related parties pertain to transactions with shareholders of Consus as well as Christoph Gröner and include financing, trade, and other receivables. In total (€147,330 thousand) were re-classified to other receivables. Other assets (€194 thousand) were re-classified to other financial assets.

(vii) Receivables from related parties (non-current)

Consus discloses receivables from related parties (€190 thousand) which were re-classified to other financial assets.

(viii) Subscribed capital

Consus does not disclose share capital as a separate line item. Hence, these amounts (€136,582 thousand) were re-classified from subscribed capital to share capital.

(ix) Capital reserves

The Company does not separately disclose a share premium. The capital reserve (€877,132 thousand) refers to capital surplus generated from stock issuance and therefore the amount was re-classified to share premium.

(x) Other reserves

Consus disclose other reserves amounting to €94,763 thousand. With the presentation adjustments the other reserves were split up into reserves (€37,149 thousand) and retained earnings (€57,614 thousand).

(xi) Financing liabilities

Consus presents financing liabilities of €2,980,784 thousand in total. The financing liabilities solely consist of liabilities to financial institutions. Therefore both, the non-current financing liabilities (€1,791,931 thousand) and the current financing liabilities (€1,188,852 thousand) are re-classified as non-current other loans and borrowings (€1,791,931 thousand) and current loans and borrowings (€1,188,852 thousand).

(xii) Contract liabilities and other liabilities

Consus disclose current contract liabilities of €42,116 thousand, which were re-classified as other payables. Furthermore, Consus disclose other liabilities amounting to €136,780 thousand in total. The non-current other liabilities (€30,933 thousands) were split up into non-current lease liabilities (€12,829 thousand) and non-current other financial liabilities (€18,104 thousand). The current other liabilities amounting to €105,847 thousand were split up into current lease liabilities (€4,641 thousand) and current other financial liabilities (€101,206 thousand).

(xiii) Provisions

Consus presents provisions amounting to €10,765 thousand in total. The non-current provisions of €3,086 thousand were re-classified to other payables. The current provisions amounting to €7,679 thousand were re-classified as other payables.

(xiv) Prepayments received and other payables

In its reporting structure, Consus presents prepayments received (€377,327 thousand), tax payables (€56,241 thousand) and liabilities to related parties (€59,080 thousand) in the balance sheet. As the Company does not present these line items, the balances were re-classified to other payables (€492,648 thousand).

(xv) Liabilities to related parties

Consus disclose liabilities to related parties of €27,500 thousand in total, which were re-classified to other payables.

	Presentation adjustments			
	Other intangible assets	**Investments accounted for using the equity method**	**Financial assets/Contract assets**	**Total presentation adjustments**
	(in € thousand)			
	(i)	(ii)	(iii)	
Assets				
Goodwill	—	—	—	—
Intangible assets	4,934	—	—	4,934
Other intangible assets	(4,934)	—	—	(4,934)
Investment properties	—	—	—	—
Advances in respect of investment properties	—	—	—	—
Property and equipment	—	—	—	—
Loans to associated companies	—	—	—	—
Investments in associated companies	—	20,570	—	20,570
Investments accounted for using the equity method	—	(20,570)	—	(20,570)
Receivables from related parties	—	—	—	—
Other financial assets	—	—	40,094	40,094
Other assets	—	—	—	—
Financial assets	—	—	(64,067)	(64,067)
Contract assets (non-current)	—	—	(18,536)	(18,536)
Deferred tax assets	—	—	—	—
Restricted bank deposit	—	—	42,509	42,509
Deferred expenses	—	—	—	—
Right-of-use-of-assets	—	—	—	—
Loans granted	—	—	—	—
Current assets				
Inventories	—	—	—	—
Trading properties	—	—	—	—
Restricted bank deposits	—	—	39	39
Trade receivables	—	—	—	—
Other receivables	—	—	416,670	416,670
Trade and other receivables	—	—	—	—
Receivables from related parties	—	—	—	—
Tax receivables	—	—	—	—
Financial assets	—	—	(35,636)	(35,636)
Contract assets (current)	—	—	(381,073)	(381,073)
Other assets	—	—	—	—
Cash and cash equivalents	—	—	—	—
Assets of disposal groups classified as held for sale	—	—	—	—
Advances paid	—	—	—	—
Total assets				

	Presentation adjustments				
	Inventories	Trade receivables	Other assets and receivables	Receivables from related parties	Total presentation adjustments
			(in € thousand)		
	(iv)	(v)	(vi)	(vii)	
Assets					
Goodwill	—	—	—	—	—
Intangible assets	—	—	—	—	—
Other intangible assets	—	—	—	—	—
Investment properties	—	—	—	—	—
Advances in respect of investment properties	—	—	—	—	—
Property and equipment	—	—	—	—	—
Loans to associated companies	—	—	—	—	—
Investments in associated companies	—	—	—	—	—
Investments accounted for using the equity method	—	—	—	—	—
Receivables from related parties	—	—	—	(190)	(190)
Other financial assets	—	—	194	190	384
Other assets	—	—	(194)	—	(194)
Financial assets	—	—	—	—	—
Contract assets (non-current)	—	—	—	—	—
Deferred tax assets	—	—	—	—	—
Restricted bank deposit	—	—	—	—	—
Deferred expenses	—	—	—	—	—
Right-of-use-of-assets	—	—	—	—	—
Loans granted	—	—	—	—	—
Current assets					
Inventories	(2,565,951)	—	—	—	(2,565,951)
Trading properties	2,565,951	—	—	—	2,565,951
Restricted bank deposits	—	—	—	—	—
Trade receivables	—	47,501	—	—	47,501
Other receivables	—	—	147,330	—	147,330
Trade and other receivables	—	(47,501)	—	—	(47,501)
Receivables from related parties	—	—	(109,641)	—	(109,641)
Tax receivables	—	—	(7,887)	—	(7,887)
Financial assets	—	—	—	—	—
Contract assets (current)	—	—	—	—	—
Other assets	—	—	(29,802)	—	(29,802)
Cash and cash equivalents	—	—	—	—	—
Assets of disposal groups classified as held for sale	—	—	—	—	—
Advances paid	—	—	—	—	—
Total assets					

	Presentation adjustments				
	Subscribed capital	Capital reserves	Other reserves	Financing liabilities	Total presentation adjustments
			(in € thousand)		
	(viii)	(ix)	(x)	(xi)	
Shareholders' equity					
Subscribed capital	(136,582)	—	—	—	(136,582)
Share capital	136,582	—	—	—	136,582
Treasury shares	—	—	—	—	—
Capital reserves	—	(877,132)	—	—	(877,132)
Other reserves	—	—	94,763	—	94,763
Share premium	—	877,132	—	—	877,132
Reserves	—	—	(37,149)	—	(37,149)
Retained earnings	—	—	(57,614)	—	(57,614)
Total equity attributable to owners of the Company	—	—	—	—	—
Non-controlling interests	—	—	—	—	—
Non-current liabilities					
Pension provisions	—	—	—	—	—
Provisions	—	—	—	—	—
Other liabilities	—	—	—	—	—
Other payables	—	—	—	—	—
Liabilities to related parties	—	—	—	—	—
Other financial liabilities	—	—	—	—	—
Financial liabilities to banks	—	—	—	—	—
Other loans and borrowings	—	—	—	1,791,932	1,791,932
Financing liabilities	—	—	—	(1,791,932)	(1,791,932)
Derivatives	—	—	—	—	—
Lease liabilities	—	—	—	—	—
Deferred tax liabilities	—	—	—	—	—
Current liabilities					
Corporate bonds	—	—	—	—	—
Convertible bonds	—	—	—	—	—
Other loans and borrowings	—	—	—	1,188,852	1,188,852
Financing liabilities	—	—	—	(1,188,852)	(1,188,852)
Other financial liabilities	—	—	—	—	—
Trade payables	—	—	—	—	—
Other payables	—	—	—	—	—
Provisions	—	—	—	—	—
Liabilities to related parties	—	—	—	—	—
Tax payables	—	—	—	—	—
Prepayments received	—	—	—	—	—
Other liabilities	—	—	—	—	—
Contract liabilities (current))	—	—	—	—	—
Lease liabilities	—	—	—	—	—
Derivatives	—	—	—	—	—
Liabilities of disposal groups classified as held for sale	—	—	—	—	—
Total equity and liabilities	—	—	—	—	—

	Presentation adjustments				
	Contract and other liabilities	Provisions	Prepayments and other payables	Liabilities to related parties	Total presentation adjustments
			(in € thousand)		
	(xii)	(xiii)	(xiv)	(xv)	
Shareholders' equity					
Capital stock	—	—	—	—	—
Subscribed capital	—	—	—	—	—
Share capital	—	—	—	—	—
Treasury shares	—	—	—	—	—
Capital reserves	—	—	—	—	—
Other reserves	—	—	—	—	—
Share premium	—	—	—	—	—
Currency translation reserves	—	—	—	—	—
Reserves	—	—	—	—	—
Net retained profit	—	—	—	—	—
Retained earnings	—	—	—	—	—
Total equity attributable to owners of the Company	—	—	—	—	—
Non-controlling interests	—	—	—	—	—
	—	—	—	—	—
Non-current liabilities	—	—	—	—	—
Pension provisions	—	—	—	—	—
Provisions	—	(3,086)	—	—	(3,086)
Other liabilities	(30,933)	—	—	—	(30,933)
Other payables	—	3,086	—	27,500	30,586
Liabilities to related parties	—	—	—	(27,500)	(27,500)
Liabilities from convertible bonds	—	—	—	—	—
Liabilities from bonds	—	—	—	—	—
Other financial liabilities	18,104	—	—	—	18,104
Financial liabilities to banks	—	—	—	—	—
Other loans and borrowings	—	—	—	—	—
Financing liabilities	—	—	—	—	—
Derivatives	—	—	—	—	—
Lease liabilities	12,829	—	—	—	12,829
Deferred tax liabilities	—	—	—	—	—
	—	—	—	—	—
Current liabilities	—	—	—	—	—
Income tax liabilities	—	—	—	—	—
Liabilities from convertible bonds	—	—	—	—	—
Liabilities from bonds	—	—	—	—	—
Corporate bonds	—	—	—	—	—
Convertible bonds	—	—	—	—	—
Financial liabilities to banks	—	—	—	—	—
Other loans and borrowings	—	—	—	—	—
Financing liabilities	—	—	—	—	—
Other financial liabilities	101,206	—	—	—	101,206
Trade payables	—	—	—	—	—
Other payables	42,116	7,679	492,648	—	542,443
Provisions	—	(7,679)	—	—	(7,679)
Liabilities to related parties	—	—	(59,080)	—	(59,080)
Tax payables	—	—	(56,241)	—	(56,241)
Prepayments received	—	—	(377,327)	—	(377,327)
Other liabilities	(105,847)	—	—	—	(105,847)
Contract liabilities (current))	(42,116)	—	—	—	(42,116)
Lease liabilities	4,641	—	—	—	4,641
Derivatives	—	—	—	—	—
Liabilities held for sale	—	—	—	—	—
Liabilities of disposal groups classified as held for sale	**—**	**—**	**—**	**—**	**—**
Total equity and liabilities	**—**	**—**	**—**	**—**	**—**

10.5.2 *Accounting policy adjustments for the Consolidated Statement of Profit or Loss for the three-month period ended March 31, 2020*

10.5.2.1 ADLER Real Estate accounting policy adjustments for the Consolidated Statement of Profit or Loss for the three-month period ended March 31, 2020

The following table summarizes the accounting policy adjustments to the consolidated statement of profit or loss of ADLER Real Estate for the three-month period ended March 31, 2020. As no accounting and valuation adjustments were identified, accounting policy adjustments refer to presentation adjustments only.

	Accounting policy adjustments			
	Historical ADLER Real Estate	**Presentation adjustments**	**Presentation note**	**Adjusted ADLER Real Estate**
	(in € thousand)			
Revenue*	—	482,183	(i)	482,183
Gross rental income	90,428	(90,428)	(i)	—
Income from the sale of properties	391,755	(391,755)	(i)	—
Cost of operations	—	(430,002)	(ii)	(430,002)
Expenses from property lettings	(40,491)	40,491	(ii)	—
Expenses from the sale of properties	(389,511)	389,511	(ii)	—
Gross profit	**52,181**			**52,181**
General and administrative expenses	—	(33,075)	(iii)	(33,075)
Personnel expenses	(11,026)	11,026	(iii)	—
Other operating income	1,561	(1,561)	(iii)	—
Other operating expenses	(21,976)	21,976	(iii)	—
Other expenses	—	—		—
Changes in fair value of investment properties	(10,334)	—		(10,334)
Depreciation and amortization	(1,634)	1,634	(iii)	—
Result from operating activities	**8,772**	**—**		**8,772**
Net income from at-equity valued investment associates	271	(271)	(iv)	—
Finance income	33,578			33,578
Finance cost	(58,144)	271	(iv)	(57,873)
Net finance costs	**(24,295)**	**—**		**(24,295)**
Profit before tax	**(15,523)**	**—**		**(15,523)**
Income tax expense	(9,006)	—		(9,006)
Profit for the period (continued operations)	(24,529)	—		(24,529)
Earnings after taxes from discontinued operations	(2,000)	—		(2,000)
Profit for the period	**(26,529)**	**—**		**(26,529)**
Profit attributable to:	**—**			**—**
Owners of the Company	(21,715)	—		(21,715)
Non-controlling interest	(4,814)	—		(4,814)
Profit for the period	**(26,529)**	**—**		**(26,529)**
Basic earnings per share (in €)	(0.31)	—		(0.31)
Diluted earnings per share (in €)	(0.26)	—		(0.26)

* No different treatment of a gross or a net method regarding operational cost was considered.

10.5.2.2 Notes to the ADLER Real Estate presentation adjustments for the Consolidated Statement of Profit or Loss for the three-month period ended March 31, 2020

(i) Gross rental income and income from the sale of properties

ADLER Real Estate does not disclose revenue as a separate line item, but instead discloses the items gross rental income and income from the sale of properties. Accordingly, gross rental income (€90,428 thousand) and income from the sale of properties (€391,755 thousand) were re-classified to revenue (€482,183 thousand).

(ii) Cost of operations

ADLER Real Estate does not separately disclose cost of operations, but instead discloses the items expenses from property lettings and expenses from the sale of properties. Accordingly, expenses from property lettings (€40,491 thousand) and expenses from the sale of properties (€389,511 thousand) were re-classified to cost of operations (€430,002 thousand).

(iii) General and administrative expenses and other operating income

ADLER Real Estate does not disclose general and administrative expenses as a separate line item, but instead discloses personnel expenses and depreciation and amortization. Accordingly, personnel expenses (€11,026 thousand), and depreciation and amortization (€1,634 thousand) were re-classified to general and administrative expenses. Additionally, ADLER Real Estate discloses other operating income in the amount of €1,561 thousand and other operating expenses in the amount of €21,976 thousand, which mainly relate to external services, rent, and other operating items and were also included in general and administrative expenses.

(iv) Net income from at-equity valued investment associates

ADLER Real Estate discloses profit/loss from investments accounted for at equity as a separate line item. Accordingly, a loss in the amount of €271 thousand has been re-classified to finance costs.

	Presentation adjustments				
	Gross rental income	**Cost of operations**	**General and administrative expenses / Operating income & expenses**	**Net income from at-equity valued investment associates**	**Total presentation adjustments**
			(in € thousand)		
	(i)	(ii)	(iii)	(iv)	
Revenue	482,183	—	—	—	482,183
Gross rental income	(90,428)	—	—	—	(90,428)
Income from the sale of properties	(391,755)	—	—	—	(391,755)
Cost of operations	—	(430,002)	—	—	(430,002)
Expenses from property lettings	—	40,491	—	—	40,491
Expenses from the sale of properties	—	389,511	—	—	389,511
Gross profit	**—**	**—**	**—**	**—**	**—**
General administrative expenses	—	—	(33,075)	—	(33,075)
Personal expenses	—	—	11,026	—	11,026
Other operating incomes	—	—	(1,561)	—	(1,561)
Other operating expenses	—	—	21,976	—	21,976
Other expenses	—	—	—	—	—
Changes in fair value of investment properties	—	—	—	—	—
Depreciation and amortization	—	—	1,634	—	1,634
Result from operating activities	**—**	**—**	**—**	**—**	**—**
Profits from investments accounted for at equity	**—**	**—**	**—**	**(271)**	**(271)**
Finance income	—	—	—	—	—
Finance cost	—	—	—	271	271
Net finance costs	—	—	—	—	—
Profit before tax	**—**	**—**	**—**	**—**	**—**
Income tax expense	—	—	—	—	—
Profit for the period (continued operations)	—	—	—	—	—
Earnings after taxes from discontinued operations	—	—	—	—	—
Profit for the period	**—**	**—**	**—**	**—**	**—**
Profit attributable to:	**—**	**—**	**—**	**—**	**—**
Owners of the Company	—	—	—	—	—
Non-controlling interest	—	—	—	—	—
	—	—	—	—	—
Profit for the period	**—**	**—**	**—**	**—**	**—**
Basic earnings per share (in €)	—	—	—	—	—
Diluted earnings per share (in €)	—	—	—	—	—

10.5.2.3 Consus Real Estate accounting policy adjustments for the Consolidated Statement of Profit or Loss for the three-month period ended March 31, 2020

The following table summarizes the accounting policy adjustments to the consolidated statement of profit or loss of Consus Real Estate for the three-month period ended March 31, 2020.

	Accounting policy adjustments				
	Historical Consus Real Estate	**Presentation adjustments**	**Presentation note**	**Accounting policy adjustment**	**Adjusted Consus Real Estate**
			(in € thousand)		
Revenue*	—	125,708	(i)	—	125,708
Income from letting activities	4,940	(4,940)	(i)	—	—
Income from property development	115,526	(115,526)	(i)	—	—
Income from service, maintenance and management activities	5,242	(5,242)	(i)	—	—
Cost of operations	—	(35,853)	(ii), (v)	(34,291)	(70,144)
Change in project related inventory	102,688	(102,688)	(ii)	—	—
Expenses from letting activities	(1,755)	1,755	(ii)	—	—
Cost of materials	(136,786)	136,786	(ii)		—
Gross profit	**89,855**	**—**		**(34,291)**	**55,564**
General and administrative expenses	—	(46,209)	(iii)	—	(46,209)
Other expenses	—	—		—	—
Net income from the remeasurement of investment properties	—	—		—	—
Other operating income	1,472	(1,472)	(iii)	—	—
Personnel expenses	(18,658)	18,658	(iii)	—	—
Other operating expenses	(26,714)	26,714	(iii)	—	—
Depreciation and amortization	(2,309)	2,309	(iii)	—	—
Changes in fair value of investment properties	—	—		—	—
Result from operating activities	**43,646**	**—**		**(34,291)**	**9,355**
Profits from investments accounted for at equity	**—**	**—**		**—**	**—**
Finance income	—	9,796	(iv)	—	9,796
Financial income	9,796	(9,796)	(iv)	—	—
Finance costs	—	(80,419)	(iv), (v)	34,291	(46,128)
Financial expenses	(80,419)	80,419	(iv)	—	—
Net finance costs	**(70,623)**	**—**		**—**	**(36,332)**
Profit before tax	**(26,977)**	**—**		**—**	**(26,977)**
Income tax expense	8,140	—		—	8,140
Profit for the period (continued operations)	(18,836)	—		—	(18,836)
Earnings after taxes from discontinued operations	—	—		—	—
Profit for the period	**(18,837)**	**—**		**—**	**(18,837)**
Profit attributable to:					
Owners of the Company	(13,556)	—		—	(13,556)
Non-controlling interest	(5,281)	—		—	(5,281)
Profit for the period	**(18,837)**	**—**		**—**	**(18,837)**
Basic earnings per share (in €)	(0.10)	—		—	(0.10)
Diluted earnings per share (in €)	(0.10)	—		—	(0.10)

* No different treatment of a gross or a net method regarding operational cost was considered.

10.5.2.4 Notes to the Consus Real Estate presentation adjustments for the Consolidated Statement of Profit or Loss for the three-month period ended March 31, 2020

(i) Revenue

Consus Real Estate does not disclose revenue as a separate line item, but instead discloses the items income from letting activities (€4,940 thousand), income from property development (€115,526 thousand), and income from service, maintenance and management activities (€5,242 thousand). Accordingly, these items were re-classified to revenue (€125,708 thousand).

(ii) Cost of operations

Consus Real Estate does not disclose cost of operations as a separate line item, but instead discloses the items change in project inventory (€102,688 thousand) expenses from letting activities (€1,755 thousand) and cost of materials (€136,786 thousand). Accordingly, these items were re-classified to cost of operations (€35,853 thousand).

(iii) General and administrative expenses

Consus Real Estate does not disclose general and administrative expenses as a separate line item, but instead discloses the items other operating income (€1,472 thousand), personnel expenses (€18,658 thousand), other operating expenses (€26,714 thousand), and depreciation and amortization (€2,309 thousand). Accordingly, these items were re-classified to general and administrative expenses (€46,209 thousand).

(iv) Finance Costs

Consus Real Estate discloses financial income (€9,796 thousand) and financial expenses (€80,419 thousand) which were re-classified to finance income and finance cost, respectively.

Accounting policy adjustment

(v) Finance costs

As Consus Real Estate applies the total cost method to its consolidated statement of profit or loss, it reflects change in project related inventory. This line item includes capitalized borrowing cost in the amount of €34,291 thousand, increasing the resulting change in project related inventory. In line with the reporting structure of the Company, these capitalized borrowing costs were offset with finance costs (€34,291 thousand).

	Presentation adjustments					
	Revenue	**Cost of operations**	**General and administrative expenses / Operating income & expenses**	**Finance costs/ Financial income**	**Finance cost**	**Total presentation adjustments**
	(in € thousand)					
	(i)	(ii)	(iii)	(iv)	(v)	
Revenue	125,708	—	—	—	—	125,708
Income from letting activities	(4,940)	—	—	—	—	(4,940)
Income from real estate inventory disposed of	—	—	—	—	—	—
Income from property development	(115,526)	—	—	—	—	(115,526)
Income from service, maintenance and management activities	(5,242)	—	—	—	—	(5,242)
Cost of operations	—	(35,853)	—	—	(34,291)	(70,144)
Change in project related inventory	—	(102,688)	—	—	—	(102,688)
Expenses from letting activities	—	1,755	—	—	—	1,755
Cost of materials	—	136,786	—	—	—	136,786
Gross profit	**—**	**—**	**—**	**—**	**(34,291)**	**(34,291)**
General and administrative expenses	—	—	(46,209)	—	—	(46,209)
Other income	—	—	—	—	—	—
Other expenses	—	—	—	—	—	—
Net income from the remeasurement of investment properties	—	—	—	—	—	—
Other operating income	—	—	(1,472)	—	—	(1,472)
Personnel expenses	—	—	18,658	—	—	18,658
Other operating expenses	—	—	26,714	—	—	26,714
Depreciation and amortization	—	—	2,309	—	—	2,309
Changes in fair value of investment properties	—	—	—	—	—	—
Result from operating activities	**—**	**—**	**—**	**—**	**(34,291)**	**(34,291)**

	Presentation adjustments					
	Revenue	Cost of operations	General and administrative expenses / Operating income & expenses	Finance costs/ Financial income	Finance cost	Total presentation adjustments
	(in € thousand)					
	(i)	(ii)	(iii)	(iv)	(v)	
Profits from investments accounted for at equity	—	—	—	—	—	—
Finance income	—	—	—	9,796	—	9,796
Financial income	—	—	—	(9,796)	—	(9,796)
Finance costs	—	—	—	(80,419)	34,291	(46,128)
Financial expenses	—	—	—	80,419	—	80,419
Net finance costs	—	—	—	—	**(34,291)**	**(34,291)**
Profit before tax	—	—	—	—	—	—
Income tax expense	—	—	—	—	—	—
Profit for the period (continued operations)	—	—	—	—	—	—
Earnings after taxes from discounted operations	—	—	—	—	—	—
Profit for the period	—	—	—	—	—	—
	—	—	—	—	—	—
Profit attributable to:	—	—	—	—	—	—
Owners of the Company	—	—	—	—	—	—
Non-controlling interest	—	—	—	—	—	—
	—	—	—	—	—	—
Profit for the period						
Basic earnings per share (in €)	—	—	—	—	—	—
Diluted earnings per share (in €)	—	—	—	—	—	—

10.5.3 *Accounting policy adjustments for the Consolidated Statement of Profit or Loss for the fiscal year ended December 31, 2019*

10.5.3.1 *ADLER Real Estate Presentation adjustments for the Consolidated Statement of Profit or Loss for the fiscal year ended December 31, 2019*

The following table summarizes the accounting policy adjustments to the consolidated statement of profit or loss of ADLER Real Estate for the fiscal year ended December 31, 2019. As no accounting and valuation adjustments were identified, accounting policy adjustments refer to presentation adjustments only.

	Accounting policy adjustments			
	Historical ADLER Real Estate	**Presentation adjustments**	**Presentation note**	**Adjusted ADLER Real Estate**
		(in € thousand)		
Revenue*	—	904,185	(i)	904,185
Gross rental income	370,362	(370,362)	(i)	—
Income from the sale of properties	533,823	(533,823)	(i)	—
Cost of operations	—	(684,373)	(ii)	(684,373)
Expenses from property lettings	(151,044)	151,044	(ii)	—
Expenses from the sale of properties	(533,329)	533,329	(ii)	—
Gross profit	**219,812**	**—**		**219,812**
General and administrative expenses	—	(113,442)	(iii)	(113,442)
Personnel expenses	(47,130)	47,130	(iii)	—
Other operating income	8,364	(8,364)	(iii)	—
Other operating expenses	(68,964)	68,964	(iii)	—
Other expenses	—	—		—
Changes in fair value of investment properties	362,638	—		362,638
Depreciation and amortization	(5,712)	5,712	(iii)	—
Result from operating activities	**469,008**	**—**		**469,008**
Net income from at-equity valued investment associates	(1,327)	1,327	(iv)	—
Finance income	10,190	—		10,190
Finance cost	(120,885)	(1,327)	(iv)	(122,212)
Net finance costs	(112,022)	—		(112,022)
Profit before tax	**356,986**	**—**		**356,986**
Income tax expense	(81,231)	—		(81,231)
Profit for the period (continued operations)	275,755	—		275,755
Earnings after taxes from discontinued operations	92,009	—		92,009
Profit for the period	**367,764**	**—**		**367,764**
Profit attributable to:				
Owners of the Company	238,338	—		238,338
Non-controlling interest	129,426	—		129,426
Profit for the period	**367,764**	**—**		**367,764**
Basic earnings per share (in €)	3.46	—		3.46
Diluted earnings per share (in €)	3.08	—		3.08

* No different treatment of a gross or a net method regarding operational cost was considered

10.5.3.2 *Notes to the ADLER Real Estate presentation adjustments for the Statement of Profit or Loss for the fiscal year ended December 31, 2019*

(i) Gross rental income and income from the sale of properties

ADLER Real Estate does not disclose revenue as a separate line item, but instead discloses the items gross rental income and income from the sale of properties. Accordingly, gross rental income (€370,362 thousand) and income from the sale of properties (€533,823 thousand) were re-classified to revenues (€904,185 thousand).

(ii) Cost of operations

ADLER Real Estate does not separately disclose cost of operations, but instead discloses the items expenses from property lettings and expenses from the sale of properties. Accordingly, expenses from property lettings (€151,044 thousand) and expenses from the sale of properties (€533,329 thousand) were re-classified to cost of operations (€684,373 thousand).

(iii) General and administrative expenses and other operating income

ADLER Real Estate does not disclose general and administrative expenses as a separate line item, but instead discloses personnel expenses and depreciation and amortization. Accordingly, personnel expenses (€47,130 thousand), and depreciation and amortization (€5,712 thousand) were re-classified to general and administrative expenses (€52,842 thousand). Additionally, ADLER Real Estate discloses other operating income in the amount of €8,364 thousand and other operating expenses in the amount of €68,964 thousand, which mainly relate to external services, rent, and other operating items and were also included in general and administrative expenses.

(iv) Net income from at-equity valued investment associates

ADLER Real Estate discloses profit/loss from investments accounted for at equity as a separate line item. Accordingly, a loss in the amount of €1,327 thousand has been re-classified to finance costs.

	Presentation adjustments				
	Gross rental income	**Cost of operations**	**General and administrative expenses / Operating income & expenses**	**Net income from at-equity valued investment associates**	**Total presentation adjustments**
			(in € thousand)		
	(i)	(ii)	(iii)	(iv)	
Revenue	904,185	—	—	—	904,185
Gross rental income	(370,362)	—	—	—	(370,362)
Income from the sale of properties	(533,823)	—	—	—	(533,823)
Cost of operations	—	(684,373)	—	—	(684,373)
Expenses from property lettings	—	151,044	—	—	151,044
Expenses from the sale of properties	—	533,329	—	—	533,329
Gross profit	**—**	**—**	**—**	**—**	**—**
General administrative expenses	—	—	(113,442)	—	(113,442)
Personnel expenses	—	—	47,130	—	47,130
Other operating incomes	—	—	(8,364)	—	(8,364)
Other operating expenses	—	—	68,964	—	68,964
Other expenses	—	—	—	—	—
Changes in fair value of investment properties	—	—	—	—	—
Depreciation and amortization	—	—	5,712	—	5,712
Result from operating activities	**—**	**—**	**—**	**—**	**—**
Profits from investments accounted for at equity	—	—	—	1,327	1,327
Finance income	—	—	—	—	—
Finance cost	—	—	—	(1,327)	(1,327)
Net finance costs	**—**	**—**	**—**	**—**	**—**
Profit before tax	**—**	**—**	**—**	**—**	**—**
Income tax expense	—	—	—	—	—
Profit for the period (continued operations)	—	—	—	—	—
Earnings after taxes from discontinued operations	—	—	—	—	—
Profit for the period	**—**	**—**	**—**	**—**	**—**
Profit attributable to:					
Owners of the Company	—	—	—	—	—
Non-controlling interest	—	—	—	—	—
Profit for the period	**—**	**—**	**—**	**—**	**—**
Basic earnings per share (in €)	—	—	—	—	—
Diluted earnings per share (in €)	—	—	—	—	—

10.5.3.3 ADO Group (stand-alone) adjustments for the Statement of Profit or Loss for the fiscal year ended December 31, 2019

The following table summarizes the accounting policy adjustments to the income statement of ADO Group stand-alone for the fiscal year ended December 31, 2019. As no accounting and valuation adjustments were identified, accounting policy adjustments refer to presentation adjustments only.

	Accounting policy adjustments			
	Historical ADO Group	**Presentation adjustments**	**Presentation note**	**Adjusted ADO Group**
	(in € thousand)			
Revenue	—	24	(i)	24
Revenues from services provided to investee companies	24	(24)	(i)	—
Cost of operations	—	—		—
Gross profit	**24**	—		**24**
General and administrative expenses	(3,593)	—		(3,593)
Other income	—	—		—
Other expenses	—	—		—
Changes in fair value of investment properties	—	—		—
Results from operating activities	**(3,569)**	—		**(3,569)**
Profits from investee companies	223,606	(223,606)	(ii)	—
Finance income	938	223,606	(ii)	224,545
Finance costs	(15,380)	—		(15,380)
Net finance costs	**209,164**	—		**209,164**
Profit before tax	**205,595**	—		**205,595**
Income tax expense	(11,247)	—		(11,247)
Profit for the period (continued operations)	194,348	—		194,348
Earnings after taxes from discontinued operations	—	—		—
Profit for the period	**194,348**	—		**194,348**
Profit attributable to:				
Owners of the Company	194,348	—		194,348
Non-controlling interest	—	—		—
Profit for the period	**194,348**	—		**194,348**
Basic earnings per share (in €)	n/a	n/a		n/a
Diluted earnings per share (in €)	n/a	n/a		n/a

10.5.3.4 Notes to the ADO Group (stand-alone) presentation adjustments for the Statement of Profit or Loss for the fiscal year ended December 31, 2019

(i) Revenue

ADO Group does not disclose revenue as a separate line item, but instead discloses the item revenues from services provided to investee companies. Accordingly, revenues from services provided to investee companies (€24 thousand) was re-classified to revenue (€24 thousand).

(ii) Profits from investee companies

ADO Group reflects profits from investee companies as a separate line item. As the Company does not show profits from investee companies, profits in the amount of €223,606 thousand were re-classified to finance income. The intercompany profit has been consolidated in the *Pro Forma* Consolidated Financial Statements. As the Company represents the investee, this intercompany profit will be eliminated in the *Pro Forma* Consolidated Financial Information.

	Presentation adjustments		
	Revenues	**Profits from investee companies**	**Total presentation adjustments**
		(in € thousand)	
	(i)	(ii)	
Revenue	24	—	24
Revenues from services provided to investee companies	(24)	—	(24)
Cost of operations	—	—	—
Gross profit	**—**	**—**	**—**
General and administrative expenses	—	—	—
Other income	—	—	—
Other expenses	—	—	—
Changes in fair value of investment properties	—	—	—
Results from operating activities	**—**	**—**	**—**
Profits from investee companies	—	(223,606)	(223,606)
Finance income	—	223,606	223,606
Finance costs	—	—	—
Net finance costs	**—**	**—**	**—**
Profit before tax	**—**	**—**	**—**
Income tax expense	—	—	—
Profit for the period (continued operations)	—	—	—
Earnings after taxes from discontinued operations	—	—	—
Profit for the period	**—**	**—**	**—**
Profit attributable to:			
Owners of the Company	—	—	—
Non-controlling interest	—	—	—
Profit for the period	**—**	**—**	**—**
Basic earnings per share (in €)	—	—	—
Diluted earnings per share (in €)	—	—	—

10.5.3.5 Consus Real Estate accounting policy adjustments for the Consolidated Statement of Profit or Loss for the fiscal year ended December 31, 2019

The following table summarizes the accounting policy adjustments to the consolidated statement of profit or loss of Consus Real Estate for the fiscal year ended December 31, 2019.

	Accounting policy adjustments				
	Historical Consus Real Estate	**Presentation adjustments**	**Presentation note**	**Accounting policy adjustment**	**Adjusted Consus Real Estate**
			(in € thousand)		
Revenue*	—	671,115	(i)	—	671,115
Income from letting activities	21,340	(21,340)	(i)	—	—
Income from real estate inventory disposed of	204,541	(204,541)	(i)	—	—
Income from property development	401,621	(401,621)	(i)	—	—
Income from service, maintenance and management activities	43,613	(43,613)	(i)	—	—
Cost of operations	—	(341,409)	(ii), (v), (vi)	(129,833)	(471,242)
Change in project related inventory	192,700	(192,700)	(ii)	—	—
Expenses from letting activities	(8,894)	8,894	(ii)	—	—
Cost of materials	(525,215)	525,215	(ii)	—	—
Gross profit	**329,706**	**—**		**(129,833)**	**199,873**
General and administrative expense	—	(133,658)	(iii)	—	(133,658)
Other income	—	—		—	—
Other expenses	—	—		—	—
Net income from the remeasurement of investment properties	31,943	(31,943)	(iv)	—	—
Other operating income	20,360	(20,360)	(iii)	—	—
Personnel expenses	(67,024)	67,024	(iii)	—	—
Other operating expenses	(78,551)	78,551	(iii)	—	—
Depreciation and amortization	(8,443)	8,443	(iii)	—	—
Changes in fair value of investment properties	—	31,943	(iv)	—	31,943
Result from operating activities	**227,992**	**—**	(vi)	**(129,833)**	**98,159**
Profits from investments accounted for at equity	—	—		—	—
Finance income	—	28,160	(v)	—	28,160
Financial income	28,160	(28,160)	(v)	—	—
Finance costs	—	(114,833)	(v)	—	(114,833)
Financial expenses	(244,666)	114,833	(v), (vi)	129,833	—
Net finance costs	**(216,506)**	**—**		**129,833**	**(86,673)**
Profit before tax	**11,486**	—		**—**	**11,486**
Income tax expense	(16,521)	—		—	(16,521)
Profit for the period (continued operations)	(5,035)	—		—	(5,035)
Earnings after taxes from discounted operations	—	—		—	—
Profit for the period	**(5,035)**	**—**		**—**	**(5,035)**
Profit attributable to:					
Owners of the Company	(20,883)	—		—	(20,883)
Non-controlling interest	15,848	—		—	15,848
Profit for the period	**(5,035)**	**—**		**—**	**(5,035)**
Basic earnings per share (in €)	(0.15)	—		—	(0.15)
Diluted earnings per share (in €)	(0.15)	—		—	(0.15)

* No different treatment of a gross or a net method regarding operational cost was considered.

10.5.3.6 Notes to the Consus Real Estate accounting policy adjustments for Statement of Profit or Loss for the fiscal year ended December 31, 2019

Presentation adjustments

(i) Revenue

Consus Real Estate does not disclose revenue as a separate line item, but instead discloses the items income from letting activities (€21,340 thousand), income from real estate inventory disposed of (€204,541 thousand), income from property development (€401,621 thousand), and income from service, maintenance and management activities (€43,613 thousand). Accordingly, these items were re-classified to revenue (€671,115 thousand).

(ii) Cost of operations

Consus Real Estate does not disclose cost of operations as a separate line item, but instead discloses the items change in project inventory (€192,700 thousand) expenses from letting activities (€8,894 thousand) and cost of materials (€525,215 thousand). Accordingly, these items were re-classified to cost of operations (€341,409 thousand).

(iii) General and administrative expenses

Consus Real Estate does not disclose general and administrative expenses as a separate line item, but instead discloses the items other operating income (€20,360 thousand), personnel expenses (€67,024 thousand), other operating expenses (€78,551 thousand), and depreciation and amortization (€8,443 thousand). Accordingly, these items were re-classified to general and administrative expenses (€133,657 thousand).

(iv) Changes in fair value of investment properties

Consus Real Estate does not disclose changes in fair value of investment properties as a separate line item, but instead discloses the item net income from the remeasurement of investment properties (€31,943 thousand). Accordingly, this item was re-classified to changes in fair value of investment properties.

(v) Finance income/ Finance costs

Consus Real Estate discloses financial income (€28,160 thousand) and financial expenses (€114,833 thousand) which were re-classified to finance income and finance cost, respectively.

Accounting policy adjustment

(vi) Finance costs

As Consus Real Estate applies the total cost method to its consolidated statement of profit or loss, it reflects change in project related inventory. This line item includes capitalized borrowing cost in the amount of €129,833 thousand, increasing the resulting change in project related inventory. In order to reconcile to the reporting structure of the Company, these capitalized borrowing costs were offset with finance costs (€129,833 thousand).

	Presentation and accounting policy adjustments						
	Revenue	Cost of operations	General and administrative expenses	Changes in fair value of investment properties	Finance costs/ Finance income	Finance costs	Total presentation adjustments
	(in € thousand)						
	(i)	(ii)	(iii)	(iv)	(v)	(vi)	
Revenue	671,115	—	—	—	—	—	671,115
Income from letting activities	(21,340)	—	—	—	—	—	(21,340)
Income from real estate inventory disposed of	(204,541)	—	—	—	—	—	(204,541)
Income from property development	(401,621)	—	—	—	—	—	(401,621)
Income from service, maintenance and management activities	(43,613)	—	—	—	—	—	(43,613)
Cost of operations	—	(341,409)	—	—	—	(129,833)	(471,242)
Change in project related inventory	—	(192,700)	—	—	—	—	(192,700)
Expenses from letting activities	—	8,894	—	—	—	—	8,894
Cost of materials	—	525,215	—	—	—	—	525,215
Gross profit	—	—	—	—	—	**(129,833)**	(129,833)
General and administrative expenses	—	—	(133,657)	—	—	—	(133,657)
Other income	—	—	—	—	—	—	
Other expenses	—	—	—	—	—	—	
Net income from the remeasurement of investment properties	—	—	—	(31,943)	—	—	(31,943)
Other operating income	—	—	(20,360)	—	—	—	(20,360)
Personnel expenses	—	—	67,024	—	—	—	67,024
Other operating expenses	—	—	78,551	—	—	—	78,551
Depreciation and amortization	—	—	8,443	—	—	—	8,443
Changes in fair value of investment properties	—	—	—	31,943	—	—	31,943
Result from operating activities	**—**	**—**	**—**	**—**	**—**	**(129,833)**	**(129,833)**
Profits from investments accounted for at equity	—	—	—	—	—	—	—
Finance income	—	—	—	—	28,160	—	28,160
Financial income	—	—	—	—	(28,160)	—	(28,160)
Finance costs	—	—	—	—	(114,833)	129,833	15,000
Financial expenses	—	—	—	—	114,833	—	114,833
Net finance costs	**—**	**—**	**—**	**—**	**—**	**129,833**	**129,833**
Profit before tax	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Income tax expense	—	—	—	—	—	—	—
Profit for the period (continued operations)	—	—	—	—	—	—	—
Earnings after taxes from discounted operations	—	—	—	—	—	—	—
Profit for the period	—	—	—	—	—	—	—
Profit attributable to:							
Owners of the Company	—	—	—	—	—	—	—
Non-controlling interest	—	—	—	—	—	—	—
Profit for the period							
Basic earnings per share (in €)	—	—	—	—	—	—	—
Diluted earnings per share (in €)	—	—	—	—	—	—	—

10.6 Pro Forma Consolidated Financial Information as of and for the three-month period ended March 31, 2020

The following tables present the *Pro Forma* Consolidated Balance Sheet as of March 31, 2020 as well as the *Pro Forma* Consolidated Statement of Profit or Loss for the three-month period from January 1, 2020 to March 31, 2020.

The financial information contained in column A of the *Pro Forma* Consolidated Balance Sheet as of March 31, 2020 and the *Pro Forma* Consolidated Statement of Profit or Loss for the three-month period from January 1, 2020 to March 31, 2020 is taken from the ADOP Interim Financials 2020.

The financial information contained in column B of the *Pro Forma* Consolidated Balance Sheet as of March 31, 2020 and the *Pro Forma* Consolidated Statement of Profit or Loss for the three-month period from January 1, 2020 to March 31, 2020 is taken from the ADLER Interim Financials 2020. The figures of ADLER Interim Financials 2020 within column B were reconciled to the reporting structure of the Company.

The financial information contained in column C of the *Pro Forma* Consolidated Balance Sheet as of March 31, 2020 and the *Pro Forma* Consolidated Statement of Profit or Loss for the three-month period from January 1, 2020 to March 31, 2020 is taken from the Consus Financials 2020. The figures of Consus Interim Financials 2020 within column C were reconciled to the reporting structure of the Company.

The *Pro Forma* Adjustments contained in column F1, F2, and F3 reflect the assumption that (i) the Business Combination and Rights Offering, (ii) the Merger, as well as (iii) the Acquisition, were successfully completed as of January 1, 2019. These *Pro Forma* Adjustments are explained in detail in the notes to the *Pro Forma* Consolidated Financial Information below.

The financial information contained in column G represents the *Pro Forma* Consolidated Financial Information for the three-month period as of January 1, 2020 to March 31, 2020 as if (i) the Business Combination and Rights Offering, (ii) the Merger, as well as (iii) the Acquisition were successfully completed as of January 1, 2019.

***Pro Forma* Consolidated Balance Sheet as of March 31, 2020**

	Historical financial information			
	ADO Properties Group	ADLER Group	Consus Group	Total
	A	B	C	E=A+B+C
	(in € thousand)			
Assets				
Non-current assets				
Investment properties	3,626,994	4,929,746	401,905	8,958,645
Investment in financial instrument	152,951	24,598	—	177,549
Advances in respect of investment properties	—	78,765	—	78,765
Goodwill	—	169,439	1,036,489	1,205,928
Intangible assets	—	546	4,934	5,480
Property and equipment	10,840	12,988	11,396	35,224
Loans to associated companies	—	139,180	—	139,180
Investments in associated companies	—	79,539	20,570	100,109
Other financial asset	87,727	150,114	40,478	278,319
Restricted bank deposits	4,273	—	42,509	46,782
Deferred tax assets	1,561	2,222	—	3,783
Deferred expenses	668	—	—	668
Right-of-use asset	563	6,323	11,966	18,852
Loans granted	36,205	—	—	36,205
	3,921,782	**5,593,460**	**1,570,247**	**11,085,489**
Current assets				
Trading properties	25,104	85,935	2,565,951	2,676,990
Restricted bank deposits	27,155	29,865	39	57,059
Trade receivables	16,384	44,226	47,501	108,111
Other receivables	32,543	123,927	564,000	720,470
Cash and cash equivalents	413,722	75,095	164,220	653,037
Assets of disposal groups classified as held for sale	—	4,553,908	26,100	4,580,008
Advances paid	50,000	—	—	50,000
	564,908	**4,912,956**	**3,367,811**	**8,845,675**
Total assets	**4,486,690**	**10,506,416**	**4,938,058**	**19,931,164**

	Total	Ref.	Pro forma adjustments for the Merger	Pro forma adjustments for the Business Combination and Rights Offering	Pro forma adjustments for the Acquisition	Total
			Pro forma adjustments			
	E=A+B+C		F1	F2	F3	G=E+F
			(in € thousand)			
Assets						
Non-current assets						
Investment properties	8,958,645	(12), (13), (14)	—	—	566,869	9,525,514
Investment in financial instrument	177,549	(13)	—	—	(177,549)	—
Advances in respect of investment properties	78,765		—	—	—	78,765
Goodwill	1,205,928	(7), (13)	—	(169,439)	(551,192)	485,297
Intangible assets	5,480	(14)	—	—	(11)	5,469
Property and equipment	35,224	(14)	—	—	(5,966)	29,258
Loans to associated companies	139,180		—	—	—	139,180
Investments in associated companies	100,109	(1), (8)	319,423	(319,423)	—	100,109
Other financial asset	278,319	(1), (10), (13), (14), (15)	63,091	(63,091)	(80,059)	198,260
Restricted bank deposits	46,782		—	—	—	46,782
Deferred tax assets	3,783	(13)	—	—	31,975	35,758
Deferred expenses	668		—	—	—	668
Right-of-use asset	18,852	(14)	—	—	(34)	18,818
Loans granted	36,205		—	—		36,205
	11,085,489		**382,514**	**(551,953)**	**(215,967)**	**10,700,083**
Current assets						
Trading properties	2,676,990	(12), (13), (14)	—	—	(1,683,943)	993,047
Restricted bank deposits	57,059		—	—	—	57,059
Trade receivables	108,111	(14)	—	—	486,689	594,800
Other receivables	720,470	(14)	—	—	(120,045)	600,425
Cash and cash equivalents	653,037	(9), (14)	—	450,000	(36,360)	1,066,677
Assets of disposal groups classified as held for sale	4,580,008	(1), (13)	(4,498,680)	—	(1,000)	80,328
Advances paid	50,000	(16)	—	—	(50,000)	—
	8,845,675		**(4,498,680)**	**450,000**	**(1,404,659)**	**3,392,336**
Total assets	**19,931,164**		**(4,116,166)**	**(101,953)**	**(1,620,626)**	**14,092,419**

	Historical financial information			
	ADO Properties Group	ADLER Group	Consus Group	Total
	A	B	C	E=A+B+C
	(in € thousand)			
Shareholders' equity				
Share capital	55	72,236	136,582	208,873
Treasury shares	—	(1,603)	—	(1,603)
Share premium	500,608	315,148	877,132	1,692,888
Reserves	174,733	(52,935)	(37,149)	84,649
Retained earnings	1,893,877	1,071,791	(57,614)	2,908,054
Total equity attributable to owners of the Company	**2,569,273**	**1,404,637**	**918,951**	**4,892,861**
Non-controlling interests	99,021	2,098,013	127,005	2,324,039
Total equity	**2,688,294**	**3,502,650**	**1,045,956**	**7,216,900**
Liabilities				
Non-current liabilities				
Corporate bonds	397,568	2,051,157	—	2,448,725
Convertible bonds	156,863	110,148	—	267,011
Other loans and borrowings	734,749	2,135,053	1,791,932	4,661,734
Other financial liabilities	998	2,659	18,104	21,761
Derivatives	4,059	5,866	—	9,925
Other payables	—	7,197	30,586	37,783
Lease liabilities	414	20,176	12,829	33,419
Deferred tax liabilities	239,336	444,658	91,079	775,073
	1,533,987	**4,776,914**	**1,944,530**	**8,255,431**
Current liabilities				
Corporate bonds	—	51,938	—	51,938
Convertible bonds	—	1,179	—	1,179
Other loans and borrowings	215,758	180,011	1,188,852	1,584,621
Other financial liabilities	1,535	—	101,206	102,741
Trade payables	23,853	43,531	110,430	177,814
Other payables	42,443	80,936	542,443	665,822
Lease liabilities	653	2,663	4,641	7,957
Derivatives	167	389	—	556
Liabilities of disposal groups classified as held for sale	—	1,866,205	—	1,866,205
	284,409	**2,226,852**	**1,947,572**	**4,458,833**
Total equity and liabilities	**4,486,690**	**10,506,416**	**4,938,058**	**19,931,164**

	Total		Pro forma adjustments			Total
			Pro forma adjustments for the Merger	Pro forma adjustments for the Business Combination	Pro forma adjustments for the Acquisition	
	E=A+B+C	Ref.	F1	F2	F3	G=E+F
			(in € thousand)			
Shareholders' equity						
Share capital	208,873	(7), (9), (13), (14)	—	(72,220)	(136,582)	71
Treasury shares	(1,603)	(7), (8)	—	1,592	—	(11)
Share premium	1,692,888	(7), (8), (9), (13) (14)	—	404,580	(543,149)	1,554,319
Reserves	84,649	(7), (13), (14), (15)	—	52,935	177,360	314,944
Retained earnings	2,908,054	(1), (2), (3), (4), (5), (6), (7),(13), (15)	(494,736)	(488,371)	(174,412)	1,750,535
Total equity attributable to owners of the Company	**4,892,861**		**(494,736)**	**(101,482)**	**(676,783)**	**3,619,859**
Non-controlling interests	2,324,039	(1), (7), (13), (14)	(1,757,186)	60,179	(109,997)	517,035
Total equity	**7,216,900**		**(2,251,922)**	**(41,303)**	**(786,779)**	**4,136,895**
Liabilities						
Non-current liabilities						
Corporate bonds	2,448,725	(7), (13)	—	(35,300)	64,072	2,477,497
Convertible bonds	267,011	(7), (10),(13)	—	(53,684)	(465)	212,862
Other loans and borrowings	4,661,734	(7), (14)	—	(66,300)	(329,019)	4,266,415
Other financial liabilities	21,761	(7)	—	6,141	—	27,902
Derivatives	9,925	(10)	—	(575)	—	9,350
Other payables	37,783	(14)	—	—	(16,500)	21,283
Lease liabilities	33,419		—	—	—	33,419
Deferred tax liabilities	775,073	(7), (14)	—	83,793	(40,436)	818,430
	8,255,431		**—**	**(65,925)**	**(322,348)**	**7,867,158**
Current liabilities						
Corporate bonds	51,938		—	—	—	51,938
Convertible bonds	1,179	(10)	—	(279)	—	900
Other loans and borrowings	1,584,621	(2), (5), (14)	802	(2,762)	(408,579)	1,174,082
Other financial liabilities	102,741	(14)	—	—	2,890	105,631
Trade payables	177,814	(11), (14)	—	—	(8,619)	169,195
Other payables	665,822	(3), (4), (5), (6), (9), (14), (16)	1,148	8,316	(97,190)	578,096
Lease liabilities	7,957		—	—	—	7,957
Derivatives	556		—	—	—	556
Liabilities of disposal groups classified as held for sale	1,866,205	(1)	(1,866,193)	—	—	12
	4,458,833		**(1,864,244)**	**5,275**	**(511,499)**	**2,088,366**
Total equity and liabilities	**19,931,164**		**(4,116,166)**	**(101,953)**	**(1,620,626)**	**14,092,419**

Pro Forma **Consolidated Statement of Profit or Loss for the period from January 1, 2020 to March 31, 2020**

	Historical financial information			
	ADO Properties Group	ADLER Group	Consus Group	Total
	A	B	C	E=A+B+C
	(in € thousand)			
Revenue	31,622	482,183	125,708	639,513
Cost of operations	(7,790)	(430,002)	(70,144)	(507,936)
Gross profit	**23,832**	**52,181**	**55,564**	**131,577**
General and administrative expenses	(6,236)	(33,075)	(46,209)	(85,520)
Other income	6,800	—	—	6,800
Other expenses	(6,052)	—	—	(6,052)
Changes in fair value of investment properties	—	(10,334)	—	(10,334)
Results from operating activities	**18,344**	**8,772**	**9,355**	**36,471**
Finance income	2,010	33,578	9,796	45,384
Finance costs	(25,354)	(57,873)	(46,128)	(129,355)
Net finance costs	**(23,344)**	**(24,295)**	**(36,332)**	**(83,971)**
Profit before tax	**(5,000)**	**(15,523)**	**(26,977)**	**(47,500)**
Income tax expense	2,023	(9,006)	8,140	1,157
Profit for the period (continued operations)	(2,977)	(24,529)	(18,837)	(46,343)
Earnings after taxes from discontinued operations	—	(2,000)	—	(2,000)
Profit for the period	**(2,977)**	**(26,529)**	**(18,837)**	**(48,343)**
Profit attributable to:				
Owners of the Company	(1,630)	(21,715)	(13,556)	(36,901)
Non-controlling interests	(1,347)	(4,814)	(5,281)	(11,442)
Profit for the period	**(2,977)**	**(26,529)**	**(18,837)**	**(48,343)**
Basic earnings per share (in €)	(0.04)	(0.31)	(0.10)	n/a
Diluted earnings per share (in €)	(0.04)	(0.26)	(0.10)	n/a

	Total	Ref.	Pro forma adjustments: Pro forma adjustments for the Merger	Pro forma adjustments for the Business Combination	Pro forma adjustments for the Acquisition	Total
	E=A+B+C		F1	F2	F3	G=E+F
	(in € thousand)					
Revenue	639,513	(14)	—	—	(10,622)	628,891
Cost of operations	(507,936)	(14)	—	—	(17,293)	(525,229)
Gross profit	**131,577**		**—**	**—**	**(27,915)**	**103,662**
General and administrative expenses	(85,520)	(14)	—	—	3,368	(82,152)
Other income	6,800		—	—	—	6,800
Other expenses	(6,052)		—	6,010	—	(42)
Changes in fair value of investment properties	(10,334)		—	—	—	(10,334)
Results from operating activities	**36,471**		**—**	**6,010**	**(24,547)**	**17,934**
Finance income	45,384	(10), (14)	—	(720)	52	44,716
Finance costs	(129,355)	(2), (3), (4), (5), (6), (14), (15)	3,256	(9,178)	45,991	(89,286)
Net finance costs	**(83,971)**		**3,256**	**(9,898)**	**(46,043)**	**(44,570)**
Profit before tax	**(47,500)**		**3,256**	**(3,888)**	**21,496**	**(26,636)**
Income tax expense	1,157	(14)	—	—	221	1,378
Profit for the period (continued operations)	(46,343)		3,256	(3,888)	21,717	(25,258)
Earnings after taxes from discontinued operations	(2,000)		—	—	—	(2,000)
Profit for the period	**(48,343)**		**3,256**	**(3,888)**	**21,717**	**(27,258)**
Profit attributable to:						
Owners of the Company	(36,901)		3,256	(3,888)	21,867	(15,666)
Non-controlling interests	(11,442)		—	—	(150)	(11,592)
Profit for the period	**(48,343)**		**3,256**	**(3,888)**	**21,717**	**(27,257)**
Basic earnings per share (in €)	n/a		n/a	n/a	n/a	**(0.14)**
Diluted earnings per share (in €)	n/a		n/a	n/a	n/a	**(0.14)**

10.7 Notes to the *Pro Forma* Consolidated Financial Information as of and for the three-month period ended March 31, 2020

In the following notes to the *Pro Forma* Consolidated Financial Information, the *Pro Forma* Adjustments in column F1, F2, and F3 are explained in detail in order to illustrate the effects on the Company's *Pro Forma* Consolidated Balance Sheet as of March 31, 2020 and *Pro Forma* Consolidated Statement of Profit or Loss for the period from January 1, 2020 to March 31, 2020 as if (i) the Business Combination and Rights Offering, (ii) the Merger, as well as (iii) the Acquisition were successfully completed as of January 1, 2019. However, intercompany income and expenses between ADO Group and ADO Properties have not been eliminated for purposes of the *Pro Forma* Consolidated Financial Information.

***Pro Forma* Adjustments relating to the merger of ADLER Group and ADO Group (column F1):**

(1) Reversal of Purchase Price Allocation of ADO Properties

As a result of the Merger Agreement, ADO Group became a wholly owned subsidiary of ADLER Real Estate. As ADO Group consolidates ADO Properties, ADLER Interim Financials 2020 include all assets and liabilities of ADO Group and ADO Properties following the purchase price allocation performed according to IFRS 3 as of March 31, 2020. Assets and liabilities of ADO Properties were subsequently classified as assets of disposal groups classified as held for sale in the amount of €4,498,680 thousand and liabilities of disposal groups classified as held for sale in the amount of €1,866,193 thousand, respectively. For purposes of the *Pro Forma* Consolidated Balance Sheet, the consolidation of ADO Properties was reversed and the investment of 20.45% of ADO Group in ADO Properties was reflected as investments in associated companies in the amount of €319,463 thousand. Additionally, financial assets in the amount of €63,091 thousand are adjusted to reflect the convertible bond in the Company held by ADO Group.

In summary, the following adjustments were made to exclude the impact of the purchase price allocation related to ADO Properties for purposes of the Pro Forma Consolidated Balance Sheet:

	(in € thousand)
Investments in associated companies	319,423
Other financial assets	63,091
Assets of disposal groups classified as held for sale	(4,498,680)
Retained earnings	492,787
Non-controlling interests	1,757,186
Liabilities of disposal groups classified as held for sale	1,866,193

(2) ***Transaction costs related to the Merger***

The transaction costs directly attributable to the Merger totaling €20,519 thousand are included in the ADLER Financials 2019 with an amount of €19,644 thousand and in ADLER Interim Financials 2020 with an amount of €875 thousand. Hereby €875 thousand are structuring fees for the bridge loan increase, which have to be adjusted in 2020.

The consideration as part of the Merger was initially secured by a bridge loan facility with a nominal amount of up to €710,000 thousand.

One-time fees in connection with the original bridge loan facility in the amount of €19,644 thousand until December 31, 2019 are recognized in the ADLER Financials 2019. In February 2020, the bridge loan facility was extended by €175,000 thousand to €885,000 thousand. The increase of the existing bridge facility resulted in additional transaction costs in the amount of €875 thousand and a corresponding adjustment to other loans and borrowings, respectively, were included in the *Pro Forma* Consolidated Balance Sheet.

One-time fees for the bridge loan facility (and extension) were assumed to be amortized over the duration of the entire *Pro Forma* Period (from January 1, 2019 to March 31, 2020). After taking into account the amount already recognized in the ADLER Interim Financials 2020, an adjustment in the amount of €802 thousand was made to financial costs in the *Pro Forma* Consolidated Statement of Profit or Loss.

	(in € thousand)
One-time fees for the bridge loan facility	19,644
Structuring Fee Bridge Loan Increase	875
	20,519

The adjustment to retained earnings within column F1 is calculated as follows:

	(in € thousand)
Pro Forma amortization Q1 2020	(4,104)
Booked in Q1 2020	2,427
Additional amortization for pro forma purposes Q1 2020 (increase in finance cost)	**(1,677)**
Structuring fee bridge loan increase	875
Total adjustment to retained earnings and other loans and borrowings	**(802)**

(3) ***Refinancing of Merger***

To refinance the Merger, a bridge loan facility in the amount of €710 million was secured in connection with the consideration for the Merger (the "**Merger Bridge Facility").** In February 2020, the bridge loan facility was extended by €175,000 thousand to €885,000 thousand. An adjustment in the amount of €175,000 thousand was made to other loans and borrowings and a corresponding adjustment in the amount of €175,000 thousand was made to cash and cash equivalents.

The Merger Bridge Facility will be replaced by another bridge loan facility secured by ADO Properties in connection with the Business Combination as described in note (6) in further detail. For purposes of the

Pro Forma Consolidated Financial Information, it is assumed that the replacement of the Merger Bridge Facility took place prior to January 1, 2019. Therefore interest expense for the refinancing of the Merger was included in the *Pro Forma* Consolidated Financial Information and an adjustment in the amount of €2,603 thousand was made to finance costs and other payables in order to take into consideration interest not recognized for the Merger Bridge Facility in ADLER Interim Financials 2020.

(4) Refinancing of ADO Group Debt

In order to avoid a breach of covenants resulting from the change of control event triggered by the Business Combination, ADO Group repaid outstanding convertible and company bonds as follows:

	(in NIS)
Series G	614,227,230
Series H	550,703,348

In order to account for the repayment, an adjustment of €1,455 thousand was made to other payables. Additionally, finance costs in the amount of €1,455 thousand were excluded from the Pro Forma Consolidated Statement of Profit or Loss.

(5) Transaction costs related to the Business Combination and Rights Offering

The legal and advisory costs and other transaction costs directly attributable to the Business Combination and Rights Offering estimated by the Company total €25,000 thousand. As of March 30, 2020, an amount of €6,010 thousand has already been included in other expenses in ADOP Interim Financials 2020. Therefore, the amount of €6,010 thousand has been excluded from the *Pro Forma* Consolidated Statement of Profit or Loss to account for the assumption that the transaction, and thus the transaction costs, had taken place prior to January 1, 2019.

The transaction is secured by a bridge loan facility with a nominal amount of up to €2,963,000 thousand (as described in note (6) in further detail). One-time fees in connection with the bridge loan facility are estimated to amount to €13,809 thousand, which are not included in ADOP Interim Financials 2020. For purposes of the *Pro Forma* Consolidated Financial Information, these one-time fees for the bridge loan facility were assumed to be amortized over the duration of the *Pro Forma* period (from January 1, 2019 to March 31, 2020). Thus, the *Pro Forma* Consolidated Statement of Profit or Loss includes an adjustment in the amount of €2,762 thousand to finance costs and other financial liabilities. Fees in the amount of €10,075 thousand have been capitalized in ADOP Interim Financials 2020. Correspondingly, other payables and have been adjusted in the amount of €10,075 thousand. Retained earnings have been adjusted in the amount of €12,837 thousand in the *Pro Forma* Consolidated Balance Sheet. Furthermore, fees in the amount of €6,010 thousand are included in other expenses in ADOP Interim Financials 2020 and thus, were adjusted in the *Pro Forma* Consolidated Statement of Profit or Loss.

The adjustment to finance cost within column F2 is calculated as follows:

	(in € thousand)
One-time fees for the bridge loan facility	13,809
Amortization of bridge loan over 15 months/ per month	920.60
Amortization for 3 months in 2020	**2,762**

Pro Forma **Adjustments relating to the Business Combination and Rights Offering with ADLER Real Estate (column F2):**

(6) Refinancing in connection with the Business Combination

On December 15th, 2019, the Company as borrower and J.P. Morgan Securities plc as mandated lead arranger, J.P. Morgan AG as original lender and J.P. Morgan Europe Limited as agent entered into a bridge term loan facility agreement (the "**Bridge Facility Agreement**") under which the Company may utilize a bridge term facility with a nominal amount of up to €2,963,000 thousand (the "**Business Combination Bridge Facility**").

The Bridge Facility has been made available for the purpose of refinancing certain existing financial indebtedness, including bonds and loans, of ADLER Real Estate and its subsidiaries if such instruments are subject to change-of-control termination rights and the relevant creditors exercise such rights upon the Company acquiring control over ADLER Real Estate. Further, if the Company acquires the majority of the shares in Consus Real Estate AG and certain conditions are met, a portion of the Bridge Facility with a nominal amount of up to

€1,428,000 thousand may be used to prepay outstanding indebtedness of Consus Real Estate AG and its subsidiaries. As of March 31, 2020, the Company had not drawn any funds and thus had not recognized a liability in ADOP Interim Financials 2020 relating to the Business Combination Bridge Facility.

For purposes of the *Pro Forma* Consolidated Financial Information, it is assumed that besides the prepayment of bonds by ADO Group as detailed in note (4) no other change-of-control events are triggered by the Business Combination. Furthermore, it is assumed that the Bridge Facility is drawn in the amount of €885,000 thousand in order to replace the Merger Bridge Facility as further described in note (3). As the net amount outstanding is not impacted by the assumption, no adjustment has been included for purposes of the *Pro Forma* Consolidated Balance Sheet. However, as it is assumed that the Business Combination Bridge Facility was drawn prior January 1, 2019, the *Pro Forma* Consolidated Statement of Profit or Loss for the period from January 1, 2020 to March 31, 2020 was adjusted to include interest expense calculated with an average effective interest rate of 2.90% p.a. of the outstanding balance (€885,000 thousand) for the three-month period in the amount of €6,416 thousand in finance costs. For purposes of the *Pro Forma* Consolidated Financial information, no outflow of cash is shown. Therefore, the full amount for the corresponding interest payable was included in other payables and recognized in retained earnings.

(7) Purchase price allocation in relation to the Business Combination

Due to the accounting for the Business Combination as a business combination in accordance with IFRS 3, the identifiable assets acquired and the liabilities assumed of ADLER Real Estate are required to be measured at their acquisition date fair values in accordance with IFRS. For purposes of the *Pro Forma* Consolidated Financial Information, the purchase price allocation of ADLER Real Estate was undertaken on the basis of a provisional valuation of the acquired net assets.

The consideration for 91,93% of ADLER Real Estate Shares is calculated based on the ADO Properties closing share price as of April 9, 2020 (€21.74 per share) and the issuance of 27,651,006 new shares, totaling €601,133 thousand.

The provisional purchase price allocation results in a fair value adjustment of corporate bonds in the amount of €35,300 thousand, convertible bonds in the amount of €6,300 thousand, loans and borrowings in the amount of €66,300 thousand, other current financial liabilities in the amount of €6,141 thousand, and a corresponding deferred tax liability in the amount of €83,793 thousand, included in the *Pro Forma* Consolidated Balance Sheet.

The resulting negative goodwill amounts to €84,516 thousand and is included as an adjustment to retained earnings in the Pro Forma Consolidated Balance Sheet.

	(in € thousand)
Total consideration for 91.93% of ADLER Real Estate	601,133
Non-controlling interest	60,179
	661,312
To reflect the Company's stake in ADLER Real Estate, 100% of the share capital was taken into account when preparing the Pro Forma Consolidated Financial Information	
Share capital as of March 31, 2020 (equals column F2 in Pro Forma Balance Sheet)	(72,236)
Treasury shares as of March 31, 2020 (*equals column F2 in Pro Forma Balance Sheet*)	1,603
Share premium as of March 31, 2020 (*equals column F2 in Pro Forma Balance Sheet*)	(315,148)
Reserves as of March 31, 2020 (*equals column F2 in Pro Forma Balance Sheet*)	52,935
Retained Earnings as of March 31, 2020 (*equals column F2 in Pro Forma Balance Sheet*)	(577,055)
Corporate bonds as of March 31, 2020 (*equals column F2 in Pro Forma Balance Sheet*)	(35,300)
Deferred tax liabilities as of March 31, 2020 (*equals column F2 in Pro Forma Balance Sheet*)	83,793
Loans and borrowings as of March 31, 2020 (*equals column F2 in Pro Forma Balance Sheet*)	(66,300)
Convertible bonds as of March 31, 2020 (*equals column F2 in Pro Forma Balance Sheet*)	6,300
Other current financial liabilities as of March 31, 2020 (*equals column F2 in Pro Forma Balance Sheet*)	6,141
Goodwill ADLER Real Estate as of March 31, 2020 (*equals column F2 in Pro Forma Balance Sheet*)	169,439
Resulting negative goodwill from the Business Combination	**(84,516)**

(8) ***Treasury Shares***

ADO Group, which is fully consolidated by ADLER Real Estate, holds a 20.45% stake in the Company, which became treasury shares as a result of the Business Combination. Therefore, the *Pro Forma* Consolidated Financial Information was adjusted to eliminate the investments in associated companies (as described in note (1) in detail) and to include treasury shares in the amount of €319,423 thousand, representing the Company's share closing rate as of April 9, 2020. For purposes of the *Pro Forma* Consolidated Financial Information, the adjustment to treasury shares is done based on the average par value of existing shares of €0.000764 per share (share capital of €55 thousand divided by outstanding shares €72,020 thousand), totaling €11 thousand based on the number of treasury shares of 14,692,889 shares. The remainder, i.e. the difference between the fair value of €319,423 thousand and €11 thousand, in the amount of €319,412 thousand is deducted from share premium.

(9) ***Rights Offering***

As part of the Business Combination, the Company has announced its intention to issue shares to existing shareholders and other investors in the amount of up to €450,000 thousand (the "**Rights Offering**") in 2020. For purposes of the *Pro Forma* Consolidated Financial Information, the adjustment to share premium is done based on the average par value of existing shares of €0.000764 per share (share capital of €55 thousand divided by outstanding shares of 72,020 thousand). The resulting adjustment to the share capital amounts to €16 thousand. The residual amount of €449,984 thousand net of transaction costs is allocated to share premium (gross). A corresponding adjustment in the amount of €450,000 thousand was made to cash and cash equivalents.

	(in thousand)
Number of shares to be issued via Rights Offering	20,699
Gross proceeds from the Rights Offering	**€450,000**
Increase in the Company's share capital from the Rights Offering	€ 16
Increase in the Company's share premium from the Rights Offering	€449,984
Directly attributable transaction costs for the Rights Offering, we also refer to note (5)	€(11,975)
Allocation to share premium	**€438,009**

(10) ***Intercompany eliminations***

In light of the Business Combination, the convertible bonds issued by the Company and held by ADO Group, a fully consolidated subsidiary of ADLER, was eliminated for purposes of the *Pro Forma* Consolidated Financial Information Therefore, financial assets were adjusted by (€63,091) thousand, (non-current) convertible bonds by €59,984 thousand and (current) convertible bonds by €279 thousand as well as the embedded derivative in the amount of €575 thousand. The difference in the amount of (€2,253) thousand was recorded in retained earnings. Furthermore, the change in fair value of the derivative component of the convertible bond issued by the Company and held by ADO Group was eliminated and an adjustment in the amount of €720 thousand was made to finance income.

Pro Forma **Adjustments relating to the Acquisition of Consus Real Estate (column F3):**

(11) ***Transaction costs related to the Acquisition***

The transaction costs directly attributable to the Acquisition pertain to legal and advisory costs estimated by the Company at €11,000 thousand. Since it is assumed that the transaction had taken place prior to January 1, 2019, an adjustment in the amount of €11,000 thousand has been made to retained earnings and other payables for purposes of the *Pro Forma* Consolidated Financial Information in order to reflect the full estimated transaction costs not included in ADOP Interim Financials 2020.

(12) ***IAS 2 to IAS 40 adjustment***

Due to the Acquisition of Consus the Company acquired several properties from Consus and changes for some properties its intention from "buy to sell" to "buy to hold" in regard to these properties. In addition, Consus uses the total cost method whereas the Company uses the cost of sales method for accounting.

11 project developments were identified within the portfolio of Consus that would be considered as investment property in the future.

Generally, the reclassification of an asset to investment property due to a change in strategy may affect fair value, especially in the case, where condominiums previously offered for owner occupation are now intended for letting. However, any valuation difference is contingent on the market environment as well as location and characteristics of the specific asset.

Because the current portfolio information does not permit an adequate judgement of these factors and their effect on fair value, there was not derived a fair value adjustment from reclassification.

Therefore, a reclassification from trading properties to investment properties was made amounted to €869,800 thousand for purpose of the *Pro Forma* Consolidated Financial Information.

(13) Purchase price allocation in relation to the Acquisition

Due to the accounting for the Acquisition as a business combination in accordance with IFRS 3, the identifiable assets acquired and the liabilities assumed of Consus Real Estate are required to be measured at their acquisition date fair values in accordance with IFRS. For purposes of the *Pro Forma* Consolidated Financial Information, the purchase price allocation of Consus Real Estate was undertaken on the basis of a provisional valuation of the acquired net assets.

The consideration for 63.97% of Consus Real Estate Shares is calculated based on the ADO Properties closing share price as of March 31, 2020 (€20,60 per share) totaling €511,533 thousand. ADO Properties already held an investment of 20.75% in Consus Real Estate prior to the acquisition and a further 43.2% was acquired as part of the successive acquisition. As a result, the investment in Consus in the amount of €177,549 thousand was derecognized by adjusting investment in financial instrument in the same amount.

For purposes of the Pro Forma Consolidated Financial Information, the CG Divestment SPA and Ajos Divestment SPA (refer to note 13) were taken into account in the provisional purchase price allocation. Thus, no fair value adjustments were recorded on assets or liabilities that are subject to either SPA and the assets and liabilities disposed of were excluded when determining net assets acquired. The provisional purchase price allocation results in a fair value adjustment of corporate bonds in the amount of €64,072 thousand, convertible bonds in the amount of €465 thousand, assets classified as held for sale in the amount of €1,000 thousand and other financial assets in the amount of €525 thousand. Additionally, fair value adjustments were made to investment properties in the amount of €2,465 thousand and trading properties in the amount of €44,348 thousand. This results in a corresponding deferred tax asset in the amount of €31,975 thousand, included in the Pro Forma Consolidated Balance Sheet.

The resulting goodwill amounts to €485,298 thousand.

	(in € thousand)
Total consideration for 63.97% of Consus Real Estate	511,533
Non-controlling interest	14,779
	526,312
To reflect the Company's stake in Consus Real Estate, 100% of the share capital was taken into account when preparing the Pro Forma Consolidated Financial Information	
Share capital as of March 31, 2020 (*equals column F3 in Pro Forma Balance Sheet*)	(161,332)
Share premium as of March 31, 2020 (*equals column F3 in Pro Forma Balance Sheet*)	(870,461)
Reserves as of March 31, 2020 (*equals column F3 in Pro Forma Balance Sheet*)	(177,314)
Retained Earnings as of March 31, 2020 (*equals column F3 in Pro Forma Balance Sheet*)	57,614
Corporate bonds as of March 31, 2020 (*equals column F3 in Pro Forma Balance Sheet*)	64,072
Other financial asset as of March 31, 2020 (*equals column F3 in Pro Forma Balance Sheet*)	(525)
Deferred tax asset as of March 31, 2020 (*equals column F3in Pro Forma Balance Sheet*)	(31,975)
Convertible bonds as of March 31, 2020 (*equals column F3 in Pro Forma Balance Sheet*)	(465)
Trading properties as of March 31, 2020 (*equals column F3 in Pro Forma Balance Sheet*)	44,348
Assets of disposal groups classified as held for sale as of March 31, 2020 (*equals column F3 in Pro Forma Balance Sheet*)	1,000
Investments properties as of March 31, 2020 (*equals column F3 in Pro Forma Balance Sheet*)	(2,465)
Goodwill Consus Real Estate as of March 31, 2020 (*equals column F3 in Pro Forma Balance Sheet*)	1,036,489
Resulting goodwill from the Acquisition	**485,298**

(14) Disposal of development projects in Consus Real Estate

Christoph Gröner, through a company he controls, agreed to sell the outstanding 25% minority stake (on a fully diluted basis) in Consus RE AG, a subsidiary of Consus Real Estate, to Consus Real Estate for a preliminary consideration of €27.5 million in cash and 24.75 million shares in Consus Real Estate. Additionally, 17 development projects are sold to Gröner Group GmbH for a total transaction volume of around €690 million, subject to standard closing adjustments. The transactions are expected to close not later than in Q3 2020 (the "CG Divestment SPA"). A receivable reflecting the aforementioned transactions, including a cash component of €215 million, was recorded in trade receivables for purposes of the *Pro Forma* Consolidated Financial Information.

On May 20, 2020, Consus RE AG, together with certain subsidiaries of Consus Real Estate, sold eight development projects to certain buyers for an undisclosed purchase price, which reflected a premium to the development projects' market values appraised as of December 31, 2019 ("Ajos Divestment SPA" and together with the CG Divestment SPA, the "Consus Divestment SPAs"). These divestments are expected to close in the third quarter of 2020.

Both transactions are contractually agreed as disposals of real estate assets only, without the direct transfer of employees or other processes that are necessary for the transfer of an operation. As a result, for both transactions no derecognition of goodwill in accordance with IAS 36.86 is shown as part of the *Pro Forma* Consolidated Balance Sheet.

For purposes of the *Pro Forma* Consolidated Financial Information it is assumed that the Consus Divestment SPAs were completed prior to January 1, 2019.

In order to present the *Pro Forma* Consolidated Statement Balance Sheet excluding the effects of the portfolios disposed of, the following adjustments were made:

	CG Divestment SPA	Ajos Divestment SPA	Intercompany and *Pro Forma* Adjustments
		(in € thousand)	
Investment properties	(305,396)	—	—
Intangible assets	(11)	—	—
Property and equipment	(32,221)	—	26,255
Goodwill	(436)	—	436
Other financial assets	(152,658)	(27,551)	180,440
Right of use asset	—	(34)	—
Deferred tax assets	(3,045)	—	3,045
Trading properties	(366,456)	(349,968)	(53,371)
Trade receivables	(6,083)	(3)	492,776
Other receivables	(45,294)	(105,969)	31,218
Cash and cash equivalents	(7,812)	(1,048)	(27,500)
	(919,413)	**(484,574)**	**653,299**
Share capital	(145,147)	(15,807)	185,704
Share premium	40,599	10,329	(57,600)
Reserves	(164,248)	(39,022)	417,734
Non-controlling interests	(4,945)	—	(119,829)
Other loans and borrowings (non-current)	(237,799)	(124,275)	33,054
Other financial liabilities (non-current)	(16,422)	—	16,422
Other payables (non-current)	(216,766)	(101,312)	290,578
Deferred tax liabilities	(60,457)	(9,584)	29,605
Other loans and borrowings (non-current)	(81,061)	(129,108)	(198,410)
Other financial liabilities (current)	(3,984)	(3,361)	10,236
Trade payables	(7,764)	(6,079)	5,224
Other payables (current)	(21,419)	(66,353)	40,582
	(919,413)	**(484,574)**	**653,299**

In order to present the *Pro Forma* Consolidated Statement of Profit or Loss excluding the effects of the portfolio disposed of, the following adjustments were made:

	CG Divestment SPA	Ajos Divestment SPA	Intercompany and *Pro Forma* Adjustments
		(in € thousand)	
Revenue	(9,275)	(180)	(1,167)
Cost of operations	(595)	(10,499)	(6,200)
General and administrative expenses	2,381	1,371	(384)
Finance income	(869)	(1,189)	2,111
Finance costs	6,794	15,832	1,114
Income tax expense	796	301	(875)
	(768)	**5,636**	**(5,401)**

(15) Elimination of Consus Call/Put-Option and Loss on Consus Investment

The Company entered into a call/put-option agreement with Aggregate Holdings S.A. ("**Aggregate**"), as amended from time to time, for its 69,619,173 shares in Consus Real Estate (the "**Call/Put-Option Agreement**"), which can be exercised until June 16, 2021. The consideration for one share in Consus Real Estate is, in each case, 0.2390 newly issued shares in the Company, provided that this ratio will be adjusted to any dividends paid and equity raise done by the Company, including this Rights Offering, or Consus Real Estate, as relevant.

The call option agreement is included in other financial assets in ADOP Interim Financials 2020 and measured at fair value in the amount of €80,815 thousand (2019: €92,009 thousand). The resulting change in fair value for the three-month period ended March 31, 2020 totals €11,194 thousand and is included in finance costs in ADOP Interim Financials 2020.

For purposes of the *Pro Forma* Financial Statements it is assumed that the Call/Put-Option Agreement was exercised. Therefore, the change in fair value in the amount of €11,194 thousand was eliminated from the *Pro Forma* Consolidated Statement of Profit or Loss. Furthermore, the option's fair value as of March 31, 2020 was eliminated from the line item other financial asset with a corresponding adjustment to retained earnings in the amount of €80,815 thousand.

Additionally, ADLER Real Estate holds a 2.49% stake in Consus Real Estate which is accounted for at fair value through profit or loss in ADLER Interim Financials 2020. As it is assumed that the transactions have been taken place prior to January 1, 2019, a loss in the amount of €11,057 thousand was eliminated from finance costs in the *Pro Forma* Consolidated Statement of Profit or Loss.

Furthermore, the Company holds a 22.18% stake in Consus Real Estate which is accounted for at fair value through other comprehensive income in ADOP Interim Financials 2020. Generally, when control is obtained in a step acquisition, financial assets accounted for under IFRS 9 at fair value through other comprehensive income are reclassified within equity. Therefore, the corresponding reserve balance in the amount of €140,211 thousand recognized in other comprehensive income was reclassified to retained earnings for purposes of the *Pro Forma* Consolidated Financial Information.

(16) Intercompany elimination

The Company entered into a letter of intent with Consus Swiss Finance AG for the purchase of 89.9% of the shares in all companies that holds plots of land belonging to the Holsten Quartier project development. The provisional purchase price for 100% of the shares in Holsten Quartier is €320 million on a cash-free debt-free basis. The Company made a down-payment of €50,000 thousand reflected in advances paid. Therefore, advances paid were adjusted by (€50,000) thousand. Consus Real Estate reflects the corresponding payable, resulting in an adjustment to other payables in the amount of €50,000 thousand.

Additional notes:

(17) Share Capital

Share capital as of March 31, 2020 is comprised as follows:

		(in € thousand)
Share capital ADO Properties		55
Share capital ADLER Real Estate		72,236
Share capital Consus Real Estate		136,582
Subtotal *(equals column D in Pro Forma Consolidated Balance Sheet)*		***208,873***
Business combination agreement, we also refer to note (7)	(72,236)	
Acquisition Consus Real Estate, we also refer to note (13)	(161,332)	
Rights offering, we also refer to note (9)	16	
Disposal of development projects, we also refer to note (14)	24,750	
Subtotal		***(208,802)***
Share capital in accordance with *Pro Forma* Consolidated Balance Sheet as of March 31, 2020		***71***

(18) Share premium

The share premium as of March 31, 2020 are comprised as follows:

		(in € thousand)
Share premium ADO Properties		500,608
Share premium ADLER Real Estate		315,148
Share premium Consus Real Estate		877,132
Subtotal *(equals column D in Pro Forma Consolidated Balance Sheet)*		***1,692,888***
Business combination agreement ADLER Real Estate, we also refer to note (7)	285,985	
Acquisition Consus Real Estate, we also refer to note (13)	(536,478)	
Reclassification of treasury shares (8)	(319,412)	
Rights offering (note 9)	438,009	
Disposal of development projects, we also refer to note (14)	(6,671)	
Subtotal		***(138,567)***
Share premium in accordance with *Pro Forma* Consolidated Balance Sheet as of March 31, 2020		***1,554,321***

(19) Retained earnings

Retained earnings as of March 31, 2020 is comprised as follows:

		(in € thousand)
Retained earnings ADO Properties		1,893,877
Retained earnings ADLER Real Estate		1,071,791
Retained earnings Consus Real Estate		(57,614)
Subtotal *(equals column D in Pro Forma Consolidated Balance Sheet)*		***2,908,054***
Financing expenses JPM bridge loan facility for the period January 1, 2020 to March 31, 2020, we also refer to note (6)	(6,416)	
Transaction cost Business Combination, we also refer to note (5)	12,837	
Business Combination agreement ADLER Real Estate, we also refer to note (7)	(492,539)	
Deconsolidation of ADO Properties, we also refer to note (1)	(492,787)	
Transactions costs merger, we also refer to note (2)	(802)	
Financing ADOG Acquisition, we also refer to note (3)	(2,603)	
Refinancing of ADO Group debt, we also refer to note (4)	1,455	
Transactions costs acquisition, we also refer to note (11)	(11,000)	
Acquisition Consus Real Estate, we also refer to note (13)	57,614	
Elimination Call/Put-Option, we also refer to note (15)	(80,815)	
Elimination of intercompany balances, we also refer to note (10)	(2,253)	
Reclassification of other comprehensive income recognized on investment in financial instrument, we also refer to note (15)	(140,211)	
Subtotal		***(1,157,519)***
Retained earnings in accordance with *Pro Forma* Consolidated Balance Sheet as of March 31, 2020		***1,750,535***

(20) Other payables

Other payables as of March 31, 2020 are comprised as follows:

		(in € thousand)
Other payables ADO Properties		42,443
Other payables ADLER Real Estate		80,936
Other current liabilities Consus Real Estate		542,443
Subtotal *(equals column D in Pro Forma Balance Sheet)*		***665,822***
Transaction costs Business Combination, we also refer to notes (5, 9)	1,900	
Financing bridge loan, we also refer to note (6)	6,416	
Financing ADO Group acquisition, we also refer to note (3)	2,603	
Refinancing of ADO Group debt, we also refer to note (4)	(1,455)	
Disposal of development projects, we also refer to note (14)	(47,190)	
Intercompany elimination, we also refer to note (16)	(50,000)	
Subtotal		***(87,726)***
Other payables in accordance with *Pro Forma* Consolidated Balance Sheet as of March 31, 2020		***578,096***

(21) Finance costs

Financial costs for the period from January 1, 2020 to March 31, 2020:

		(in € thousand)
Finance costs ADO Properties		(25,354)
Finance costs ADLER Real Estate		(57,873)
Finance costs Consus Real Estate		(46,128)
Subtotal *(equals column D in Pro Forma Balance Sheet)*		***(129,355)***
Amortization of transaction costs related to bridge loan, we also refer to note (2)	(802)	
Amortization of transaction costs related to bridge loan, we also refer to note (5)	(2,762)	
Financing bridge loan, we also refer to note (6)	(6,416)	
Refinancing of ADO Group finance cost, we also refer to note (4)	1,455	
Financing ADO Group acquisition, we also refer to note (3)	2,603	
Disposal of development projects, we also refer to note (14)	34,934	
Elimination Call/Put-Option, we also refer to note (15)	11,057	
Subtotal		***(40,069)***
Finance costs in accordance with *Pro Forma* Consolidated Statement of Profit or Loss for the three-month period from January 1, 2020 to March 31, 2020		***(89,286)***

(22) ***Earnings per share***

Earnings per share for the period from January 1, 2020 to March 31, 2020 are calculated as follows:

	(in € thousand, unless stated otherwise)
ADO Properties weighted number of subscribed shares	44,195
Acquisition of ADLER Real Estate, we also refer to note (7) of the notes to the *Pro Forma* Consolidated Financial Information as of and for the three-month period ended March 31, 2020	27,651
Rights Offering, we also refer to note (9) of the notes to the *Pro Forma* Consolidated Financial Information as of and for the three-month period ended March 31, 2020	20,699
Acquisition of Consus Real Estate, we also refer to note (13) of the notes to the *Pro Forma* Consolidated Financial Information as of and for the three-month period ended March 31, 2020	16,639
Pro Forma weighted number of subscribed shares	***109,184***
ADO Properties weighted number of subscribed shares (diluted)	44,197
Acquisition of ADLER Real Estate, we also refer to note (7) of the notes to the *Pro Forma* Consolidated Financial Information as of and for the three-month period ended March 31, 2020	27,651
Rights Offering, we also refer to note (9) of the notes to the *Pro Forma* Consolidated Financial Information as of and for the three-month period ended March 31, 2020	20,699
Acquisition of Consus Real Estate, we also refer to note (13) of the notes to the *Pro Forma* Consolidated Financial Information as of and for the three-month period ended March 31, 2020	16,639
Pro Forma weighted number of subscribed shares (diluted)	***109,186***
ADO Properties consolidated net profit to owners of the Company	(1,630)
ADLER Real Estate consolidated net profit to owners of the Company	(21,715)
Consus Real Estate consolidated net profit to owners of the Company	(13,555)
	(36,900)
Pro Forma Adjustments Merger (equals column E1 in Pro Forma Consolidated Statement of Profit or Loss) attributable to owners of the Company	3,256
Pro Forma Adjustments Business Combination and Rights Offering (equals column E2 in Pro Forma Consolidated Statement of Profit or Loss) attributable to owners of the Company	(3,888)
Pro Forma Adjustments Acquisition (equals column E3 in Pro Forma Consolidated Statement of Profit or Loss) attributable to owners of the Company	21,867
Pro Forma Adjustments	21,234
	(15,666)
Pro Forma Basic earnings per share	€ (0.14)
Pro Forma Basic earnings per share (diluted)	€ (0.14)

10.8 *Pro Forma* Consolidated Financial Information for the fiscal year ended December 31, 2019

The following tables present the *Pro Forma* Consolidated Statement of Profit or Loss for the fiscal year from January 1, 2019 to December 31, 2019.

The financial information contained in column A of the *Pro Forma* Consolidated Statement of Profit or Loss for the fiscal year ended December 31, 2019 is taken from the ADOP Financials 2019.

The financial information contained in column B of the *Pro Forma* Consolidated Statement of Profit or Loss for the fiscal year ended December 31, 2019 is taken from the ADLER Financials 2019. The figures of ADLER Financials 2019 within column B were reconciled to the reporting structure of the Company.

The financial information contained in column C of the *Pro Forma* Consolidated Statement of Profit or Loss for the fiscal year ended December 31, 2019 is taken from the ADO Group Financials 2019. The figures of ADO Group Financials 2019 within column C were reconciled to the reporting structure of the Company.

The financial information contained in column D of the *Pro Forma* Consolidated Statement of Profit or Loss for the fiscal year ended December 31, 2019 is taken from the Consus Financials 2019. The figures of Consus Financials 2019 within column D were reconciled to the reporting structure of the Company.

The *Pro Forma* Adjustments contained in column F1, F2, and F3 reflect the assumption that (i) the Business Combination and Rights Offering, (ii) the Merger, as well as (iii) the Acquisition were successfully completed as of January 1, 2019. These *Pro Forma* Adjustments are explained in the notes to the *Pro Forma* Consolidated Financial Information below.

The financial information contained in column F represents the *Pro Forma* Consolidated Financial Information for the fiscal year ended December 31, 2019 as if (i) the Business Combination and Rights Offering, (ii) the Merger, as well as (iii) the Acquisition were successfully completed as of January 1, 2019.

***Pro Forma* Consolidated Statement of Profit or Loss for the fiscal year ended December 31, 2019**

	Historical financial information				
	ADO Properties Group	**ADLER Group**	**ADO Group (Standalone)**	**Consus Group**	**Total**
	A	**B**	**C**	**D**	**E=A+B+C+D**
			(in € thousand)		
Revenue	156,520	904,185	24	671,115	1,731,844
Cost of operations	(44,011)	(684,373)	—	(471,242)	(1,199,626)
Gross profit	**112,509**	**219,812**	**24**	**199,873**	**532,218**
General and administrative expenses	(25,050)	(113,442)	(3,593)	(133,657)	(275,742)
Other income	78,132	—	—	—	78,132
Other expenses	(13,188)	—	—	—	(13,188)
Changes in fair value of investment properties	461,517	362,638	—	31,943	856,098
Results from operating activities	**613,920**	**469,008**	**(3,569)**	**98,159**	**1,177,518**
Finance income	102,475	10,190	224,545	(28,160)	365,370
Finance costs	(32,375)	(122,212)	(15,380)	(114,833)	(284,800)
Net finance costs	**70,100**	**(112,022)**	**209,164**	**(86,673)**	**80,569**
Profit before tax	**684,020**	**356,986**	**205,595**	**11,486**	**1,258,087**
Income tax expense	(77,096)	(81,231)	(11,247)	(16,521)	(186,095)
Profit for the period (continued operations)	606,924	275,755	194,348	(5,035)	1,071,992
Earnings after taxes from discontinued operations	—	92,009	—	—	92,009
Profit for the period	**606,924**	**367,764**	**194,348**	**(5,035)**	**1,164,001**
Profit attributable to:					
Owners of the Company	601,874	238,338	194,348	(20,883)	1,013,677
Non-controlling interests	5,050	129,426	—	15,848	150,324
Profit for the period	**606,924**	**367,764**	**194,348**	**(5,035)**	**1,164,001**
Basic earnings per share (in €)	13.63	3.46	n/a	0.15	n/a
Diluted earnings per share (in €)	12.74	3.08	n/a	0.15	n/a

	Total		Pro forma adjustments			
			Pro forma adjustments for the Merger	Pro forma adjustments for the Business Combination and Rights Offering	Pro forma adjustments for the Acquisition	Total
	E=A+B+C+D	Ref.	F1	F2	F3	G=E+F
			(in € thousand)			
Revenue	1,731,844	(5), (9), (10)	—	(21,327)	(14,591)	1,695,925
Cost of operations	(1,199,626)	(9), (10)	—	—	(34,729)	(1,234,355)
Gross profit	**532,218**		**—**	**(21,327)**	**(49,320)**	**461,571**
General and administrative expenses	(275,742)	(1), (5), (9), (10)	1,319	(814)	3,927	(271,310)
Other income	78,132		—	—	—	78,132
Other expenses	(13,188)	(2), (6)	10,103	2,153	—	(932)
Changes in fair value of investment properties	856,098	(1), (5), (9)	(203,200)	(131,053)	(13,932)	507,913
Results from operating activities	**1,177,518**		**(191,778)**	**(151,041)**	**(59,326)**	**775,373**
Finance income	365,370	(8), (9), (10), (11)	—	(227,499)	(100,615)	37,255
Finance costs	(284,800)	(2),(3),(4),(5),(6), (7), (9),(10)	6,953	(25,546)	71,146	(232,247)
Net finance costs	**80,569**		**6,953**	**(253,045)**	**(29,469)**	**(194,992)**
Profit before tax	**1,258,087**		**(184,825)**	**(404,086)**	**(88,795)**	**580,381**
Income tax expense	(186,095)	(5), (9), (10)	—	13,299	12,501	(160,296)
Profit for the period (continued operations)	1,071,992		(184,825)	(390,787)	(76,295)	420,085
Earnings after taxes from discontinued operations	92,009		—	—	—	92,009
Profit for the period	**1,164,001**		**(184,825)**	**(390,787)**	**(76,295)**	**512,094**
Profit attributable to:						
Owners of the Company	1,013,677		(113,778)	(389,658)	(75,660)	479,115
Non-controlling interests	150,324		(71,047)	(1,359)	(635)	32,979
Profit for the period	**1,164,001**		**(184,825)**	**(389,658)**	**(76,295)**	**512,094**
Basic earnings per share (in €)	n/a		n/a	n/a	n/a	4.39
Diluted earnings per share (in €)	n/a		n/a	n/a	n/a	4.28

10.9 Notes to the Pro Forma Consolidated Financial Information for the fiscal year ended December 31, 2019

In the following notes to the *Pro Forma* Consolidated Financial Information, the *Pro Forma* Adjustments in column F1, F2, and F3 are explained in detail in order to illustrate the effects on the Company's *Pro Forma* Consolidated Statement of Profit or Loss for the period from January 1, 2019 to December 31, 2019 as if (i) the Business Combination and Rights Offering, (ii) the Merger, as well as (iii) the Acquisition were successfully completed as of January 1, 2019. However, intercompany income and expenses between ADO Group and ADO Properties have not been eliminated for purposes of the *Pro Forma* Consolidated Financial Information.

Pro Forma Adjustments relating to the Merger (column F1):

(1) Sale of partnership interest in Glasmacherviertel GmbH & Co. KG (Project Gerresheim)

On September 22, 2019, Brack Capital Properties N.V., as a fully consolidated subsidiary of ADLER Real Estate, entered into a share purchase agreement to sell 75% of the partnership interest in Glasmacherviertel GmbH & Co.KG as part of the acquisition refinancing as described in detail in note (4) of the Notes to the *Pro Forma* Consolidated Financial Information as of and for the three-month period ended March 31, 2020.

The investment properties of Project Gerresheim resulted in income from fair value adjustments of investment properties in the amount of €203,200 thousand for the fiscal year ended December 31, 2019. This income was eliminated for purposes of the *Pro Forma* Consolidated Financial Information since it is assumed that the transaction had taken place prior to January 1, 2019. Furthermore, due to the deconsolidation of the partnership, goodwill in the amount of €1,319 thousand was expensed and included in other operating expenses in ADLER Financials 2019. A *Pro Forma* Adjustment in the amount of €1,319 thousand was thus made to general and administrative expenses. Other gains and losses as well as income and expenses generated by the partnership were not considered for purposes of the *Pro Forma* Consolidated Financial Information due to materiality considerations.

(2) Transaction costs related to the Merger

The legal and advisory costs and other transaction costs directly attributable to the Merger totaling €21,453 thousand are included in the ADLER Financials 2019:

	(in € thousand)
Legal and advisory costs	10,103
One-time fees for the bridge loan facility	11,350
	21,453

The legal and advisory costs in the amount of €10,103 thousand are recognized in the ADLER Financials 2019 in general and administrative expenses. As it is assumed that the transaction was finalized prior to January 1, 2019, these costs were excluded from the *Pro Forma* Statement of Profit or Loss by adjusting other expenses in the amount of €10,103 thousand.

One-time fees for the bridge loan facility (and extension) were assumed to be amortized over the duration of the entire *Pro Forma* Period (from January 1, 2019 to March 31, 2020). After taking into account the amount already amortized of the total amount as shown above in the ADLER Financials 2019, an adjustment in the amount of €9,024 thousand was made to finance costs in the *Pro Forma* Consolidated Statement of Profit or Loss.

(3) Refinancing of Merger

To refinance the Merger, a bridge loan facility in the amount of €710 million was secured in connection with the consideration for the Merger (the "Merger Bridge Facility"). In February 2020, the bridge loan facility was extended by €175,000 thousand to €885,000 thousand.

The Merger Bridge Facility will be replaced by another bridge loan facility secured by ADO Properties in connection with the Business Combination. For purposes of the *Pro Forma* Consolidated Financial Information, it is assumed that the replacement of the Merger Bridge Facility took place prior to January 1, 2019. Therefore no interest expense for the refinancing of the Merger was included in the *Pro Forma* Consolidated Financial Information and an adjustment in the amount of €597 thousand was made to finance costs in order to exclude interest recognized for the Merger Bridge Facility in ADLER Financials 2019.

(4) Refinancing of ADO Group Debt

In order to avoid a breach of covenants resulting from the change of control event triggered by the Business Combination, ADO Group repaid outstanding convertible and company bonds as follows:

	(in NIS)
Series G	614,227,230
Series H	550,703,348

As it is assumed for purposes of the *Pro Forma* Consolidated Financial Information that the bonds were repaid prior to January 1, 2019, finance costs in the amount of €15,380 thousand were excluded from the *Pro Forma* Consolidated Statement of Profit or Loss.

***Pro Forma* Adjustments relating to the Business Combination and Rights Offering (column F2):**

(5) Share purchase agreement with GEWOBAG Wohnungsbau-Aktiengesellschaft Berlin ("Project Gewobag")

On September 26, 2019, ADO Properties entered into a share purchase agreement with GEWOBAG Wohnungsbau-Aktiengesellschaft Berlin ("**Gewobag**") for the sale of 100% of the shares in certain subsidiaries owning 23 properties consisting in aggregate of approximately 5,900-residential apartment units (the "**Gewobag SPA**") as described in detail in note (6) of the Notes to the *Pro Forma* Consolidated Financial Information as of and for the three-month period ended March 31, 2020.

In the *Pro Forma* Consolidated Statement of Profit or Loss, revenues in the amount of €21,327 thousand, changes in fair value of investment properties in the amount of €131,053 thousand, finance costs in the amount of €4,197 thousand, general and administrative expenses in the amount of €814 thousand, and income tax expenses in the amount of €13,299 thousand were excluded since it was assumed that the transaction had taken place prior to January 1, 2019. Other gains and losses as well as income and expenses generated by the sale were not considered for purposes of the *Pro Forma* Consolidated Financial Information due to materiality considerations.

(6) Transaction costs related to the Business Combination and Rights Offering

Transaction costs directly attributable to the Business Combination and Rights Offering are estimated to total :

	(in € thousand)
Legal and advisory costs	25,000
One-time fees for the bridge loan facility	13,809
	28,809

As of December 31, 2019, €2,153 thousand of the total amount shown above are recognized in the ADOP Financials 2019 in other expenses. As it is assumed that the transaction was finalized prior to January 1, 2019, these costs were excluded from the *Pro Forma* Statement of Profit or Loss by adjusting other expenses in the amount of €2,153 thousand.

One-time fees in connection with the bridge loan facility are estimated to amount to €13,809 thousand, which are not included in ADOP Financials 2019. One-time fees for the bridge loan facility were assumed to be amortized over the duration of the entire *Pro Forma* Period (from January 1, 2019 to March 31, 2020). Thus, the *Pro Forma* Consolidated Statement of Profit or Loss includes an adjustment in the amount of €11,047 thousand to finance costs.

(7) Refinancing in connection with the Business Combination

On December 15, 2019, the Company as borrower and J.P. Morgan Securities plc as mandated lead arranger, J.P. Morgan AG as original lender and J.P. Morgan Europe Limited as agent entered into a bridge term loan facility agreement (the "**Bridge Facility Agreement**") under which the Company may utilize a bridge term facility with a nominal amount of up to €2,424,000 thousand (the "**Business Combination Bridge Facility**") as described in note (6) of the Notes to the *Pro Forma* Consolidated Financial Information as of and for the three-month period ended March 31, 2020 in further detail.

As it is assumed that the Business Combination Bridge Facility was drawn prior January 1, 2019, the *Pro Forma* Consolidated Statement of Profit or Loss for the period from January 1, 2019 to December 31, 2019 was adjusted to include interest expense calculated with an average effective interest rate of 2.11% p.a. of the outstanding balance (€885,000 thousand) for the twelve-month period in the amount of €18,696 thousand in finance costs.

(8) Intercompany eliminations

For purposes of the Pro Forma Consolidated Financial Information, finance income was adjusted by €223,606 thousand in order to exclude the profit from ADO Group's investment in the Company. Furthermore, the change in fair value of the derivative component of the convertible bond issued by the Company and held by ADO Group was eliminated and an adjustment in the amount of €3,893 thousand was made to finance income.

Pro Forma Adjustments relating to the Acquisition (column F2):

(9) Disposal of development projects in Consus Real Estate

Christoph Gröner, through a company he controls, agreed to sell the outstanding 25% minority stake (on a fully diluted basis) in Consus RE AG, a subsidiary of Consus Real Estate, to Consus Real Estate for a preliminary consideration of €27.5 million in cash and 24.75 million shares in Consus Real Estate. Additionally, 17 development projects are sold to Gröner Group GmbH for a total transaction volume of around €690 million, subject to standard closing adjustments. The transactions are expected to close not later than in Q3 2020 (the "**CG Divestment SPA**"). A receivable reflecting the aforementioned transactions, including a cash component of €215 million, was recorded in trade receivables for purposes of the *Pro Forma* Consolidated Financial Information.

On May 20, 2020, Consus RE AG, together with certain subsidiaries of Consus Real Estate, sold eight development projects ("**Ajos Divestment SPA**" and together with the CG Divestment SPA, the "**Consus Divestment SPAs**") to certain buyers for an undisclosed purchase price, which reflected a premium to the development projects' market values appraised as of December 31, 2019. These divestments are expected to close in the third quarter of 2020.

Both transactions are contractually agreed as disposals of real estate assets only, without the direct transfer of employees or other processes that are necessary for the transfer of an operation. As a result, for both transactions no derecognition of goodwill in accordance with IAS 36.86 is shown as part of the *Pro Forma* Consolidated Balance Sheet

For purposes of the Pro Forma Consolidated Financial Information it is assumed that the Consus Divestment SPAs were completed prior to January 1, 2019.

In order to present the Pro Forma Consolidated Statement of Profit or Loss excluding the effects of the portfolio disposed of, the following adjustments were made:

	CG Divestment SPA	**Ajos Divestment SPA**	**Intercompany and *Pro Forma* Adjustments**
		(in € thousand)	
Revenue	(38,733)	(4,863)	29,004
Cost of operations	37,919	(59,170)	(13,477)
General and administrative expenses	(57,335)	7,786	53,475
Changes in fair value from investment properties	(13,932)	—	—
Finance income	(1,971)	(2,435)	(4,201)
Finance costs	13,925	53,730	2,127
Income tax expense	9,696	3,243	(438)
	(50,431)	**(1,709)**	**66,491**

(10) Elimination of Consus Put-Call-Option

The Company entered into a call/put-option agreement with Aggregate Holdings S.A. ("**Aggregate**"), as amended from time to time, for its 69,619,173 shares in Consus Real Estate (the **"Call/Put-Option Agreement"**), which can be exercised until June 16, 2021. The consideration for one share in Consus Real Estate is, in each case, 0.2390 newly issued shares in the Company, provided that this ratio will be adjusted to any dividends paid and equity raise done by the Company, including this Rights Offering or Consus Real Estate, as relevant.

The Call/Put-Option Agreement is included in other financial assets in ADOP Financials 2019 and measured at fair value in the amount of €92,009 thousand. The resulting change in fair value for the fiscal year ended December 31, 2019 in the amount of €92,009 thousand is included in finance income in ADOP Financials 2019.

For purposes of the *Pro Forma* Financial Statements it is assumed that the Call/Put-Option Agreement was exercised. Therefore, the change in fair value in the amount of €92,009 thousand was eliminated from finance income in the *Pro Forma* Consolidated Statement of Profit or Loss.

Additionally, ADLER Real Estate holds a 2.49% stake in Consus Real Estate which is accounted for at fair value through profit or loss in ADLER Financials 2019. As it is assumed that the transactions took place prior to January 1, 2019, a loss in the amount of €1,364 thousand was eliminated from finance costs in the *Pro Forma* Consolidated Statement of Profit or Loss.

Additional notes:

(11) Finance costs

Financial costs for the period from January 1, 2019 to December 31, 2019:

		(in € thousand)
Finance costs ADO Properties		(32,375)
Finance costs ADLER Real Estate		(122,212)
Finance costs ADO Group		(15,380)
Finance costs Consus Group		(114,833)
Subtotal ***(equals column D in Pro Forma Consolidated Balance Sheet)***		***(284,800)***
Amortization of loans, we also refer to note (2)	(9,024)	
Financing ADOG acquisition, we also refer to note (3)	597	
Excluding GEWOBAG, we also refer to note (5)	4,197	
Amortization of transaction costs related to bridge loan, we also refer to note (6)	(11,047)	
Financing bridge loan, we also refer to note (7)	(18,696)	
Refinancing of ADO Group finance cost, we also refer to note (4)	15,380	
Finance cost relating to disposal of development projects in Consus Real Estate, we also refer to note (9)	69,782	
Excluding finance loss pertaining to the investment in Consus Real Estate, we also refer to note (10)	1,364	
Subtotal		***52,553***
Finance costs in accordance with ***Pro Forma*** **Consolidated Statement of Profit or Loss for the fiscal year ended December 31, 2019**		***(232,247)***

(12) Earnings per share

Earnings per share for the period from January 1, 2019 to December 31, 2019 are calculated as follows:

	(in € thousand, unless stated otherwise)
ADO Properties weighted number of subscribed shares	44,162
Acquisition of ADLER Real Estate, we also refer to note (7) of the notes to the *Pro Forma* Consolidated Financial Information as of and for the three-month period ended March 31, 2020	27,651
Rights Offering, we also refer to note (9) of the notes to the *Pro Forma* Consolidated Financial Information as of and for the three-month period ended March 31, 2020	20,699
Acquisition of Consus, we also refer to note (13) of the notes to the pro forma consolidated financial information as of and for the three-month period ended March 31, 2020	16,639
Pro Forma weighted number of subscribed shares	***109,151***
ADO Properties weighted number of subscribed shares (diluted)	46,888
Acquisition of ADLER Real Estate, we also refer to note (7) of the notes to the *Pro Forma* Consolidated Financial Information as of and for the three-month period ended March 31, 2020	27,651
Rights Offering, we also refer to note (9) of the notes to the *Pro Forma* Consolidated Financial Information as of and for the three-month period ended March 31, 2020	20,699
Acquisition of Consus, we also refer to note (13) of the notes to the pro forma consolidated financial information as of and for the three-month period ended March 31, 2020	16,639
Pro Forma weighted number of subscribed shares (diluted)	***111,877***
ADO Properties consolidated net profit to owners of the Company	601,874
ADLER Real Estate consolidated net profit to owners of the Company	238,338
ADO Group consolidated net profit to owners of the Company	194,438
Consus Real Estate consolidated net profit to owners of the Company	(20,883)
	1,013,677
Pro Forma Adjustments Merger (equals column F1 in Pro Forma Consolidated Statement of Profit or Loss) attributable to owners of the Company	(113,778)
Pro Forma Adjustments Business Combination and Rights Offering (equals column F2 in Pro Forma Consolidated Statement of Profit or Loss) attributable to owners of the Company	(389,658)
Pro Forma Adjustments Acquisition (equals column F3 in Pro Forma Consolidated Statement of Profit or Loss) attributable to owners of the Company	(31,126)
Pro Forma Adjustments	**(534,562)**
	479,115
Pro Forma Basic earnings per share	€ 4.39
Pro Forma Basic earnings per share (diluted)	€ 4.28

10.10 Auditor's report on the Pro Forma Consolidated Financial Information

To the Board of Directors of
ADO Properties S.A.
1B, Heihenhaff
L-2453 Luxembourg

INDEPENDENT AUDITOR'S ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION INCLUDED IN A PROSPECTUS

We have completed our assurance engagement to report on the compilation of pro forma financial information of ADO Properties S.A. (the "**Company**") by the Board of Directors of the Company. The pro forma financial information consists of the pro forma consolidated statement of profit or loss for the period from January 1, 2019 to December 31, 2019, pro forma consolidated statement of profit or loss for the period from January 1, 2020 to March 31, 2020, pro forma consolidated balance sheet as at March 31, 2020 and related pro forma notes as set out in section "10 Pro Forma Consolidated Financial Information of ADO Properties S.A." of the prospectus issued by the Company. The applicable criteria on the basis of which the Board of Directors of the Company has compiled the pro forma financial information are specified in Annex 20 of the Commission Delegated Regulation (EU) 2019/980 and described in the pro forma notes.

The pro forma financial information has been compiled by the Board of Directors of the Company to illustrate the impact of (i) a successful business combination of ADLER Real Estate Aktiengesellschaft ("**ADLER**") and a public offering of €450 million newly issued ordinary shares ("**Rights Offering**"), (ii) a successful merger between ADLER and the ADO Group Ltd. ("**ADO Group**") and (iii) the Acquisition of Consus Real Estate AG ("**Consus Real Estate**") (together, the "**Transactions**"), described in the pro forma notes on the Company's

- financial performance for the year ended December 31, 2019 as if the Transactions had taken place and successfully completed at January 1, 2019
- financial performance for the three-month period ended March 31, 2020 as if the Transactions had taken place and successfully completed at January 1, 2019; and
- consolidated financial position as at March 31, 2020, as if the Transactions had taken place and successfully completed at January 1, 2019.

As part of this process, information about the Company's consolidated financial performance for the year ended December 31, 2019 has been extracted by the Board of Directors of the Company from the Company's, ADLER's, ADO Group's and Consus Real Estate's consolidated financial statements for the year ended December 31, 2019, on which audit reports have been published, and from the Company's, ADLER's, ADO Group's and Consus Real Estate's unaudited interim condensed consolidated financial statements as at and for the three-month period ended March 31, 2020.

Responsibility for the Pro Forma Financial Information

The Board of Directors of the Company is responsible for compiling the pro forma financial information on the basis of the applicable criteria.

Our Independence and Quality Control

We have complied with the independence and other ethical requirement of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, as adopted for Luxembourg by the Commission de Surveillance du Secteur Financier, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies International Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Independent Auditor's Responsibilities

Our responsibility is to express an opinion, as required by item 3 of the Annex 20 of the Commission Delegated Regulation (EU) 2019/980, about whether the pro forma financial information has been compiled, in all material respects, by the Board of Directors of the Company on the basis of the applicable criteria, and whether such basis is consistent with the accounting policies of the Company.

We conducted our engagement in accordance with International Standard on Assurance Engagements ("**ISAE**") 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus,* issued by the International Auditing and Assurance Standards Board. This standard requires that the practitioner comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Board of Directors of the Company has compiled, in all material respects, the pro forma financial information on the basis of the applicable criteria.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included in a prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at January 1, 2019 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been compiled, in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Board of Directors of the Company in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the practitioner's judgment, having regard to the practitioner's understanding of the nature of the company, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

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

Opinion

In our opinion:

- the pro forma financial information has been properly compiled, in all material respect, on the basis of the applicable criteria; and
- such basis is consistent with the accounting policies of the Company.

Restriction on Use

This report is required by item 3 of Annex 20 of the Commission Delegated Regulation (EU) 2019/980 and is given for the purpose of complying with that regulation and for no other purpose.

This report is issued in English. If the prospectus issued by the Company is drawn up in or translated into another language, the accuracy of the translation of this report is the responsibility of the Company. The translation will expressly mention that the report was issued was issued in English language.

Luxembourg, July 2, 2020

KPMG Luxembourg
Société coopérative
Cabinet de révision agrée

Bobbi Jean Breboneria
Associate Partner

11. DESCRIPTION OF THE TRANSACTIONS

On December 15, 2019, the Company announced its intention to make the Tender Offer, which was launched on February 7, 2020 and expired on March 25, 2020. 92.51% of the ADLER shareholders accepted the Tender Offer. On the same date, the Company also entered into the Strategic Cooperation Agreement with Consus Real Estate.

Furthermore, on June 29, 2020, the Company, by way of a resolution of a delegate authorized by the Board of Directors, exercised the call option under the Call/Put-Option Agreement. The settlement of the Consus Real Estate Call Option Exercise occurs in two tranches by transfer of the Company's treasury shares and transfer of newly issued shares in the Company. The Company will transfer to Aggregate 14,692,889 of the Company's treasury shares currently indirectly held by ADLER Real Estate and has transferred newly issued shares created in utilization of the Authorized Capital. The first tranche was settled on July 2, 2020, by issue of 1,946,093 new shares in the Company, and the second tranche is expected to be settled during the subscription period on or around July 6, 2020 by transfer of all of the Company's treasury shares.

Under the Call/Put-Option Agreement, the Company undertakes to, following the Consus Real Estate Call Option Exercise, conduct a voluntary tender offer in the form of an exchange offer to acquire the remaining shares of Consus Real Estate (save for any applicable RETT-Blocker). The consideration for one share in Consus Real Estate will, in each case, be 0.2390 newly issued shares in the Company, provided that this ratio will be adjusted to any dividends paid and equity raises done by the Company, including this Offering, or Consus Real Estate. Accordingly, the Company intends to make the Consus Tender Offer, which shall be based on an exchange ratio corresponding to the applicable ratio of the Consus Real Estate Call Option Exercise, subject to an adjustment for the Offering.

11.1 Business Combination Agreement and Tender Offer

On December 15, 2019, the Company and ADLER Real Estate entered into a business combination agreement (the "**BCA**") to combine the business of ADLER Real Estate and its subsidiaries (together, the "**ADLER Group**") with the business of the ADO Properties Group (together with the ADLER Group, the "**Combined Group**") (the "**Business Combination**"). For more information on the BCA, see "*13.7.1 Business Combination Agreement*".

On the same date, the Company announced its intention to make the Tender Offer, which was launched on February 7, 2020 and expired on March 25, 2020. 92.51% of ADLER Real Estate shareholders accepted the Tender Offer. Settlement of the Tender Offer occurred on and ADLER Real Estate was consolidated into the ADO Properties Group with effect from April 9, 2020.

11.2 Description of the ADLER Group

ADLER Real Estate Aktiengesellschaft (LEI 529900Y6QFNN3D363B76) is a German stock corporation (*Aktiengesellschaft*) incorporated and operating under the laws of the Federal Republic of Germany ("**ADLER Real Estate**") and is registered with the commercial register of the local court in Berlin, Charlottenburg under registration number HRB 180360 B. ADLER Real Estate operates under the commercial name "ADLER Real Estate". It has its business address at Joachimsthaler Straße 34, 10719 Berlin, Federal Republic of Germany (telephone: +49-30-398-018-10; website: www.adler-ag.de). The legal predecessor of ADLER Real Estate was incorporated on July 5, 1895 and is established for an indefinite period of time.

As of the date of this Prospectus, ADLER Real Estate's share capital amounted to €72,374,438.00, divided into 72,374,438 shares with a notional value of ADLER Real Estate's share capital of €1.00 per share, all of which carry the same voting rights. In addition, ADLER Real Estate holds 1,603,232, or 2.22%, of its own shares as treasury shares.

As a result of the completion of the combination of the businesses (the "**Completion**") of ADLER Real Estate with the business of the ADO Properties Group, the Company holds 66,824,783, or 92.51%, of ADLER Real Estate's shares. As a result, the Company owns more than 30% of the voting rights of the Company and is, therefore, considered to hold a controlling interest in ADLER Real Estate pursuant to the WpÜG. In addition, following the Completion, the Company and ADLER Real Estate form a "factual group" (*faktischer Konzern*) as the Company holds more than 50% of the share capital as well as the voting rights in the Company and therefore holds a controlling interest in ADLER Real Estate. In the event that the Company will continue to hold ADLER Real Estate throughout the fiscal year 2020, ADLER Real Estate will be required to prepare a dependency report (*Abhängigkeitsbereicht*) on its relations with the Company in the fiscal year 2020. In the event that the Company's shareholding and its voting rights in ADLER Real Estate will fall below 50%, the Company will only continue to hold a controlling interest in ADLER Real Estate if it has the de facto majority of votes during the Company's shareholders meetings due to the limited presence of free shareholders during such meetings (*beherrschender Einfluss durch faktische Hauptversammlungsmehrheit*).

11.2.1 Business of the ADLER Group

11.2.1.1 Overview of development of business operations

The ADLER Group is a fully-integrated residential property company focusing on long-term sustainable value-creation through the management, optimization and expansion of property portfolios that are largely situated in attractive locations benefitting from strong fundamentals in – or on the outskirts of – large and growing conurbations or in major urban areas in Northern, Eastern and Western Germany.

Until the end of the fiscal year 2017, the ADLER Group's business model comprised two fields of activity – "Rental" (investment properties) and "Trading" (inventory properties). However, at the end of November 2017, the ADLER Group sold most of its shares in its trading division ACCENTRO Real Estate AG, thus ceasing its trading activities. Since then, the ADLER Group concentrates on the holding and management of residential properties, which now represents the ADLER Group's main business operation.

As a result of the acquisition of a stake of approximately 70% in Brack Capital Properties N.V. ("**BCP**"), a company listed on the Tel Aviv Stock Exchange, incorporated under the laws of the Netherlands and which owns a substantial real estate portfolio in Germany, mainly comprising high quality residential assets in "A-locations", whereas the ADLER Group's properties were, up to that point, mainly focused on "B-locations", the ADLER Group further geographically diversified its residential real estate portfolio. Since its consolidation into the ADLER Group as of June 30, 2018, BCP forms part of the ADLER Group's "Rental" business operation.

On September 23, 2019, (i) ADLER Real Estate, (ii) LI Lorgen Ltd., Ramat Gan, Israel, a wholly-owned subsidiary of ADLER Real Estate, which was acquired solely for purposes of the acquisition, and (iii) ADO Group Ltd., Tel Aviv, Israel, a public limited liability company organized under the laws of the State of Israel, whose most substantial asset is its stake in ADO Properties S.A., entered into an agreement and plan of merger by way of reverse-triangular merger (the "**Merger Agreement**"). According to the Merger Agreement, LI Lorgen Ltd. was merged into ADO Group Ltd. as the absorbing entity (the Merger Agreement and the transactions contemplated thereby are referred to as the "**Merger**"). As a consequence of the Merger, LI Lorgen Ltd. ceased to exist and ADO Group Ltd. became a wholly-owned subsidiary of ADLER Real Estate on the terms and subject to the conditions set forth in the Merger Agreement and in accordance with certain provisions of the companies law of the State of Israel. Following the completion of the Merger, which was closed on December 10, 2019, the ADLER Group held 33.25% of the shares and voting rights in the Company. As of the date of this Prospectus, following the Business Combination, ADO Group Ltd., through ADLER Real Estate, holds 19.86% of the shares and voting rights in the Company.

As of the date of this Prospectus, "Rental" generally includes all of the ADLER Group's properties, excluding development projects, through the letting of which the ADLER Group aims to generate long-term gross rental income. Besides the portfolio of residential units, "Rental" also includes a small number of commercial units, which consist entirely of shops and offices of the kind that can often be found in city-center residential properties. Additionally, this includes the expenses for craftsmen and caretaker services which are provided by the ADLER Group's internal facility management.

The remainder of a portfolio of commercial assets of BCP and developments as well as certain other limited operations in residential real estate development business which are intended to be sold to third parties are not part of the rental portfolio. These activities do not constitute a standalone segment reporting and are pooled as "Other".

11.2.1.2 Business Model

Internal property management includes re-letting apartments as well as reducing existing vacancies by entering into new leases. In addition, the potential for rent increases in the portfolio is assessed on an ongoing basis and implemented where appropriate. Leasing and management comprises active rental and receivable management as well as collecting outstanding receivables. To this end, ADLER Wohnen Service GmbH has developed a regional structure which allows for the management of all group properties.

The ADLER Group is taking a similar approach in relation to its facility management, i.e. for craftsmen and caretaker services. The majority of these activities have been integrated into the ADLER Group. To this end, ADLER Gebäude Service GmbH has developed a regional structure very similar to its property management counterpart. Since 2018, ADLER Energie Service GmbH has been set up to manage the energy related activities in the ADLER Group. This includes distribution of heat and energy as well as responsibility for all centralized heating systems within the ADLER Group.

As part of its portfolio optimization, the ADLER Group continually analyzes the opportunities for realizing potential for appreciation and rent increases by modernizing and renovating its portfolio properties. The modernization measures include all measures to improve the fixtures and fittings of the residential units, such as insulation work and the upgrading of outdated fixtures and fittings of the apartments. Renovation activities include all activities intended to fundamentally improve the building stock. In preparation for all modernization and larger renovation activities, the ADLER Group performs cost-benefit analyzes to determine whether the required investments can be recovered with a profit from the realizable appreciation. For modernization and renovation work, the ADLER Group exclusively commissions third-party contractors who provide high-quality services and offer a favorable price-performance ratio. Similarly, the ADLER Group analyzes all potentially developable parts in the portfolio, such as options to build on gaps between buildings, convert attics, expand residential units by adding balconies or terraces, or use unutilized plots on existing properties of the residential complexes for building additional residential units. During implementation, the ADLER Group limits its activities to coordinating and managing the construction work and modernization and renovation measures. In addition, the ADLER Group continuously monitors the operating costs of the portfolios so it can counteract potential increases in service charges. Although most of the service charges are passed on to the tenants, sharp increases in service charges could lead to a reduction in the scope for rent increases, because the tenants may in some circumstances not be able to absorb an increase in total costs.

Properties of high quality in attractive locations form the core portfolio and generally generate stable cash flows. Properties of lower quality as well as properties in less attractive locations are classified as non-core and are thus earmarked for sale. The ADLER Group regularly reviews its holdings within its portfolio management activities to identify such non-core properties. This initially involves evaluating individual properties in terms of their inherent qualities, i.e. determining the volume of maintenance and renovation expenses required to ensure a quality consistent with market standards. The second assessment criterion adopted involves external market and location factors. The most significant external factors determining the positioning of the assets and capital allocation are socio-demographic trends, expected changes in demand and infrastructure measures of all kinds. It also includes political decisions, such as restrictions on contractual rental prices, the tax treatment of property or measures to promote new construction. Depending on the outcome of the portfolio analysis, regular discussions are held with regional managers to ensure operational strategy is implemented, e.g. increasing marketing activities for properties that are of good quality, but are located in less favorable areas.

On average, assets held for sale in the non-core portfolio have significantly lower occupancy rates, generate lower rental income and, accordingly, have lower market values per sqm. The sale of non-core assets decreases administrative costs, in particular if the properties concerned are outside of ADLER Group's core regions, and allows the ADLER Group to achieve profits and generate cash that can be used for additional development and modernization projects and to acquire new properties with greater income or development opportunities. The current market environment, with strong demand for real estate of all sizes, is favorable for the ADLER Group in pursuing its ongoing selective capital recycling. ADLER Group's asset management department deals with non-core properties in ways appropriate to each case, such as increased marketing activities when the property is of good quality but its location factors are less favorable, or by investing in the property when the location factors are good, but the property itself is not.

In order to maximize long-term profitability, the ADLER Group aims at complementing its existing Rental business with opportunistic acquisitions of single residential properties, residential property portfolios or real estate holding companies. For this purpose, the ADLER Group relies on its network of contacts with potential sellers and sales organizations and initially assesses the location of the real estate, its state of development and traffic connections, as well as its integration into regions with steady or rising population numbers. The ADLER Group also observes the regional real estate markets and analyzes the opportunities to further expand its residential property portfolio by acquiring additional single properties or property portfolios. In any of these situations, the ADLER Group assesses the appreciation potential of the properties to implement the acquisition on a financially sustainable basis.

11.2.2 Portfolio of the ADLER Group

11.2.2.1 Portfolio overview

The following table provides a breakdown of rental units by core and non-core units for residential and commercial units held by the ADLER Group (excluding the ADO Properties Group) in the Rental segment for the periods presented (in each case as of the end of period):

	As of March 31,		As of December 31,		
	2020	**2019**	**2019**	**2018**	**2017**
	(unaudited)			(unaudited)	
Residential units	**57,253**	**57,283**	**57,146**	**60,854**	**49,256**
thereof core residential units(1)	57,252	57,202	57,145	57,226	45,440
thereof non-core residential units(2)	1	81	1	3,628	3,816
Commercial units	**950**	**940**	**950**	**1,156**	**1,049**
thereof core commercial units(1)	938	903	938	887	739
thereof non-core commercial units(2)	12	37	12	269	310
Total rental units	**58,203**	**58,223**	**58,096**	**62,010**	**50,305**

(1) High-quality properties in attractive locations form the core portfolio ("core" portfolio).

(2) Properties of lower quality and those in less attractive locations are classified as real estate, which are not part of the core portfolio ("non-core" properties) and are therefore earmarked for sale.

11.2.2.2 Residential portfolio

11.2.2.2.1 Overview

The ADLER Group's business activities focus on Germany, where the ADLER Group holds most of its properties in the Northern, Eastern and Western parts of the country. This remained essentially unchanged during the three-month period ended March 31, 2020 and the fiscal years ended December 31, 2017 and 2018, however, following the acquisition of BCP there has been some shift in the state-specific focus areas. As a result of the completion of the merger with ADO Group Ltd. completed on December 10, 2019, ADLER Group's property portfolio comprised approximately 75,800 rental units as of March 31, 2020. As of March 31, 2020, the regional focus of the ADLER Group's property core portfolio (excluding the ADO Properties Group) is on Lower Saxony (18,304 rental units, corresponding to 31% of the core portfolio), North Rhine-Westphalia (13,924 rental units, corresponding to 24%) and Saxony (9,669 rental units, corresponding to 17%) while in other states in the Northern, Eastern and Western parts of Germany the number of units per state was between 11 and 3,877 and 843 units were held in the states in the Southern part of Germany all together.

With the acquisition of BCP in 2018, the ADLER Group has acquired, according to its own assessment, assets in attractive locations, partly in inner cities ("**A-locations**") such as Leipzig, Dortmund and Hanover with approximately 12,000 residential units. Nevertheless, its portfolio still predominantly consists of properties located on the outskirts of larger conurbations. This is particularly apparent in North Rhine-Westphalia, where virtually all of ADLER Group's properties (excluding the ADO Properties Group) are located in the Ruhr area, which remains Germany's largest industrial region. In Lower Saxony, the property holdings are mainly located in Hanover, the Wolfsburg/Braunschweig/Helmstedt region, a traditionally strong region in economic terms, the Bremen catchment area and in Wilhelmshaven, a city which is benefiting from the deep-water port and the location of the German Navy's largest base on the North Sea. In Saxony and Saxony-Anhalt, the properties are predominantly located in the catchment areas of Halle, Leipzig, Chemnitz and Dresden – regions that after the German reunification initially lost their industry and part of their population however are now benefiting from growth in population once again as a consequence of the significant infrastructure investments carried out in these areas over the last 20 years.

In the view of the ADLER Group, property holdings on the edges of conurbations are typically characterized by higher vacancy rates, but also generate higher rental yields than properties in central or "Alocations". Peripheral locations benefit to a great extent from counter-urbanization. Rent increases in the tight rental markets in the city centers translate into a lower availability of affordable apartments. Due to price sensitive demand this leads to households moving out of the "A-locations" into surrounding areas. However, in order to achieve a stable portfolio mix, the ADLER Group also aims at having a certain portion of "A-locations" in its rental portfolio.

As of March 31, 2020, 13 units were held as non-core properties (excluding the ADO Properties Group).

11.2.2.2.2 Top 20 locations (core portfolio)

Below is an overview of the Top 20 locations (by number of units) of the ADLER Group's core residential portfolio (excluding the ADO Properties Group) as of March 31, 2020:

Location	Units	Lettable area (000 sqm)	NRI €/million	NRI €/sqm/ month	YoY NRI Δ €/sqm/ month	Vacancy rate	YoY vacancy Δ [1]
				(unaudited)			
Wilhelmshaven	6,894	406.6	23.6	5.16	0.9%	6.3%	(20.7)%
Duisburg	4,925	305.0	19.8	5.56	1.0%	2.7%	(34.8)%
Leipzig	4,750	254.8	17.4	5.96	3.9%	4.6%	(24.6)%
Cottbus	1,868	110.0	5.9	4.80	1.3%	6.3%	(14.2)%
Halle (Saale)	1,858	105.9	5.6	4.95	2.9%	11.4%	(11.3)%
Dortmund	1,770	102.3	7.0	5.92	2.9%	3.3%	1.5%
Berlin	1,699	111.7	7.7	5.97	2.0%	3.3%	8.5%
Goettingen	1,377	85.2	6.2	6.14	3.2%	1.8%	(60.1)%
Wolfsburg	1,301	87.6	6.6	6.37	3.0%	1.5%	(68.3)%
Helmstedt	1,219	70.7	4.4	5.26	1.0%	2.2%	(20.1)%
Hanover	1,113	63.3	5.4	7.28	3.5%	2.3%	(28.7)%
Essen	1,043	66.3	4.4	5.82	1.8%	4.0%	19.5%
Kiel	970	66.8	5.4	6.83	2.2%	1.3%	143.9%
Borna	900	50.1	2.1	4.71	1.0%	27.0%	27.4%
Bremen	873	53.6	4.0	6.40	2.6%	2.8%	(26.2)%
Schoeningen	846	50.2	2.6	5.06	(0.3)%	14.6%	(8.3)%
Chemnitz	835	52.5	2.3	4.82	4.5%	16.5%	56.9%
Oberhausen	819	62.6	3.7	5.14	1.9%	4.9%	15.1%
Schwerin	816	48.0	2.7	4.89	1.6%	4.1%	(26.4)%
Norden	795	50.2	3.3	5.52	3.4%	2.1%	(44.7)%
Top 20 total	**36,671**	**2,203.5**	**140.0**	**5.61**	**2.1%**	**5.4%**	**(13.7)%**
Other locations	21,519	1,351.6	84.5	5.68	2.2%	7.6%	5.7%
Total[2]	**58,190**	**3,555.1**	**224.5**	**5.63**	**2.3%**	**6.2%**	**(5.7)%**

(1) Percentages are rounded according to recognized commercial standards.

(2) Residential portfolio including commercial units on the ground floor level.

The focus on metropolitan regions outlined above also infers that the properties in ADLER Group's (excluding the ADO Properties Group) 20 most important towns and cities account for approximately 63% of ADLER Group's total portfolio (excluding developments and the ADO Properties Group) in terms of units.

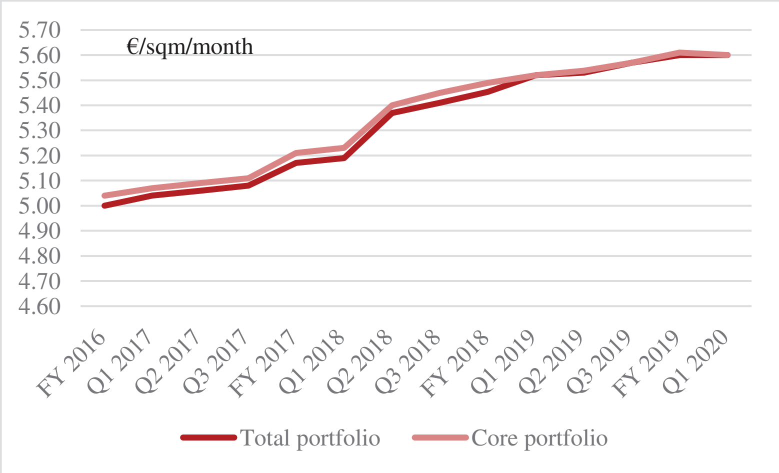
11.2.2.2.3 Average size of apartments

The ADLER Group's portfolio (excluding the ADO Properties Group) is largely composed of small to medium-sized residential units. Since 2016, the average size of its apartments was stable at approximately 60 sqm and are thus well aligned, according to its own assessment, to address the needs of the ADLER Group's target group, namely tenants with low to medium incomes. Its properties satisfy the trend, observed for some time now, towards an ongoing increase in the number of single-person households in Germany. Moreover, the risk of tenants with low incomes defaulting on their rent payments is in the view of the ADLER Group reduced as they can obtain support from social security providers if they are unable to settle their obligations from their own income. Furthermore, this category of affordable living space is also in the sights of municipal and local councils on the lookout for attractive locations for students.

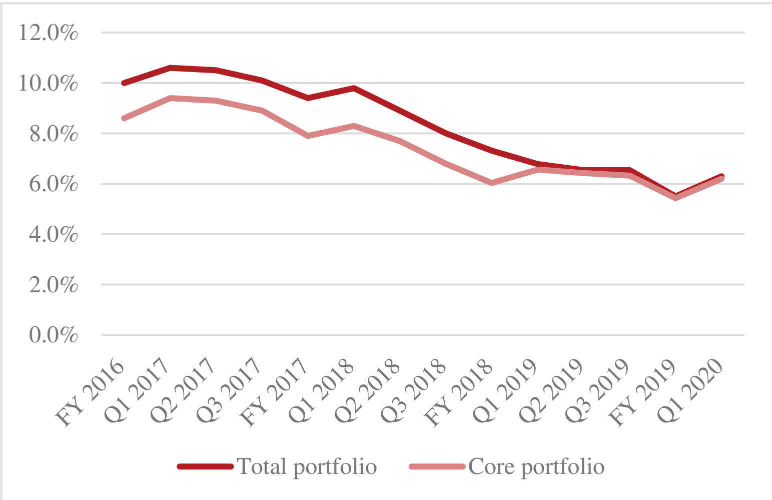
As of March 31, 2020, excluding the ADO Properties Group, 15% of the residential portfolio consists of apartments with a size of less than 45 sqm, 34% with a size from 45 sqm to less than 60 sqm, 35% with a size from 60 sqm to less than 75 sqm, 13% with a size from 75 sqm to less than 90 sqm and 4% with a size of 90 sqm and above.

11.2.2.2.4 Average rent and vacancy rate

As of March 31, 2020, the average rent per sqm per month for the overall portfolio of the ADLER Group (excluding the ADO Properties Group) amounted to €5.63 (core portfolio: €5.63) (as of December 31, 2019: €5.60; as of December 31, 2018: €5.45; as of December 31, 2017: €5.17).



The vacancy rate for the overall rental portfolio (incl. non-core properties) (excluding the ADO Properties Group) reached 6.3% as of March 31, 2020 (core-portfolio: 6.2%) (as of December 31, 2019: 5.5%; as of December 31, 2018: 7.3%; as of December 31, 2017: 9.4%). Part of this decrease is also due to the acquisition of BCP. The ADLER Group as a standalone (excluding BCP and the ADO Properties Group) had a vacancy rate of 6.6% as of March 31, 2020. BCP's vacancy rate was 4.9% as of the same date.



11.2.2.2.5 Fair value of residential portfolio

The fair value of the total portfolio (investment properties and inventories without developments) (excluding the ADO Properties Group) calculated in accordance with IFRS amounted to €4,727.6 million as of March 31, 2020 (as of December 31, 2019: €4,721.9 million; as of December 31, 2018: €4,470.9 million; as of December 31, 2017: €3,018.5 million (without inventories, but with developments)). The increase in the fiscal year ended December 31, 2018 is mainly due to the acquisition of BCP and to the fair value adjustments of the ADLER Group's existing property portfolio.

The following table sets forth the fair value of the ADLER Group's (excluding the ADO Properties Group) residential core portfolio as of March 31, 2020:

Location	Fair Value (in € million)	Fair value (in €/sqm) (unaudited)	Rental yield (in %)
Wilhelmshaven	394.5	970	6.0
Duisburg	335.2	1,099	5.9
Leipzig	395.4	1,552	4.4
Cottbus	85.5	777	6.9
Halle (Saale)	91.7	866	6.1
Dortmund	115.5	1,129	6.1
Berlin	265.3	2,374	2.9
Goettingen	133.1	1,561	4.6
Wolfsburg	136.8	1,562	4.8
Helmstedt	65.8	930	6.6
Hanover	121.1	1,914	4.5
Essen	86.0	1,297	5.2
Kiel	103.4	1,548	5.2
Borna	36.8	735	5.6
Bremen	72.6	1,354	5.5
Schoeningen	43.8	817	6.4
Chemnitz	40.5	772	5.7
Oberhausen	55.6	887	6.6
Schwerin	44.0	917	6.1
Norden	52.4	1,043	6.2
Top 20 total	**2,671.6**	**1,212**	**5.2**
Other locations	1,467.6	1,086	5.8
Total	**4,139.2**	**1,164**	**5.4**

11.2.2.3 Commercial portfolio

The ADLER Group does not pursue a strategy of holding commercial properties. However, to a minor degree, residential properties also include commercial units typically comprising shops and offices of the kind that can often be found in city-center residential properties. As of March 31, 2020, these core commercial units amounted to 938 which accounted for 1.6% of the properties (excluding the ADO Properties Group) held for permanent letting (as of December 31, 2019: 938 units which accounted for 1.6% of the properties held for permanent letting; as of December 31, 2018: 887 units which accounted for 1.5% of the properties held for permanent letting; as of December 31, 2017: 739 units which accounted for 1.5% of the properties held for permanent letting).

The remaining commercial assets of BCP with a lettable area of approximately 107,900 sqm are intended to be sold to third parties and are thus not intended to be transferred to the rental portfolio.

11.2.2.4 Property Development

The ADLER Group holds a number of land plots and properties under current assets which are at different stages of planning or completion. Part of these properties essentially stem from the time prior to the reorganization of ADLER Real Estate as a residential real estate company in 2012. In addition, BCP, in which the ADLER Group acquired a majority interest in April 2018, has its own development department that currently works on five property developments in Düsseldorf and Aachen.

In addition, since the end of 2018, the ADLER Group has been investing in development projects for its own portfolio, with a view to growth through selective development projects in "A-locations" at attractive yields such as adding floors to existing residential properties in Goettingen and Wolfsburg, and in the construction of new facilities, such as project "Riverside" in Berlin. Apartments at the latter's location are ready for occupancy and letting activities have started during summer 2019. The acquisition of three neighboring plots of land on the outskirts of Berlin near Schönefeld Airport is the basis for another residential project with space for more than 2,180 apartments. Planning for the development of the property in Dresden Trachau is expected to commence as soon as the development plan has been approved.

The ADLER Group's development activities are aimed at the development of plots of land until a building permit is granted or the development of new multi-family houses in order to then either profitably dispose of the properties or to transfer them into its own property portfolio. The ADLER Group supports and encourages impending or ongoing official administrative procedures for the preparation of land use and development plans, for example through the public participation process scheduled as part of the preparation of zoning plans. Where appropriate, the ADLER Group ensures that land is developed as required. If the ADLER Group plans to construct the buildings, the ADLER Group first obtains the necessary building permits and ensures that the applicable requirements under building law, such as setbacks and access ways, are met during the design and subsequent construction of the buildings. In addition, ADLER Group monitors each stage of the execution of the construction work to ensure turn-key buildings are completed on schedule. With regard to new constructions, the ADLER Group can meet all requirements relating to energy efficiency and reducing CO2 emissions which can be achieved in existing buildings often only with difficulty or at higher costs.

The sales activities for land and properties ready for sale are likewise coordinated by the ADLER Group. For presentation purposes, marketing documents are prepared and reworked and, if appropriate, made available online. The ADLER Group receives support from professional marketing organizations, brokers, and other intermediaries.

The portfolio of development projects currently under construction comprises the following properties as of March 31, 2020:

Project	Location	Date of begin of construction	Expected date of completion	Expected total construction costs	Units	GDV [1]
				(in € million)		(in € million)
Riverside (Wasserstadt)	Berlin	Q4 2017	Q4 2019 to Q4 2024[2]	205.7	730	449.9
Grafental I	Düsseldorf	Q3 2018	Q3 2024	116.1	494	183.4
Grafental II	Düsseldorf	Q3 2013	Q2 2021	143.5	414	257.7

(1) Gross development value ("**GDV**") is a metric which indicates the capital and rental value of a property or development project after completion of all development works.

(2) The residential buildings were finished at the end of 2019. Two commercial areas (Kornversuchsspeicher and Total petrol station) are still ongoing until the end of 2021 and the end of 2024, respectively. Both commercial developments are included in the figures.

The portfolio of undeveloped land for sale or development comprises the following properties as of March 31, 2020:

Project	Location	Lettable area	Expected construction costs (excl. land)	Status
		(in sqm)	(in €/sqm)	
Grafenberg	Düsseldorf	13,600	5,540	Land development plan in proposal
Potsdam	Potsdam	6,800	1,560	Land development plan in proposal
Schönefeld	Schönefeld	235,700	3,140	Land development plan in proposal
Späthstraße	Berlin	19,000	2,170	Land development plan in proposal
Trachau	Dresden	36,800	2,600	Land development plan in proposal

11.2.3 Governmental, Legal, Arbitration or Similar Proceedings of the ADLER Group

During the ordinary course of the ADLER Group's business activities, the ADLER Group is 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 ADLER Group's business.

As of the date of this Prospectus and other than the proceedings described under this section "*11.2.3 Governmental, Legal, Arbitration or Similar Proceedings of the ADLER Group*", there are no and have not been within the last 12 months governmental, legal or arbitration proceedings (including pending or threatened proceedings) that could have a material adverse effect on the business of the ADLER Group.

11.2.3.1 Proceedings related to ADLER Real Estate's capacity as an indirect shareholder of conwert Immobilien Invest SE

In connection with ADLER Real Estate's acquisition of MountainPeak Trading Limited, Nicosia/Cyprus ("**MountainPeak**") (which held approximately 23% of the voting rights in conwert Immobilien Invest SE ("**conwert**") at the time) in August 2015, the Austrian Takeover Commission (*Übernahmekommission*), in a ruling dated November 30, 2016 and upheld by a binding ruling of the Austrian Supreme Court (*Oberster Gerichtshof*) dated March 1, 2017 and communicated to ADLER Real Estate on April 10, 2017, held that ADLER Real Estate, together with MountainPeak and certain other parties, all of whom acted in concert with respect to conwert, acquired a controlling stake in conwert on September 29, 2015 (the "**Conwert Acquisition**") and, ultimately, wrongly failed to make a mandatory takeover offer to the remaining shareholders of conwert at that time.

ADLER Real Estate is exposed to potential restitution proceedings in which shareholders and holders of convertible bonds issued by conwert may seek damages from ADLER Real Estate (among others), asserting that these shareholders sold shares or convertible notes at a price that was lower than the minimum offer price that the involved parties would have been obliged to pay to shareholders of conwert in the context of the wrongfully omitted takeover offer.

Nine damage claims of former shareholders of conwert with a cumulative dispute amount of approximately €7.7 million are pending at the Vienna Commercial Court (*Handelsgericht Wien*) in connection with the Conwert Acquisition as of the date of this Prospectus. In the first proceeding related to the aforementioned damage claim and following a ruling by the Vienna Commercial Court (*Handelsgericht Wien*) on April 18, 2019, the claim was ultimately dismissed by the Higher Regional Court Vienna (*Oberlandesgericht Wien*) in a ruling dated November 25, 2019. As a part of the Conwert Acquisition, ADLER Real Estate issued mandatory convertible notes in an amount of €175 million at a conversion price of €16.50 per share, which was significantly above the market price of the ADLER Real Estate shares at that time. Depending on the valuation method applied, the purchase price for one conwert share at the time varied between approximately €13.50 and more than €15.00. The financial impact of any restitution claims and proceedings, including the aforementioned nine damage claims, is largely dependent on the share price that the Austrian Takeover Commission (*Übernahmekommission*) determines to be the minimum price that would have had to be paid under a mandatory takeover offer to shareholders of conwert. Due to a lack of factual basis as of the date of this Prospectus, ADLER Real Estate believes that, as of the same date, it is not in a position to give a sufficiently reliable estimate of the potential financial impact but assumes that such assertions could result in restitution claims exceeding a total of €10 million. The limitation period for the assertion of any additional claims expires mid-June 2020.

In addition, ADLER Real Estate was and, as of the date of this Prospectus, is involved in certain administrative penal proceedings in relation to the Conwert Acquisition, none of which, however, it believes could have a material adverse effect on its business. ADLER Real Estate has not recorded any provisions in relation to the Conwert Acquisition.

11.2.3.2 Proceeding related to ADLER Real Estate's acquisition of a stake in BCP

In connection with ADLER Real Estate's acquisition of a 69.81% stake in BCP in April 2018, a petition to certify a class action law suit was filed with the Tel Aviv District Court by a minority shareholder of BCP against, among others, ADLER Real Estate. BCP's petitioning minority shareholder (who holds one share in BCP) asserts that certain of ADLER Real Estate's agreements to purchase BCP shares, including by way of a put option agreement, violated applicable tender offer rules. The petitioner requests that the BCP shares acquired by ADLER Real Estate shall be declared dormant and, further, that the relevant class of shareholders shall be awarded certain monetary compensation and reimbursements (in an amount of approximately NIS 78 million to NIS 116 million). As of the date of this Prospectus, no further shareholders of BCP have filed similar actions. As of the same date, ADLER Real Estate is of the view that it has good arguments to support the dismissal of the certification of the petition as a class action and does not intend to record provisions in relation thereto.

11.2.4 Material Agreements of the ADLER Group

The following section provides an overview of material agreements to which the ADLER Group is a party.

11.2.4.1 Business Combination Agreement

For a description of the Business Combination Agreement, see "*11.1 Business Combination Agreement*".

11.2.4.2 Purchase Agreements

11.2.4.2.1 Acquisition of the Compass Portfolio

On September 11, 2017, the ADLER Group acquired a portfolio of approximately 2,500 rental units primarily in northern and western Germany (the "**Compass Portfolio**"). The acquisition of the Compass Portfolio was structured as a share transaction in which ADLER Real Estate acquired the shares of two Luxembourg limited liability companies. The total consideration paid for the Compass Portfolio amounted to €131 million.

11.2.4.2.2 Acquisition of Project Riverside

On November 13, 2017, the ADLER Group acquired eight properties for the development and construction of approximately 750 residential units with approximately 44,000 sqm of residential area and approximately 14,000 sqm of office and retail space ("**Project Riverside**"). The acquisition of Project Riverside was structured as a share transaction in which the ADLER Group acquired 94.9% of the shares in eight German limited liability companies owning the eight properties (the "**Riverside Companies**") and included the purchase of shareholder loans. The total preliminary purchase price amounted to €117.6 million. The Riverside Companies hold building permissions or permission exemptions for six out of eight construction sites. One construction site contains an existing building under monumental protection which shall be refurbished and developed by the end of 2021, prospectively to contain commercial units. The eighth construction site, which currently contains a gas station, will be developed at a later stage. The Riverside Companies are party to a loan facility entered into on December 13, 2019, with DZ Hyp AG in an amount of €215.0 million for the purpose of financing the development project, secured by registered land charges over the Project Riverside properties. As of March 31, 2020, €18.5 million of the total purchase price payable for the Riverside Companies was outstanding.

11.2.4.2.3 Acquisition of a 69.81% stake in Brack Capital Properties N.V.

On April 2, 2018, ADLER Real Estate acquired 3,172,910 ordinary shares in BCP under a share purchase agreement entered into on February 16, 2018 (as amended) with Redzone Empire Holding Limited and, following a special tender offer in Israel, acquired an additional 1,994,278 ordinary shares in BCP. In addition, on the basis of tender commitment agreements with the senior management team of BCP, ADLER Real Estate acquired an additional 230,082 ordinary shares in BCP. As a result, ADLER Real Estate acquired a 69.81% stake in BCP for a total consideration of approximately €555 million.

11.2.4.2.4 Apollo Joint Venture Transactions

On December 21 and December 22, 2018, a subsidiary of the ADLER Group entered into a joint venture agreement (as amended) to facilitate joint ownership of AB IMMOBILIEN B.V. (the "**Apollo JV**"). ADLER Real Estate remains responsible for asset, property and facility management until the properties owned by the Apollo JV are sold to third parties. The Apollo JV runs for an indefinite term but may, following an initial period of ten years after the signing date, be terminated by either party with a notice period of three months.

Also on December 21 and December 22, 2018, companies within the ADLER Group and WESTGRUND Aktiengesellschaft (as sellers) entered into property sale and transfer agreements (which were amended from time to time) with the Apollo JV regarding real estate properties consisting of 2,300 residential and retail units, 535 parking spots and 59 other units located across Germany. The total consideration payable under the agreements amounted to €117.7 million and is subject to adjustments. The agreement was amended by notarial deeds on February 4, 2019 and on March 13, 2019.

As of March 31, 2020, ADLER recognized receivables from the Apollo JV in an amount of €45.5 million.

11.2.4.2.5 Acquisition of the Airportpark Schönefeld Nord

On May 6, 2019, subsidiaries within the ADLER Group acquired several undeveloped properties in Berlin-Schönefeld with a total property area of 190,000 sqm. The transaction was structured as a property purchase. The total consideration payable for the properties amounts to €103.5 million, payable in three installments and subject to certain conditions precedent. As of March 31, 2020, ADLER Real Estate had outstanding payment obligations in relation to these properties in an amount of €25.2 million, the last installment of which is due on December 31, 2020.

11.2.4.2.6 Joint Venture Acquisition

On June 26, 2019, companies within the ADLER Group entered into five share purchase agreements to acquire the sellers' respective co-investment holdings in seven joint venture companies. As a result of the acquisition, a fully consolidated subsidiary of ADLER Real Estate holds 10.1% of the shares in each joint venture company and the remainder of the shares is held by BCP or BGP. The total consideration paid for the co-investment holdings amounted to €90.9 million.

11.2.4.3 Sale Agreements

11.2.4.3.1 Sale of shares in ACCENTRO

On October 20, 2017, ADLER Real Estate (as seller) and Brookline Capital Limited Partnership ("**Brookline**"), incorporated under the laws of Guernsey (as buyer) entered into a share purchase agreement regarding 19,915,333 shares then held by ADLER Real Estate in ACCENTRO Real Estate AG ("**ACCENTRO**"), representing approximately 80% of the total share capital of ACCENTRO outstanding at that time, and convertible notes issued by ACCENTRO relating to a further 4,743,359 convertible notes with underlying ACCENTRO shares which were exercised for 5,013,730 shares but, at that time, not yet issued (the "**ACCENTRO SPA**"). The total purchase price under the ACCENTRO SPA amounted to €146.0 million. Under certain novation and amendment agreements, the payment obligation for outstanding amounts of the purchase price (including interest thereon and minus certain accelerated payments and dividend distributions), has been deferred four times. As of March 31, 2020, €135.3 million was paid to ADLER Real Estate and the outstanding amount (€57.0 million including interest as of March 31, 2020) is due for payment by Brookline until June 30, 2020.

11.2.4.3.2 Sale to the Caesar Joint Venture

On December 17, 2018, ADLER Real Estate entered into an agreement for the sale of around 1,400 rental units to Caesar Immobilienbesitz und Verwaltungs GmbH, Berlin ("**Caesar JV**"), a joint venture in which ADLER Real Estate holds a 25% interest. ADLER Real Estate continues to assume asset management functions for the sold units. The receivables outstanding from the sale to the Caesar JV are deferred and payable by December 1, 2022. A partial payment of €16.0 million must be made by December 1, 2020 at the latest. As of March 31, 2020, ADLER Real Estate recognized receivables (including interest claims) from the Caesar JV in an amount of €42.7 million.

11.2.4.3.3 Sale of BCP's retail portfolio

On March 22, 2019, BCP entered into a sale and purchase agreement with a private equity firm to sell three retail assets located throughout Germany for a purchase price of €180.6 million, representing approximately 37% of BCP's total retail portfolio (by sqm) at the time. BCP will retain a minority stake of 10.1% in the sold property holding companies as part of the share deal.

On June 28, 2019, subsidiaries of BCP sold eleven commercial properties located throughout Germany for a total purchase price of €128.6 million to an investor, representing approximately 26% of BCP's total retail portfolio (by sqm) at the time. As of March 31, 2020, the sale of these eleven commercial properties was not yet fully closed, as a result of which ADLER Real Estate recognized receivables thereunder in an amount of €50.0 million.

11.2.4.3.4 Sale regarding the Glasmacherviertel

On September 22, 2019, Brack Capital Germany (Netherlands) XLVIII B.V. entered into a sale and purchase agreement, as amended on December 26, 2019, pursuant to which sold its 75 percent interest in Glasmacherviertel GmbH & Co. KG, Gerresheim, Düsseldorf, with effect from June 1, 2019 for a total purchase price of €213.8 million, payable in four installments. As of March 31, 2020, the transaction is not yet fully closed, as a result of which ADLER Real Estate recognized receivables thereunder in an amount of €131.2 million and a shareholder loan in an amount of €59.3 million.

11.2.4.4 Material Financing Agreements of the ADLER Group

The ADLER Group entered into the following financing agreements as of the date of this Prospectus:

11.2.4.4.1 2021 Convertible Bonds

In July 2016, ADLER Real Estate, based on an authorization of the general meeting of ADLER Real Estate, issued up to 10,000,000 convertible bonds due July 19, 2021 (the "**2021 Convertible Bonds**") with currently still 8,300,031 outstanding (as of the date of this Prospectus). The 2021 Convertible Bonds bear interest at a rate of 2.50% per annum, payable in arrears on January 19 and July 19 of each year. The current conversion price of the 2021 Convertible Bonds has been set at €12.5039 for each convertible bond, subject to the conversion mechanisms described in more detail in the terms and conditions of the 2021 Convertible Bonds (see below).

The terms and conditions of the 2021 Convertible Bonds provide that every holder of the 2021 Convertible Bonds may, until the effective date, (i) partially or in whole terminate the 2021 Convertible Bonds held, whereby ADLER Real Estate is obliged to repay these 2021 Convertible Bonds in their principle amount plus any interest accrued until the effective date, or (ii) convert the 2021 Convertible Bonds held on the basis of a conversion price amended against that background, if (a) a third person or a group of third persons acting in concert within the meaning of Section 2 para. 5 of the German Securities Acquisition and Takeover Act (*Wertpapiererwerbs- und Übernahmegesetz*) has become the legal or beneficial owner of more than 50% of the voting rights in ADLER Real Estate, or (b) in the event of a public tender offer for shares in ADLER Real Estate, circumstances where the shares already in the control of the bidder and the shares which have already been tendered carry in aggregate more than 50% of the voting rights in ADLER Real Estate, or (c) in case of the disposition or transfer of all or substantially all of ADLER Real Estate's assets ((a) and (b) each an "**ADLER Change of Control relating to a public tender offer**", and (a), (b) and (c) together, each an "**ADLER Change of Control**") and when ADLER Real Estate gives notice thereof and of the relevant effective date to the holders of the 2021 Convertible Bonds. An ADLER Change of Control relating to a public tender offer occurred when 50% of ADLER Real Estate's shareholders unconditionally accepted the Tender Offer. For the avoidance of doubt, under the terms and conditions of the 2021 Convertible Bonds, regardless of the fact that an ADLER Change of Control relating to a public tender offer occurred, holders of the 2021 Convertible Bonds do not have the right to convert their holdings in the 2021 Convertible Bonds into shares of the Company.

Upon occurrence of an ADLER Change of Control and publication by way of notice thereof and of the effective date by ADLER Real Estate, the conversion price of the 2021 Convertible Bonds will be adjusted as further described in the terms and conditions of the 2021 Convertible Bonds and such adjusted conversion price will apply for conversions up to the relevant effective date.

The 2021 Convertible Bonds are subject to the following events of default:

- failure to deliver shares or to pay any amounts due and payable on the 2021 Convertible Bonds within 10 calendar days after the relevant due date;
- failure to perform any other material obligation under the 2021 Convertible Bonds and such failure continuing for 30 days after having received notice from a bondholder or the paying agent;
- cross-default in relation to any financial indebtedness of ADLER Real Estate or its material subsidiaries exceeding an amount of €15 million due to a financial liability or on the basis of a surety or guarantee;
- ADLER Real Estate or one of its material subsidiaries announcing its inability to pay its debts as they become due;
- ADLER Real Estate's or a material subsidiary's assets being subjected to insolvency proceedings, applying for or instituting such proceedings or offering or making an arrangement for the benefit of its creditors generally, or a third party applying for insolvency proceedings against ADLER Real Estate or a material subsidiary and such proceedings not discharged or stayed within 30 days;
- ADLER Real Estate ceasing its business operations in whole or selling or transferring its assets in whole or a material part thereof to a third party;
- ADLER Real Estate or a material subsidiary being wound-up, unless effected in connection with a merger;
- ADLER Real Estate applying for a revocation of the admission of its shares to the regulated market segment (*Regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) or the

2021 Convertible Bonds no longer being admitted to or included in trading at a German securities exchange; or

- the legal inability to issue shares.

11.2.4.4.2 New York law-governed Notes

On December 6, 2017, ADLER Real Estate issued €800,000,000 senior unsecured notes in two tranches. The first tranche with a coupon of 1.500% per annum and an aggregate principal amount of €500,000,000 matures on December 6, 2021 (the "**2021 Notes**"). The second tranche with an aggregate principal amount of €300,000,000 and a coupon of 2.125% per annum matures on February 6, 2024 (the "**2024 Notes**" and, together with the 2021 Notes, the "**2021/2024 Notes**"). The average coupon for the total issue amounts to 1.734%. The 2021/2024 Notes are admitted to trading on the Main Market of the Euronext Dublin.

Under the terms and conditions of the 2021/2024 Notes, ADLER Real Estate has undertaken not to incur any indebtedness if, immediately after giving effect to the incurrence of such additional indebtedness and the application of the net proceeds of such incurrence, (a) the sum of (i) the consolidated indebtedness of the ADLER Group as of the last reporting date for which the most recent consolidated financial statements of ADLER Real Estate have been published and (ii) the net nominal indebtedness incurred since the reporting date would exceed 60% of the sum of (without duplication) (x) total assets as of the reporting date, (y) the purchase price of any real estate property acquired or contracted for acquisition since the reporting date and (z) the proceeds of any indebtedness incurred since the reporting date (but only to the extent such proceeds were not used to acquire real estate property or to reduce indebtedness); or (b) the sum of (i) the consolidated secured indebtedness of ADLER Group as of the reporting date and (ii) the net nominal secured indebtedness incurred since the reporting date would exceed 40% of the sum of (without duplication) (x) total assets as of the reporting date, (y) the purchase price of any real estate property acquired or contracted for acquisition since the reporting date and (z) the proceeds of any indebtedness incurred since the reporting date (but only to the extent such proceeds were not used to acquire real estate property or to reduce indebtedness).

Furthermore, under the terms and conditions, ADLER Real Estate has undertaken to comply with a so-called consolidated coverage ratio (ratio of the ADLER Real Estate's adjusted consolidated EBITDA to ADLER Real Estate's net cash interest in the relevant period) at certain dates. In accordance therewith, the interest cover ratio must be at least (a) 1.70 to 1.00, with respect to any reporting date falling on or after January 1, 2020 and on or before December 31, 2020; and (b) 1.80 to 1.00, with respect to any reporting date falling on or after January 1, 2021 and as long as any 2021/2024 Note is outstanding. In case of a breach of the aforementioned covenants, the noteholders have the right to extraordinary termination and the right to call the notes due immediately.

Additionally, and subject to certain exceptions, ADLER Real Estate has undertaken not merge or consolidate into any other person or sell, convey, transfer or lease all or substantially all of its properties and assets.

The 2021/2024 Notes are subject to the following events of default:

- failure to pay principal or premium due under the 2021/2024 Notes;
- failure to pay any interest or additional amounts due under the 2021/2024 Notes within 30 days from the relevant due date;
- failure to comply with any of the agreements in the 2021/2024 Notes or in the indentures thereof for 30 business days after written notice;
- cross-default in relation to any financial indebtedness of ADLER Real Estate or its subsidiaries to the extent it exceeds an aggregate amount of €15 million;
- failure by ADLER Real Estate or its subsidiaries to pay final and enforceable judgements and/or court orders to the extent it exceeds an aggregate amount of €15 million within 45 days from the relevant due date; or
- certain events of bankruptcy or insolvency with respect to ADLER Real Estate or its subsidiaries or certain group of subsidiaries.

In case of a change of control, subject to certain exceptions, the noteholders of the 2021/2024 Notes have the right to require ADLER Real Estate to repurchase all or any part of each noteholder's 2021/2024

Notes, whereby ADLER Real Estate shall offer a payment in cash equal to 101% of the aggregate principal amount of the 2021/2024 Notes purchased plus accrued and unpaid interest and additional amounts.

On January 16, 2020, the noteholders of the 2021/2024 Notes consented to waive any obligation of ADLER Real Estate to repurchase the Notes as a consequence of the anticipated change of control which resulted when the Business Combination was completed.

11.2.4.4.3 German law-governed Notes

In April 2018, ADLER Real Estate issued senior unsecured notes in the aggregate principal amount of €500,000,000 due April 27, 2023 (the "**2023 Notes**") and €300,000,000 due April 27, 2026 (the "**2026 Notes**" and, together with the 2023 Notes, the "**2023/2026 Notes**"). In April 2019, ADLER Real Estate issued senior unsecured notes in an aggregate principle amount of €400,000,000 due April 17, 2022 (the "**2022 Notes**" and, together with the 2023 Notes and the 2026 Notes, the "**Notes**"). The 2023 Notes bear interest at a rate of 1.875 % p.a., the 2026 Notes bear interest at a rate of 3.00 % p.a. and the 2022 Notes bear interest at a rate of 1.500 % p.a. The terms and conditions of the Notes provide that if any person or persons acting in concert within the meaning of Section 2 para. 5 of the German Securities Acquisition and Takeover Act (*Wertpapiererwerbs- und Übernahmegesetz*) or any person or persons acting on behalf of any such person(s), at any time directly or indirectly acquire(s) or come(s) to own (i) more than 50% of the share capital in ADLER Real Estate, or (ii) such number of shares in the share capital of ADLER Real Estate carrying in aggregate more than 50% of the voting rights in ADLER Real Estate, each holder of the Notes shall have the right to require ADLER Real Estate to redeem or purchase in whole or in part his Notes, within 60 days after a put event notice has been published at 101% of the principal amount of such Note plus any unpaid accrued interest.

Under the terms and conditions of the Notes, ADLER Real Estate has undertaken that neither itself nor its material subsidiaries will incur any financial indebtedness subject to compliance with certain financial covenants as further described in the terms and condition of the Notes and that it will maintain a consolidated coverage ratio of 1.70 to 1.00 until December 31, 2020 and 1.80 to 1.00 after January 1, 2020. Furthermore, and subject to certain exceptions, ADLER Real Estate shall not merge, amalgamate or consolidate with or into any other person or sell, convey, transfer or lease all or substantially all of its properties and assets.

The Notes are subject to the following events of default:

- failure to pay any principal due under the Notes;
- failure to pay any interest due under the Notes within 30 days from the relevant due date;
- failure to perform any other material obligation under the Notes and such failure continues for 60 days after having received notice from a holder;
- failure to comply with any financial covenant or the consolidation, merger and sale of asset clause;
- cross-default in relation to any financial indebtedness of ADLER Real Estate or its subsidiaries to the extent it exceeds an amount of €15 million;
- ADLER Real Estate or any subsidiary announcing its inability to pay its debts as they become due;
- ADLER Real Estate's or a material subsidiary's assets being subjected to insolvency proceedings or applying for or instituting such proceedings and such proceedings not discharged or stayed within 60 days; or
- ADLER Real Estate entering into liquidation, unless effected in connection with a merger.

On January 8, 2020, ADLER Real Estate launched a consent solicitation to allow ADLER Real Estate to complete the Business Combination without being required to redeem or purchase the Notes as a consequence of the anticipated change of control that resulted when the Business Combination was completed. On February 3, 2020, ADLER Real Estate announced that the noteholders have agreed to the changes of the terms and conditions of the notes. Noteholders have the statutory right to contest any resolution adopted by the noteholders. The statutory contestation period expired on March 3, 2020.

11.2.4.4.4 2020 Loan Agreement with Landesbank Baden-Württemberg

On June 29, 2020, certain group companies of the ADLER Group as borrowers entered into a loan agreement with Landesbank Baden-Württemberg ("**LBBW**") as lender made available for the purpose of certain refinancings as well as general corporate use (the "**LBBW ADLER Loan Agreement**"). The LBBW ADLER Loan Agreement provides for a loan facility in the amount of €106 million (the "**LBBW ADLER Loan Facility**"), which can be drawn upon in a maximum of two utilizations, of which the first utilization must be a minimum of €50 million. The LBBW ADLER Loan Facility is repayable in monthly installments of one-twelfth of 2.0% p.a. of the initial loan amount and the interest rate is fixed at 1.96% p.a. for ten years.

All claims in connection with the loan are secured by land charges and pledges of rent payment bank accounts. Under the LBBW ADLER Loan Agreement the borrowers covenant to not incur any additional debt (with the exception of shareholder loans) and will not provide any further collateral to any third parties.

The loan is subject to market-standard reporting and financial covenants, including the maintenance of the portfolio quality. Under the LBBW ADLER Loan Agreement the borrowers must comply with a 100% loan-to-mortgage lending value and an LTV of 75% LTV (annually declining by 1%). In case a financial ratio is not met, the borrowers must provide sufficient additional collateral or make an appropriate repayment so that the financial ratio is again met.

The LBBW ADLER Loan Agreement is due for repayment on on the date falling ten years after the date of the first utilization of the LBBW ADLER Loan Facility.

11.2.4.4.5 <u>2014 Loan Agreement with LBBW (Berlinovo)</u>

On December 19, 2014, Westgrund Wolfsburg GmbH, Westgrund Niedersachsen Nord GmbH, Westgrund Niedersachsen Süd GmbH, Westgrund Brandenburg GmbH Westgrund VII. GmbH, WAG Görlitz GmbH and WAG Neubrandenburg GmbH as borrowers entered into a loan agreement with LBBW as lender with respect to a principal amount of up to €297 million in connection with a portfolio acquisition. The non-revolving loan amount is divided into a fixed-interest tranche in an aggregate principal amount of €272.8 million with an interest rate of 2.14% p.a. ("**Tranche A**") and a variable-interest tranche in an aggregate principal amount of up to €24.2 million ("**Tranche B**").

To secure the claims of the lender, land charges were created for the benefit of the lender with respect to the financed properties and further collateral was provided, in particular, by assignment of claims arising under sale and purchase agreements with respect to the collateral assets, assignment of claims under all lease agreements for the collateral assets and pledging of accounts, in particular, rent collection accounts.

Under the loan agreement, the borrowers are obligated to comply with a debt service cover ratio ("**DSCR**") covenant. The DSCR shall not be less than 115%. Additionally, the borrowers have to comply with a loan-to-value ("**LTV**") covenant of an initial maximum of 75% and a maximum of 65% as of January 2, 2021. In case of non-compliance with one or more of the financial ratios, the lender is entitled to revoke the power of disposition regarding the rental accounts that was granted to the borrowers. The agreement provides for mechanisms (*e.g.* up to four reserve payments during the term of the agreement) to remedy any non-compliance with the agreed financial ratios.

The agreement also provides for various rights of termination in favor of the lender, in particular, in case of (i) default in payment, (ii) non-compliance with a financial ratio which is not remedied, (iii) a change of controlling interests in the borrowers, (iv) a conversion, merger, demerger or change of legal form of one of the borrowers, (v) a default in payment of at least €100,000 vis-à-vis third parties ("cross default") and (vi) a sale of one or more collateral assets contrary to the provisions of the loan agreement. Moreover, a material deterioration of the financial situation of the borrowers or the value of the collateral constitutes a reason for termination under the agreement.

Tranche B was fully repaid in 2015. Tranche A is due for repayment on December 31, 2021. As of March 31, 2020, €197.4 million (including interest) was outstanding.

11.2.4.4.6 <u>2015 Loan Agreement with LBBW (Ajax)</u>

On July 27, 2015, WESTGRUND VIII. GmbH as borrower entered into a loan agreement with LBBW as lender with respect to a principal amount of €76 million (the "**2015 WESTGRUND Loan**") in connection with the financing of an acquisition of a portfolio comprising of approximately 2,700 residential units at 40 locations in eastern Germany. The non-revolving loan amount comprises a fixed-interest tranche in an aggregate principal amount of approximately €67.1 million (with interest rates of 2.56% per annum for an amount of €49.4 million and 2.48% per annum for an amount of €17.7 million) and a variable-interest tranche with a volume of approximately €8.9 million. Moreover, the 2015 WESTGRUND Loan carries an additional interest rate corresponding to the three-month EURIBOR plus 1.77% per annum. To secure the claims of the lender, mortgages with respect to the financed properties were created for the benefit of the lender. Additional security was created by assignment of claims under sale and purchase agreements and assignment of claims under all lease agreements and pledging of rent collection accounts. Under the 2015 WESTGRUND Loan, the borrower undertook to comply with a DSCR of at least 115% and with an LTV that varies at certain points in time between a maximum of 77.5% until and including June 30, 2017 and a maximum of 61.5% as of July 1, 2024. In case of non-compliance with one or more of the financial ratios, the lender has the right to revoke the power of disposition regarding the rent collection accounts that was granted to the borrower. The agreement provides for mechanisms to remedy any non-compliance with the agreed financial ratios by payments to a reserve account; these payments are limited to four additional payments during the term of the agreement. The agreement also provides for various rights of termination in favor of the lender, in particular in case of (i) default in payment, (ii) non-compliance with a financial ratio which is not remedied, (iii) a change of controlling interests in the borrower, (iv) a conversion, merger, demerger or change of legal form of the lender without the prior consent of the lender, (v) a default in payment of at least €100 thousand *vis-à-vis* third parties, (vi) a sale of one or more of the collateral assets contrary to the provisions of the loan agreement, and (vii) a material deterioration of the financial situation of the borrower.

The 2015 WESTGRUND Loan will be due for repayment on July 31, 2025. As of March 31, 2020, €59.1 million (including interest) was outstanding.

11.2.4.4.7 2016 Loan Agreement with Helaba

On September 29, 2016 Brack Capital Germany (Netherlands) XXX B.V., Brack Capital Germany (Netherlands) XXI B.V., Brack Capital Germany (Netherlands) XIX B.V., Brack Capital Germany (Gelsenkirchen) B.V., Brack Capital Germany (Ludwigsfelde) B.V., Brack Capital Germany (Remscheid) B.V., Brack Capital Germany (Neubrandenburg) B.V. and InvestPartner GmbH as borrowers entered into a loan agreement for a multi-tranche loan facility in an amount of up to €130.0 million with Landesbank Hessen-Thüringen Girozentrale as lender (the **"2016 Helaba Loan"**) in connection with the refinancing of existing financial liabilities and fees, for the partial refinancing of shareholder loans, the financing of capital expenditure in relation to existing assets as well as to partially finance the purchase of further assets.

The first tranche provides for a loan in the amount of the lesser of (i) €110.0 million, and (ii) the amount which corresponds to an LTV in the amount of 70% of the collateral assets existing under the 2016 Helaba Loan ("**Tranche 1**"). The second tranche provide for a loan in the amount of the lesser of (i) €20 million, and (ii) the amount which results in an LTV of 75 %, and (iii) the amount that, if it is used to finance an additional collateral asset in (y) Hanover, corresponds to the twelvefold of the annual net cold rent, or (z) North Rhine-Westphalia, corresponds to the tenfold of the annual net cold rent ("**Tranche 2**").

Tranche 1 is repayable in monthly instalments in the total of 2% p.a. of €110.0 million. Tranche 2 is repayable in monthly instalments in the total of 2% p.a. of the drawn loan amount. Both Tranche 1 and Tranche 2 each carry an indicative nominal interest rate of 1.23% subject to an amendment to reflect the refinancing rate plus a margin of 1.20% p.a. Under the 2016 Helaba Loan, the borrowers are obligated to comply with a DSCR covenant, whereby the DSCR shall not be less than 135%. Additionally, the borrowers must comply with an LTV covenant of a maximum of 75%. The agreement also provides for various rights of termination in favor of the lender, in particular, in case of (i) default in payment, (ii) material deterioration of the financial situation of the borrowers, (iii) non-compliance with a financial ratio which is not remedied (iii) initiated insolvency proceedings/requested enforcement or, (iv) the sale of the collateral assets.

The 2016 Helaba Loan is due for repayment at the end of September 2021. As of March 31, 2020, € 102.2 million (including interest) was outstanding.

11.2.4.4.8 2017 Loan Agreement with Natixis

On August 18, 2017, Brack Capital Germany (Netherlands) XXXV B.V., Brack Capital Germany (Netherlands) XXXVII B.V. and Brack Capital Germany (Netherlands) XXXVIII B.V. as borrowers entered into a loan agreement for loan facilities in an aggregate amount of €50.0 million with Natixis Pfandbriefbank AG as lender in connection with the refinancing of existing debt and in connection with general corporate purposes (the "**2017 Natixis Loan**").

Loans under a refinancing facility in an amount of €32.6 million (the "**Refinancing Facility**"), which may only be used in connection with the refinancing of existing debt, are repayable in quarterly instalments of 0.5% of the amount drawn under the first utilization of the Refinancing Facility. The interest rate of each loan drawn under the Refinancing Facility equals a margin between 1.00% p.a. (for an LTV below 45%) and 1.30% p.a. (for an LTV equal to or greater than 55%) plus a swap rate. The last repayment under the Refinancing Facility is due on August 18, 2022.

Loans under a credit facility in an amount of €17.4 million (the "**Credit Facility**"), which may be used in connection with general corporate purposes are repayable in quarterly instalments of 0.5% of all amounts drawn under the Credit Facility. The interest rate on each loan drawn under the Credit Facility equals a margin between 1.00% p.a. (for an LTV below 45%) and 1.30% p.a. (for an LTV equal to or greater than 55%) plus a swap rate 1% p.a. plus EURIBOR. The last repayment under the Credit Facility is due on August 18, 2022.

The 2017 Natixis Loan includes market-standard reporting and financial covenants as well as undertakings by the borrowers. Furthermore, the 2017 Natixis Loan is subject to market-standard events of defaults and cancellation rights, including in the event of a change of control and major damage to certain properties of the borrowers.

As of March 31, 2020, €47.6 million (including interest) was outstanding.

11.2.4.4.9 2017 Loan Agreement with DZ HYP AG (AFP II + AFP III Germany)

On May 16, 2017, AFP (Germany) II GmbH and AFP (Germany) III GmbH as borrowers entered into a loan agreement for a term loan facility in an amount of €56.4 million with DZ HYP AG ("**DZ HYP**") as lender in connection with the refinancing of certain existing financings with DZ HYP and the repayment of shareholder loans in relation to a portfolio of properties.

The loan is structured as an amortizing term loan and is repayable in quarterly installments of 1.5% p.a. of the initial loan amount and with any remaining outstanding amounts to be repaid at maturity. The interest rate is 1.75% p.a. above the three-month EURIBOR determined for the respective interest period. The reference interest rate shall never be less than zero. To the extent that the properties are not eligible for a covered bond, the interest increases by an amount of 0.2% p.a. In addition, the loan agreement provides for a hedging obligation limiting the interest exposure to a maximum of 2.75% p.a. To secure all claims of DZ HYP arising from the loan, it was agreed to, among others, provide uncertificated (first and second ranking) registered land charges in an amount of approximately €57 million on the collateral assets plus annual land charge interest of 15% and a 10% non-recurring ancillary payment. In addition, collateral was provided, in particular: (i) assignment of all rights and claims arising from interest hedging agreements, (ii) assignment of all existing and future claims from property insurance contracts, which have been or will be entered into in connection with the collateral assets, (iii) assignment of the rental claims from all lease agreements entered into or to be entered into with respect to the collateral assets, (iv) pledge of the rent collection account, (v) pledge of the cash-trap account, (vi) assignment of all existing and future claims from future sale and purchase agreements, as well as (vii) a letter of subordination and a loan maintenance agreement of the shareholders of the borrowers for own funds contributed or to be contributed through intercompany loans. DZ HYP has customary extraordinary termination rights (including but not limited to insolvency, material misrepresentations, and insufficient insurance cover not providing additional security if so requested by DZ HYP). Under certain conditions, DZ HYP has the right of extraordinary termination of the loan agreement in the event of a change of control of the borrowers or in case of non-compliance with certain financial covenants (debt service cover of at least 110% and LTV not exceeding 82%, in each case subject to customary cure provisions).

The loan is due for repayment on April 30, 2022. As of March 31, 2020, €53.9 million (including interest) was outstanding.

11.2.4.4.10 2019 Loan Agreement with DKB

On March 20, 2019, BCRE Leipzig Wohnen West B.V., BCRE Leipzig Wohnen Ost B.V. and BCRE Leipzig Wohnen Nord B.V. as borrowers entered into a loan agreement for a loan facility in an amount of €70.8 million with Deutsche Kreditbank Aktiengesellschaft ("**DKB**") as lender in connection with the refinancing of certain financings with DKB and the long-term financing of assets in Leipzig.

The loan is structured as an annuity loan and is repayable in quarterly installments of 2.5% p.a. of the initial loan amount plus accrued interest. The interest rate is fixed at 1.180% p.a. The loan is subject to market-standard reporting and financial covenants, including the maintenance of the borrower's equity. A binding subordination agreement for the benefit of DKB is required for any funds that are brought into the borrowers' companies in the form of shareholder or third-party loans. The borrowers are obligated to carry out maintenance work in an annual amount of €1.2 million on the collateral asset or, in case of a shortfall, accumulate any such difference as savings with DKB. In the event of a shortfall of the borrowers debt service capacities, the borrowers are obligated to credit any rent surplus to a maintenance account pledged in favor of DKB.

To secure all claims of DKB arising from the loan, the borrowers granted DKB land charges in an amount of approximately €70.8 million on the collateral assets.

The loan is due for repayment on October 30, 2028. As of March 31, 2020, €69.0 million (including interest) was outstanding.

11.2.4.4.11 2019 Loan Agreement with DZ HYP

On December 13, 2019, RIV Harbour West MI 1 GmbH, RIV Harbour East WA 1 GmbH, RIV Central WA 2 GmbH, RIV Square West MI 3 GmbH, RIV Square East WA 3 GmbH, RIV Channel MI 4 GmbH and RIV Kornspeicher GmbH as borrowers entered into a loan agreement for a term loan facility in an amount of €215.0 million with DZ HYP as lender in connection with the refinancing of certain existing financings and the financing of development cost in relation to one property.

The loan is structured as a two-tranche amortizing term loan and is repayable in quarterly installments of 1.5% p.a. of the initial loan amount and with any remaining outstanding amounts to be repaid at maturity. With respect to the first tranche in an amount of €200.0 million, the first repayment installment of which is due from January 1, 2021, interest at a fixed rate of 1.19% is payable quarterly. With respect to the second tranche in an amount of €15.0 million, the first repayment installment of which is due from January 1, 2022, interest at a rate of 1.20% p.a. above the three-month EURIBOR (or an reference interest rate similar thereto), determined for the respective quarterly interest period. The reference interest rate shall never be less than zero. To secure all claims of DZ HYP arising from the loan, it was agreed to, among others, provide first ranking registered land charges in a total amount of €215 million on the collateral assets plus annual land charge interest of 15% and a 10% non-recurring ancillary payment. In addition, collateral was provided, in particular: (i) assignment of all rights and claims arising from the general contractor agreement, including from the bank guarantee provided by the general contractor and including warranties assumed from the general contractor, (ii) assignment of the rental claims from all lease agreements entered into or to be entered into with respect to the collateral assets, (iii) pledge of the rent collection account, as well as (iv) a letter of subordination and a loan maintenance agreement of the shareholders of the borrowers for existing and future shareholder loans. Additionally, ADLER Real Estate has provided a debt service guarantee in an amount of €6.5 million, conditional until, among others, an occupancy rate of 92.5% has been reached and, further, undertaken to compensate DZ HYP for any debt service deficits of the borrowers. DZ HYP has customary extraordinary termination rights (including but not limited to insolvency, material misrepresentations, and insufficient insurance cover not providing additional security if so requested by DZ HYP). Under certain conditions, DZ HYP has the right of extraordinary termination of the loan agreement in the event of a change of control of the borrowers or in case of non-compliance with certain financial covenants (debt service cover of at least 110% and LTV not exceeding 60%, in each case subject to customary cure provisions).

The loan is due for repayment on November 30, 2029. As of March 31, 2020, €204.5 million (including interest) was outstanding.

11.2.4.4.12 Debentures issued by Brack Capital Properties N.V.

11.2.4.4.12.1. Series B Debentures

BCP has published a shelf prospectus on May 24, 2012 (as amended on May 9, 2013 and on July 14, 2014) and on May 28, 2015, under which debentures have been issued on May 21, 2013 and February 4, 2014, with an issue size of NIS 175,000,000 and NIS 65,000,000, respectively (the "**Series B Debentures**"). According to BCP's consolidated financial statements as of and for the three-month period ended March 31, 2020, the outstanding par value balance under the Series B Debentures is NIS 180.0 million. Interest shall be paid biannually on June 30 and on December 31 of each of the years 2013 through 2024. The interest rate is set by tender, but is linked to the consumer price index and subject to adjustment mechanisms as further described in the debenture. As of March 31, 2020, the annual interest rate was

3.29%. In order to secure the payment of principal and interest under the Series B Debentures, BCP has pledged in favor of the trustee, as trustee of the holders of the Series B Debentures, 640,027 shares of BGP as of March 31, 2020.

The Series B Debentures shall be redeemed in twelve annual installments that shall be paid on December 31 of each one of the years 2013 through 2024, whereby in each one of the first seven installments 4% of the principal shall be paid and in the last five installments 14.4% of the principal shall be paid.

11.2.4.4.12.2. Series C Debentures

BCP has published a shelf prospectus on May 24, 2012 (as amended on May 9, 2013 and July 14, 2014), under which debentures have been issued on July 22, 2014 and April 4, 2016, with an issue size of NIS 102,165,000 and NIS 85,015,000, respectively (the "**Series C Debentures**"). According to BCP's consolidated financial statements as of and for the three-month period ended March 31, 2020, the outstanding par value balance under the Series C Debentures is NIS 147.1 million. Interest shall be paid biannually on January 20 and on July 20 of each of the years 2015 through 2026. The interest rate is set by tender, but is linked to the consumer price index and subject to adjustment mechanisms as further described in the debenture. As of March 31, 2020, the annual interest rate was 3.30%. In order to secure the payment of principal and interest under the Series C Debentures, BCP has pledged in favor of the trustee, as trustee of the holders of the Series C Debentures, 394,430 shares of BGP as of March 31, 2020.

The Series C Debentures shall be redeemed in twelve annual installments that shall be paid on July 20 of each one of the years 2015 through 2026, whereby in each one of the nine first installments 2% of the principal shall be paid, in the tenth installment 17% of the principal shall be paid and in the last two installment 32.5% of the principal shall be paid.

11.3 Share Purchase Agreements for Consus Real Estate Shares

On December 15, 2019, the Company also entered into the Share Purchase Agreements to acquire a 22.18% stake in Consus Real Estate at an average price of €9.72 per share in Consus Real Estate (the "**Consus Real Estate Minority Acquisition**"). The purchase price amounts to approximately €294 million in cash. The Consus Real Estate Acquisition closed on December 20, 2019 (in relation to the Share Purchase Agreements that are not subject to merger control clearances as a closing condition) and on January 3, 2020 (for one Share Purchase Agreement that is subject to merger control clearance as a closing condition).

As a result of the completion of the Tender Offer, the Company held, directly and indirectly, 25.75% of the share capital of Consus Real Estate.

11.4 Call/Put-Option Agreement

On December 15, 2019, the Company entered into the Call/Put-Option Agreement, as amended.

On May 26, 2020, the Company received the merger control clearance pursuant to Section 39 of the German Act Against Restraints of Competition (*Gesetz gegen Wettbewerbsbeschränkungen–GWB*) in anticipation of a potential exercise of the call option under the Call/Put-Option Agreement.

Furthermore, on June 29, 2020, the Company, by way of a resolution of a delegate authorized by the Board of Directors, exercised the call option under the Call/Put-Option Agreement. The settlement of the Consus Real Estate Call Option Exercise occurs in two tranches by transfer of the Company's treasury shares and transfer of newly issued shares in the Company. The Company will transfer to Aggregate 14,692,889 of the Company's treasury shares currently indirectly held by ADLER Real Estate and has transferred newly issued shares created in utilization of the Authorized Capital. The first tranche was settled on July 2, 2020, by issue of 1,946,093 new shares in the Company, the second tranche is expected to be settled during the subscription period on or around July 6, 2020 by transfer of all of the Company's treasury shares.

To consummate such transfer, ADO Group Ltd. will deliver the 14,692,889 treasury shares it holds in the Company to Aggregate on behalf of the Company against delivery of shares in Consus Real Estate to the Company. The legal basis for such transfer on behalf of the Company is a share purchase agreement between ADLER Real Estate and ADO Group Ltd. as well as a further share purchase agreement between ADLER Real Estate and the Company. As consideration, both ADO Group Ltd. and ADLER Real Estate will each receive a compensation payment under their respective share purchase agreements.

11.5 Consus Tender Offer

Under the Call/Put-Option Agreement, the Company undertakes to, following the Consus Real Estate Call Option Exercise, conduct a voluntary tender offer in the form of an exchange offer to acquire the remaining shares of Consus Real Estate (save for any applicable RETT-Blocker). The consideration for one share in Consus Real Estate will, in each case, be 0.2390 newly issued shares in the Company, provided that this ratio will be adjusted to any dividends paid and equity raises done by the Company, including this Offering or Consus Real Estate. Accordingly, the Company intends to make the Consus Tender Offer, which shall be based on an exchange ratio corresponding to the applicable ratio of the Consus Real Estate Call Option Exercise, subject to an adjustment for the Offering.

11.6 Strategic Cooperation Agreement

On December 15, 2019, the Company and Consus Real Estate entered into the Strategic Cooperation Agreement to engage in a strategic partnership and strategic cooperation and, to the extent legally permissible, work together to thoroughly investigate and potentially undertake mutually beneficial property developments, including the acquisitions of land plots for new-builds, project financing, construction and property management (the "**Strategic Cooperation**" and, together with the Business Combination, the Consus Real Estate Acquisition and the Call/Put-Option Agreement, the "**Transactions**").

As part of the Strategic Cooperation, the Company and Consus Real Estate are working closely together on residential development projects and Consus Real Estate has provided a right to the Company to allow it to match any offer from a third party on property development projects worked on together.

Following the conclusion of the Strategic Cooperation Agreement, on January 17, 2020, the Company entered into a letter of intent with Consus Swiss Finance AG, which as amended on February 21, 2020, for the purchase of 89.9% of the shares in all companies that hold plots of land belonging to the *Holsten Quartier* project development in Hamburg (the "**Holsten Quartier**"). The provisional purchase price for 100% of the shares in Holsten Quartier is €320 million on a cash-free debt-free basis, subject to finalization of the Company's due diligence. In exchange for a €50 million down-payment, Consus Swiss Finance AG granted the Company exclusivity for twelve months to continue and finalize the legal, technical, economic and tax due diligence. There is no obligation to enter into a share purchase agreement and the signing of the share purchase agreement is subject to the satisfactory completion of the due diligence.

11.7 Description of the Consus Group

Consus Real Estate AG (LEI 9676007H44QN6VYEBV03) ("**Consus Real Estate**" and, together with its consolidated subsidiaries, the "**Consus Group**") is a German stock corporation (*Aktiengesellschaft*) incorporated and operating under the laws of Germany, registered with the commercial register of the local court (*Amtsgericht*) in Berlin, Charlottenburg under registration number HRB 191887 B. Consus Real Estate operates under the commercial name "Consus Real Estate". It has its business address at Kurfürstendamm 188-189, 10707 Berlin, Germany (telephone: +49-30-965-357-90-260, website: www.consus.ag). The legal predecessor of Consus Real Estate was incorporated on December 18, 2008 and Consus Real Estate is established for an indefinite period of time. As of March 31, 2020, Consus Real Estate's operating, and therefore material, subsidiaries are Consus RE AG (formerly CG Gruppe AG) ("**Consus RE**") and Consus Swiss Finance (formerly SSN Group AG).

On June 22, 2020, Consus Real Estate acquired the outstanding 25% minority stake (on a fully diluted basis) in Consus RE, for new shares in Consus Real Estate, which were be issued by way of capital increase against contribution in kind (without subscription rights) and a cash component.

As of March 31, 2020, Consus Real Estate is not and has not been party to any governmental, legal or arbitration proceedings (including any pending or threatened proceedings) during the previous twelve months, which may have, or have had in the recent past, significant effects on its financial position or profitability.

As of the date of this Prospectus, Consus Real Estate's share capital amounted to €161,331,507.00, divided into 161,331,507 shares with a notional value of the Consus Real Estate's share capital of €1.00 per share.

Following the settlement of the Consus Call Option Exercise, the Company will hold 104,777,489 of Consus Real Estate's shares. As a result, the Company and Consus Real Estate will form a "factual group" (*faktischer Konzern*) as the Company will hold more than 50% of the share capital and voting rights in Consus Real Estate and, therefore, hold a controlling interest in Consus Real Estate. In the event that the Company will continue to hold a controlling interest in Consus Real Estate throughout the fiscal year 2020, Consus Real Estate will be required to prepare a dependency report (*Abhängigkeitsbericht*) on its relations with the Company in the fiscal year 2020. In the event that the Company's shareholding and its voting rights in Consus Real Estate will fall below 50% following the settlement of the Consus Call Option Exercise, the Company will only continue to hold a controlling interest in Consus Real Estate if it has the *de facto* majority of votes during Consus Real Estate's shareholders meetings due to the limited presence of free shareholders during such meetings (*beherrschender Einfluss durch faktische Hauptversammlungsmehrheit*).

The following description is predominantly based on publicly available information of the Consus Group as the Company was unable to conduct a full due diligence exercise of the Consus Group prior to the Consus Real Estate Acquisition.

11.7.1 Business of the Consus Group

The Consus Group is the leading pure-play developer of real estate properties with a focus on the **Top 9 Cities** in Germany in terms of square meters (*source*: Bulwiengesa—Consus Nr. 1). The Consus Group focuses on the development of residential units in the Top 9 Cities, which we primarily sell to institutional purchasers, including pension funds and insurance companies, by entering into forward sale agreements, which refer to the sale on a turn-key basis of properties still to be built at the expense of the seller. Additionally, it sells condominiums to retail purchasers by entering into purchase agreements providing for staggered payments, which become due when certain development milestones are reached. It also develops commercial and retail spaces to complement its project developments, primarily as part of mixed-use developments.

With the SSN Group AG (renamed to Consus Swiss Finance AG) acquisition in December 2018, and in combination with organic growth, the Consus Group significantly increased its targeted sales volume of its development projects from €6.2 billion of gross development value ("**GDV**") as of December 31, 2017 to €12.3 billion of GDV as of March 31, 2020 as well as the number of development projects from 53 to 65 as of the same date. Its GDV as of March 31, 2020 was allocated in the Top 9 Cities as follows: Stuttgart/Karlsruhe 22%, Hamburg 17%, Berlin 14%, Düsseldorf/Dortmund 12%, Frankfurt/Offenbach 12%, Cologne 10%, Leipzig/Erfurt 7%, Munich/Bayreuth/Passau 4%, and Dresden 2%.

On May 8, 2020 and May 20, 2020, Consus Real Estate announced, among others, the divestment of 17 and 8 development projects with a GDV of €2.3 billion and €2.0 billion, respectively (together, the "**Consus May 2020 Divestments**"), thereby reducing the total number of development projects and total GDV to 40 and €8.0 billion, respectively. Subject to certain closing adjustments and conditions, the divestments are expected to close in the third quarter of 2020. The divested development projects primarily consist of projects located in non-core locations, including Bayreuth, Erfurt, Hamburg, Karlsruhe, Offenbach and Passau, and with a greater proportion of commercial uses, further focusing the Consus Group's portfolio on residential developments in the Top 9 Cities. After giving effect to the Consus May 2020 Divestments, by GDV, 99% of the Consus Group's portfolio will be located in the Top 9 Cities. Of the 25 sold development projects, 7 projects are under construction with the remaining 18 projects either being in development with construction expected to start in 2021 or 2022, or were yielding assets that Consus Real Estate had been planning to dispose of.

As a fully integrated development platform, the Consus Group covers the entire value chain of project development, including sourcing and acquisition of suitable land plots and real estate properties, development planning, obtaining required approvals, licenses and permits, marketing and sales of development projects through forward sales with institutional purchasers. In the first phase of the development process, it uses its local teams to utilize its stable and extensive relationships with local authorities and local real estate agents to identify land plots and real estate properties in attractive locations. The Consus Group's business is carried out through teams at its subsidiaries CG Gruppe AG and Consus Swiss Finance AG (formerly SSN Group AG), which have strong property development track-records and an in-depth understanding of the development of residential real estate properties.

The Consus Group focuses on the development of modern, urban and affordable residential real estate properties that are supplemented by commercial spaces, including retail, hotels and offices, located in the Top 9 Cities, with a particular focus on large scale of residential real estate properties with at least 100 apartments, that are typically 50 to 70 square meters in size and consist of one to two bedrooms. Based on the net floor area, its projects consisted of approximately 52% residential units and 48% commercial and other units as of March 31, 2020. After giving effect to the Consus May 2020 Divestments, based on net floor area, its projects will consist of approximately 62% residential units and 38% commercial and other units.

After giving effect to the Consus May 2020 Divestments, the Consus Group's forward- and condo-sales portfolio will consist of 24 projects and the non-strategic portfolio will consist of 5 projects, comprising approximately 49% and 17% of its total portfolio by GAV, respectively. Additionally, the Consus Group holds a core landbank of 11 projects with a GAV of approximately €1.0 billion (or 34% of its portfolio by GAV) in attractive locations across Germany, all of which are suitable to form part of the build-to-hold strategy over the long term. The Consus May 2020 Divestments enable Consus to focus its operations on the residential real estate development under its build-to-hold portfolio across the Top 7 Cities.

The Consus Group also renovates and converts office buildings and high-rises into modern residential and commercial complexes, which it then primarily sells to institutional purchasers under its "VauVau" brand ("**Vertical Villages**"). In addition, due to its own construction expertise, it is able to develop such real estate properties by utilizing its own construction teams as well as external contractors.

The Consus Group is headquartered in Berlin and has offices in each of the Top 9 Cities. As of March 31, 2020, it had 976 employees primarily focusing on the construction and sale of its development projects. The realization of a standard development project typically takes 30 to 48 months, and would typically take longer for more complex and larger projects, with the breakdown being 6 to 12 months for development plan and building permit and construction 24 to 36 months. For larger projects where an urban development plan is required, a further 18 months to up to 4 years may be required.

11.7.2 Portfolio of the Consus Group

The following table provides an overview of selected key data relating to the 65 development properties of Consus Group as of March 31, 2020:

No.	Consus Subsidiary Entity	Project Name	City	Approx. Total Sellable Area (sqm)	Sale status	Targeted delivery date
1	Consus RE	Four Living VauVau	Leipzig	20,300	Forward sold	2021
2	Consus RE	Cologne Apart VauVau	Cologne	24,000	Forward sold	2021
3	Consus RE	MaryAnn Apartments VauVau	Dresden	14,500	Forward sold	2021
4	Consus RE	UpperNord Tower VauVau	Düsseldorf	25,600	Forward sold	2022
5	Consus RE	NewFrankfurt Towers VauVau	Frankfurt/ Offenbach	37,700	Forward sold	2021
6	Consus RE	Vitopia-Kampus Kaiserlei Resi	Frankfurt/ Offenbach	14,200	Forward sold	2023
7	Consus RE	Residenz am Ernst-Reuter Platz	Berlin	11,000	Forward sold	2020
8	Consus RE	Carré Sama Riga	Berlin	12,100	Forward sold	2020
9	Consus RE	Ostforum	Leipzig	17,800	Forward sold	2022
10	Consus RE	Residenz am Waldplatz	Leipzig	5,600	Forward sold	2020
11	Consus RE	Quartier Hoym	Dresden	27,700	Forward sold	2021
12	Consus RE	Dessauer/Hamburger Straße	Leipzig	10,500	Forward sold	2021
13	Consus RE	Cologneo I Corpus Sireo	Cologne	53,800	Forward sold	2022
14	Consus RE	Königshöfe im Barockviertel	Dresden	15,500	Forward sold	2022
15	Consus Swiss Finance	Franklinstrasse 26	Berlin	11,300	Forward sold	2020
16	Consus Swiss Finance	No. 1	Mannheim	18,700	Forward sold	2020
17	Consus Swiss Finance	Bundesallee (incl. MOMENTE)	Berlin	28,700	Forward sold / Condominium sales	2021
18	Consus RE	Kreuzstraße	Leipzig	12,600	Forward sold	2022
19	Consus RE	Steglitzer Kreisel Tower	Berlin	27,300	Condominium sales	2021

No.	Consus Subsidiary Entity	Project Name	City	Approx. Total Sellable Area (sqm)	Sale status	Targeted delivery date
20	Consus RE	Palatium (Palaisplatz Altbau)	Dresden	5,000	Condominium sales	2020
21	Consus RE	Miners	Cologne	2,800	Condominium sales	2020
22	Consus Swiss Finance	Wohnen an der Villa Berg	Stuttgart	4,400	Condominium sales	2020
23	Consus Swiss Finance	Peschl Quartiere	Passau	26,200	Condominium sales / Forward sale LOI signed buildings 2 & 3	2023
24	Consus RE	Westend Ensemble—Grand Ouest	Frankfurt	9,100	Condominium sales	2021
25	Consus RE	Westend Ensemble—Upper West	Frankfurt	19,800		2023
26	Consus RE	Cologneo I Part2	Cologne	16,000		2022
27	Consus RE	Cologneo II*	Cologne	73,600		2025
28	Consus RE	COL III (Windmühlenquartier)	Cologne	24,000		2024
29	Consus RE	Forum Pankow	Berlin	39,600	FS in Neg.	2025
30	Consus RE	Vitopia-Kampus Kaiserlei Comm*	Frankfurt / Offenbach	31,900		2024
31	Consus RE	Ostend	Frankfurt	42,600		2026
32	Consus RE	UpperNord Quartier	Düsseldorf	24,600	FS in Neg.	2023
33	Consus RE	Südtribüne	Dortmund	4,400		2021
34	Consus RE	Neuländer Quarree*	Hamburg	90,400		2025
35	Consus RE	Billwerder Neuer Deich*	Hamburg	52,000		2024
36	Consus RE	NY*	Hamburg	42,400		2024
37	Consus RE	Quartier C*	Karlsruhe	111,200		2026
38	Consus RE	GEM Hofgarten	Karlsruhe	20,100		2021
39	Consus RE	GEM H Portfolio*	Karlsruhe	113,700		2025
40	Consus RE	Böblingen	Stuttgart	9,300	FS in Neg.	2022
41	Consus RE	Schwabenland Tower	Stuttgart	16,600	FS in Neg.	2021
42	Consus RE	Max Reger Str	Erfurt	6,500		2023
43	Consus RE	TAP Hochhaus	Erfurt	7,700	FS in Neg.	2022
44	Consus RE	Ostplatz—FLI Mensa	Leipzig	3,100		2025
45	Consus RE	Ritterstraße	Leipzig	2,200	Sold / not closed	
46	Consus RE	Zerbster-/ Wittenberger Straße	Leipzig	18,800		2025
47	Consus RE	Wachendorff Quartier*	Bergisch-Gladbach	45,700		2024
48	Consus RE	Braugold	Erfurt	19,600		2024
49	Consus Swiss Finance	GlockenGut	Bayreuth	19,800	FS in Neg.	2023
50	Consus Swiss Finance	2stay	Frankfurt	31,700		2023
51	Consus Swiss Finance	Holsten Quartiere	Hamburg	134,600	LOI signed	2026
52	Consus Swiss Finance	Neues Korallusviertel	Hamburg	34,800	LOI signed buildings A, B, C	2023
53	Consus Swiss Finance	VAI Campus	Stuttgart	185,400		2026
54	Consus Swiss Finance	Covent Garden*	Munich	29,300		2025
55	Consus Swiss Finance	The Wilhelm	Berlin	17,200		2024
56	Consus RE	Benrather Gärten	Duesseldorf	210,800		2029
57	Consus RE	Plagwitz Development*	Leipzig	65,600		2023

No.	Consus Subsidiary Entity	Project Name	City	Approx. Total Sellable Area (sqm)	Sale status	Targeted delivery date
58	Consus RE	Plagwitz Bestand	Leipzig	94,600		n/a
59	Consus RE	Bahrenfelder Carré | Von Sauer Str,	Hamburg	19,100	FS in Neg.	2022
60	Consus RE	Steglitzer Kreisel Parkhaus & Sockel	Berlin	46,500		2024
61	Consus RE	Mariannenpark	Leipzig	45,600		2025
62	Consus RE	GEM other	Stuttgart, Baden-Baden	6,100		
63	Consus RE	Dessauer Straße	Leipzig	7,700		
64	Consus RE	Arthur Hoffmann Straße	Leipzig	1,800		
65	Consus RE	Hallesches Ufer BT 1—3	Berlin	25,500	Sold /not closed	2020
	Total**			**2,248,000**		

* Part of the Consus May 2020 Divestments.

** This overview of development properties includes the 25 development properties divested under the Consus May 2020 Divestments.

Giving effect to the Consus May 2020 Divestments, the number of total development properties owned by the Consus Group decreased to 40, with a GDV of €8.0 billion and approximately 1.27 million sqm of net floor area.

11.7.2.1 Build-to-Hold Landbank Portfolio

Giving effect to the Consus May 2020 Divestments, the Consus Group holds a core landbank of 11 projects with a GAV of approximately €1.0 billion (or 34% of its portfolio by GAV) in attractive locations across Germany, all of which are suitable to form part of the build-to-hold strategy over the long term.

The following table provides an overview of selected key data relating to 11 projects comprising the Consus Group's landbank included in its build-to-hold portfolio as of March 31, 2020 and after giving effect to the Consus May 2020 Divestments:

No.	Project Name	City	GAV (€ million)	GDV (€ billion)	Area ('000 sqm)	Yield on cost (%)
1	Benrather Gärten	Düsseldorf	106	1.1-1.3	216	5.3
2	VAI Campus (without Eiermann)	Stuttgart	181	0.9-1.1	163	4.5
3	Holsten Quartiere	Hamburg	312	0.9-1.1	150	4.4
4	Grand Central	Düsseldorf	–	0.6-0.7	86	3.7
5	Ostend	Frankfurt	109	0.3	43	3.7
6	Forum Pankow	Berlin	64	0.2	40	5.8
7	Neues Korallusviertel	Hamburg	33	0.2	38	3.7
8	COL III (Windmühlenquartier)	Cologne	36	0.1-0.2	24	5.0
9	UpperNord Quartier	Düsseldorf	36	0.1	26	3.8
10	Schwabenland Tower (Resi)	Stuttgart	49	0.1	12	4.2
11	Böblingen	Stuttgart	22	0.1	9	3.6
	Total		**944**	**4.7-5.3**	**806**	**approx. 4.5**

* As of the date of this Prospectus, Project "Grand Central" has not yet closed.

11.7.2.2 Property development business with institutional purchasers

The development of residential real estate properties is the "core" development business of the Consus Group. It primarily develops residential real estate properties by building new multistory apartment buildings. Its property development business planned for institutional purchasers amounted to a GDV of approximately €9.5 billion as of March 31, 2020, corresponding to approximately 77% of the development portfolio by GDV as of March 31, 2020. Additionally, the Consus Group also develops residential real estate properties by converting and refurbishing former commercial and/or industrial real estate properties. As part of mixed use developments, it also develops commercial and retail spaces to complement its project developments.

11.7.2.3 Vertical Villages

Vertical Villages consist of large-scale projects in prominent urban areas located in the Top 9 Cities. The Consus Group renovates and converts office buildings and high-rises into modern residential and commercial complexes, which it then places with the institutional purchasers under its "VauVau"-brand. The Vertical Villages development business amounted to a GDV of approximately €659 million as of March 31, 2020 and 5% of the total sellable area.

The Consus Group offers the residential units of its Vertical Villages fully or partially furnished with built-in kitchens and wardrobes. Furthermore, such residential units have shared facilities which either can be used by various tenants simultaneously or are available through a simple-use booking system, including dining rooms, guest apartments or work spaces. In addition, the development projects are supplemented by commercial and retail spaces and certain after-sales services, including full-time concierge services providing a contemporary concept for residential living.

11.7.2.4 Quarter development

With the development of entire quarters (*Quartiersentwicklung*), the Consus Group focuses on long-term developments in sustainable locations in metropolitan areas. These quarters are designed to redefine their respective area with a mix of residential units and commercially used space providing for high living standards. Its quarter development amounted to a GDV of approximately €6.5 billion as of March 31, 2020, corresponding to 53% of the development portfolio by GDV.

11.7.2.5 Condominium sales

For its residential developments of condominiums, the Consus Group develops high quality residential units which it sells to investors and owner-occupiers. With this development segment, the Consus Group taps the broad owner-occupied housing market. It frequently renovates and converts commercial and office buildings to develop high-end residential apartments. Its condominium business development portfolio amounted to a GDV of approximately €2.8 billion as of March 31, 2020.

The condominiums are being sold through "RVG Real Estate Vertriebs GmbH", which operates as a distribution channel for the Consus Group's residential units by utilizing the experience and knowledge of its sales experts.

11.7.2.6 Yielding assets

The Consus Group owns a small number of yielding assets that generate cash flows from rental income which are often within or part of larger development projects within the Consus Group. The key locations are in Berlin and Hamburg and include the base of the Steglitzer Kreisel in Berlin, where the Consus Group is developing the tower, and a large parking facility in Hamburg.

11.7.3 Material Agreements of the Consus Group

The following provides an overview of agreements that are material to the Consus Group's business:

11.7.3.1 Acquisitions and divestments

11.7.3.1.1 Acquisition of shares in Consus Swiss Finance AG, SG Development GmbH and Wilhelmstraße I GmbH

On November 6, 2018, Consus Real Estate, as purchaser, and MAVA AG and LUCARA AG, as sellers, (together, the "**Sellers**") entered into a share purchase agreement (the "**Acquisition Agreement**") to acquire 93.4% of the shares in SSN Group AG (renamed to Consus Swiss Finance AG) (the "**Acquisition**"). Each of the Sellers agreed to sell all of its respective ordinary shares in SSN Group AG (the "**SSN Shares**"). The Acquisition Agreement provides for a cash purchase price of €104,125,000 to be paid to each Seller (the "**Share Purchase Price**") and for the Share Purchase Price to be paid in two instalments: (i) the first instalment in the amount of €99,125,000 was paid by Consus Real Estate to each of the Sellers on November 23, 2018; and (ii) the second instalment in the amount of €5,000,000 shall be paid by Consus Real Estate to each of the Sellers upon satisfaction of certain earn-out conditions, including a trading profit threshold generated by certain acquired projects by October 1, 2022 (the "**Earn Out**"). In addition, Consus Real Estate agreed under the terms of the Acquisition Agreement to repay, on behalf of Consus Swiss Finance AG but by way of direct payment to Omison S.A. ("**Omison**"), the outstanding loans granted by Omison to Consus Swiss Finance AG in the amount of €47,055,848.40 (the "**Omison Loan**"). The Acquisition was completed on December 3, 2018 (the "**Acquisition Completion Date**"), and the total amount payable by Consus Real Estate to the Sellers under the terms of the Acquisition Agreement, including the Earn Out and Omison Loan payments, equals €255,305,848. Furthermore, for structural reasons, Consus Real Estate provided a €8,350,000 interest bearing loan under a loan agreement dated November 22, 2018 to Taurecon Invest V GmbH for the purpose of the acquisition of the shares in SSN Deutschland GmbH and Franklinstraße 26 a Verwaltungs GmbH.

In connection with the Acquisition, on December 3, 2018, Consus Real Estate also acquired 38.9% of the shares in SG Development GmbH and 85.9% of the shares in Wilhelmstraße I GmbH from Aggregate, the majority shareholder of Consus Real Estate, against the issuance of 26,875,000 new shares in Consus Real Estate at an issue price of €8.00 per share. Consus Swiss Finance AG indirectly holds 51% of the shares in SG Development GmbH. Accordingly, with the consummation of the acquisition of Consus Swiss Finance AG and the direct acquisition of the shares in SG Development GmbH, Consus Real Estate (directly and indirectly) holds 86.5% of the shares in SG Development GmbH.

11.7.3.1.2 Acquisition of shares in CG and integration of CG

In 2017, Consus Real Estate entered into an agreement with Aggregate to acquire all shares in Consus Holding GmbH ("**Consus Holding**"), a holding company, which at that time held 17,500,000 shares of a total of 35,000,000 shares in CG Gruppe AG ("**CG**"), representing 50% of the shares, from Aggregate. Consus Real Estate further increased its shareholding in CG by acquiring additional 5% of the shares in CG from its chief executive officer ("**CEO**"). Additionally, Consus Real Estate acquired the remainder of the CG Convertible Bonds (as defined below) from Aggregate and following such acquisition became the sole bondholder of the CG Convertible Bonds, which is convertible into approximately 10% of the shares of CG and therefore, upon conversion, would further increase the shareholding of Consus Real Estate in CG by approximately 4% on a fully diluted basis. On August 2, 2018, Consus Real Estate entered into various purchase agreements with the shareholders of CG to acquire 30,187,500 shares in CG and, ultimately, to gain up to 75% on a fully diluted basis. Subject to the certain closing conditions, the purchase agreements envisage that (i) CG issues a convertible bond to Consus Real Estate for up to €50 million (the "**Consus Convertible Bond**"); (ii) certain shareholders, i.e., Gröner GbR, Gröner Unternehmensgruppe GmbH and Gröner Unternehmensgruppe GmbH, sell 2,279,771 ordinary shares for €66.9 million and Gröner Unternehmensgruppe GmbH contributes, as part of a contribution in kind, 3,407,729 shares for €100 million (however, the number of shares to be sold is limited to Consus Real Estate reaching 75% of the total shares outstanding on a fully diluted basis when aggregating the shares in connection with the convertible bond issued to Aggregate and the Consus Convertible Bond); and (iii) Consus Real Estate issues to Gröner Unternehmensbeteiligungen GmbH 8,333,334 shares in Consus Real Estate. Furthermore, the share purchase agreement provides for a lock-up period of three years in which Gröner Unternehmensbeteiligungen GmbH may not sell any shares in Consus Real Estate subscribed by it. More specifically, in August 2018, Consus Real Estate entered into share purchase agreements with three minority shareholders in CG in order to acquire, in aggregate, 5,687,500 shares in CG.

11.7.3.1.3 Acquisition of remaining interest in Consus RE from Gröner Group GmbH

On May 8, 2020, Consus Real Estate and Gröner Group GmbH entered into an agreement regarding the sale and transfer of 10,062,500 shares in Consus RE held by Gröner Group GmbH against issuance of 24,750,000 shares in Consus Real Estate and a cash payment of €27,500,000 to Gröner Group GmbH ("**Share-for-Share Agreement**"). The capital increase against contribution in kind was implemented by way of Consus Real Estate issuing and Gröner Group GmbH subscribing for 24,750,000 shares in Consus Real Estate against contribution of shares in Consus RE to Consus Real Estate. This capital increase was registered with the competent commercial register on June 22, 2020.

11.7.3.1.4 Share purchase agreement between Consus RE and various CG companies

Consus RE and, *inter alia*, Gröner Group GmbH, Gröner Capital GmbH and Gröner GbR (the "**CG Companies**") entered into two share purchase agreements on May 8, 2020, as amended on June 9, 2020, and June 16, 2020, respectively, regarding the transfer of shares and certain shareholder loan receivables concerning a total of 13 project companies of Consus Real Estate holding 17 development projects against certain cash payments totaling approximately €350,000,000 ("**CG Divestment SPA**"). Consus

RE's liability for a breach of warranty is limited to title warranties. Claims for breach of warranty become time-barred 12 months from the closing date. Both parties may rescind the CG Divestment SPA if the purchase price under the CG Divestment SPA has not been paid by October 10, 2020. Under the CG Divestment SPA, Gröner Group GmbH indemnifies Consus RE from any liability to any of the transferred project companies for whatever reason, except for liabilities already accrued as of May 31, 2020 and potential claims from a breach of warranty.

11.7.3.1.5 Share purchase agreement between various subsidiaries of Consus Real Estate and Ajos RE 1 GmbH, Ajos RE 2 GmbH and Taurecon Invest X. GmbH

On May 20, 2020, Consus RE, together with certain subsidiaries of Consus Real Estate, as sellers, and Ajos RE 1 GmbH, Ajos RE 2 GmbH and Taurecon Invest X. GmbH, as purchasers, entered into a share purchase agreement regarding the transfer of shares and certain shareholder loan receivables concerning a total of 21 project companies of Consus Real Estate holding eight development projects against cash payment (the "**Ajos Divestment SPA**"). The Ajos Divestment SPA is subject to certain conditions precedent, including, among others, a satisfactory purchaser due diligence, the approval of minority shareholders of certain companies sold thereunder, the consent of financing banks and lenders thereunder. The purchasers are entitled to rescind the Ajos Divestment SPA if any of the conditions precedent thereto have not been fulfilled or waived by October 31, 2020. The total purchase price under the Ajos Divestment SPA, which the parties have agreed to not disclose, is subject to certain adjustments between the period of July 1, 2020 and October 31, 2020, including on the basis of an earn-out provision.

11.7.3.2 Material Financing Agreements of the Consus Group

11.7.3.2.1 Consus 2024 Senior Secured Notes

On May 3, 2019 and October 17, 2019, Consus Real Estate issued senior secured notes in an aggregate principal amount of €450,000,000 bearing a fixed annual interest at a rate of 9.625% and maturing on May 15, 2024 (the "**Consus 2024 Senior Secured Notes**"). The Consus 2024 Senior Secured Notes are admitted to trading on The International Stock Exchange. Subject to certain conditions and against payment of certain premiums, Consus Real Estate may redeem the Consus 2024 Senior Secured Notes prior to its maturity. Upon the occurrence of certain events constituting a change of control, Consus Real Estate may be required to make an offer to repurchase all of the Consus 2024 Senior Secured Notes at a redemption price equal to 101% of the principal amount thereof. Consus Real Estate shall not be required to make such an offer upon a change of control if a third party makes the offer in compliance with the requirements applicable to an offer made by Consus Real Estate and purchases all Consus 2024 Senior Secured Notes validly tendered.

The expected settlement of the Consus Real Estate Call Option Exercise on or around July 6, 2020 will trigger a change of control under the Consus 2024 Senior Secured Notes.

As of March 31, 2020, €450.0 million remained outstanding under the Consus 2024 Senior Secured Notes.

11.7.3.2.2 Consus 2022 Convertible Bonds

On November 29, 2017, Consus Real Estate issued convertible bonds in the aggregate principal amount of €200,000,000 due 2022 (the "**Consus 2022 Convertible Bonds**"). The Consus 2022 Convertible Bonds bear a fixed annual interest at a rate of 4.0%. Bondholders have the right to convert the Consus 2022 Convertible Bonds into shares of Consus Real Estate at an initial conversion price of €9.1885, which has, with effect as of July 24, 2018, been adjusted to a conversion price of €9.1706, subject to certain adjustments under certain circumstances. Consus Real Estate may redeem all of the bonds outstanding under the Consus 2022 Convertible Bonds if the share price of Consus Real Estate on at least 20 trading days during a period of 30 consecutive trading days exceeds 130% of the conversion price in effect on each such trading day. In case of a change of control, each bondholder may terminate all or part of the Consus 2022 Convertible Bonds and Consus Real Estate is obliged to redeem them at their principal amount plus accrued interest. If Consus Real Estate gives notice of a voluntary tender offer for its shares to the bondholders, each bondholder may convert the Consus 2022 Convertible Bonds held by it by giving a conversion notice that is conditional upon reaching the relevant acceptance threshold as set forth in the tender offer. In such case, the conversion price will be subject to an adjustment. In accordance with the terms and conditions of the Consus 2022 Convertible Bond, its holders have the right to offer to Con-

-sus Real Estate to participate in a capital increase by way of contribution in kind (*Sacheinlage*) by offering bonds held by it as contribution in kind, whereas it is in Consus Real Estate's discretion to accept such offer. If Consus Real Estate accepts such offer, the new shares would be derived from Consus Real Estate's conditional capital. The exercise of the included termination right leads to a 100% repayment plus accrued interest.

The expected settlement of the Consus Real Estate Call Option Exercise on or around July 6, 2020 will trigger a change of control under the Consus 2022 Convertible Bonds.

As of March 31, 2020, €173.7 million remained outstanding under the Consus 2022 Convertible Bonds.

11.7.3.2.3 Consus 2024 Bond

In November 2017, Consus Real Estate issued bonds in the aggregate principle amount of €150 million due 2024 (the "**Consus 2024 Bond**"). The 2024 Bond bears interest at a rate of 4.75%. Initially, the entire 2024 Bond was issued to Aggregate. However, during the financial year ended December 31, 2018, Consus Real Estate repurchased €128.3 million of aggregate principal amount of the Consus 2024 Bond. As of June 30, 2018, Aggregate informed Consus Real Estate that it no longer held title to the Consus 2024 Bond. Bondholders may require Consus Real Estate to redeem the Consus 2024 Bond in whole or in part if a change of control occurs. An exercise of this option will only become valid once bondholders of at least 25% of the aggregate principal amount have exercised it.

The expected settlement of the Consus Real Estate Call Option Exercise on or around July 6, 2020 will trigger a change of control under the Consus 2024 Bond.

As of March 31, 2020, €21.7 million remained outstanding under the Consus 2024 Bond.

11.7.3.2.4 Financing of the Consus Group's development projects and other financing arrangements

The Consus Group's project-related financing agreements in an aggregate amount of €2,316 million as of March 31, 2020 consisted of loan agreements with financing banks, promissory note loan (*Schuldscheindarlehen*), other bonds (*Anleihen*) and loan agreements with individuals and non-bank entities or financings not immediately related to the Consus Group's development projects.

The Consus Group will use the proceeds from the Consus May 2020 Divestments to, among others, reduce its project debt by approximately €865 million, including a €350 million reduction of high-cost mezzanine debt. On a pro forma basis, the Consus May 2020 Divestments will decrease the Consus Group's average cost of debt to 7.4% and reduce its net debt by over €1,005 million.

The majority of the Consus Group's financing arrangements were entered into in connection with the financing of the acquisition or development of land plots and/or real estate properties and are in line with customary market practice. Typically, such project financings have a short- to mid-term maturity profile to match Consus Real Estate's general forward sale approach and the value creation process. In the ordinary course of business, the Consus Group continues to finance, refinance and extend its project financings on a rolling basis. In certain cases, such refinancing or extension only occurs following the maturity of the relevant financing. Individual project financings may mature prior to the relevant developments being completed and sold and, in such cases, such financings are refinanced or extended as required. In line with industry practice, the process required for such refinancing or extension is initiated shortly (i.e. usually three months) prior to maturity.

11.8 Economic and Strategic Reasons for the Transactions

The Company's business strategy is focused on creating one of the leading residential real estate companies in Germany.

11.8.1 Reasons for the Business Combination

Through the Business Combination, the Combined Group became a top-5 residential real estate company in Germany based on gross asset value and has the potential to ultimately create one of the largest listed residential real estate companies in Europe, characterized by diversification and synergistic growth.

11.8.1.1 Diversifying into Strong Locations Across Germany

The Company and ADLER Real Estate consolidate approximately €8.6 billion in combined residential assets. The Company's Berlin portfolio is complemented by ADLER Real Estate's Germany-wide portfolio, focused on German cities with attractive yield potential. In addition, the Combined Group will benefit from enhanced liquidity in the Company's shares.

11.8.1.2 Operating and Financing Synergies

The Company believes that through the Business Combination it will realize income and cost synergies with a positive effect on combined FFO 1 of approximately €15 million to €20 million (before tax) per year. Operating synergies are expected to be derived from economies of scale in purchasing and streamlined corporate structures with a reduction in administrative costs. The Company believes that operating synergies could partially be realized earlier than anticipated and expects €6.5 million of operating synergies to be realized in 2020.

The Completion will furthermore enable the realization of financing synergies on ADLER Real Estate's debt, which are expected to be between €9 million to €19 million per year in the medium-term.

11.8.2 Reasons for the Consus Real Estate Acquisition

With the Consus Real Estate Acquisition, we will gain access to a highly experienced development platform. We intend to capitalize on Consus Real Estate's focus on large-scale developments and its landbank with a GAV of approximately €1.0 billion across the Top 7 Cities on which we expect development projects to be completed over the next six to eight years. Our strategy encompasses exploiting Consus Real Estate's bespoke development pipeline. After consummation of the Consus Real Estate Acquisition, we aim to implement a build-to-hold strategy to deliver new residential real estate units in a strategic effort to address and benefit from the ongoing housing shortage in Germany.

With the Consus Real Estate Acquisition, the Company expects to unlock the embedded value in Consus Real Estate's build-to-hold portfolio. Based on current value, Consus Real Estate's eleven projects with a total floor area of approximately 800,000 square meters have an estimated value of approximately €1,250 per square meter. The expected remaining construction costs are estimated at approximately €3,250 to €3,750 per square meter, bringing the expected total investment in the build-to-hold portfolio to approximately €4,500 to €5,000 per square meter and, ultimately, implying an embedded value uplift of €1,200 to €2,000 per square meter and a targeted GDV of approximately €4.7 billion to €5.3 billion. Moreover, Consus Real Estate's landbank allows for accretive growth of the NAV over the next six to eight years up to an illustrative run-rate NAV of €7.3 billion to €7.9 billion.

Moreover, by way of the Consus Real Estate Acquisition, we target cumulative operating synergies of €13 million to €18 million within the next 12 to 24 months by reducing marketing expenses, operational savings through a unified platform as well as administrative savings. Based on Consus Real Estate's approximately €150 million non-recurring EBITDA generated from upfront sales of development projects already sold in 2020 and a 20% EBITDA margin on €2.0 billion of forward sales signed and condominium sales started, with 70% of the EBITDA yet to be recognized and distributed over 3.5 years, less annualized Q1 2020 interest of approximately €130 million (annualized Q1 2020 interest of approximately €69 million, adjusted for approximately €34 million capitalized interest and interest on reduced debt of approximately €850 million post closing of disposals) tax at an assumed 30% tax rate, as adjusted to the Company's accounting principles and assuming that Consus Real Estate has been consolidated as of January 1, 2020, we would expect an illustrative development FFO contribution from Consus Real Estate for 2020 between €50 million and €80 million. We expect this to be contributed before the run-rate operating and refinancing synergies of €90 million to €104 million that we aim to achieve in 2021.

We aim to achieve cumulative financing synergies of €50 million to €54 million in 2020 and €77 million to €86 million by the end of 2021 for the Combined Group by way of significant debt reduction and, thus, interest savings. Thus, we expect to realize total cumulative synergies of €63 million to €72 million by the end of 2020 and €90 million to €104 million by the end of 2021 with a corresponding positive effect on our pre-tax FFO.

12. MARKETS AND COMPETITION

12.1 The German Real Estate Market – Overview and Market Drivers

As of March 31, 2020, the Company and ADLER Real Estate owned 16,248 and 58,007 residential units, respectively, that they held for rental to tenants. These are located exclusively in Germany. While the Company's entire stock of residential units is located in Berlin, ADLER Real Estate's residential units in most cases are located in the vicinity of larger conurbations and offer affordable homes to tenants with medium to low incomes. In recent years, ADLER Real Estate has grown rapidly, *e.g.* through acquisitions such as the acquisition of a 69.81% stake in BCP in 2018. The Company has recently focused its portfolio through the sale of approximately 5,900 residential units in the fourth quarter of 2019. As a Combined Group, the ADO Properties Group and the ADLER Group intend to maintain their existing strategic focus, grow their residential property portfolio and thus continue to serve the needs of their particular segment of the real estate market even more extensively. The Combined Group's business is, therefore, largely dependent on the residential real estate market in Germany.

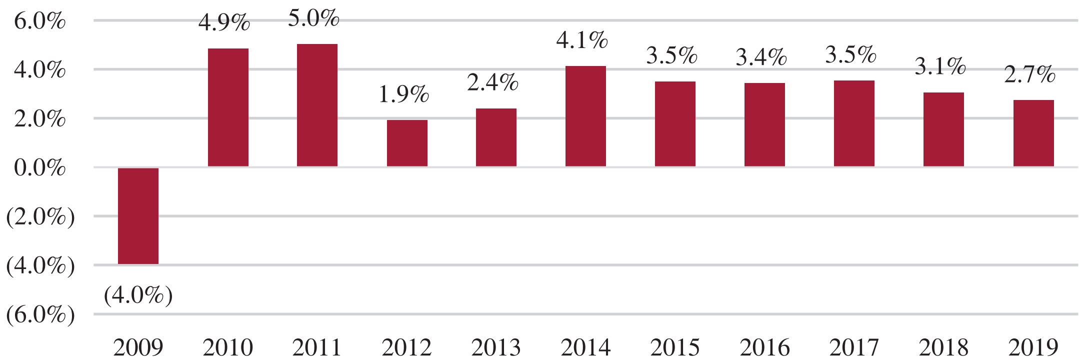
12.1.1 Macroeconomic and Demographic Drivers Affecting the German Real Estate Market

The key factors influencing the German residential real estate market comprise the gross domestic product ("**GDP**"), the disposable income per capita of the German population as well as the number of households. Additionally, demand and supply on the real estate market are also influenced by socio-demographic factors, the overall demographic development, changes in consumer behavior and ways of life or preferred forms of living. This may have repercussions on the average living space per capita, the average number of people living in household, preferred forms of living such as apartments or single family-houses or the preferred locations like cities, conurbations or rural areas. Furthermore, the Company believes that a decisive factor regarding the attractiveness of a property is the physical condition of the building and, in case of condominiums, the tenant structure.

Over the recent years, the German residential real estate market has benefitted and is expected to further benefit from a relatively positive macroeconomic environment on the basis of *e.g.* the following trends and developments:

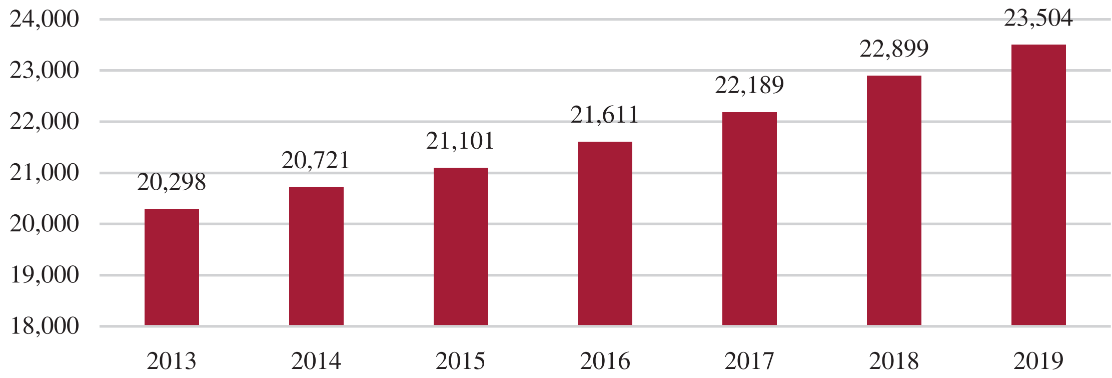
12.1.1.1 GDP Growth (in %)

After years of steady growth there have been increasing signs of a slowdown in the German economy with a GDP decrease of 0.1% for the second quarter of 2019 (compared to 2018) while price-adjusted exports were down 0.8%, resulting in the largest decline recorded in the last six years (*source: Federal Statistical Office–Press Release 321*). The German economy returned to growth in the third quarter and fourth quarters of 2019 with an increase in GDP of 1.1% and 0.3%, respectively (compared to the same quarters in 2018) (*source: Federal Statistical Office–Press Release 056*). A decrease in GDP in Germany or an increase in unemployment could adversely affect the population's purchasing power, and therefore its propensity to acquire residential real estate.



(*source: Volkswirtschaftliche Gesamtrechnung der Länder–Growth at current prices*)

Disposable income per capita in Germany (in € thousand)



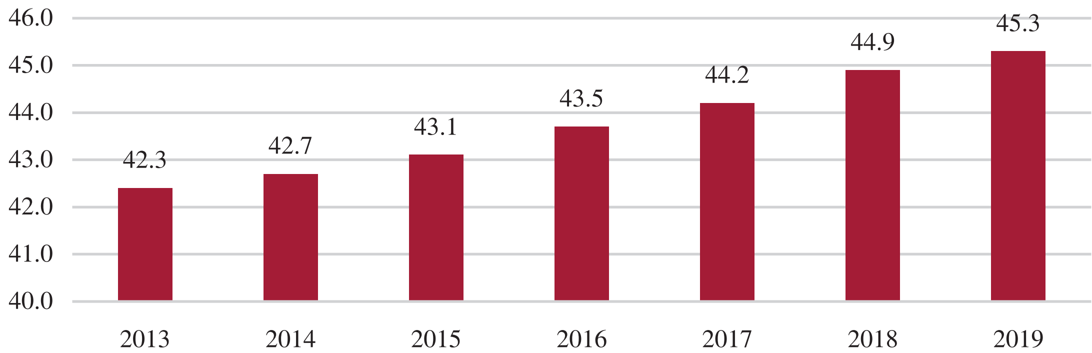
(*source: Volkswirtschaftliche Gesamtrechnung der Länder)*

While in 1996 living space per capita amounted to 36.5 sqm, it had gone up to 45.2 sqm in 2018 (*source: Federal Statistical Office–Anzahl der Wohnungen, Bevölkerung*). Up to the year 2030, the per capita residential space of owner-occupied households is expected to rise further, reaching 54 sqm in the old federal states and 55 sqm in the area of the former GDR including Berlin (*source: Statista–Pro-Kopf-Wohnfläche*).

12.1.1.2 Employment

In February 2020, roughly 45.0 million persons resident in Germany were in insurable employment. The number of persons in insurable employment in February 2020 was 0.5% (214,000 persons) higher than in February 2019 (*source: Federal Statistical Office–Press Release 115*).

Employment (in million people)



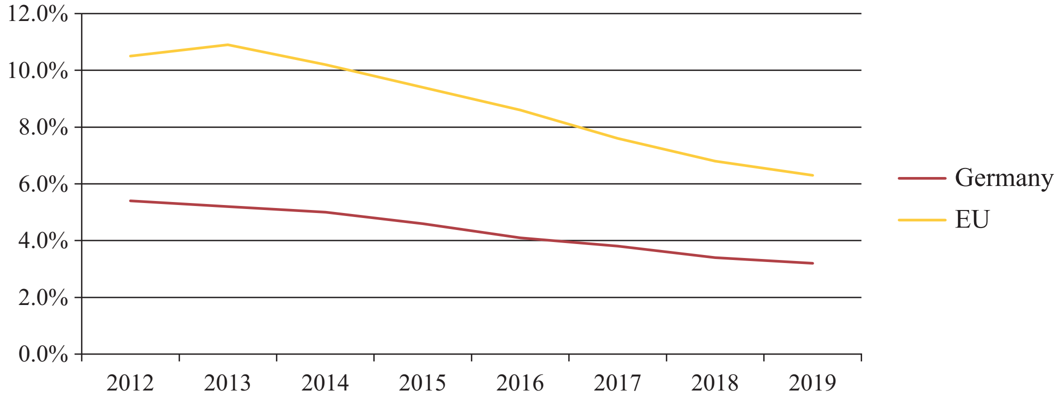
(source: Federal Statistical Office–Genesis data base)

12.1.1.3 Unemployment rate in Germany (in %)

The unemployment rate in Germany continuously declined in the last five years, reaching 4.6% in 2015, 4.1% in 2016, 3.8% in 2017, 3.4% in 2018 and 3.2% in 2019.

The German unemployment rate is significantly lower than the EU average rate. This means that Germany is less affected by unemployment than most other EU Members (*source: Eurostat–Unemployment*).

Unemployment rate in Germany and the EU 2012-2019 (%)



(source: Eurostat–Unemployment)

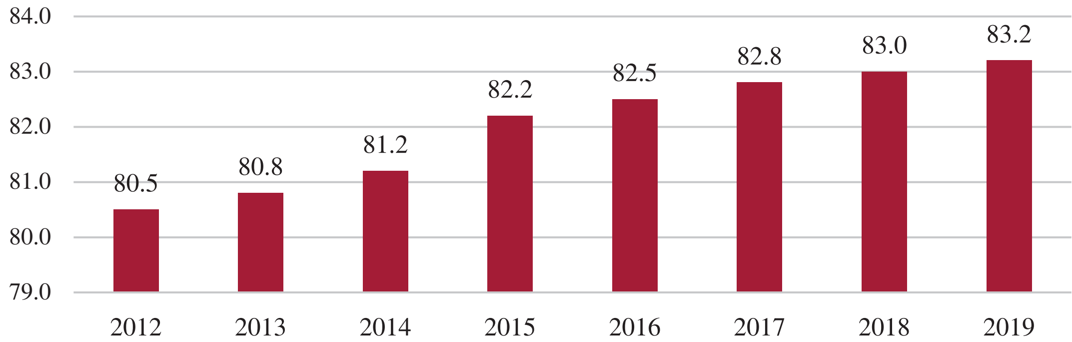
12.1.1.4 Consumer Price Development

The German economy experiences low inflation. In April 2020, the consumer price index is expected to show an increase of 0.8% to April 2019 (*source*: *Federal Statistical Office–Press Release 149*). On an annual average, consumer prices in Germany rose by 1.4% in 2019 after 1.8% in 2018, 1.5% in 2017 and 0.5% in 2016 (*source: Federal Statistical Office–Consumer Prices*).

12.1.1.5 Population Growth to Continue

According to the Federal Statistical Office, 83.2 million people were living in Germany at the end of 2019. At the end of 2018, the figure was 83.0 million. Since the last census survey in 2011 on the country's population and the employment and housing conditions carried out by the statistical offices of the Federation and States (*Statistische Ämter des Bundes und der Länder*), the population has been growing steadily, while it had declined slightly between 2002 and 2010. Despite the birth deficit, the number of inhabitants in Germany increased again due to a migration surplus and, at the end of 2019, is expected to have reached a new record high since German reunification (*source*: *Federal Statistical Office–Press Release 029; Federal Statistical Office–Press Release 244, Federal Statistical Office–Press Release 022*).

German Population (in million)



(source: Federal Statistical Office–Population; Federal Statistical Office–Press Release 022)

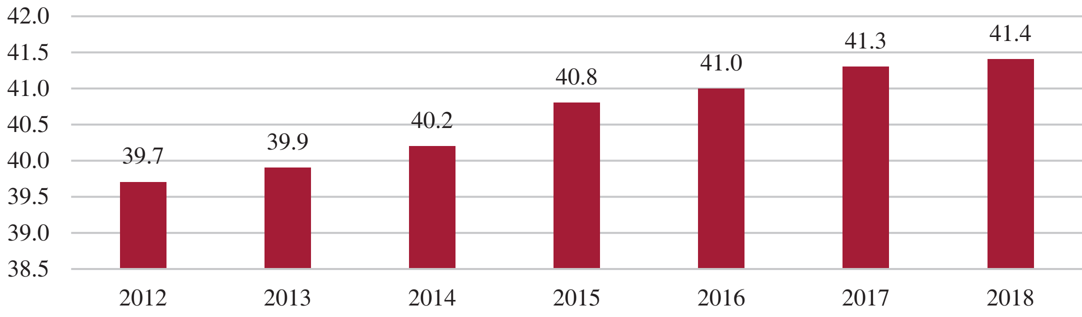
According to the latest forecast of Eurostat, the population in Germany will increase due to immigration to almost 84 million until roughly 2030 and then steadily decline to 80 million until the year 2080 (*source: Eurostat–Population Forecast*).

In recent years, Germany has seen positive and ever-increasing balances levels of immigration, from around 127,700 people in 2010 to around 416,000 people in 2017 and 400,000 people in 2018 (*source: Federal Statistical Office–Press Release 271*).

12.1.1.6 Increase in the Number of Households

The number of households in Germany reached almost 41.4 million in 2018, increasing from 41.3 million in the previous year. This, too, is the highest number recorded in Germany over the last 25 years, rising from 36.2 million in 1993 (*source: Federal Statistical Office–Privathaushalte Deutschland*).

Number of households (in million)



(source: Federal Statistical Office–Privathaushalte Deutschland)

As the increase in the number of household was much stronger than the increase in the overall population, it follows that the average household size has declined over time. In particular, the number of single person households has increased significantly from 35.4% in 1996 to 41.9% in 2018 (*source*: *Federal Statistical Office–Privathaushalte Deutschland*). The number of households is expected to continue to grow reaching 42.6 million by 2040 (source: Federal Statistical Office–*Entwicklung der Privathaushalte bis 2040).*

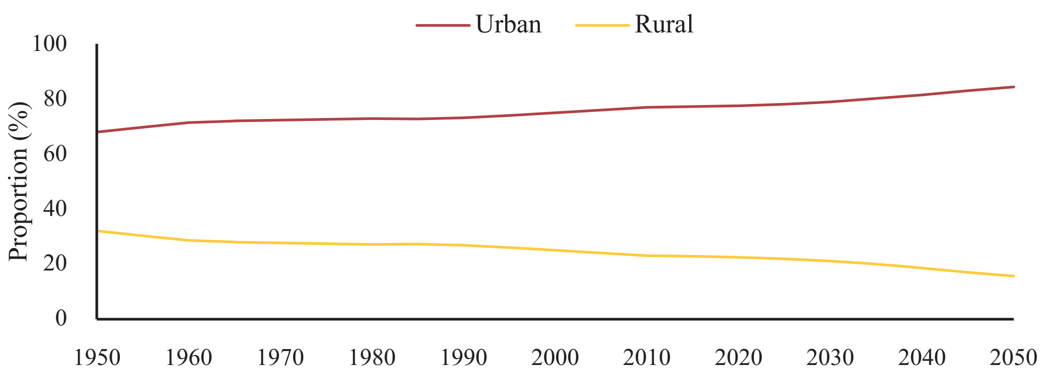
The Company believes that stable and solid growth, high employment, low inflation, a growing population and the continuing trend to single households are positive indicators for further growth in demand for residential space.

12.1.1.7 Urban Population and Immigration Trends

The recent increase in the German population has been driven by immigration, both labor market oriented and as a result of an influx of refugees, and has resulted in an accelerated increase of population density in Germany's key metropolitan regions, leading to continued urbanization (*source: Statista–Germany: Urbanization from 2008 to 2018*).

The following chart indicates that the urbanization trend is expected to continue in the future and emphasizes that the proportion of population living in urban areas in Germany is expected to increase from approximately 77% in 2015 to approximately 80% in 2035, with a long term forecast of 84% in 2050 (*source: United Nations–World Urbanization Prospects*).

German Urban Population Proportion (1)



(*source: United Nations–World Urbanization Prospects*)

(1) Proportions of urban and rural population in the current country or area in per cent of the total population, 1950 to 2050.

12.1.1.8 Household Debt and Low Interest Rates

Since 2011, the volume of housing loans to households has increased from €16.4 billion to approximately €20.5 billion in February 2020 (*source: Deutsche Bundesbank–Housing Loans to Households*).

Both the Company and ADLER Real Estate finance their business activities with own equity and borrowed capital and will continue to do so as the Combined Group. Interest rates are closely linked to the main refinancing rate for Europe as determined by the European Central Bank ("**European Central**

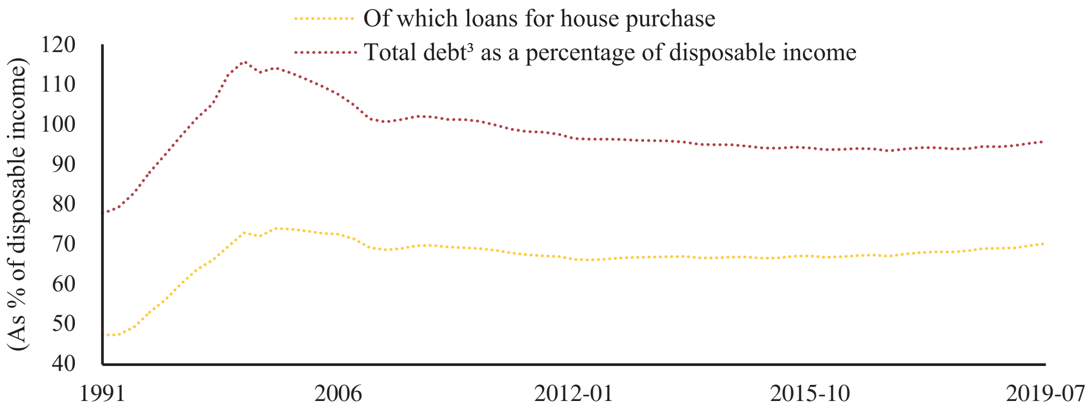
Bank"). Currently, interest rates in Germany on real estate loans are at historically low levels and the ECB's main refinancing rate is expected to remain persistently low in 2020 until it has seen the inflation outlook robustly converge to a level sufficiently close to, but below, 2% within its projection horizon (*source: ECB–Monetary Policy Decisions*). This gives reason to expect that German real estate will continue to be a valuable investment category for private and professional investors.

A general, noticeable increase in interest rates could affect the Company's ability to finance the acquisition, modernization, maintenance and refurbishment of property portfolios by debt capital and the general ability to refinance debt which becomes due.

The following chart indicates the percentage of debt held by households as percent of disposable income as well as the share of loans for house purchases as percent of disposable income.

Household debt in Germany (1)

(Annual averages(2))



(*source: Deutsche Bundesbank–Indicators for German Residential Property Markets*)

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(1) Unconsolidated, i.e. referring to financial transactions within one sector are not offset against each other. On the contrary, consolidating data results in instances where financial relations within one sector are offset against each other, such data showing an external interdependence of one sector with another sector.

(2) Until 1998 according to ESA 1995; from 1999 according to ESA 2010.

(3) Excluding other liabilities.

12.2 German Residential Real Estate Market

12.2.1 Residential Loans

Germany has seen a steady rise in residential loans. The gross residential loans have increased by nominal amount at a compound annual growth rate ("**CAGR**") of 6.0% from 2010 until 2018. Gross residential loans in Germany had an aggregate amount of approximately €227.8 billion at the end of 2018. The total of outstanding residential loans per capita has also increased with a CAGR of 2.7% from 2010 until 2018 and was at €20,879 at the end of 2018 (*source: EMF Hypostat 2019*). The EU average was at €17,404 at the end of 2018. As such, there is increased mortgage activity in Germany driven by increase in home ownership and increased demand (*source: EMF Hypostat 2019*).

12.2.2 Number of Transactions

The number of transactions is an important metric to measure the activity in the residential real estate sector as it takes into account both, newly constructed and existing properties. The number of transactions is defined as the total number of new or second hand apartments purchased or transferred in the period, including those occupied for the first time. In 2018, the number of new homes delivered was approximately 286,000, while the number of transactions was at 569,000 (*source: EMF Hypostat 2019*). The total sales value associated with the transactions rose by 6.6% compared to the previous year. As such, overall investor activity has been high over the years in both the primary and secondary market (*source: EMF Hypostat 2019*).

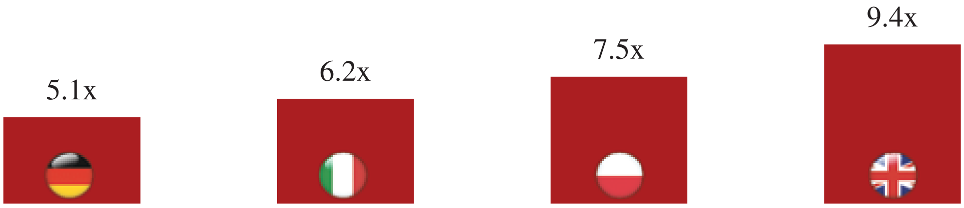
12.2.3 Property Prices Evolution

Property prices across the globe saw a decline post the financial crisis and started to recover since 2012 in most countries. Property prices in Germany were resilient post the financial crisis and only exhibited a slight decline of 0.2% in 2007 and of 0.5% in 2009 (*source: EMF Hypostat 2019*). There has been a steady increase in the property prices in Germany signifying its strong fundamentals. The nominal house prices have increased at 3.1%, 4.5%, 6.0%, 5.8% and 7.7% in 2014, 2015, 2016, 2017 and 2018, respectively (*source: EMF Hypostat 2019*).

12.2.4 House Price Affordability

Housing in Germany is amongst the most affordable within the EU. The price to salary multiple in Germany stands at 5.1x. For the United Kingdom, the ratio is as high as 9.4x (*source: Deloitte–Property Index*). The following chart shows the average housing affordability measured by the multiple of average gross annual salary required to buy a new 70 square meter residential unit in Germany compared to other Western European countries.

Average gross annual salary required to buy a new 70 square meter flat in Western Europe

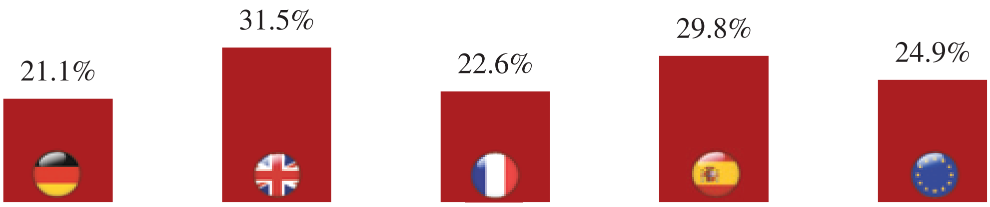


(*source: Deloitte–Property Index)*

(1) Bid price.

In Germany, the share of rent in disposable income is 21.1% as of 2018 and is therefore significantly lower than the EU average of 24.9% implying that there is still room for rents to rise. The chart below compares the share of rent in disposal household income to other Western European countries.

Share of rent in disposable household income as % of total (2018)

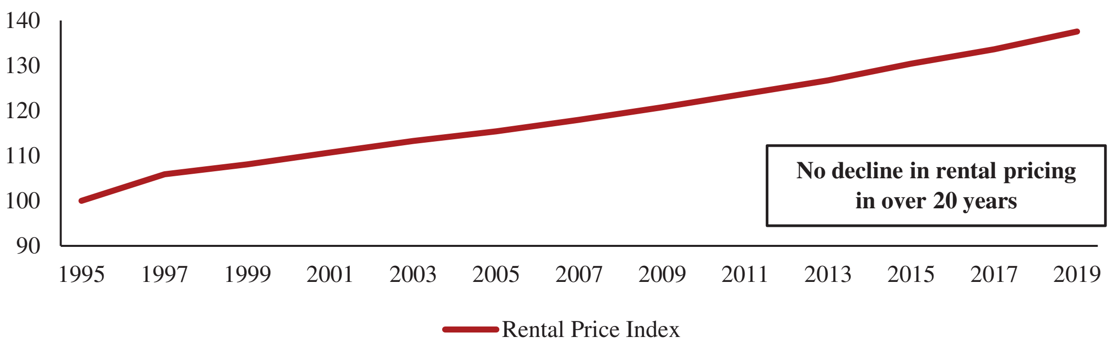


(*source: Eurostat–Share of rent*)

12.2.5 Steady Rental Price Growth

In the past 20 years, rental prices have been steadily and consistently rising in Germany. The chart below outlines the growing rents in Germany since 1995.

>20 years of strong and constant rental price growth

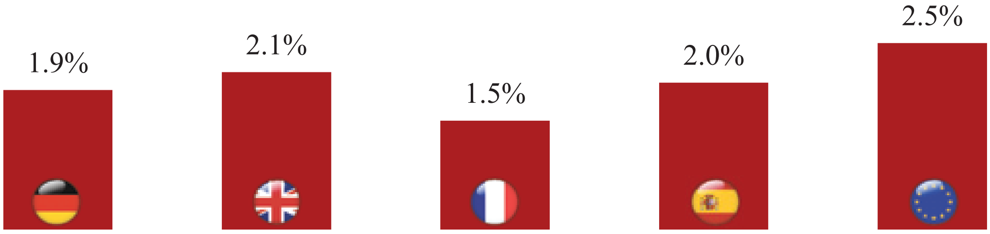


(*source: Federal Statistical Office–Residential Rental Price Index*)

12.2.6 Mortgage Rates

Mortgage rates in Germany are conducive to the residential market growth. The long term initial fixed period rate (across all interest rate fixation periods) was at 1.9% in 2018 (*source: EMF Hypostat 2019*), which is among the lowest across the Western European economies. This low interest mortgage rate environment is supportive of home ownership growth in Germany. The following chart shows a comparison of average mortgage rates on the basis of annual averages in 2018 across major Western European economies.

Comparison of average mortgage rates in Western Europe



(*source: EMF Hypostat 2019*)

From a financing perspective, excessively loose lending conditions can contribute to high valuations for residential properties, but borrowing standards in Germany have been stable. Housing loans are mostly based on relatively long term fixed interest agreements, thereby minimizing the exposure of lenders to interest rate fluctuations.

12.2.7 LTV-Ratio

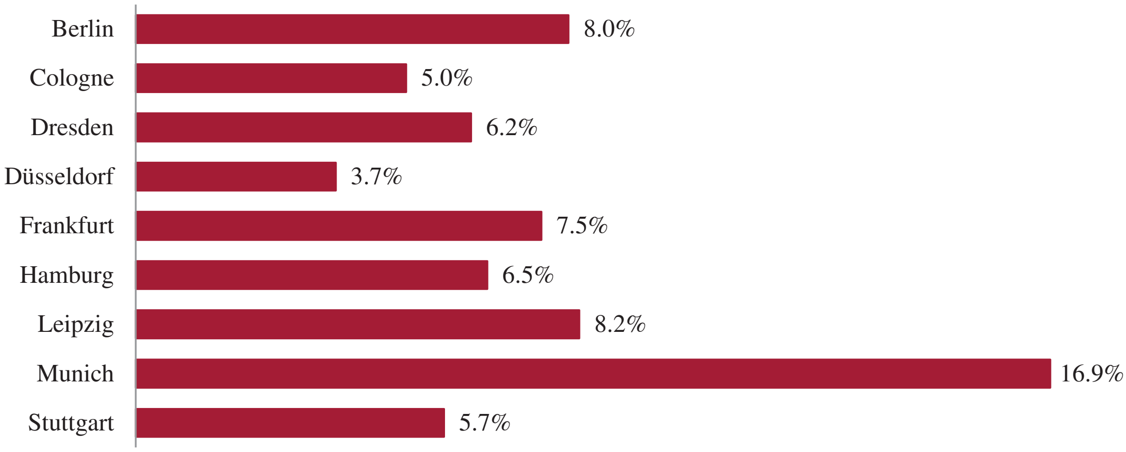
Generally, the LTV-ratio describes the ratio of net debt to the fair value of investment properties and inventories. LTV-ratios in Germany have consistently stayed above 70%, even after the financial crisis in the years of 2007 and 2008. Currently, the typical LTV-ratio is around 78% (*source: EMF Hypostat 2019*).

12.2.8 Overview of Residential Real Estate–Top 9 Cities

12.2.8.1 Population

As of December 31, 2018, four of the Top 9 Cities report populations over 1 million. Germany's largest city is Berlin, with a population of 3.6 million and therefore is almost twice as large as Hamburg, Germany's second largest city, with a population of 1.8 million. The smallest of the Top 9 Cities are Dresden, Leipzig, Düsseldorf and Stuttgart, with populations ranging between 555,000 and 635,000 (*source: Federal Statistical Office–Bevölkerung Kreise*).

Expected population growth from 2012 until 2030 across all Top 9 Cities



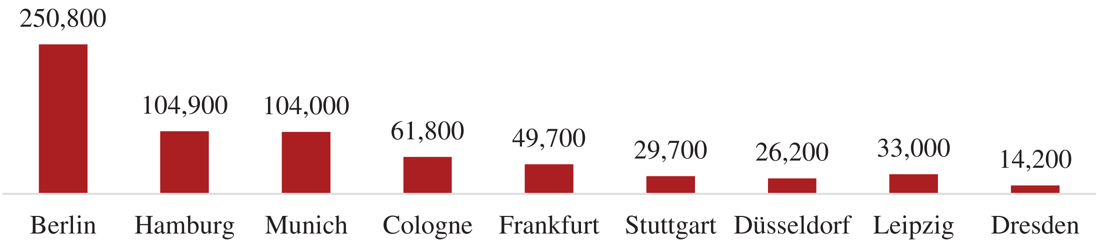
(*source: HWWI/Berenberg–30 größten Städte Deutschlands*)

The expected population growth rate of a city can be used as an indicator of a city's attractiveness and readiness for the future. Regarding the Top 9 Cities, Munich is expected to grow the most in the period between 2012 and 2030, with an expected growth rate of 17%, whereas Berlin is expected to grow at 8%, Düsseldorf at 4% and Cologne at 5%.

12.2.8.2 Building Permits and Supply & Demand

The overall shortage of apartments will continue to increase over the next years. In the Top 9 Cities, a total shortage of 674,300 apartments is expected until 2030. Berlin is expected to face the greatest supply shortage of 250,800 apartments, while Munich is expected to exhibit a shortage of 104,000 apartments and Hamburg a shortage of 104,900. Dresden will exhibit a shortage of 14,200 and Düsseldorf a shortage of 26,200 apartments.

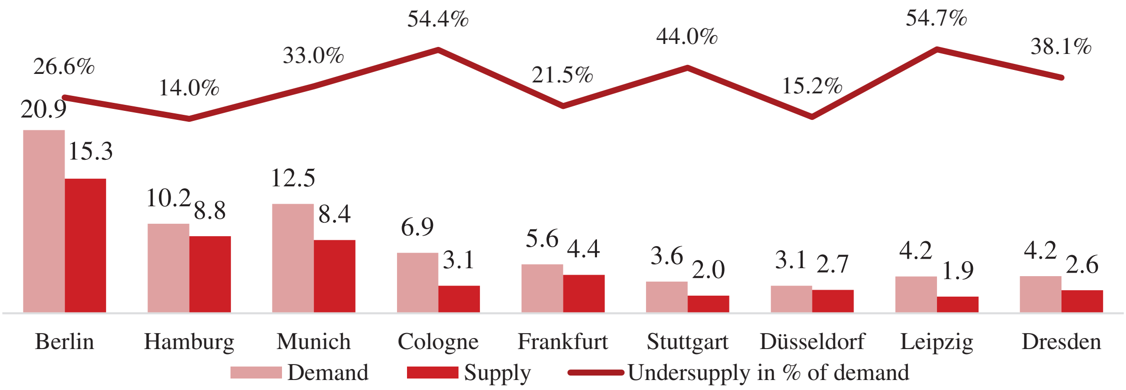
Total shortage of apartments in the Top 9 Cities until 2030



(*source: IW Report 28/2019–Ist der Wohnungsbau auf dem richtigen Weg?, Stadt Leipzig–Integriertes Stadtentwicklungskonzept Leipzig 2030, Landeshauptstadt Dresden–Wohnkonzept*)

Demand for apartments up to 2020 in Germany's Top 9 Cities is outstripping supply by far. Especially in cities such as Leipzig (54.7%), Cologne (54.4%) or Stuttgart (44.0%) undersupply is distinct.

Supply and demand of apartments across Germany's Top 9 Cities p.a. up to 2020



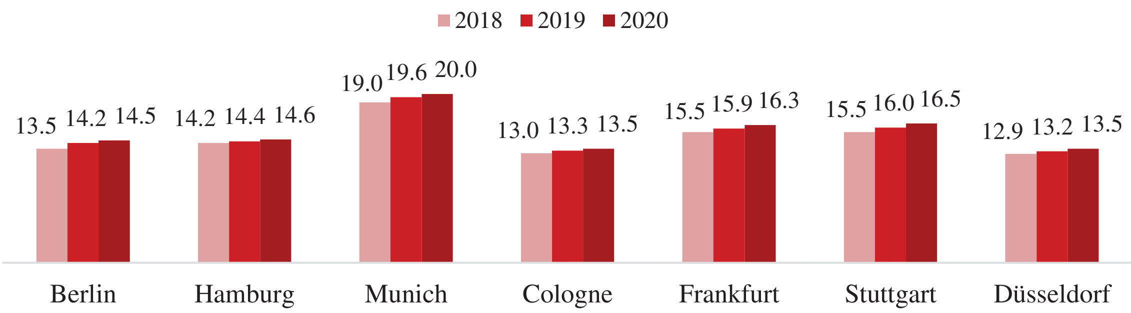
(*source: IW Report 28/2019–Ist der Wohnungsbau auf dem richtigen Weg?*)

12.2.8.3 *Rental Price Development*

Rental price growth is highest in Berlin, where rents are expected to increase from €13.5 per square meter in 2018 to €14.5 per square meter in 2020, closely followed by Stuttgart, where a CAGR of 3.2% is expected over the two years from 2018 to 2020, reaching €16.5 per square meter in 2020. In absolute terms, rents in Munich are expected to be the highest (€20.0 per square meter), followed by €16.5 per square meter in Stuttgart and €16.3 per square meter in Frankfurt. Lowest rents per square meter in 2020 are paid in Düsseldorf and Cologne (both €13.5 per square meter).

Increase of first occupancy average rents in € per square meter from 2018 to 2020

(First occupancy average rents € per square meter)



(*source: DZ HYP–Real Estate Market Germany 2019/2020*)

12.2.8.4 *Impact of Legislative or Regulatory Measures*

The real estate market has ever since been subject to regulatory or legislative changes. On June 1, 2015, the rent control of new leases (*Mietpreisbremse*) was enacted, which enables the federal states to establish individual decrees. The new law limiting rent increases (*MietNovG*) upon re-letting of existing residential units in regions with low supply only allows an increase of rent up to local rental table level plus 10%.

Furthermore, the provisions of landlord-tenant law are especially relevant to the Company. German residential landlord-tenant law (*Wohnraummietrecht*) is considered to be tenant friendly in many respects, restricting the ability to increase rents. If the parties to a tenancy agreement have not agreed on a stepped rent or an indexation – both unusual in the German residential market – a rent increase is feasible only within certain limits and taking into account statutory limits, for example, as a result of the so-called rent control (so-called "*Mietpreisbremse*") which was enacted in 2015 and has been implemented by various German federal states. Further obligations for landlords are stipulated in the Tenancy Law Adjustment Act (*Mietrechtsanpassungsgesetz*) which is in effect since January 1, 2019 and pursuant to which allocation of modernization costs shall be reduced from 11% to 8% of the investment amount (applicable to all housing markets) with absolute caps of rent growth following a modernization.

In addition, in light of the housing shortages in certain German cities and regions, where the free market results in high and unaffordable rents, not only for low income but also for middle income households, recent discussions at the state level, in particular in Berlin, have advocated for a freeze of rent levels (so-called "*Mietpreisdeckel*"), which was enacted on February 23, 2020, and the implementation of administrative approvals for rent increases permitted following modernization measures which significantly affect a landlord's ability to increase rents.

Moreover, on September 12, 2019, the state of Berlin introduced a motion in the German Federal Council (*Bundesrat*) to abolish the possibility of allocating property tax from landlords to tenants (*Mieter-Grundsteuer-Entlastungsgesetz*). It is currently unclear whether the motion will be accepted and which federal states will join Berlin's initiative in the Federal Council (*Bundesrat*). Despite a transitional period which shall apply to tenancies which arose before this Act came into effect, a disallocation of property tax would likely have – at least – a short-term impact on the Company's performance as such costs would need to be borne by the Company unless such costs could be compensated by higher tenant rates which may be difficult to realize.

12.3 Berlin Macroeconomic Situation, Demographic Drivers and Residential Real Estate Market

Berlin remains a key market for the Combined Group with approximately 50% of gross asset value attributable to the city. As of March 31, 2020, the Company held a portfolio of 16,248 residential units in Berlin while ADLER Real Estate held 1,699 residential units in Berlin at the same time.

12.3.1 Berlin Macroeconomic Situation and Demographic Drivers

With a population of approximately 3.8 million as of 2019 (*source: Amt für Statistik Berlin-Brandenburg–Press release No. 32*), Berlin is the most populous city in Germany. For many years, the city's number of inhabitants has continued to grow, driven by a steady positive net migration. Net migration to Berlin in 2019 amounted to 19,200 (*source: Amt für Statistik Berlin-Brandenburg–Press release No. 81*). The continued natural population growth through a higher number of births than deaths, which in 2019 amounted to approximately 4,300 (*source: Amt für Statistik Berlin-Brandenburg–Press release No. 81*), has further reinforced this trend. In 2019, Berlin's overall population growth amounted to 0.6% or an absolute increase of approximately 21,347. Berlin's population is expected to continue growing until at least 2030 (*source: Federal Statistical Office–Vorausberechnete Bevölkerung Berlin*).

The unemployment rate in Berlin was 5.4% in 2019 which represents a decrease of 0.7 percentage points compared to 2018. The unemployment rate has considerably decreased over recent years. In 2014, the city recorded an unemployment rate of 9.8%. Still, Berlin's unemployment rate remains above the German average which stood at 3.2% in 2019 (*source: Eurostat–Unemployment*).

Berlin's real GDP grew by 3.0% in 2019 which is higher than any other German federal state. Per capita GDP in Berlin stood at €41,967 in 2019 compared to €40,105 in 2018, a nominal increase of 4.6% and a price-adjusted increase of 2.3% (*source: Volkswirtschaftliche Gesamtrechnung der Länder*). This is slightly higher than the average German per capita GDP of €41,358 as of 2019.

Disposable per capita income increased by 4.1% from an average of €19,538 in 2016 to €20,330 in 2017 (latest available, *source: Volkswirtschaftliche Gesamtrechnung der Länder*). The estimated per capita purchasing power in Berlin for 2020 was €21,687 which is lower than the German average of €23,766 (*source: GfK–Purchasing Power Germany*). Since 2016, the average gross wages and salaries in Berlin are above the German average. In 2019, they amounted to €38,480, an increase by 4.5% versus 2018.

The number of households in Berlin stood at 2.028 million in 2018 compared to 2.003 million in 2017, an increase of 1.2% which is higher than the population growth in the same year (*source: Federal Statistical*

Office–Privathaushalte Bundesländer). Based on this, Berlin represents the largest residential rental market in Germany. The average number of persons per household amounted to 1.8. Of the private households in Berlin 53% were one person households compared to the German average of 42%.

12.3.2 Berlin Residential Real Estate Market

Construction of new residential units in Berlin has considerably increased in recent years. In 2018, 16,706 residential units were completed compared to 15,669 in 2017, an increase of 6.6%, and compared to 4,321 completed units in 2010.

The number of permits for newly build housing has increased as well. While the number of building permits for newly build apartments was 3,890 in 2010, this number increased to 22,524 in 2019. From 2018 to 2019, there was a decrease in permits by 7.0%.

Housing demand is expected to remain at a high level. The Berlin Senate Department for Urban Development and Housing estimated that close to 200,000 new apartments will be needed by 2030 (*source: Berlin Senate Department for Urban Development and Housing–Press Release*). The city of Berlin's target for new residential units is 20,000 units per year until 2021 and 10,000 units per year thereafter (*source: JLL–Berlin Residential Profile*).

The residential vacancy rate has been steadily decreasing since 2003 from 5.1% to 0.8% end of year 2018 (*source: CBRE/empirica–Leerstandsindex*).

Rent prices have increased significantly in Berlin over the last years. Rent ask prices in Berlin stood at €12.55 per square meter per month as of H2 2019 which was 4.1% up year over years (*source: JLL–Berlin Residential Profile H2 2019*).

Prices for condominium apartments have continued to rise in Berlin reaching an average of €4,700 per square meter representing an increase of 8.4% year over year. The year-over-year asking price growth for new-built condominium apartments of 3.8% in H2 2019 was significantly lower than the five-year average growth rate of 10.3% (*source: JLL–Berlin Residential Profile H2 2019*).

The volume of real estate transactions in Berlin was €5,512 million in 2018, an increase of 14% compared to 2017 (for residential buildings and mixed use buildings, *source: Engel & Völkers–Residential Investment*).

12.3.3 Impact of Legislative and Regulatory Measures of the Berlin Senate

On June 18, 2019, Berlin's municipal government (*Berliner Senat*) announced its intention to freeze rents in Berlin for the next five years. On January 30, 2020, the Berlin parliament (*Berliner Abgeordnetenhaus*) passed the Law on Rent Limitation in Housing in Berlin (*Gesetz zur Mietenbegrenzung im Wohnungswesen in Berlin – MietenWoG Bln*). The law entered into force on February 23, 2020. The rent freeze has retroactive effect as from June 18, 2019. The rent ceilings in Berlin permitted by law are between €3.92 and €9.80 per sqm, depending on the date of the first occupancy as well as the furnishing of the apartment. The location of the building is taken into account when determining the upper limit in the form of a surcharge or discount. The law also provides that the costs for modernization measures may be apportioned up to a maximum of €1.00 per sqm. There are political discussions ongoing around the legitimacy of such a rent freeze, *i.e.* whether Berlin's government has the right to issue such a law or if it is even constitutional. The extent to which the increasing regulation of the German housing market and the foreseeable stagnation in construction completions will lead is the subject of a contradictory debate. Nonetheless, a reduction in rental cash flow due to the tightening of the rent control of new leases and the discussion in Berlin regarding the capping of rents as well as uncertainty among investors regarding the reliability and predictability of political decisions could negatively affect the overall value of the leased properties.

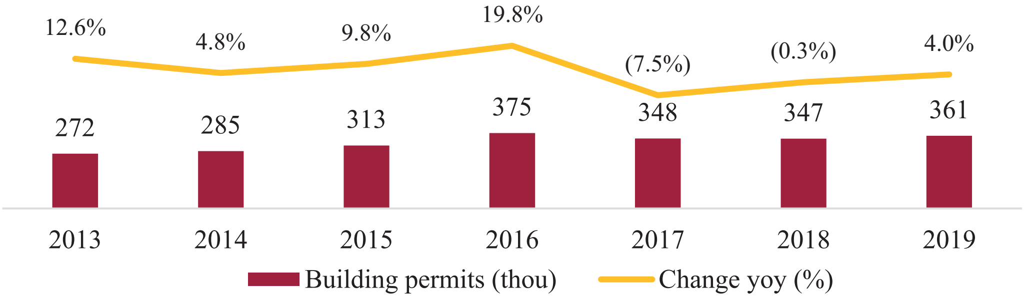
12.4 The German Homebuilding Market

The Company believes that stable and solid growth, high employment, low inflation, a growing population and the continuing trend to single households are positive indicators for further growth in demand for residential space.

In 2016, when building permits had reached a peak, a total of 375,589 permits to build apartments were issued. With this number, estimated demand for new residential units per year is just met. In the previous years, the number of building permits was lower at 313,296 in 2015 and 285,079 in 2014. This sharp rise of over 30% over two years indicated a strong reaction to the increasing demand for housing. In 2017 and 2018, however, this growth was not maintained (*source: Federal Statistical Office–Building Permits*).

There were approximately 360,600 building permits awarded (residential and non-residential dwellings) in Germany during 2019 (*source: Federal Statistical Office–Press Release 100*) which represents a 4.0% increase when compared to 2018.

12.4.1 Building Permits



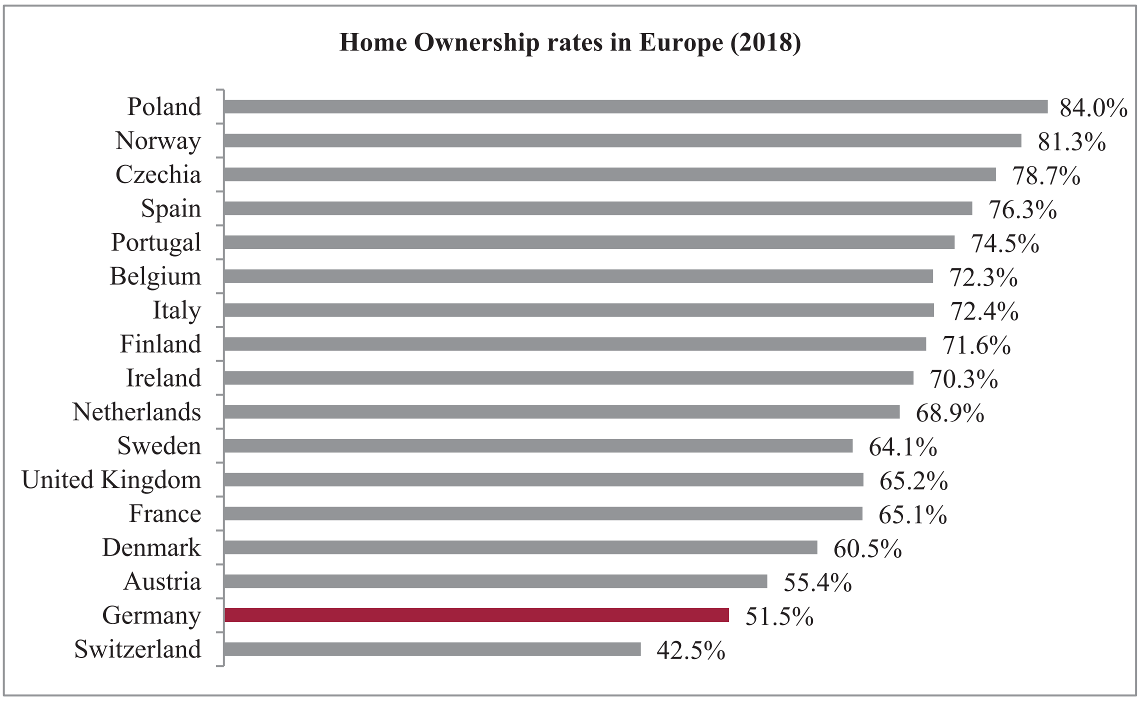
(source: Federal Statistical Office–Building Permits)

The actual demand for building permits is estimated to be approximately 300,000 to 400,000 units per annum (*source: empirica–Wohnungsbauprognose*). However, only around 286,000 units were built in 2018 (*source: Federal Statistical Office–Dwellings*). Adding this gap to the gaps of the past years, the result is a number of around 1,000,000 units missing (*source: empirica–Wohnungsbauprognose*). This gap becomes even higher when affordable or social housing is taken into focus. Here, only approximately 18% of the annual demand of 80,000 apartments are met (*source: Prognos–Wohnraumbedarf*).

For this reason, the Company believes that the level of building activity is too low to satisfy the demand for housing, in particular as building activities, due to increasing construction costs, are predominantly aimed at superior quality housing, not at the segment of affordable housing.

12.4.2 Residential Real Estate Stock

There were roughly 42.2 million residential units (residential and non-residential buildings) in Germany at the end of 2018 (*source: Federal Statistical Office–Press Release 285*) of which 51.5% were owned by the people living in them.



(source: Eurostat–Distribution of Population by Tenure Status)

The home ownership ratio in Germany is substantially lower than average in Europe. According to the Company, this can largely be attributed to historical causes. In post-war Germany, citizens often did not have the means to purchase real estate or to construct their own homes. To resolve the housing shortage, cities and municipalities became active in the construction and letting of social housing. As rents were also subsidized for decades, private ownership in home ownership was discouraged.

12.4.3 Transaction Volumes on the Residential Real Estate Investment Market in Germany

The German residential sector was amongst the most popular investment sectors in Germany in 2019. During 2019, transaction volumes of €16.5 billion (decrease of 6% in investment volume compared with the previous year) were recorded. The average purchase price per housing unit increased by 5.8% to €156,350. There is a positive outlook on the sector with projected transaction volumes of more than €15 billion (*source: CBRE–Marketview Wohninvestmentmarkt Deutschland Q4 2019*).

The Company is of the opinion that the acquisition prices of residential property are likely to increase further as they do not only reflect current rental income, but also expected rental price increases in the next few years.

12.4.4 Development of Rental Expenses

Rental expenses have increased continuously, but modestly for many years now. In its publications of the consumer price index developments, the Federal Statistical Office recorded an overall increase in the average net rental expense of 1.3% in 2015, 1.1% in 2016, 1.4% in 2017 and 1.5% in 2018 (*source: Federal Statistical Office).* The increase in net rental expenses in 2019 was slightly lower at 1.4% (*source: Federal Statistical Office–Press Release 019*). However, this average is dominated by existing rental contracts and does not indicate the differential between existing and new rental contracts. It also does not reflect the highly varied developments in conurbations and in rural or economically weaker regions in Germany.

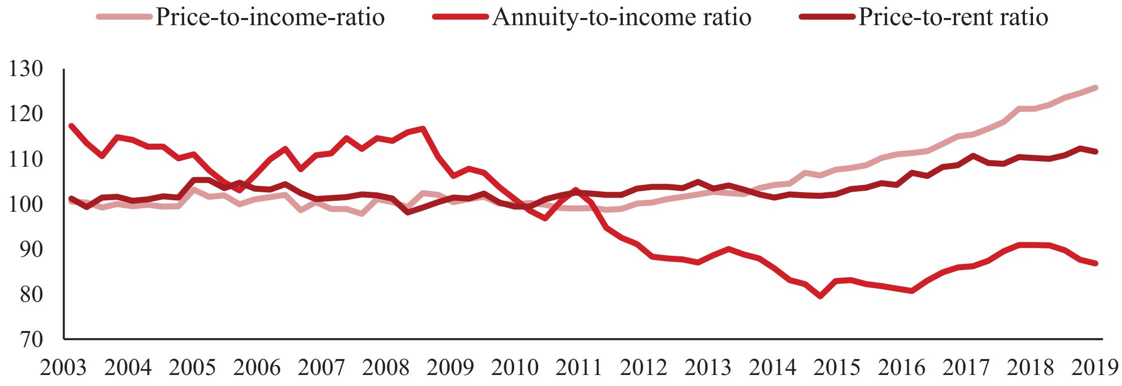
Rents for newly-built residential properties increased by 4.3% in 2019 in "D-cities" according to the property index of the analysis institute bulwiengesa (*source: Bulwiengesa–Property Market Index 2020*). In conurbations in Germany, demand for residential property is still larger than the supply. Regional differences in demand/supply relations were also reflected in vacancy rates for residential properties which in 2018 were at 2.8% (*source: CBRE/empirica–Leerstandsindex*).

12.4.5 German Property Prices in Relation to Other Major Western European Markets

The Company believes that Germany is one of the most attractive European markets for new residential real estate development. Its structural has a positive impact on the economic development and stability. In addition to the development of real house prices, the German real estate market was considerably less impacted by the financial crisis in 2007 and 2008 than other European countries (*source: OECD–House Prices Indicators*).

There are signs of a dynamic uptrend in rents and purchase prices in Germany, especially in the high-influx cities, including Berlin, Cologne, Düsseldorf, Frankfurt, Hamburg, Munich, Stuttgart and Leipzig (together, the "**Big 8 Cities**"), which have experienced a strong population growth and increasing land prices. While over the five year period from 2014 to 2018, the average population growth in Germany was 2.4%, Big 8 Cities grew significantly faster between 7.3% (Leipzig) and 3.3% (Munich). Annual rental growth has increased by 4.1% in the Big 8 Cities in 2019, compared to a five-year-average of 5.1% from 2014-2018. Condominium purchase prices in the Big 8 Cities grew on average by 10.2% which was a considerably faster pace than the five-year-average of 8.2% from 2014 to 2018. Düsseldorf (13.3%) and Cologne (12.3%) experienced the fastest growth in this regard among Big 8 Cities in 2019 (*source: JLL–Housing Market Overview Germany H2 2019*). Standard indicators used to evaluate residential property prices in Germany, such as price-to-income and price-to-rent ratios also show that German housing prices are steadily increasing in proportion to affordability indicators.

Standard indicators to evaluate residential property prices in Germany (until October 2019) [(1)]



(*source: Deutsche Bundesbank–Indicators for German Residential Property Markets*)

(1) Bundesbank calculations based on data provided by the Association of German Pfandbrief Banks (vdp).
(2) Annuity of mortgage loan with fixed interest rate (between 5 and 10 years) and hypothetical term of 30 years in relation to household income.
(3) Disposable income per household in Germany, nominal.
(4) Prices and rents of apartments. Deutsche Bundesbank.

12.4.6 Overall Supply Constraints

The German real estate market is less cyclical than markets in other European countries. This is mainly due to its conservative financing practice which makes it fundamentally less susceptible to property bubbles (*source: Helaba Research–Focus on German Housing Market*).

Shortages in the housing market in numerous German cities caused a mega trend of fast rising rents and property prices from an initially low base. The period from 2009 until 2019 exhibited rising house prices by approximately 95% in A-cities and by approximately 70% in B-cities and C-cities. This trend is underpinned by a historically low vacancy rate of 2.8% (*sources: Deutsche Bank–Germany Property and Metropolis Market Outlook 2019, CBRE/empirica–Leerstandsindex*).

12.4.7 Total Home Sales in Country Over Time

The number of residential transactions has remained relatively stable for several years. In 2019, the number of residential units sold amounted to approximately 130,500. The transaction volume of German residential real estate in 2019 grew by 7% to approximately €20 billion which is 56% above the 10-year average (*source: JLL–Housing Market Overview Germany H2 2019)*. While the considerable annual increase in supply of newly constructed apartments could point towards a significant reduction of demand, the imbalance has not been solved, and demand is expected to remain significantly above supply in the coming years with a gradual reduction in vacancy rate occurring in parallel. Despite increasing construction activities, the vacancy rate of 4.1% recorded in 2006 is significantly higher than the vacancy rate of 2.8% recorded in 2018 (*source: CBRE/empirica–Leerstandsindex*). In 2019, rents for newly constructed apartments increased by 3.0% while overall rents including existing houses increased by 3.8% (*source: empirica–Preisdatenbank*).

12.4.8 Access to Funding for Construction of Real Estate Properties

The growth of construction and transaction activities combined with rising prices for residential properties has been accompanied by increasing residential lending for several years. In 2018, gross residential loans remained at a high level and amounted to €227.8 billion. The volume of residential loans outstanding totaled €1,446 billion, which corresponded to an increase of 4.9% on 2017 (*source: EMF Hypostat 2019*).

In 2018, mortgage interest rates in Germany were higher than in the previous year. The average mortgage rate went up to 1.87% in 2018 from 1.83% in 2017 (*source: EMF Hypostat 2019*).

In Germany, the main funding instruments for housing loans are savings, deposits and mortgage bonds. Germany has one of the largest covered bond markets in Europe representing a significant share of the total market (*source: EMF Hypostat 2019*).

12.4.9 *Stock of New Homes*

The upward trend in residential construction has intensified continuously too since 2010. In 2018, 286,000 residential units were built: the highest result since 2002. This growth was accompanied by structural shifts between single- and two-family houses and multi-family houses (*source: EMF Hypostat 2019*).

According to studies conducted by the German Economic Institute, an average of 341,700 homes needed to be built every year up to 2020 in order to meet the demand for new buildings. Building activity in the top locations significantly falls short of this target with only 71% of the demand being met (*source: IW Report 28/2019–Ist der Wohnungsbau auf dem richtigen Weg?*).

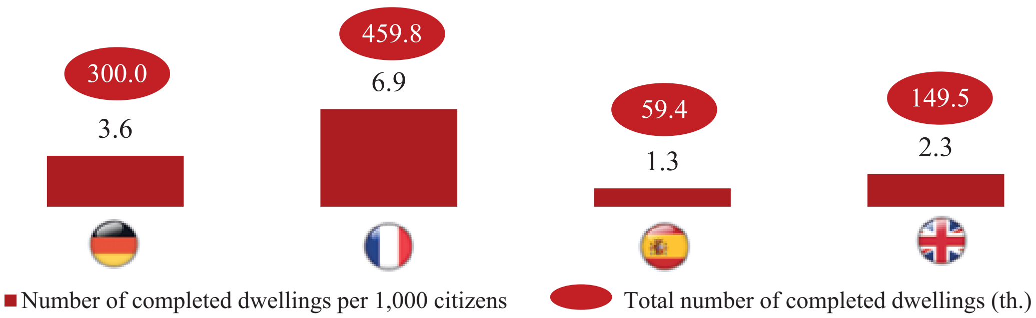
12.4.10 *Building Permits and Completed Housing Units in Germany*

Information by the German Federal Statistical Office shows that, on the basis of a year-to-year comparison, nationwide the number of building permits for new residential units increased by 3.0% in 2019 as compared to 2018. Building permits for newly built residential buildings with one or two dwellings increased by 1.2% in 2019, while permits for newly built residential buildings with three or more dwellings increased by 4.6% (*source: Federal Statistical Office–Building Permits*).

The following chart shows the housing development intensity within the EU. With 3.6 completed apartments per 1,000 citizens, the German housing intensity is above that of the UK and Spain.

Housing development intensity

(Index of the number of completed dwellings per 1,000 citizens, as of 2018)



(*source: Deloitte–Property Index*)

12.5 Competition

Based on the size and diversity of the German housing market, the Company competes with numerous competitors. Only 2.7 million units, equaling approximately 10% of the total housing stock units, are owned by private housing companies. The rest is owned by private landlords, cooperatives, public housing associations, municipalities or other public real estate companies of the public sector.

The 25 largest owners include nine private companies which demonstrates the fragmented and regionally diverse ownership structure of the rental apartment market in Germany. However, seven of these private companies are among the ten largest apartment owners. The two largest apartment owners by far in Germany are Vonovia SE, with around 416,000 apartments (*source: Vonovia*), and Deutsche Wohnen SE, which owns around 164,000 units (*source: Deutsche Wohnen*). Both are listed companies and operate throughout Germany. The regional focus of the Vonovia SE portfolio, which covers 653 towns and cities, is on Berlin, Dresden and North Rhine-Westphalia. In the case of Deutsche Wohnen SE, around 72% of apartments owned are in Berlin. Based upon the census data, Vonovia SE and Deutsche Wohnen SE own approximately 10% of all rental apartments in Berlin combined (*source: Savills–Ownership in the Residential Market*). As such, competition is highly fragmented and varies from location to location.

The Company believes that there are no market-dominating competitors in asset management. As a consequence, the Combined Group faces various partly small-scale private and partly mid-sized municipal competitors in every location where it is present. The Company also believes that there is negligible brand awareness among potential tenants who tend to look for affordable yet well maintained accommodation in certain locations and not strictly for apartments owned by a particular company. Naturally, competition is fiercer in locations that suffer from negative immigration balances as potential tenants have options to choose from and suppliers of residential units exert additional efforts to maintain the marketability of their apartments. The opposite is true in locations with increasing population numbers.

There is also competition with respect to the acquisition of suitable portfolios. As in the residential market, competition among potential bidders varies profoundly in regard to the portfolio size, the quality of the real estate offered or the regional diversification of the portfolio.

The Company believes that in respect of potential portfolio acquisitions its competitors are primarily other medium and large real estate companies and institutional investors, such as insurance companies as well as investment funds investing in real estate. Other important competitors in the residential property portfolios market are local authorities selling or buying back housing stock, as well as so-called “property splitters” who buy residential housing stock for the purpose of its development, segmentation and sale or privatization.

13. BUSINESS

13.1 Overview

We believe that we are a top-five residential real estate company in Germany based on gross asset value. On April 9, 2020, we combined the business of ADLER Real Estate Aktiengesellschaft ("**ADLER Real Estate**") and its subsidiaries (together, the "**ADLER Group**") with the business of the ADO Properties Group (together with the ADLER Group, the "**Combined Group**") (the "**Business Combination**"). Prior to the Business Combination, we focused on residential real estate located only in Berlin, Germany, and after the closing of the Business Combination are focusing on becoming a leading integrated residential property group that is active throughout Germany. We create value by active portfolio and property management and opportunistic growth through strategic acquisitions, for which we have broadened our scope from Berlin-only to Germany-wide.

We specialize in and focus on the purchase, management and development of income-producing multi-family residential real estate. The portfolio value of the Combined Group as of March 31, 2020 was approximately €8.6 billion. As of March 31, 2020, the Combined Group's property portfolio consisted of 73,500 residential units with a total residential lettable area of 4,511,127 sqm, 2,332 commercial units (retail, office and other commercial) with a total commercial lettable area of 280,506 sqm, 17,610 parking spaces and spaces for storage, antennas, etc.

As of March 31, 2020, the ADO Properties Group's vacancy rate was 2.7% and 3.2% for its residential units and commercial units, respectively. The average monthly net rent per sqm was €7.29 and €10.30 for its residential units and commercial units, respectively. As of the same date, the ADLER Group's (excluding the ADO Properties Group) vacancy rate was 5.9% and 16.3% for its core residential units and core commercial units, respectively. The average monthly net rent per sqm was €5.60 and €6.82 for its core residential units and core commercial units, respectively. As of March 31, 2020, on a *pro forma* basis, the Combined Group's residential average net rent per sqm was approximately €6.01 and the combined residential portfolio vacancy rate was 5.1%.

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 affecting and related to the residential property market in Germany, in particular macro-economic indicators such as population growth, economic growth, employment, purchasing power and the consumer price index. Furthermore, we are significantly affected by trends in micro-economic indicators, such as the future development of housing prices, rent levels, vacancy rates and home ownership rates. As a result, we compete with a number of privately and communally owned residential real estate companies.

Berlin remains an important real estate market for us following the Business Combination. We believe that the residential real estate market in Berlin benefits notably from positive demographic trends. Berlin is the most populous city in Germany and had 3.64 million inhabitants in December 2018. It is expected that the number of inhabitants in Berlin will increase to 3.83 million by 2030 (*source: Federal Statistical Office–Projected Population Figures*). 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 center for economy, business, politics and culture in continental Europe. In addition to a growing number of governmental employees in the city, Berlin is a particularly dynamic economic center for, among others, the services, pharmaceuticals, media, creative and technology sectors.

In order to keep up with the fast demographic growth, on the one hand, and to ease the strained situation on the housing market, on the other hand, a total of 194,000 new residential units would have to be built between now and the year 2030 according to the Berlin senate department for urban development and housing (*source: Berlin Senate Department for Urban Development and Housing–Press Release*).

Our business model currently focuses on asset and property management, portfolio and facility management and identifying residential properties throughout Germany that present opportunities for us to create value by increasing rents, decreasing vacancy and privatizing condominiums. Market rents as well as the official rent index ("*Mietspiegel*") have been constantly increasing in Germany over the recent years. The average growth per annum in market rents has been higher in Berlin than for other major German cities (*source: JLL–Housing Market Report Germany*). Despite the recent increases in rent levels, rents in Berlin are still relatively low compared to the other big cities in Germany (*source: JLL–Housing Market Report Germany*), thereby presenting 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 active approach to capital expenditure for refurbishment.

In addition, we seek to add value through the use of our efficient, fully integrated in-house management and tenant service platform 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 long-standing track record in achieving strong rental growth (see "*13.2 Competitive Strengths*").

During the 3M 2020, the ADO Properties Group generated **income from rental activities** of €29,434 thousand (3M 2019: €35,696 thousand; Fiscal Year 2019: €141,572 thousand; Fiscal Year 2018: €134,588 thousand; Fiscal Year 2017: €109,181 thousand) and **EBITDA from rental activities** of €17,706 thousand (3M 2019: €23,860 thousand; Fiscal Year 2019: €91,997 thousand; Fiscal Year 2018: €93,777 thousand; Fiscal Year 2017: €77,090 thousand). **EBITDA total (including disposal results) (adjusted)** for the 3M 2020 was €18,419 thousand (3M 2019: €24,499 thousand; Fiscal Year 2019: €93,806 thousand; Fiscal Year 2018: €96,255 thousand; Fiscal Year 2017: €80,018 thousand). During the 3M 2020, the ADO Properties Group generated **FFO 1 (from rental activities)** of €11,457 thousand (3M 2019: €16,716 thousand; Fiscal Year 2019: €63,173 thousand; Fiscal Year 2018: €66,777 thousand; Fiscal Year 2017: €54,345 thousand), **FFO 2 (including disposal results)** of €12,170 thousand (3M 2019: €17,355 thousand; Fiscal Year 2019: €64,982 thousand; Fiscal Year 2018: €69,255 thousand; Fiscal Year 2017: €57,272 thousand) and **AFFO (from rental activities)** of €10,745 thousand (3M 2019: €12,456 thousand; Fiscal Year 2019: €51,525 thousand; Fiscal Year 2018: €53,739 thousand; Fiscal Year 2017: €45,857 thousand). As of March 31, 2020, the ADO Properties Group's **EPRA NAV** amounted to €2,824,292 thousand (3M 2019: €2,443,365 thousand; Fiscal Year 2019: €2,905,699 thousand; Fiscal Year 2018: €2,429,544 thousand; Fiscal Year 2017: €1,988,757 thousand). As of March 31, 2020, the ADO Properties Group's **LTV-Ratio** was 29.4%.

For a reconciliation of EBITDA from rental activities, EBITDA total (including disposal results) (adjusted), EBITDA total (including disposal results) (adjusted) margin, FFO 1 (from rental activities), FFO 2 (including disposal results), AFFO (from rental activities), LTV-Ratio and EPRA NAV to the most nearly comparable IFRS figures, see "*7.2 Additional Non-IFRS Performance Measures*".

On a combined basis, as of and for the Fiscal Year 2019, the Combined Group achieved €6.2 of rent per square meter per month (ADO Properties Group: €7.4; ADLER Group: €5.6), like-for-like rental growth of 3.3% (ADO Properties Group: 5.0%; ADLER Group: 2.4%), a vacancy rate of 4.8% (ADO Properties Group: 2.8%; ADLER Group: 5.4%) and an FFO 1 (from rental activities) of €147 million (ADO Properties Group: €63 million; ADLER Group: €84 million) as well as an EPRA NAV of €4,879 million (ADO Properties Group: €2,906 million; ADLER Group: €1,973 million).

On a combined basis, as of and for the 3M 2020, the Combined Group achieved €6.17 of rent per square meter per month (ADO Properties Group: €7.77; ADLER Group: €5.60), like-for-like rental growth of 2.7% (ADO Properties Group: 3.3%; ADLER Group: 2.3%), a vacancy rate of 5.4% (ADO Properties Group: 2.8%; ADLER Group: 5.9%) and an FFO 1 (from rental activities) of €30.6 million (ADO Properties Group: €11.5 million; ADLER Group: €19.1 million) as well as an EPRA NAV of €4,664 million (ADO Properties Group: €2,824 million; ADLER Group: €1,840 million).

In a first step, on December 15, 2019, the Company entered into various share purchase agreements with minority shareholders of Consus Real Estate to acquire a 22.18% stake in Consus Real Estate, which, as a result of the completion of the Tender Offer increased to a shareholding of 25.75%, and entered into the Strategic Cooperation Agreement with Consus Real Estate to engage in a strategic partnership and, to the extent legally permissible, work together to fully investigate and potentially undertake mutually beneficial property developments, including the acquisitions of land plots for new- builds. Through the Strategic Cooperation, the Company is receiving access to an experienced development platform focused on the Top 9 Cities in Germany, thereby securing a value-creating growth path for the future.

Furthermore, on June 29, 2020, the Company, by way of a resolution of a delegate authorized by the Board of Directors, exercised the call option under the Call/Put-Option Agreement. The settlement of the Consus Real Estate Call Option Exercise occurs in two tranches by transfer of the Company's treasury shares and transfer of newly issued shares in the Company. The Company will transfer to Aggregate 14,692,889 of the Company's treasury shares currently indirectly held by ADLER Real Estate and has transferred newly issued shares created in utilization of the Authorized Capital. The first tranche was settled on July 2, 2020, by issue of 1,946,093 new shares in the Company, and the second tranche is expected to be settled during the subscription period on or around July 6, 2020 by transfer of all of the Company's treasury shares.

Under the Call/Put-Option Agreement, the Company undertakes to, following the Consus Real Estate Call Option Exercise, conduct a voluntary tender offer in the form of an exchange offer to acquire the remaining shares of Consus Real Estate (save for any applicable RETT-Blocker). The consideration for one share in Consus Real Estate will, in each case, be 0.2390 newly issued shares in the Company, provided that this ratio will be adjusted to any dividends paid and equity raises done by the Company, including this Offering, or Consus Real Estate. Accordingly, the Company intends to make the Consus Tender Offer, which shall be based on an exchange ratio corresponding to the applicable ratio of the Consus Real Estate Call Option Exercise, subject to an adjustment for the Offering. For additional information, see "*11. Description Of The Transactions*".

13.2 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:

13.2.1 We are a top-tier residential real estate platform with a high quality portfolio that is diversified across core locations in Germany.

Through the Business Combination, we own approximately €8.6 billion in combined real estate assets and believe that we are a top-five residential real estate company in Germany based on gross asset value. We have diversified our portfolio across Germany by complementing our high quality Berlin portfolio by the ADLER Group's Germany-wide portfolio, focused on German cities with attractive yield potential, and have thus increased our footprint in the overall German residential market in a profitable way. The real estate portfolio of the Combined Group comprised of 73,500 residential units and 2,323 commercial units as of March 31, 2020, is located throughout Germany and in our view covers predominantly locations with attractive growth perspectives. In particular, the Berlin residential market, which still accounts for approximately 50% (by fair value) of our portfolio following the Business Combination, continuously benefits from a combination of positive net migration, increase of qualified workers, decreasing average household size and limited supply of new rental units, resulting in continued rental growth, which we expect to positively impact our business. Furthermore, we benefit from our in-depth knowledge of the German real estate market, especially through our local presence. We have a local network with good access to information where we have developed a reputation as a reliable business partner and asset manager. Our extensive market insights also allow us to identify privatization opportunities.

Moreover, through the Business Combination, the Company benefits from enhanced liquidity in its shares and may fulfill the requirements of inclusion in the MDAX index in the near-term.

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

We benefit from an efficient, fully integrated, scalable real estate portfolio management platform, led by an experienced management team and focused on growth and value creation. This platform enables us to create value across the entire spectrum of real estate portfolio management, including the identification of suitable real estate or real estate portfolios as well as their acquisition and administration. Our platform, combined with our in-depth knowledge of the real estate market throughout Germany, makes us well suited to identify portfolio assets that can be improved through targeted capital expenditures. Our management team is experienced in in-house asset management, property and facility management and construction management. Furthermore, we have qualified teams of real estate professionals in all areas of our business operations that have been built without legacy constraints, which allow us to be flexible in adapting to market conditions to sustain further portfolio growth. Our approach has led to a competitive EBITDA from rental activities margin of 63.5% for the three-month period ended March 31, 2020 (70.9% for the 3M 2019; 68.6% for the Fiscal Year 2019; 73.3% for the Fiscal Year 2018) and a track record of decreasing vacancy in our portfolio.

13.2.3 We are committed to tenant satisfaction through our business approach.

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

13.2.4 We benefit from access to Consus Real Estate's market leading development platform.

We expect to benefit from our increasing access to, what is in our view, Consus Real Estate's market leading development platform and high-quality development assets. Consus Real Estate is Germany's leading pure-play developer of real estate properties in the Top 9 Cities in terms of square meters (*source*: *Bulwiengesa–Consus Nr. 1*). On December 15, 2019, we acquired a 22.18% strategic minority shareholding in Consus Real Estate, which, as a result of the completion of the Tender Offer, increased to 25.75% due to the fact that ADLER Real Estate held 3.57% in Consus Real Estate prior to the completion of the Takeover Offer. On December 15, 2019, we also entered into the Strategic Cooperation Agreement.

Furthermore, on June 29, 2020, the Company, by way of a resolution of a delegate authorized by the Board of Directors, exercised the call option under the Call/Put-Option Agreement. The settlement of the Consus Real Estate Call Option Exercise occurs in two tranches by transfer of the Company's treasury shares and transfer of newly issued shares in the Company. The Company will transfer to Aggregate 14,692,889 of the Company's treasury shares currently indirectly held by ADLER Real Estate and has transferred newly issued shares created in utilization of the Authorized Capital. The first tranche was settled on July 2, 2020, by issue of 1,946,093 new shares in the Company, and the second tranche is expected to be settled during the subscription period on or around July 6, 2020 by transfer of all of the Company's treasury shares.

The Company intends to make the Consus Tender Offer, which shall be based on an exchange ratio corresponding to the applicable ratio of the Consus Real Estate Call Option Exercise, subject to an adjustment for the price of the Company's shares without subscription rights during the Subscription Period. The Consus Real Estate Acquisition and the Strategic Cooperation Agreement give us access to an experienced development platform securing the value-creating growth path for future NAV accretion through new assets in the most attractive German real estate markets.

13.2.5 We have a solid balance sheet structure with a conservative target 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 (*Hypothek*) and have built strong relationships with a range of key lenders in Germany. The Combined Group has, on a *pro forma* basis, a conservative balance sheet with, as of March 31, 2020, a net LTV of 54.6% (including convertible bonds of ADLER Real Estate), approximately 1.8% cost of debt, an interest coverage ratio of 3.5 to 1.0, long-term financing with no major maturities before 2021 and a weighted average maturity of approximately 3.6 years. With the consummation of the Consus Real Estate Acquisition, after giving effect to the Offering and assuming an application of the proceeds thereof for the repayment of certain debt, we believe to be in a position to achieve a net LTV of approximately 54% (including convertible bonds of ADLER Real Estate and Consus Real Estate), approximately 2.6% cost of debt, an interest coverage ratio greater than 2.6. Moreover, we intend to capitalize on our balanced debt structure which, with the consummation of the Consus Real Estate Acquisition, after giving effect to the Offering and assuming an application of the proceeds thereof for the repayment of certain debt, comprises a split of approximately 58% and 42% of unsecured and secured debt, respectively, and approximately 84% and 16% of fixed and floating interest rate debt, respectively. We target a conservative LTV-Ratio of less than 50% and aim to maintain or further improve our credit rating in the future.

13.3 Strategy

13.3.1 With the Consus Real Estate Acquisition, we intend to leverage Consus Real Estate's strengths as a leading German real estate developer.

With the Consus Real Estate Acquisition, we will gain access to a highly experienced development platform. We intend to capitalize on Consus Real Estate's focus on large-scale developments and its landbank with a GAV of approximately €1.0 billion across the Top 7 Cities. We expect the development projects of such landbank to be completed over the next six to eight years. Due to its focus on residential real estate developments, Consus Real Estate provides for a value-creating growth path and future accretion of net asset value ("**NAV**") across Germany. We seek to capitalize on Consus Real Estate's bespoke development pipeline which, upon completion and based on a build-to-hold strategy, is expected to achieve €17 to €19 of rent per square meter per month at a value of €5,800 to €6,600 per square meter. Furthermore, we also expect to benefit from Consus Real Estate's ongoing forward sales and condominium sales to yield NAV accretive growth over the next three to four years.

Accordingly, with the consummation of the Consus Real Estate Acquisition, we believe to be well positioned to capitalize on economies of scale due to the size of our combined operation, which allows us to accelerate our real estate development growth momentum. We seek to benefit from Consus Real Estate's broad and established network and local branches through which it maintains stable relationships and a close cooperation with regulators, cities and municipalities providing it with a competitive advantage in the process of sourcing land plots and development projects. We also intend to leverage Consus Real Estate's specific expertise in relation to the planning and construction of sustainable development projects and quarters as well as its distinctive capability for the conversion of listed and/or commercial properties into residential real estate properties.

13.3.2 Our strategy is focused on creating the fourth largest European listed integrated residential real estate platform combining a GAV of approximately €14.0 billion.

Through the Business Combination and the Consus Real Estate Acquisition, we aim to grow and continue to diversify our business throughout Germany by securing a clear and profitable growth path. We are in the process of integrating the ADLER Group to enable us to profit from the economies of scale, the diversified portfolio and the anticipated management synergies and knowledge transfer.

After consummation of the Consus Real Estate Acquisition, we aim to implement a build-to-hold strategy to deliver new residential real estate units in a strategic effort to address the ongoing housing shortage in Germany. In particular, capitalizing on a landbank with a GAV of approximately €1.0 billion, we target to develop approximately 800,000 square meters of additional rental area across more than 10,000 additional rental units.

Our scalable platform is capable of implementing accretive growth through further acquisitions based on significant sourcing capabilities, our the acquisition of control over Consus Real Estate and our existing management operations. Through the Consus Real Estate Acquisition, the Combined Group seeks to deliver increased scale and profitability and thereby improve its key financial and operational performance indicators. On an aggregate run rate basis, including the exploitation of the future development opportunities which we aim to complete over the next six to eight years as a result of the Consus Real Estate Acquisition, we annually target an NRI of approximately €520 million to €540 million, an EBITDA of approximately €385 million to €405 million, an EBITDA margin of approximately 75% and an implied NRI yield of approximately 4% percent. We aim to further improve our operational performance on the basis of approximately 5.5 million to 5.6 million square meters of rental area with an average value of approximately €2,500 per square meter and FFO contribution at an average rent of approximately €8.0 per square meter following the development of landbank properties over the next six to eight years.

13.3.3 We will leverage operational and financial synergies to be realized from streamlined operations and financial discipline.

Through the Business Combination and the Consus Real Estate Acquisition, we are creating one of the largest listed residential real estate companies in Europe, characterized by diversification and synergetic growth. Through the Business Combination, we expect between €24 million and €39 million of total operational and financing run-rate synergies per annum, the majority of which are expected to be realized until 24 months following the closing of the Business Combination. Moreover, by way of the Consus Real Estate Acquisition, we target cumulative operating synergies of €13 million to €18 million within the next 12 to 24 months by reducing marketing expenses, operational savings through a unified platform as well as administrative savings. Based on Consus Real Estate's approximately €150 million non-recurring EBITDA generated from upfront sales of development projects already sold in 2020 and a 20% EBITDA margin on €2.0 billion of forward sales signed and condominium sales started, with 70% of the EBITDA yet to be recognized and distributed over 3.5 years, less annualized Q1 2020 interest of approximately €130 million (annualized Q1 2020 interest of approximately €69 million, adjusted for approximately €34 million capitalized interest and interest on reduced debt of approximately €850 million post closing of disposals) tax at an assumed 30% tax rate, as adjusted to the Company's accounting principles and assuming that Consus Real Estate has been consolidated as of January 1, 2020, we would expect an illustrative development FFO contribution from Consus Real Estate for 2020 between €50 million and €80 million. We expect this to be contributed before the run-rate operating and refinancing synergies of €90 million to €104 million that we aim to achieve in 2021.

We aim to achieve cumulative financing synergies of €50 million to €54 million in 2020 and €77 million to €86 million by the end of 2021 for the Combined Group by way of significant reduction of mezzanine and junior debt and, thus, interest savings. Thus, we expect to realize total cumulative synergies of €63 million to €72 million by the end of 2020 and €90 million to €104 million by the end of 2021 with a corresponding positive effect on our pre-tax FFO. Ultimately, the Business Combination and the Consus Real Estate Acquisition allow us to capitalize on significant run-rate synergies with reduced debt.

Including the proceeds of the Offering, we expect that the Business Combination and the Consus Real Estate Acquisition will enhance the liquidity of the Company's shares through an approximately €3.0 billion market capitalization. A shareholder structure with an expected free float of over 70% is also expected to improve the Combined Group's ability to implement strategic equity capital measures.

13.3.4 *We continue to focus on increasing rents through active asset management and targeted investments to modernize, refurbish and re-position our properties.*

We continue to focus on increasing rents through active asset management and targeted investments to modernize, refurbish and re-position our properties, while constantly screening and anticipating developments in different sub-markets. Our strategy to realize upside potential includes 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 increase potentials and pursue growth beyond the rent table through capex investments to modernize, refurbish and/or re-position (by improving the prior asset management) our properties allowing for higher rent levels. Therefore, our capex investments are targeted at markets with the potential for such rent increases. 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.

13.3.5 *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. As of March 31, 2020, we have 135 units that have been converted or are in the process of being converted into condominiums. We have identified 3,754 additional units in our properties which can be converted into condominiums over the medium term and another 2,169 units which can be converted long term. We expect to sell converted properties at a rate of approximately 100 units per year 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. Moreover, following the Consus Real Estate Acquisition, we will continue to benefit from the condominium development business.

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

Our portfolio and operational excellence combined with our sustainable financing strategy allows us to, in principle, target conservative dividends with a payout ratio of up to 50% of our yearly FFO 1 (from rental activities). However, the Board of Directors intends to propose to the General Meeting to make no distribution of dividends to shareholders for the fiscal year ended December 31, 2019. Going forward, we intend to uphold a dividend policy with a payout ratio of up to 50% of our yearly FFO 1 (from rental activities).

13.4 Our Portfolio

13.4.1 *Overview*

As of March 31, 2020, we held a real estate portfolio comprised of 16,248 residential units, 1,372 commercial units, 4,735 parking spaces and 653 spaces for storage, antennas, etc. All of our portfolio is located in Berlin and consists of multi-family properties.

As of March 31, 2020, the aggregate residential area of our portfolio amounted to 1,064,760 sqm, with an average residential unit size of 65.5 sqm. An average unit consists of one or two rooms. We had leased 97.3% of our residential units and 96.8% of our commercial units and generated an average monthly net rent of €7.29 per sqm for our residential units and €10.30 per sqm for our commercial units. As of March 31, 2020, vacancy rates for our residential units and commercial units were 2.7% and 3.2%, respectively.

13.4.2 Portfolio Overview

The following table sets forth certain key portfolio data:

	As of and for the three-month period ended March 31,		As of and for the year ended December 31,		
	2020	2019	2019	2018	2017
	(unaudited) (in € thousand, unless otherwise specified)		(unaudited) (in € thousand, unless otherwise specified)		
In-place rent (end of period, annualized)	112,337	137,111	112,715	135,877	110,782
of which residential units	90,585	115,430	91,529	114,711	93,806
of which commercial units	19,537	19,155	18,829	18,509	14,808
of which other & parking units	2,395	2,604	2,357	2,657	2,168
In-place rent (per month in € per sqm) (1)	7.77	7.16	7.68	6.75	6.89
residential units	7.29	6.76	7.39	6.73	6.42
commercial units	10.30	9.77	10.04	9.42	8.94
Total portfolio value (2)	3,652,098	4,086,654	3,650,313	4,079,051	3,314,259
Number of units	17,620	23,641	17,637	23,658	21,970
residential	16,248	22,186	16,255	22,202	20,649
commercial	1,372	1,455	1,382	1,456	1,321
Vacancy rate at period end (in % of sqm) (3)	2.8	3.2	2.7	3.2	3.6
residential units (1,064,760 sqm as of March 31, 2020)	2.7	3.1	2.7	3.2	3.6
commercial units (161,727 sqm as of March 31, 2020)	3.2	5.4	3.6	4.6	4.9
Maintenance and capital expenditures (annualized) (€ per sqm)	58.8	46.4	36.2	39.2	29.1

(1) **In-place rent (per month in € per sqm)** is defined as the current gross rental income per month for rented residential, commercial and other units and parking spaces as agreed in the corresponding rent agreements as of March 31, 2020 and 2019 and December 31, 2019, 2018 and 2017, 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) **Total portfolio value** is the sum of investment properties and trading properties.

(3) **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.

13.4.3 Portfolio by geographical distribution

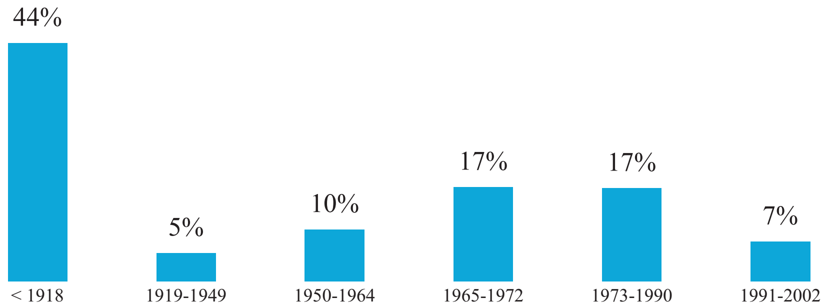
The following table provides an overview of the geographical distribution of our total portfolio split by areas in Berlin in relation to our residential units as of March 31, 2020:

	Central (1)	S-Bahn Ring	S-Bahn Ring (1960-1990)	City Ring	City Ring (1960-1990)	Total
Fair value (€ million) (2)	1,674	537	758	342	354	**3,665**
Fair value of properties (€/m²)	3,345	2,843	2,748	2,725	2,380	**2,966**
Number of residential units	6,478	2,224	4,179	1,463	1,904	**16,248**
Avg. in-place rent in €/sqm/month	7.57	7.33	7.17	7.55	6.42	**7.29**
Avg. new letting rent in €/sqm	8.43	7.59	6.98	8.39	6.64	**7.83**
Occupancy (physical) in %	98.1	96.2	97.0	95.9	97.6	**97.3**
Tenant turnover in %	7.3	8.3	6.9	9.9	6.1	**7.4**

(1) Comprises the districts Charlottenburg-Wilmersdorf, Friedrichshain, Kreuzberg, Mitte, Neukölln-Nord, Steglitz-Nord, Prenzlauer Berg, Reinickendorf-Süd und Schöneberg.

(2) Fair value includes commercial portfolio. Other values are for residential portfolio only and are including the achieved rents for furnished apartments.

The following diagram shows the diversification of the ADO Properties Group's buildings across construction eras, as split by property value as of March 31, 2020:



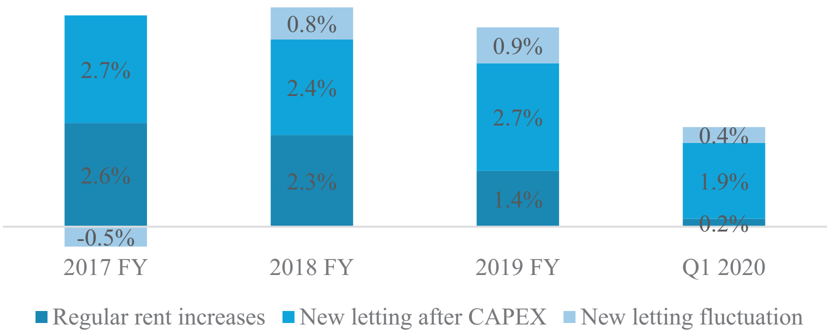
source: Company

13.4.4 Subsidies

As of March 31, 2020, 3.0% (by sqm) of the ADO Properties Group's residential units are under rent restrictions due to public subsidies.

13.4.5 Continuously Strong Like-for-Like Rental Growth

The diagram below shows the ADO Properties Group's like-for-like rental growth for the periods presented in this Prospectus:



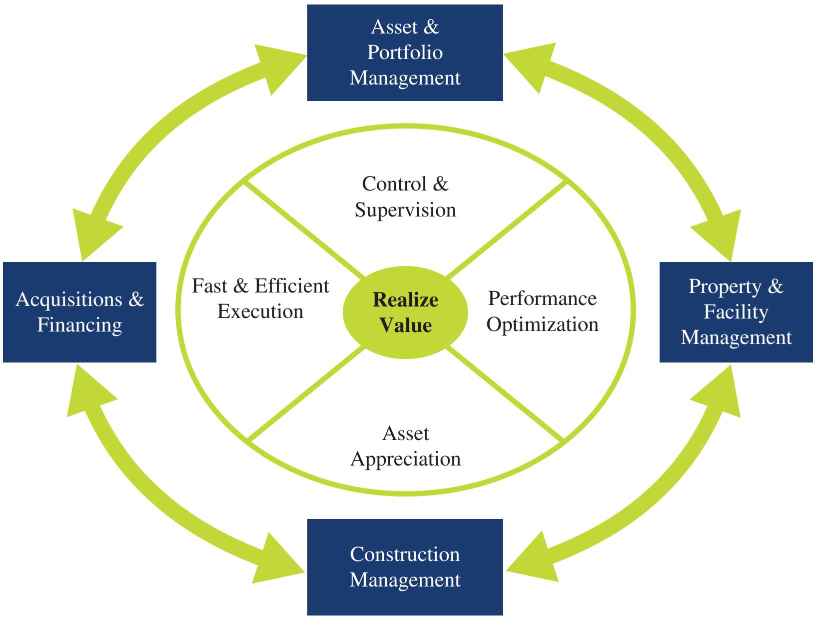
source: Company

13.5 Business Operations

13.5.1 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. 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 an overview of 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) acquisitions and financing. 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 and financing 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. Furthermore, ADO Properties GmbH provides various support services, including bookkeeping, human resources administration and information technology services for and within the ADO Properties Group.

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**") that provide 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.

13.5.2 Asset and Portfolio Management

We take a comprehensive approach to 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 1 (from rental activities) 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 supervises 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. 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.

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 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 in September 2014 as our total portfolio became sizeable enough for privatizations to commence significant margin potential and attractive conditions presented themselves.

As of March 31, 2020, we have 135 units that have been converted or are in the process of being converted into condominiums. We have identified 3,754 additional units in our properties which can be converted into condominiums over the medium term and another 2,169 units which can be converted long term.

13.5.3 Property and Facility Management

Our property and facility management function comprises all owner-related competencies, including tenancy-related administrative functions within the ADO Properties 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 individually for each property. 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.

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.

Furthermore we perform an ongoing vacancy management. We survey units during the three-month cancellation period and if the technical condition of the unit is satisfactory, 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 thirteen 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 index (*Mietspiegel*), the restrictions of the German letting laws, the economic purchasing power of our tenants as well as restrictions due to subsidies. See "*14 Regulatory Environment*".

We seek to increase our income from rent through (i) closing the gap to market rents on existing tenancies within the regulatory limits, (ii) adapting 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 three-month period ended March 31, 2020, we amended approximately 6,100 residential letting contracts resulting in a reduced annualized net rent of approximately €0.9 million (compared to 1,680 residential letting contracts amended in the three-month period ended March 31, 2019, which resulted in an additional annualized net rent of approximately €0.3 million). In the fiscal year ended December 31, 2019, we amended approximately 7,960 residential letting contracts resulting in an additional annualized net rent of approximately €1.2 million. In the fiscal year ended December 31, 2018, we amended approximately 7,630 residential letting contracts resulting in an additional annualized net rent of approximately €2.1 million. In the fiscal year ended December 31, 2017, we amended approximately 6,030 residential letting contracts resulting in an additional annualized net rent of approximately €1.5 million.

Our tenant turnover rate based on our total portfolio (excluding the units sold under the Gewobag Sale) averaged 1.5% for the three-month period ended March 31, 2020 (compared to 2.0% for the three-month period ended March 31, 2019), 7.7% per year for the year ended December 31, 2019, 7.1% per year for the year ended December 31, 2018 and 7.7% for the year ended December 31, 2017, 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 purely commercial properties 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.

13.5.4 Construction Management

CCM performs complete and comprehensive in-house construction management services. Through CCM, we continue to invest in our existing real estate portfolio. In the three-month period ended March 31, 2020, we invested €14.7 per sqm in modernizations and refurbishments (compared to an investment of €46.4 per sqm in modernization and refurbishments in the three-month period ended March 31, 2019). We are continuously investing in modernizing properties to bring them up to market expectations. In the fiscal years ended December 31, 2019, 2018 and 2017, the average investment in modernizations and refurbishments was €36.2 per sqm, €39.2 per sqm and €29.1 per sqm, respectively, which demonstrates that our approach of capex investment is an integral part of our rental growth strategy and properties enhancement.

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.

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 both 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. As of March 31, 2020, our construction management consists of 31 full-time 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 to 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.

13.5.5 Acquisitions and Financing; Divestments

We opportunistically grow and streamline our existing property portfolio by purchasing and selling both single properties and portfolios. In addition, through our strategic partnership with Consus Real Estate, we may also acquire certain projects from Consus Real Estate.

Our acquisitions generally follow a standardized, integrated process that results in analysis of the property to be acquired three months before the potential takeover. Throughout this process, negotiations on financing are conducted in parallel. We have diversified funding with several mortgage banks to finance our properties and acquisitions. For further information on our material financing please see "*13.7.8 Other Financing Agreements*" below.

Any divestment of a single property or portfolio occurs at an attractive sales price and only in cases where, in our estimation, the affected property or portfolio does not promise to add value to our existing portfolio.

13.6 Corporate Information

The corporate structure serves as the ADO Properties Group's logistical backbone for our operations and comprises the human resources, financial accounting and information technology functions of the ADO Properties Group. Third parties provide legal services and property valuation.

13.6.1 Human Resources and Employees

Our human resources are provided centrally by six employees of the ADO Properties Group, all of whom are based in Berlin, and manage payroll, recruitment, employment law measures, human resources reporting and employee development and training. We use an integrated human resources software that includes employee time keeping and payroll accounting. Payroll accounting is processed in-house since February 2020 and utilizes our integrated human resources software.

13.6.1.1 Employees

As of the date of this Prospectus, the Combined Group has a team of 1,141 full-time equivalent employees, many of whom have degrees in real estate management, accounting, construction engineering and facility management. The senior management of the Company (the "**Senior Management**") is based in both Berlin and Luxembourg. The Company's secretary and certain members of the Board of Directors are based in Berlin. The majority of our full-time employees are located in Berlin and Hamburg. Our employees are responsible for asset and portfolio management (68 employees), property and facility management (208 employees) and construction management (31 employees) (each figure as of March 31, 2020). All of our real estate personnel are experts certified in their respective field of employment.

The following table shows the number of full-time employees of the ADO Properties Group as of the end of the respective period:

	As of March 31,	As of December 31,		
	2020	2019	2018	2017
Full-time employees	**307**	**366**	**354**	**295**

As of the date of this Prospectus, within the ADO Properties Group, there are 5 employee workers council (*Betriebsrat*) in place in our facility management subsidiary CFM. As of the same date, there are no employee union agreements (*Tarifvertrag*) in place.

13.6.1.2 Pension and Incentive Plans

We do not provide a private pension plan for our employees.

Some members of the Board of Directors and the Senior Management participate in long-term incentive plans and have stock options in ADO Group Ltd. See "*18.4.4 Long-Term Incentive Program (LTI)*".

13.6.2 Financial Management

We conduct financial accounting, all other treasury functions and tenant accounting in-house. Our financial statements are prepared quarterly and annually. As of and for the Fiscal Years 2019, 2018 and 2017, our statutory annual accounts have been prepared in accordance with Luxembourg generally accepted accounting principles and our consolidated financial statements in accordance with IFRS. Our treasury department manages the ADO Properties 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.

13.6.3 Information Technology

We are using information technology software supplied by a third-party, and managed internally by our information technology department, that integrates all ERP, accounting and controlling functions into one software to manage all our portfolios.

13.6.4 Intellectual Property, Trademarks and Domains

We do not hold any patents. The following trademarks which are material for the ADO Properties Group's business are currently registered in favor of ADO Properties GmbH:

- word and figurative mark "ADO Properties" registered under number DE 302018017318 and under number DE 302008045025, respectively;
- wordmark "ADO" registered under number DE 302014071419;
- wordmark "Fortica" registered under number DE 302014022378;
- wordmark "Fortica" registered under number CTM 013031406;
- wordmark "Berlinsider" registered under number DE 302016028439; and
- wordmark "Berlinsiders" registered under number DE 302016028259.

The following trademarks are currently registered in favor of ADLER Real Estate:

- wordmark "ADLER REAL ESTATE" registered under number DE 302016009851; and
- figurative marks "ADLER REAL ESTATE" registered under number DE 302017017886 and DE 302017017890, respectively.

The ADO Properties Group's most significant internet domains are: www.ado.properties, www.ado.berlin and www.ado.immo. The most significant internet domains of the ADO Properties Group are: www.adler-ag.com, www.adler-ag.de, www.westgrund.de and www.muenchener-bau.de.

13.6.5 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 covers 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 Company has provided a directors and officers ("**D&O**") insurance policy covering the members of the Board of Directors and the Senior Management. A D&O basic insurance policy was entered into with XL Insurance Company SE, expiring on January 1, 2021 and with a limit of annual coverage in the amount of €25 million. A D&O first excess loss insurance policy was entered into with Allianz Global Corporate & Specialty SE, expiring on January 1, 2021 and extending the limit of annual coverage by €25 million, increasing the annual coverage to a total of €50 million. A D&O second excess loss insurance policy was entered into with QBE Insurance (Europe) Limited, expiring on January 1, 2021 and extending the limit of annual coverage by an additional €25 million, increasing the annual coverage to a total of €75 million. A D&O third excess loss insurance policy was entered into with AIG Europe Limited, expiring on January 1, 2021 and extending the limit of annual coverage by an additional €25 million, increasing the annual coverage to a total of €100 million. Each D&O insurance policy provides for a deductible in the amount of €100,000 and cover defense costs until the €25 million limit of annual coverage is reached, respectively. The D&O insurance policies cover financial losses arising from a breach of duty by the members of the Board of Directors in the course of their duties.

13.6.6 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 ADO Properties Group's business.

As of the date of this Prospectus, and other than the proceedings described under section "*11.2.3 Governmental, Legal, Arbitration or Similar Proceedings of the ADLER Group*", there are no and have not been within the last 12 months governmental, legal or arbitration proceedings (including pending or threatened proceedings) that could have a material adverse effect on our business, net assets, financial condition, cash flows, results of operations and prospects.

However, on October 18, 2019, the Company received a demand for payment of consultancy fees of €18.4 million in connection with the sale of certain subsidiaries owning 23 properties, consisting in aggregate of approximately 5,900 residential apartment units (the "**Gewobag Sale**"). By way of resolution, the Board of Directors has delegated power to senior management to negotiate a settlement on behalf of the Company in an amount of up to €2 million. The Company has recorded a provision in the amount of €2.4 million. On May 18, 2020, following a review of the available information, the Company and the consultant entered into a settlement agreement pursuant to which all mutual and ancillary claims are settled against payment of an undisclosed amount within the recorded provision.

13.7 Material Agreements

The following section provides an overview of material agreements to which any member of the ADO Properties Group (excluding the ADLER Group) is a party. All of the ADO Properties Group's bank loans are non-recourse loans with the related investment and trading properties as their only security. For a description of the material agreements of the ADLER Group, see "*11.2.4 Material Agreements*".

13.7.1 Business Combination Agreement

On December 15, 2019, the Company and ADLER Real Estate entered into the BCA.

Prior to the signing of the BCA, the management board (*Vorstand*) and the supervisory board (*Aufsichtsrat*) of ADLER Real Estate as well as the Board of Directors have determined that the Business Combination is in the best interest of their respective shareholders, employees, customers and other stakeholders.

The BCA contains, in particular, agreements regarding the implementation of the Tender Offer and its completion, the common understanding of the strategic objectives of the Combined Group with regard to portfolio diversification, the intended future governance structure for the Combined Group's business and the integration process.

As set out in the BCA, the Company offered 0.4164 new shares in the Company as consideration in exchange for each ADLER Share. The implied exchange ratio of 0.4164 to 1.0 was determined on the basis of the Company's and ADLER Real Estate's reported EPRA NAV per share as of September 30, 2019. ADLER Real Estate's EPRA NAV per share referenced for determining the exchange ratio was adjusted for the assumed conversion of ADLER Real Estate's outstanding convertible bonds. Based on the closing price of the Company's shares prior to the day of the announcement of the Tender Offer, the resulting offer price would amount to €14.55, thus constituting a premium of 17.33% compared to the closing price of the ADLER Shares as of December 13, 2019. The new shares of the Company carry dividend entitlements as of January 1, 2019.

On February 21, 2020, the management board and the supervisory board of ADLER Real Estate published a joint reasoned statement pursuant to section 27 of the German Securities and Acquisition Takeover Act (*Wertpapiererwerbs- und Übernahmegesetz*) ("**WpÜG**") pursuant to which they recommended that ADLER Real Estate's shareholders tender their shares into the Tender Offer.

In the BCA, ADLER Real Estate and the Company have undertaken towards each other, subject to certain exceptions, that they and their subsidiaries will conduct their businesses in the ordinary and usual course consistent with past practice and will refrain from taking actions relating to, inter alia, (i) issuances, sales, pledges, dispositions of or encumbrances over the capital stock of its subsidiaries as well as convertible instruments or rights to acquire in relation to any capital stock of its subsidiaries; (ii) the declaration, setting aside or payment of any type of dividend in respect of any capital stock; (iii) material increases in long-term indebtedness (including any guarantee of such indebtedness); (iv) material capital expenditures; (v) dispositions of material portions of its assets (including real estate portfolios) unless classified as held for sale; (vi) material acquisitions of assets (including real estate portfolios), whether by way of merger, consolidation, purchase or otherwise; (vii) settlements or compromises of material claims or litigation; and (viii) the entry into material "non-compete" or "exclusivity" arrangements or similar contracts.

13.7.2 *Share Purchase Agreements*

For a description of the Share Purchase Agreements, see "*11.3 Share Purchase Agreements for Consus Real Estate Shares*".

13.7.3 *Call/Put-Option Agreement*

For a description of the Call/Put-Option Agreement, see "*11.4 Call/Put-Option* Agreement".

13.7.4 *Strategic Cooperation Agreement*

For a description of the Strategic Cooperation Agreement, see "*11.6 Strategic Cooperation Agreement*".

13.7.5 *Purchase Agreements and Letters of Intent*

13.7.5.1 Holsten Quartier Letter of Intent

Following the conclusion of the Strategic Cooperation Agreement, on January 17, 2020, the Company entered into a letter of intent with Consus Swiss Finance AG, which as amended on February 21, 2020, for the purchase of 89.9% of the shares in all companies that hold plots of land belonging to the *Holsten Quartier* project development in Hamburg (the "**Holsten Quartier**"). The provisional purchase price for 100% of the shares in Holsten Quartier is €320 million on a cash-free debt-free basis, subject to finalization of the Company's due diligence. In exchange for a €50 million down-payment, Consus Swiss Finance AG granted the Company exclusivity for twelve months to continue and finalize the legal, technical, economic and tax due diligence. There is no obligation to enter into a share purchase agreement and the signing of the share purchase agreement is subject to the satisfactory completion of the due diligence.

13.7.5.2 Acquisition of the Asgard Portfolio

In 2017, the ADO Properties Group purchased the Asgard portfolio, which consists of 1,298 residential units and 60 commercial units located throughout Berlin. The acquisition of the Asgard portfolio was structured as a share transaction (with ADO Group Ltd. taking part) in which the ADO Properties Group acquired 94.9% of the shares in 17 German limited liability companies. The total consideration paid for the Asgard portfolio amounted to approximately €110 million.

13.7.5.3 Acquisition of the Nox I Portfolio

In 2017, the ADO Properties Group purchased the Nox I portfolio, which consists of 374 residential units and 68 commercial units located throughout Berlin. The acquisition included asset transactions and share transactions (with ADO Group Ltd. taking part) in which the ADO Properties Group acquired 94.9% of the shares of five German limited liability companies and several properties by way of an asset deal. The total consideration paid for the Nox I portfolio amounted to €70.2 million.

13.7.5.4 Acquisition of the Wilhelm II Portfolio

In 2017, the ADO Properties Group purchased the Wilhelm II portfolio, which consists of 328 residential units and 39 commercial units located in Berlin-Charlottenburg and Berlin-Friedrichshain. The acquisition of the Wilhelm II portfolio was structured as a share transaction (with ADO Group Ltd. taking part) in which the ADO Properties Group acquired 94.9% of the shares in a German entity. The total consideration paid for the Wilhelm II portfolio amounted to €75.9 million.

13.7.5.5 Acquisition of the Angerburger Allee Portfolio

In 2018, the ADO Properties Group purchased the Angerburger Allee portfolio, which consists of 832 residential units and 24 commercial units with a total lettable area of approximately 66,000 sqm, located in the Berlin district of Charlottenburg. The acquisition of the Angerburger Allee portfolio was structured as a share transaction in which the ADO Properties Group acquired 94% of the shares in a Dutch entity. The purchase price for all of the acquired assets amounted to €153.4 million (including 2.3% transaction costs).

13.7.5.6 Acquisition of the Nox II Portfolio

In 2018, the ADO Properties Group entered into five related purchase agreements to purchase the Nox II portfolio, which consists of 123 residential units and 79 commercial units located throughout Berlin and with a total lettable area of approximately 19,800 sqm. The acquisition included asset transactions and share transactions (with ADO Group Ltd. taking part) in which the ADO Properties Group acquired 94.9% of the issued shares of four German entities. The total consideration paid for the NOX II portfolio amounted to €45.3 million.

13.7.6 Sale Agreements

13.7.6.1 Sale Agreement with Gewobag Wohnungsbau

On September 26, 2019, the Company entered into a share purchase agreement with GEWOBAG Wohnungsbau-Aktiengesellschaft Berlin for the sale of 100% of the shares of certain ADO Properties Group entities owning 23 properties, consisting, in aggregate, of approximately 5,900 residential apartment units (the "**Gewobag Agreement**"). The sale price for the shares amounted to €920 million, less €340 million of net debt of the sold ADO Properties Group entities. The sale closed on November 29, 2019.

13.7.7 Bridge Facility Agreement

13.7.7.1 Overview

The Company as borrower and J.P. Morgan Securities plc as mandated lead arranger, J.P. Morgan AG as original lender and J.P. Morgan Europe Limited as agent entered into a bridge term loan facility agreement (the "**Bridge Facility Agreement**") under which the Company may utilize a bridge term facility with an original maximum nominal amount of up to €2,424,000,000 (the "**Bridge Facility**"). Barclays Bank PLC and Deutsche Bank Luxembourg S.A. acceded to the Bridge Facility Agreement as additional lenders. The maximum nominal amount under the Bridge Facility was thereafter reduced to €1,085,470,000. As of the date of the Prospectus, €885,470,000 have been utilized under the Bridge Facility.

The utilized funds under the Bridge Facility were used to refinance certain existing financial indebtedness, including bonds and loans, of ADLER Real Estate and its subsidiaries that were subject to change-of-control termination rights. If the Company acquires the majority of the shares in Consus Real Estate and certain conditions are met, the Company may utilize the remaining portion of the Bridge Facility with a nominal amount of up to €200,000,000 for the purpose of prepaying outstanding indebtedness of Consus Real Estate and its subsidiaries.

13.7.7.2 Maturity Dates

Subject to the extension options for the Bridge Facility described below, the Bridge Facility will mature on March 15, 2021.

The maturity of the Bridge Facility may be extended four times by six months per extension. Each such extension is subject to the fulfilment of certain conditions and is not subject to any finance party's consent.

13.7.7.3 Interest and Fees

The Bridge Facility bears interest at a rate per annum equal to the aggregate of the respectively applicable EURIBOR, subject to a floor of zero, plus a margin. The applicable margin is subject to a margin ratchet which is dependent on both the Company's credit rating provided by S&P and the time elapsed since the date of the Bridge Facility Agreement.

If the S&P rating for the Company's long-term unsecured and non-credit enhanced debt obligations (for the avoidance of doubt, which may be better than the Company's corporate credit rating) is BB+ or better, the margin will, until September 15, 2020, be 2.25% per annum. On September 15, 2020 and thereafter each 3 months, the margin will be increased by 0.25% per annum.

If the Company's long-term unsecured and non-credit enhanced debt obligations are rated (a) BB, the applicable margin will be 0.75% per annum higher, (b) BB-, the applicable margin will be 1.50% per annum higher, and (c) B+ or lower or S&P does not provide such rating anymore, the applicable margin will be 2.75% per annum higher, in each case, than set out in the previous paragraph under the assumption that the S&P rating for the Company's long-term unsecured and non-credit enhanced debt obligations is BB+ or better. All ratchet steps are subject to a margin flex increase of up to 0.50% per annum.

The Company is also required to pay a commitment fee in monthly arrears. The commitment fee will be computed at the rate of (a) 0% for the first two months after the date of the Bridge Facility Agreement, (b) 10% of the applicable margin during the 3rd month after the date of the Bridge Facility Agreement, (c) 20% of the applicable margin during the 4th month after the date of the Bridge Facility Agreement, and (d) 30% of the applicable margin as from the 5th month after the date of the Bridge Facility Agreement onwards.

Additionally, the Company shall pay fees related to the arrangement, the participation, the duration and, to the extent applicable, the extension, of and certain fees in connection with the Bridge Facility to the agent.

13.7.7.4 Guarantors and Security

The Bridge Facility is not guaranteed or secured. The Bridge Facility Agreement includes a negative pledge clause and other customary undertakings binding on the Company and its subsidiaries. However, the Bridge Facility Agreement also includes carve-outs from the negative pledge clause which apply, *inter alia*, to take out financing instruments, the net proceeds of which are applied in prepayment of the Bridge Facility.

13.7.7.5 Prepayments

Subject to certain conditions, the Company may voluntarily prepay the whole or any part of any utilization(s) or permanently cancel all or part of the available facility by giving three business days' prior notice to the agent. Furthermore, the Company is, subject to certain conditions, entitled to replace or repay and cancel participations of an individual lender in any utilization(s) by giving five business days' prior notice to the agent and such lender.

In addition to any voluntary prepayments, the Bridge Facility Agreement requires mandatory prepayment in full or in part, and, if applicable, cancellation of the Bridge Facility in certain circumstances, including:

(1) with respect to any lender, if it becomes unlawful for such lender to perform any of its obligations under the Bridge Facility or to fund, issue or maintain its participation in any utilization under the Bridge Facility;

(2) following the occurrence of a "change of control" in relation to the Borrower (as defined in the Bridge Facility Agreement), in relation to any lender that exercises its change-of-control termination right within 45 days after being notified of the relevant change of control;

(3) from the net proceeds received by the Company from the issuance of bonds, the take-out of term loans or the issuance of equity instruments, including new shares in the Company, after the date of the Bridge Facility Agreement; and

(4) from the net proceeds of the disposal of certain assets, undertakings or businesses, provided that the Bridge Facility Agreement contains certain carve-outs from and a €400,000,000 basket for such prepayment obligation.

13.7.7.6 Covenants

The Bridge Facility Agreement requires the Company to comply with two financial covenants, whereby the Company must ensure that, as of each quarterly reporting date:

(1) the ratio of "Total Net Debt" to "Total Assets" (in each case, as defined in the Bridge Facility Agreement) does not exceed 60%; and

(2) the Interest Cover Ratio (as defined in the Bridge Facility Agreement) is at least equal to (i) as long as the Company has not acquired the majority of the shares in Consus Real Estate, (a) 2.25 to 1.00 until December 31, 2020, (b) 2.35 to 1.00 from January 1, 2021 to December 31, 2021, and (c) 2.45 to 1.00 thereafter, and (ii) after the Company acquired the majority of the shares in Consus Real Estate, 1.80 to 1.00 for the remaining term of the Bridge Facility Agreement.

In addition, the Company and its subsidiaries (including, for the avoidance of doubt, subsidiaries acquired after the date of the Bridge Facility Agreement) are subject to certain restrictive and, as the case may be, affirmative covenants under the Bridge Facilities Agreement customary for these types of financing which are subject to certain specified exceptions and/or qualifications (customized to its business and adjusted to the ADO Properties Group's current credit standing). Additionally, the Company is required to provide certain financial information and other information regarding the Company's and the ADO Properties Group's financial condition to the lenders.

13.7.7.7 Events of default

The Bridge Facility sets out certain events of default that are customary for this type of financing. The occurrence of any such event of default would, subject to applicable grace periods and/or rights to subsequent fulfilment and/or agreed exceptions, entitle the lenders to cancel their commitments, declare all or part of the loans (together with accrued interest and all other amounts accrued or outstanding under the Bridge Facility) to be immediately due and payable or payable on demand.

13.7.8 Other Financing Agreements

13.7.8.1 ADO 2024 Notes

On July 27, 2017, the Company issued notes in the aggregate principal amount of €400 million (the "**ADO 2024 Notes**"). The 2024 Notes were issued in a denomination of €100,000 and bear fixed interest at a rate of 1.500%. Interest is payable annually in arrears on each July 26. The ADO 2024 Notes will mature on July 26, 2024 (subject to early redemption).

Upon the occurrence of a change of control under the ADO 2024 Notes, noteholders may require the Company to redeem the ADO 2024 Notes held by them, in whole or in part, within 30 days after the Company has published a notice regarding the change of control. A change of control occurs each time one person or persons acting jointly acquire(s) 50% of the share capital in the Company or shares carrying 50% of the voting rights.

Under the terms and conditions of the ADO 2024 Notes, the Company has undertaken that it will not incur any financial indebtedness (except for financial indebtedness that is incurred to refinance existing financial indebtedness) to the extent that the loan-to-value-ratio would exceed 60% or the secured loan-to-value ratio (both as further specified in the terms and conditions) would exceed 45%.

The ADO 2024 Notes are subject to the following events of default:

- failure to pay principal, interest, or other amounts due under the ADO 2024 Notes within 30 days from the relevant due date;
- failure to perform any other material obligation under the ADO 2024 Notes and such failure continues for 60 days after the paying agent has received notice from a noteholder;
- cross-default in relation to other financial indebtedness of the Company or its material subsidiaries to the extent it exceeds 1% of the consolidated total assets of the Company;
- the Company announces its inability to meet its financial obligations or ceases its payments generally;
- insolvency proceedings against the Company are initiated and not closed and there is no debt discharge within 90 days, or the Company applies for or initiates such proceedings; or
- the Company enters into liquidation (unless in connection with a merger or other form of combination with another company that assumes all obligations of the Company in connection with the ADO 2024 Notes).

13.7.8.2 2023 Convertible Bonds

On November 23, 2018, the Company issued convertible bonds in the aggregate principal amount of €165 million (the "**2023 Convertible Bonds**"). The 2023 Convertible Bonds were issued in a denomination of €100,000 and will mature on November 23, 2023 (subject to early redemption). The Company may elect to fulfil its obligation to redeem the 2023 Convertible Bonds at maturity by delivering shares on the maturity date. The Company may only exercise such right for all, not just a part of the 2023 Convertible Bonds.

The 2023 Convertible Bonds bear fixed interest at a rate of 1.250%. Interest is payable semi-annually in arrears on each May 23 and November 23. The interest rate is subject to a step-up of 0.50% should the Company receive a non-investment grade rating. Should the Company have more than one rating, the step-up will only apply if more than one rating agency assigns a non-investment grade rating to the Company. However, the interest rate may be reset to the initial interest rate should the respective rating revert to an investment grade rating.

Bondholders have the right to convert the 2023 Convertible Bonds held by them, in whole, but not in part, into shares of the Company at an initial conversion price of €60.5690, which has, with effect as of June 19, 2019, been adjusted to a conversion price of €60.3444, subject to certain adjustments, such as capital increases from capital reserves or retained earnings, share splits, combining of shares and capital decreases, capital increases against cash contribution with subscription rights, issuances of other securities with subscription rights, sales of own shares, transferring mergers, spin-offs, split-ups and distributions. Upon exercise of a conversion right, the Company may elect whether it will deliver shares or make a cash payment in lieu of such delivery.

If the Company gives notice of a change of control, a take-over bid regarding its shares or a free-float of less than 20% of its shares, bondholders may convert all 2023 Convertible Bonds held by them up to the effective date which is to be set by the Company or require the Company to redeem the 2023 Convertible Bonds in cash. If the bondholder chooses to convert the 2023 Convertible Bonds up to the effective date, the conversion price may be subject to an adjustment. Following a change of control, bondholders may also choose to not convert or redeem their 2023 Convertible Bonds.

The 2023 Convertible Bonds are subject to the following events of default:

- failure to pay principal, interest, or other amounts due under the 2023 Convertible Bonds within 30 days from the relevant due date;
- failure to perform any other material obligation under the 2023 Convertible Bonds and such failure continues for 60 days after the paying agent has received notice from a bondholder;
- cross-default in relation to other financial indebtedness of the Company or its material subsidiaries to the extent it exceeds 1% of the consolidated total assets of the Company;
- the Company announces its inability to meet its financial obligations or ceases its payments generally;
- insolvency proceedings against the Company are initiated and not closed and there is no debt discharge within 90 days, or the Company applies for or initiates such proceedings; or
- the Company enters into liquidation (unless in connection with a merger or other form of combination with another company that assumes all obligations of the Company in connection with the 2023 Convertible Bonds).

All of the ADO Properties Group's bank loans are non-recourse loans with the related assets as the only respective security:

13.7.8.3 General Agreement

On March 28, 2018, the Company as issuer as well as ADO Lux Finance S.à r.l. and ADO Treasury GmbH entered into a general agreement with Commerzbank Aktiengesellschaft Frankfurt am Main as arranger and Bayerische Landesbank, BNP Paribas, Société Générale and UBS Limited as dealers (the "**General Agreement**") establishing a €500,000,000 multi-currency commercial paper programme (the "**Programme**"). The obligations under the notes of the Programme (the "**CP Notes**") constitute direct, unconditional, unsecured and unsubordinated obligations of the issuers under the General Agreement, in principle ranking pari passu among themselves and pari passu with all other unsecured and unsubordinated obligations of the issuers under the General Agreement. The Company as guarantor has given an unconditional and irrevocable guarantee for the due and punctual payment of the principal of, and the interest on, and any other amounts payable under the CP Notes. The General Agreement includes market-standard clauses regarding a negative pledge as well as various carve-outs therefrom.

The CP Notes can either be discounted, interest bearing at a fixed rate or, under certain conditions, set out in the global note, interest bearing at a floating rate. The issuers under the General Agreement will redeem each Note at its nominal amount on the relevant maturity date. The General Agreement includes several market standard representations and undertakings, and the CP Notes are subject to market-standard events of default. The issuers under the General Agreement may terminate the Programme by at least 60 days' written notice. The arranger may terminate the Programme by at least 60 days' written notice to the Issuers and the dealers.

13.7.8.4 Revolving Facility Agreement of the Company, ADO Lux Finance S.à r.l. and ADO Treasury GmbH with Barclays Bank PLC, ABN AMRO Bank N.V., BNP Paribas S.A., Niederlassung Deutschland and Société Générale S.A., Frankfurt Branch

On March 9, 2018, the Company, ADO Lux Finance S.à r.l. and ADO Treasury GmbH entered into a facility agreement with Barclays Bank PLC, ABN AMRO Bank N.V., BNP Paribas S.A., Niederlassung Deutschland and Société Générale S.A., Frankfurt Branch, as supplemented by an additional commitment confirmation dated March 27, 2018 (the "**Revolving Facility Agreement**"). Under the Revolving Facility Agreement, the Company may utilize a revolving credit facility (and a swingline facility as part of the revolving facility) with an original aggregate nominal amount of €200,000,000, which was subsequently reduced to €175,000,000 (the "**Revolving Facility**"), made available for the purpose of refinancing any note or other instrument maturing under a commercial paper program of any member of the ADO Properties Group and/or general corporate purposes.

The Revolving Facility is guaranteed and secured and bears interest at a rate per annum equal to the aggregate of EURIBOR plus a margin, subject to a margin ratchet dependent on the Company's credit rating. The Company is also required to pay a commitment fee at certain intervals, fees related to the arrangement and utilization and agency fees. The Revolving Facility Agreement contains market-standard repayment, prepayment and termination provisions. The Revolving Facility Agreement also requires mandatory prepayment following the occurrence of a change of control if a lender exercises its termination right. Moreover, the Revolving Facility Agreement sets out certain customary events of default. Further, the Revolving Facility Agreement requires the Company to comply with certain financial covenants, including a loan-to-value ratio that does not exceed 60%, a secured loan-to-value ratio that does not exceed 45%, an unencumbered asset ratio that is not less than 125% and an interest cover ratio that is not less than 1.80:1.00. Additionally, the Company is required to provide certain financial information and other information regarding the ADO Properties Group's financial condition.

As of the date of this Prospectus, €175.0 million has been drawn under the Revolving Facility Agreement. The Revolving Facility Agreement has subsequently been extended and will mature on March 9, 2021 and March 9, 2022 in an amount of €125.0 million and €50.0 million, respectively. The Company intends to terminate the Revolving Facility Agreement upon the Consus Real Estate Call Option Exercise and will then have to repay all outstanding amounts unter the Revolving Facility until July 6, 2020.

13.7.8.5 Financing Agreement of various group companies of the ADO Properties Group with LBBW

On June 26, 2020, certain group companies of the ADO Properties Group as borrowers entered into a loan agreement with LBBW as lender made available for the purpose of certain refinancings as well as general corporate use (the "**LBBW ADO Loan Agreement**"). The LBBW ADO Loan Agreement provides for a term loan facility in the amount of €272 million and a revolving facility in the amount of €48 million (together, the "**LBBW ADO Loan Facilities**"). The term loan facility bears a fixed interest rate of 1.78% p.a. for five years. The revolving facility bears a variable interest rate of three-month EURIBOR plus 2.15% p.a. margin. The aggregate utilization of the LBBW ADO Loan Facilities is limited to a maximum of 110% of the loan-to-mortgage lending value and a maximum LTV of 62%. The term loan is repayable in monthly installments of one-twelfth of 2.0% p.a. of the initial loan amount and repayment of any outstanding amount at maturity.

All claims in connection with the LBBW ADO Loan Agreement, are secured by land charges and pledges of rent payment bank accounts. Under the LBBW ADO Loan Agreement, the borrowers covenant to not incur any additional debt (with the exception of shareholder loans) and will not provide any further collateral to any third parties.

The loan is subject to market-standard reporting and financial covenants. In addition, the borrowers undertake to carry out certain maintenance to maintain portfolio quality. They also undertake to cancel all third-party land charges at borrower level and to repay all third-party liabilities.

The LBBW ADO Loan Agreement is due for repayment on the date falling five years after the date of the first utilization of the LBBW ADO Loan Facilities.

13.7.8.6 *Financing Agreement of ADO Sonnensiedlung S.à r.l (formerly named Brandenburg properties 5 S.à r.l.) with Berlin-Hannoversche Hypothekenbank AG*

On June 26, 2017, ADO Sonnensiedlung S.à r.l. *(formerly Brandenburg Properties 5 S.à r.l.)* a company with limited liability (*société à responsabilité limitée*), incorporated under the laws of the Grand Duchy of Luxembourg, entered into an amendment and restatement agreement to the German law governed term loan agreement originally dated August 22/23, 2013, and amended on August 28, 2013, as borrower with Berlin-Hannoversche Hypothekenbank AG as lender now in an aggregate amount of €90,000,000 (the "**BerlinHyp1 Agreement**") and with final maturity date of June 30, 2024, for the purpose of refinancing of existing financial indebtedness with Berlin-Hannoversche Hypothekenbank AG, and for other purposes. On January 19, 2017, the company's name was changed from Brandenburg properties 5 S.à r.l. to ADO Sonnensiedlung S.à r.l.

The BerlinHyp1 Agreement is secured by land charges (together with an assumption of personal liability (*Übernahme der persönlichen Haftung*) and a submission to immediate enforceability (*Unterwerfung unter die sofortige Zwangsvollstreckung*)), security assignments over the rights and claims of ADO Sonnensiedlung S.à r.l. under rental and lease agreements and insurance agreements, pledges over certain bank accounts of the borrower and the shares in the borrower and by way of a subordination agreement with intra-group or third-party creditors. The interest rate of 1.25% per annum is fixed until and including the final maturity date and due and payable on a monthly basis. Repayments must be made on a monthly basis in an amount of €243,750. There is no additional repayment (including prepayment) required or permitted prior to the maturity date, assuming ADO Sonnensiedlung S.à r.l. continues to perform its obligations under the BerlinHyp1 Agreement and no mandatory repayment event occurs, and with the exception that a partial prepayment is permitted in order to comply again with the financial covenants. The BerlinHyp1 Agreement includes several market standard representations, undertakings and events of default. Under certain conditions the prior written consent of Berlin-Hannoversche Hypothekenbank AG is required, in particular in case of a change of control, the conclusion of a domination agreement (*Beherrschungsvertrag*) and/or profit and loss transfer agreement (*Ergebnisabführungsvertrag*), the change of the borrower's COMI, the creation or permission to subsist any security or the raising of any financial indebtedness. As financial covenants, the borrower must maintain a minimum debt service coverage ratio of at least 185% and the LTV-Ratio may not exceed until the end of the third year 75% and from the beginning of the fourth year and until maturity 65%.

13.7.8.7 *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 ADO Properties 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 "**DGHyp Agreement**") with a seven-year maturity for the purpose of partially financing the purchase of shares in a real estate companies.

The DGHyp 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 companies) and pledges of certain bank accounts of the borrowers. Interest payments are due on a monthly basis and the final maturity date will be November 30, 2021. The interest rate is 1.76% 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 over the term but the total monthly payment sum remains stable due to a decrease of interest.

The DGHyp 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 DGHyp 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.

13.7.8.8 Financing Agreement of Marbien B.V., Alexandra Properties B.V., Jessica Properties B.V. and Meghan Properties B.V. with Deutsche Kreditbank AG

On June 24, 2019, Marbien B.V., Alexandra Properties B.V., Jessica Properties B.V. and Meghan *Properties* B.V., companies within the ADO Properties Group, as borrowers entered into several term loan agreements with Deutsche Kreditbank AG as lender in an aggregate amount of €80,000,000 (the "**DKB Agreement"**) with an eight-year maturity for the purpose of refinancing existing financial indebtedness of the ADO Lux Finance S.à r.l.

The DKB Agreement is secured by, amongst others, security interest, land charges and security assignments (including over the rights and claims of the borrowers under rental and lease agreements in relation to the pledged properties). Interest payments are due on a monthly basis and the final maturity date will be June 30, 2027. The interest rate is fixed at a nominal amount equal to 1.07% per annum. Repayments must be made at equal monthly installments in an amount equal to 1.5% (plus the respective amount of interest saved by way of such repayment) starting by no later than August 30, 2019.

The DKB Agreement includes several reporting obligations, a breach of which triggers termination rights. The borrowers must subordinate service of any loans from the shareholders or affiliated companies to the debt service of all financing provided by Deutsche Kreditbank AG and payment of all property-related management costs and other necessary company costs.

13.7.8.9 Financing Agreement of 44 Companies with Berlin-Hannoversche Hypothekenbank AG

On June 22, 2016, as amended on June 29, 2016, 44 German limited liability companies of the ADO Properties Group entered into a German governed term loan agreement as borrowers with Berlin-Hannoversche Hypothekenbank AG as lender in an aggregate amount of €150,000,000 (the "**BerlinHyp2 Agreement**") with a final maturity date on January 2, 2023, for the purpose of refinancing of existing financial indebtedness provided by Berlin-Hannoversche Hypothekenbank AG and the financing of cancellation fees with regard to certain hedge arrangements and any prepayment fees.

The BerlinHyp2 Agreement is secured by land charges, security assignments over the rights and claims of the borrowers under rental agreements, pledges over certain bank accounts of the borrowers and by way of a subordination agreement with intra-group and third-party creditors. The interest rate is in an amount of 1.33% and fixed for a period ending on the final maturity date. The interest payments are due on a monthly basis. There is no additional repayment (including prepayment) required or permitted prior to the final maturity date, assuming the borrowers continue to perform their obligations under this agreement and no mandatory prepayment event occurs. In case of a sale of real estate, a mandatory unscheduled prepayment 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.

The BerlinHyp2 Agreement includes several market standard representations, undertakings and events of default. As financial covenants, the borrowers must maintain a minimum interest coverage ratio of at least 150% within a period ending on June 30, 2021, and 100% with effect from July 1, 2021, the LTV-Ratio may not exceed 65% and the ratio of junior ranking security interest registered with the land register to the current market value (*Nachrangwertauslauf*) shall not exceed 0%.

13.7.8.10 Financing Agreement of ADO 9370 Grundstücks GmbH with Berliner Sparkasse

On January 20, 2016, ADO 9370 Gründstücks GmbH, a company within the ADO Properties Group, as borrower entered into a term loan agreement with Berliner Sparkasse, a branch of the Landesbank Berlin AG, as lender in an aggregate amount of €67,100,000 (the "**LBB Agreement**") with a ten-year maturity for the purpose of financing certain investments in connection with the acquisition of certain properties.

The LBB Agreement is secured by, amongst others, security interest, land charges and security assignments over the rights and claims of the borrower under rental agreements, pledges over certain bank accounts of the borrowers and by way of a subordination agreement with intra-group and third-party creditors.

The interest rate is in an amount of 1.79% and fixed for a period ending on the final maturity date. Interest payments are due on a monthly basis and the final maturity date will be January 31, 2026. Repayments must be made in equal monthly installments in an amount of €225,225. There is no additional repayment (including prepayment) required.

The LBB Agreement includes several market standard undertakings and events of default. As financial covenants, the ratio of junior ranking security interest registered with the land register to the current market value (*Nachrangwertauslauf*) shall not exceed 0%.

14. REGULATORY ENVIRONMENT

Our real estate portfolio is subject to a variety of laws and regulations in Germany. If we fail to comply with these laws and regulations, we may be subject to civil liability, administrative orders, fines or even criminal sanctions. This section summarizes certain aspects of German real estate law and practices in force as of the date of this Prospectus. It does not purport to be a complete analysis and, in particular, it does not take into account contractual requirements and restrictions in connection with our acquisition of certain real estate portfolios (in this regard, see "*13.7 Material Agreements*"). It can, therefore, not be treated as a substitute for comprehensive professional, legal and tax advice.

14.1 Restrictions due to 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 ADO Properties 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. Furthermore, the sale of residential space might be restricted.

14.1.1 Written Form Requirements

German tenancy law is incorporated into the German Civil Code (*Bürgerliches Gesetzbuch*, "**BGB**") and generally requires that rental agreements that provide for a term of more than one year must be concluded in written form. The requirements to comply with written form have been specified by comprehensive case law. However, a rental agreement is not invalid in the event of an infringement of the requirement for the written form, but rather it is deemed to have been concluded for an indefinite period. Therefore, it can be terminated at the earliest at the end of one year after handover of the leased property to the tenant in accordance with the statutory notice period (*i.e.*, notice of termination is admissible at the latest on the third working day of a calendar quarter towards the end of the next calendar quarter). Our residential rental agreements are generally concluded for an indefinite period of time. Therefore, this form requirement is of minor relevance.

14.1.2 Statutory Limits on Rent Increases

As set out in more detail below, the landlord is substantially restricted in terminating residential leases and thus 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 recent statutory regulation to limit the landlord's right to freely determine the rent for new leases ("*Mietpreisbremse*") as well as to freeze and retroactively reduce rents ("*Mietendeckel*") are set out below under "*14.2 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 payable. 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 dwellings at rents or with ancillary costs that are unconscionably high. Such is the case if the rent or ancillary 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). In the prior legislative period, a draft bill was introduced into the German parliament that rents exceeding 20% of the prevailing comparative rent level in a municipality or a district of a municipality shall constitute an administrative offense (*Ordnungswidrigkeit*) without it being required that unreasonably high rent is "due to an abuse of the limited availability of comparable room". The draft bill period has elapsed. The federal council (*Bundesrat*) presented a new draft bill including the before-mentioned changes on November 29, 2019, which shall be introduced into the German parliament. In addition, according to the new draft bill, it is intended to increase the fine (*Bußgeld*) for violations of the regulations from €50,000 to €100,000.

Furthermore, the German Federal Court of Justice (*Bundesgerichtshof*) has held that rents exceeding the comparative rent levels (*ortsübliche Vergleichsmiete*) by about 50% may constitute usury under Section 291 German Criminal Code (*Strafgesetzbuch*).

With lease agreements 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, 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 of Berlin due to which the capping limit has been lowered to 15% for all of Berlin with effect until May 10, 2023 pursuant to the Berlin regulation on cap limits (*Kappungsgrenzen-Verordnung*). Such provisions for capping limits have also been introduced in 12 other federal states. 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 lease agreements that are not subject to contractual rent restrictions, the landlord may also increase the annual rent by 8% 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. Regarding current developments in this regard, please refer to the section "*14.2 Current Developments in German Tenancy Law*" below.

Following the rent increases, tenants may have an extraordinary termination right.

Please also see information regarding limitations on our ability to increase rents under "*1.3.1 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.*"

14.1.3 Owner's Repair and Maintenance Obligations and Modernizations Measures

Under German law, the landlord must, unless the parties agree otherwise, maintain and repair 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 and repair obligation to the tenant in the standard lease agreements used.

Subject to compliance with statutory limitations, the landlord may transfer 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 German Federal Court of Justice (*Bundesgerichtshof*) 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 regardless of the premises' condition (*Endrenovierung*). In addition, under standard clauses, the obligation to carry out decorative repairs may only be validly transferred to the tenant if the apartment was handed-over in a renovated condition or, when the apartment was handed-over in an unrenovated condition if an adequate compensation is offered to the tenant in exchange. 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 tolerate 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 (*Sonderkündigungsrecht*). Regarding the possibility to allocate parts of the costs incurred to the tenant by way of a rent increase, see "*14.1.2 Statutory Limits on Rent Increases*".

14.1.4 Statutory Protection of the Tenant Against Termination and Eviction

Generally, unless there is 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, in case of conversion to condominiums, 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. Such statutory order has been passed for the Federal State of Berlin, in effect until September 30, 2023. Also other federal states (North-Rhine Westphalia, Hesse, Hamburg, Bavaria, Baden-Württemberg, Lower Saxony) have made use of this option.

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 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*).

On March 25, 2020, the German parliament passed a law to mitigate the impact of the Coronavirus pandemic in civil and insolvency laws as well as in criminal law proceedings (*Gesetz zur Abmilderung der Folgen der COVID-19-Pandemie im Zivil-, Insolvenz- und Strafverfahrensrecht*) (the "**COVID-Act**"). Pursuant to the COVID-Act, landlords may not terminate residential and commercial lease agreements if the tenant fails to pay rent during the period of April 1, 2020 through June 30, 2020, provided that such non-payment is caused by impacts related to the Coronavirus. Therefore, the tenant must demonstrate that non-payment is caused by impacts related to the Coronavirus to avoid termination. Payments that become due during the period of April 1, 2020 through June 30, 2020, but that were not settled, will have to ultimately be settled by June 30, 2022. The described measures under the COVID-Act may, at the discretion of the German Federal Government (*Bundesregierung*), be extended until September 30, 2020.

14.1.5 Statutory Restrictions on the Sale of Residential Space

If rented residential space that has been converted into condominiums, 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 preferential subscription right (*Vorkaufsrecht*) 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 preferential subscription rights exist if the unit was already individually owned at the beginning of the term of the letting contract.

14.1.6 Statutory Restrictions on the Change of Use of Residential Properties

Certain federal states (Bavaria, Baden-Württemberg, Berlin, Hamburg, Hesse, Lower Saxony and North-Rhine-Westphalia) passed laws with regard to the restriction on usage of residential properties. These laws differ with regard to the specific regulations but, *inter alia*, prohibit (or allow municipalities to prohibit) the vacancy of residential space for a certain period of months (which varies from state to state) or the federal states restrict repeated renting as a vacation home (*Zweckentfremdungsverbot*). On March 4, 2014, the Berlin government passed a regulation (*Zweckentfremdungsverbot-Verordnung*) which entered into force on May 1, 2014, and applies to the whole city of Berlin. Pursuant to the regulation, any change of use of residential properties requires prior approval of the competent district authority (*Bezirksamt*). This applies in particular to the use of residential properties as holiday flats or for commercial or professional purposes, a vacancy of residential properties for more than three months, constructional changes which impede the use as residential properties and the elimination of residential properties. The authorities will only grant approval if the public interest in the permanent provision of residential property does not prevail or an adequate substitute of residential property is available. Since Berlin has been declared as an area with a tight housing market, it is expected that such approval will only be granted by way of an exception.

14.1.7 Statutory Restrictions on the Conversion of Rental Apartments into Condominiums

On March 3, 2015, the Berlin government passed a regulation (*Umwandlungsverordnung*) according to which a conversion of a building into condominiums is prohibited in milieu protection areas (*Milieuschutzgebiete*) of the city unless the relevant district has granted permission by means of an exception to this regulation. 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. Although this does not affect the sale of an entire property, regulation may hinder the conversion and sale of single apartments. As of the date of this Prospectus, 61 areas of Berlin are defined as milieu protection areas (*Milieuschutzgebiete*). The Berlin government may, on an ongoing basis, decide to extend milieu protection (*Milieuschutz*). Similar regulations have been issued by major cities in the federal states of Baden-Württemberg and Bavaria as well as by the federal state of Hamburg.

14.1.8 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 (*Energieausweis*) must be issued. The energy certificate 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, since 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.

On October 23, 2019, the German federal government resolved a draft of a Building Energy Act (*Gebäudeenergiegesetz*, GEG), which merges the Energy Savings Ordinance (*Energieeinsparverordnung*, ENEV), the Energy Act (*Energiegesetz*, ENEG) and the Renewable Energy Heat Act (*Erneuerbare-Energien-Wärmegesetz*, EEWärmeG). In particular, it should be noted that gas and oil-heating boilers built-in or installed in 1991 or later may only operate for only 30 years, according to the draft. Heating boilers built-in or installed before January 1, 1991 may no longer be operated. The draft contains exceptions therefrom, for example if a house can be supplied neither with gas nor with district heating and the heating cannot be operated also from renewable energies. It is also envisaged that the replacement of old gas / oil heaters should be subsidized.

In order to fulfil the national 2030 climate targets, the federal government announced on September 20, 2019 to introduce emission certificates to the building sector as of 2021. The Federal Government's climate package has been passed by the German federal parliament on December 19, 2019. The certificates will not be sold to the property owners but to the oil and gas companies; the prices for emission certificates will start at €25 per ton of carbon dioxide and will gradually increase over the next few years. We cannot estimate the additional financial impact that will result from mandatory emission certificates trading.

14.1.9 Requirement for Legionella Testing and Potential Remediation Measures

The Drinking Water Ordinance (*Trinkwasserverordnung*), as revised in January 2018, provides *inter alia* 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 countermeasures, 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 analysis of drinking water as provided for under the Drinking Water Ordinance to tenants as part of the operating costs.

14.1.10 Requirement to Install and to Maintain Smoke Detectors

All federal states in Germany have made the installation and maintenance of smoke detectors mandatory 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. Ultimately, on June 9, 2016, the Berlin parliament resolved on an obligation to install smoke detectors in residential units which was promulgated on June 28, 2016 and entered into force on January 1, 2017. The fulfillment of these obligations is mandatory for all newly built premises starting January 1, 2017. Existing premises must be equipped with smoke detectors by December 31, 2020 at the latest.

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 8% 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.

14.2 Current Developments in German Tenancy Law

14.2.1 Rent Cap ("Mietpreisbremse") and Broker's Fees

On June 1, 2015, the Act on Curbing Rent Increases in Tight Housing Markets and the Strengthening of the Orderer Principle with respect to the Business of Rental Agents – Tenancy Law Amendment Act (*Gesetz zur Dämpfung des Mietanstiegs auf angespannten Wohnungsmärkten und zur Stärkung des Bestellerprinzips bei der Wohnungsvermittlung – Mietrechtsnovellierungsgesetz*) ("**MietNovG**") entered into force. The MietNovG is a form of rent control and restricts rent increases for new leases to a maximum of 10% above the locally prevailing comparative rent levels in municipalities or parts of municipalities in which the supply of affordable housing is determined to be threatened (rent cap), unless the rent level agreed with the previous tenant was higher. Furthermore, the restriction on rent increases does not apply to new or fully modernized buildings.

The prevailing comparative rent levels are determined on the basis of contractual rents that were agreed upon for comparable residential space in the relevant municipality during the preceding six years. However, rent increases due to modernization measures are not taken into account for determining the prevailing comparative rent levels. Whether residential space is comparable is determined by taking into account its type, size, furnishings, quality, location, including the energy systems and characteristics. For this purpose, the landlord may, in particular, refer to the following: (i) an official rent index (*Mietspiegel*), (ii) a rent database, (iii) a report from an officially appointed and sworn expert, or (iv) the rent payable for at least three comparable residential units. A rent index is a table that shows the prevailing reference rent in a relevant municipality. The table must be jointly produced or accepted by the municipality or by the landlord and tenant representatives. If the rent index is produced in accordance with recognized scientific principles, it is recognized as a so called qualified rent index (*Qualifizierter Mietspiegel*). Qualified rent indices, as opposed to simple rent indices, create the (rebuttable) assumption that the listed rent levels reflect the reference rent customary in the relevant municipality. A rent index shall be adjusted to market trends every two years. A qualified rent index must be adjusted every two years; when this is done, a spot check or the trend of the price index for living standards of all private households in Germany, as computed by the Federal Statistical Office (*Statistisches Bundesamt*), may be used as a basis. A new list reflecting the qualified rent index must be generated every four years. A rent database is a collection of rents maintained on an ongoing basis that is used to determine the reference rent prevailing in a municipality. This option is only suitable for use if the collection of rents among other things (i) draws upon an adequate amount of rent data of existing and new lease agreements which are continuously updated, and which are representative for determining the prevailing rent level for individual properties in the respective locality, and (ii) is recognized by the municipality or by the landlord and tenant representatives. As a result, rent databases are hardly used in practice. On December 19, 2019, the German federal parliament has resolved that the calculation period for the local comparative rent shall be extended from four to six years to prevent an excessive increase in the local comparative rents. The law entered into force on January 1, 2020. However, until the end of 2020, rent indexes with a reference date before March 1, 2020 can still be drawn up according to the previous regulation (based on four years) if the rent index will be published before January 1, 2021.

The first letting of new or thoroughly modernized buildings is excluded from the rent limitation. Until December 31, 2020, the German federal governments are authorized by the tenancy law amendment act (*Mietrechtsnovellierungsgesetz*) to identify areas where there is pressure on the residential rental market and impose the rent limitation accordingly for a maximum period of five years. Thus, the rent cap ("*Mietpreisbremse"*) only applies in the respective designated areas. The German federal government recently extended the period until December 31, 2025. The rent cap has entered into force in 13 of the 16 Federal States, whereas the government of Schleswig-Holstein repealed the rent cap with effect as of November 30, 2019.

Berlin has introduced the rent cap by way of a Rent Limit Regulation (*Mietenbegrenzungsverordnung*) dated April 28, 2015 and with effect from June 1, 2015. Pursuant to the Rent Limit Regulation, Berlin is a designated community with pressure on the residential rental market, in which the supply of the population with sufficient rental housing at reasonable conditions is particularly scarce. The Regional Court (*Landgericht*) of Berlin considered rent control provisions unconstitutional and presented this legal question to the Federal Constitutional Court (*Bundesverfassungsgericht*). In its decision of July 18, 2019, the Federal Constitutional Court, however, ruled that rent control as such is indeed constitutional.

Furthermore, MietNovG contains provisions for the payment of the broker's fee for residential letting. Since June 1, 2015, the landlord is obliged to pay the broker's fee if the owner commissions the broker (so called orderer principle). A tenant continues to have to pay the broker's fee, if the tenant commissions the broker to look for an apartment for the tenant.

On January 1, 2019, the Tenancy Adjustment Act (*Mietrechtsanpassungsgesetz)* entered into force, lowering the maximum increase of the annual rent from 11% to 8% of the total cost of the modernization measures. The reduction of the modernization levy is applicable to modernization projects announced from January 1, 2019. Furthermore, a cap of €3.00 per square meter within six years now applies to the allocation of modernization costs. If the rent is less than €7.00 per square meter, the rent may only increase by €2.00 within six years as a result of modernization. Additionally, a targeted modernization in order to induce tenants to terminate the lease (*Herausmodernisierung*), *e.g.*, a modernization that has only been announced but not carried out or results in significant, objectively unnecessary burdens on the tenant, now constitutes an administrative offence which can be punished with a fine up to €100,000.

Furthermore, the Tenancy Adjustment Act tightens the provisions on the enforcement of rent control (*Mietpreisbremse*) on the landlord's disadvantage. According to the new provisions, landlords are obliged in certain cases to provide a tenant with unsolicited information about the rent previously agreed for the housing before concluding the rental agreement. In addition, it is now easier for the tenants to complain about the rent control. While the previous situation required the tenant to make a qualified complaint (*qualifizierte Rüge*) containing the facts on which the complaint was based, a simple complaint suffices under current law.

On April 1, 2020, a further amendment of the rent control came into force. Based on this, tenants under leases which have been concluded after April 1, 2020 are able to claim back rents paid in excess of the rent control with retroactive effect for a period of up to 2.5 years. In certain cases, retroactive effect of a complaint will remain excluded, namely if the complaint is made later than 2.5 years after the beginning of the tenancy or if the tenancy has already ended. For leases that existed prior to April 1, 2020 it remains unchanged that tenants can only claim rents that become due after the tenant's complaint.

14.2.2 Rent Freeze ("Mietendeckel")

On June 18, 2019, Berlin's municipal government (*Berliner Senat*) announced its intention to freeze rents in Berlin for the next five years ("*Mietendeckel*"). On January 30, 2020, the Berlin parliament (*Berliner Abgeordnetenhaus*) passed the Law on Rent Limitation in Housing in Berlin (*Gesetz zur Mietenbegrenzung im Wohnungswesen in Berlin – MietenWoG Bln*) (the "**Berlin Rent Limitation Law**"). The law entered into force on February 23, 2020. The rent freeze has retroactive effect as from June 18, 2019. Excluded from the rent freeze are publicly subsidized housing, flats for which public-sector funds have been granted for modernization and repair, and which are subject to a fixed rent (*Mietpreisbindung*), as well as dormitories, living quarters and new builds from 2014 onwards. Key points of the draft bill are, among others:

- The rent freeze will last for five years. As of 2022, lessors may annually increase rents up to 1.3% of the current rent;
- The permissible rent limit is determined on the basis of the rents of the official Berlin rent table ("*Berliner Mietspiegel*") of the year 2013 as adjusted to reflect the development of real wages until 2019;
- When re-letting apartments, the maximum rent amount equals the rent that was agreed upon in the previous lease agreement on June 18, 2019. If this previous rent amount is above the permissible rent limit, it shall be capped;
- In existing lease agreements, tenants may elect to reduce their rent if it equals more than 120% of the permissible rent limit. Certain allowances and deductions for the type of location shall be taken into account. The administration can take action *ex officio* against landlords in the event of violations of the permitted rent amount. These regulations shall begin to apply 9 months after the rent bill is enacted into law;
- If the rent of a modern equipped apartment is particularly low (i.e. below €5.02 per sqm), the lessor may raise the rent by a maximum of €1.00 per sqm to a maximum of €5.02 per sqm when re-letting the apartment; and
- Modernization measures may only be allocated in the amount of €1.00 per sqm. For costs of modernization exceeding this amount, up to a maximum of one additional euro per square meter of living space, the Senate will provide subsidy programs.

Violations (intentionally or negligently) of the provisions can constitute an administrative offense (*Ordnungswidrigkeit*) which can be sanctioned with fines up to €500,000.

It is expected that the Berlin rent freeze will be challenged in court immediately after its entry into force before the constitutional courts at federal and state level. However, it cannot be excluded that the law will enter into force unchanged or with its essential content. The Regional Court (*Landgericht*) of Berlin considers the so-called rent freeze to infringe German constitutional law and submitted the question to the German Constitutional Court (*Bundesverfassungsgericht*) for a decision.

Moreover, on May 6, 2020, certain members of the German Federal Parliament (*Bundestag*) filed an application for judicial review (*Normenkontrollantrag*) with the German Federal Constitutional Court (*Bundesverfassungsgericht*) to ascertain the compliance of the Berlin Rent Limitation Law with German federal constitutional law.

14.2.3 Expropriation of Residential Real Estate

In addition, to the recent legislative changes with regard to tenancy law, a citizens' initiative was formed in Berlin, which tries to force a legislative project in the federal state parliament by means of a petition for a referendum, according to which "Deutsche Wohnen SE and others" are to be expropriated in respect of their Berlin portfolios in accordance with Article 14 para. 3 of the German constitutional law (*Grundgesetz*, "**Constitutional Act**").

The protection of ownership in Germany is guaranteed under the Constitutional Act. As a result of this guarantee, the owner of properties is in principle entitled to proceed with the property at his own will and to exclude others from any influence, unless the law or the rights of third parties' conflict with this. Conversely, the guarantee of property does not per se preclude the state from withdrawing this legal position protected by expropriation. Pursuant to Article 15 sentence 1 Constitutional Act, land, natural resources and means of production may be transferred to common ownership or other forms of public service for the purpose of socialization by a law regulating the nature and extent of compensation. However, there are high legal requirements for the expropriation of the real estate.

While the citizen's initiative in Berlin seems to be primarily directed against Deutsche Wohnen SE, the proposed draft legislation would capture all companies with profit motivation that own at least 3,000 apartments in Berlin. Thus, in addition to Deutsche Wohnen SE other real estate companies would also be affected by the proposed expropriation if the proposed bill is adopted. Although the Constitutional Act provides in principle for compensation in the event of expropriation, it would be possible that such compensation would be significantly lower than the market value of the property. The outcome of the current initiative ("Deutsche Wohnen und Co. enteignen") in Berlin to hold a referendum to expropriate residential real estate companies is uncertain. If a petition of a referendum has come about, a referendum must rather be brought about. Only if this referendum is successful, the state of Berlin would be obliged to implement the draft law. In this case, it could be assumed that the law on expropriation would be challenged in extensive and lengthy court proceedings. While legal experts have pointed out that there is considerable uncertainty whether the proposed legislative measure would be in line with constitutional law, it cannot be excluded that the objective pursued by the initiative will be achieved in some way in the future.

14.3 Restrictions Applicable to Subsidized Housing

14.3.1 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*)).

14.3.2 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 (*Verwaltungsakte*) 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 plus interest claimed back.

Upon the expiry of the restriction period (*Bindungszeitraum*), the properties subsidized are regulated in the same way as unsubsidized properties.

14.3.3 Applicable Laws and Regulations

As of March 31, 2020, 3.0% (by sqm) of the ADO Properties Group's residential units 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. As of the same date, approximately 37% (by units) of the rent restrictions as a result of subsidies are scheduled to expire by 2022.

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 (as last amended on July 20, 2017), 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 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.

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.

14.3.4 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 (*Aufwendungsdarlehen*) 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.

14.3.5 Sale and Transfer of Subsidized Properties

If a subsidized property is sold and transferred, a consent by the competent authority representing the entity granting the subsidy may be required. Furthermore, 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.

14.4 Further Restrictions on the Use of Properties under Private and Public Law

14.4.1 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). Furthermore, easements may result in the obligation to bear certain costs, *e.g.* for maintenance and repair of buildings or pipelines. 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 any 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.

14.4.2 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 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.

According to the Berlin building code (*Bauordnung 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 (*i.e.* 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. The public easement lapses through written waiver of the competent authority.

Further restrictions regarding the properties in the ADO Properties 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.

14.5 Construction and Planning

14.5.1 General

Generally, projects and measures affecting 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 or parts thereof.

By granting the building permit (*Baugenehmigung*) the competent authority states that the proposed project is in compliance with 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 they are not challenged, building permits, generally, become final/not appealable (*bestandskräftig*) and then safeguard the permitted building in the future, independent of any changes of the relevant planning and zoning law.

14.5.2 Planning Law

Under German planning law (*Bauplanungsrecht*), municipal planning authorities have discretion (*Planungsermessen*) in exercising their planning competence. They are, however, required by law to take into account private interests as well as to pursue a number of prescribed objectives, including sustainable urban development and the protection of natural resources. Formal planning by municipalities under the Federal Building Act (*Baugesetzbuch*) ("**BauGB**") follows a two-tiered approach.

First, each municipality may issue a preparatory land-use plan (*Flächennutzungsplan*) that represents, with respect to the entire municipal territory, a basic classification of land uses according to urban development objectives and the needs of the respective municipality. For instance, a preparatory land-use plan may determine the purpose or purposes for which specific areas should be used in the future or which areas should be made available for environmental purposes, but it does not, in principal, create or affect individual rights.

Second, zoning plans (*Bebauungspläne*) may determine the specific use of land in designated areas. A zoning plan must comply with the applicable preparatory land-use plan. A zoning plan establishes the legally binding rules with respect to matters such as type and extent of structural use of property, e.g. building plot area and the height, density and specific use of buildings erected on a plot and may also designate land as being reserved for public purposes, industrial use, mixed-use, social housing, infrastructure, open spaces, and protected areas. The zoning plan may also contain provisions on permissible emissions, permissible exterior design of a building or contain other obligations, such as the obligation to plant trees. Where no zoning plan exists, the question whether a building project and/or its specific kind of use is permissible depends on whether the building project is located in the already built-up interior zone (*Innenbereich*) or in an undeveloped peripheral area (*Außenbereich*). In the first case, the permissibility basically depends on the building project's compatibility with the existing buildings in the vicinity and their specific use. Outside of built-up interior zones, projects are only permissible subject to narrowly defined requirements under the BauGB, which are not satisfied by buildings designated for office, retail or logistics use.

Municipalities may designate special urban planning zones (*Gebiete des besonderen Städtebaurechts*) in order to remediate specific planning deficiencies or facilitate specific urban developments. The BauGB provides for different types of special urban planning zones, such as redevelopment areas

(*Sanierungsgebiete*), conservation areas (*Erhaltungsgebiete*) or development areas (*Entwicklungsgebiete*). Both existing properties located in areas that are designated as special urban planning zones following the erection of such properties as well as properties that will be built in such urban planning zones in the future may be subject to certain restrictions.

If properties are located within formally designated redevelopment areas, those properties are subject to restrictive regulations of the BauGB, such as municipal pre-emptive rights. In addition, written permission of the municipality is required for certain development projects and legal procedures (e.g., rental agreements for a stipulated period of more than one year, property purchase agreements, the subdivision of a plot or the establishment, modification or revocation of a public easement). The granting of such permission may only be refused if such project would inhibit or seriously impede the implementation of the redevelopment or if it would conflict with the aims and purposes of the redevelopment. The owner of a property may be obliged to use the property in accordance with the aims and purposes of a redevelopment. If the owner does not comply with this requirement, the municipality might expropriate the owner under certain prerequisites. In order to implement the redevelopment, the municipality may undertake infrastructure measures. Furthermore, the owner of a property in a redevelopment area may be obliged to make payments to the respective municipality in order to compensate for the increase in the value of the property as a consequence of the redevelopment.

14.5.3 Building Law

German building laws and regulations of the German Federal States (*Bauordnungsrecht der Bundesländer*) are extensive and govern, among other things, permissible types of buildings, building materials, statics, proper workmanship, stability, heating, fire prevention, means of warning and escape in case of emergency, access and facilities for the fire department, hazardous and offensive substances, noise protection, parking spaces, ventilation and handicap access and facilities.

For instance, fire prevention is regulated by laws and regulations of the German Federal States (*Bauordnungsrecht der Bundesländer*), which are further specified by directives, decrees, guidelines, technical regulations, recommendations and technical data sheets regulating construction, technical and organizational fire prevention concerning, inter alia, building materials, firewalls and emergency escape routes as well as fire-extinguishing systems and smoke detectors. Those regulations may be amended from time to time, which could require investments in improved or additional fire prevention measures. Furthermore, if the use of a building is changed or construction measures are taken, such amended fire prevention requirements may become applicable.

14.5.4 Protection of existing buildings

Owners of buildings erected and used in compliance with building permits (*Baugenehmigungen*) which have become final and absolute (*bestandskräftig*) benefit, in principle, for an indefinite period of time from such permit (*Bestandsschutz*). This means that local building authorities must generally tolerate the respective building and its use, even though the planning or legal situation may have changed since the granting of the permit.

However, the competent building authority may, under certain circumstances, require alterations to buildings with respect to safety (*e.g.*, fire safety) or health risks. While mere non-compliance with prevailing regulations generally does not warrant such orders, the occurrence of imminent safety or health risks with respect to users of the building or the general public allows the competent authority to demand immediate action from the owner. Relevant risks in this regard include fire risks, traffic risks, risks of collapse and health risks from hazardous building materials, such as asbestos or water contamination. The protection of existing buildings does not generally cover alterations to such buildings or changes in the type of use. Therefore, in both cases, a new building permit is typically required, which must comply with the then-applicable planning and building regulations. However, the building authority may, under certain circumstances, grant an exemption from the respective provisions of the zoning plan if the intended use or alteration is not covered by such provisions of the zoning plan.

14.5.5 Energy efficiency

The existing legislation regarding energy efficiency of buildings is likely to be tightened in future. For example, the German Energy Saving Regulation (*Energieeinsparverordnung*) or the EU Directive 2010/31/EU ("**Energy Performance Directive**") on the energy performance of buildings play an increasingly important regulatory role. It is to be expected that the relevant statutory regulations at the national and EU level will be modified further and increasing requirements on energy consumption and efficiency of buildings, particularly in the case of new buildings and modernizations, will be stipulated. Amendments to the legal framework could result in additional obligations to undertake energy efficient refurbishments of existing buildings, such as insulation measures to reduce heating costs or to reduce the consumption of electricity.

For example, on June 19, 2018, the Directive (2018/844/EU) amending the Energy Performance Directive was published. The revised provisions entered into force on July 9, 2018, and must be implemented in national law by the EU member states by March 10, 2020. This revision introduces targeted amendments to the Energy Performance Directive aimed at accelerating the cost-effective renovation of existing buildings, with the vision of a decarbonized building stock by 2050 and the mobilization of investments. The revision also supports electromobility infrastructure deployment in buildings' car parks and introduces new provisions to enhance smart technologies and technical building systems, including automation. Cost allocation between the owner and tenants has not been resolved conclusively, meaning that property owners may be obligated to incur a portion of the expenses required for such energy-saving renovation measures.

The German federal government published a draft of a so-called Property Energy Act (*Gebäudeenergiegesetz*), dated November 30, 2018, which was slightly modified on May 28, 2019. The draft bill is the second attempt to combine the Energy Savings Act (*Energieeinsparungsgesetz*), the Energy Saving Ordinance (*Energieeinsparverordnung*) and the Renewable Energies Heating Act (*Erneuerbare-Energien-Wärmegesetz*) in one piece of law. The first draft bill of the Property Energy Act was rejected in March 2017 due to dissension within the federal government regarding low energy standards for public non-residential buildings. The current coalition agreement (*Koalitionsvertrag*) between the federal governing parties states that the energetic requirements for existing and new buildings will continue to apply during the legislative term running until 2022. Therefore, the new draft to date does not consider further tightening of the energy efficiency requirements of buildings.

Furthermore, in order to fulfil its 2030 climate targets, the German federal government announced on September 20, 2019 to introduce emission certificates to the building sector as of 2021. According to publicly available information, such emission certificates shall not be sold to property owners, but to oil and gas companies. The prices for emission certificates will start at €10 per ton of carbon dioxide and will gradually increase over the years after introduction. We cannot estimate the financial impact that will result from mandatory emission certificates trading.

14.5.6 Restrictions for Properties Affected by Monument Protection and/or Special Urban Planning Legislation

Certain buildings or parts of buildings in the ownership/possession of the ADO Properties Group are classified as historic buildings on the basis of law or registration in a list of protected buildings. The competent authorities may determine whether the conservation of a building is in the collective public interest and, therefore, has to be considered protected. As a result, ownership is subject to various public law restrictions. Specific obligations with respect to, e.g., the maintenance, repair, appropriate management and protection of historic buildings arise under the historic buildings preservation laws of the individual German Federal States. In addition, changes to historic buildings or their removal are not permitted if significant conservation reasons exist for maintaining their condition unchanged. Compliance with preservation legislation is also required in the context of planning permission processes, such as for a change of use or for alterations, and may result in the refusal of the required permits. Furthermore, if a building is located in the near surrounding of a building that is subject to monument protection, such building might also be subject to restrictions to the extent it can influence the monumental character of the protected building. With regard to restrictions on use and disposal, some of the ADO Properties Group's real estate is situated in preservation areas (*Erhaltungsgebiete*) and may in the future be situated in urban redevelopment areas (*Sanierungsgebiete*). 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 (*Denkmalschutzgesetz Berlin*).

With respect to real estate situated in an urban redevelopment area (*Sanierungsgebiet*), we are required to obtain the permission of the municipality in particular for demolition or alteration of buildings, entering into lease agreements with a fixed term of more than one year, the sale of the property, the granting of encumbrances and the creation, amendment or suspension of an easement. 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 substantial part of the ADO Properties Group's real estate is situated in preservation areas (*Erhaltungsgebiete*), which requires it to obtain the permission (irrespective of the requirement of a building permit) of the relevant public authority for demolition, alteration of buildings or change of use. Also, ordinances 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 areas (*Milieuschutzgebiete*) 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 (*Milieuschutzgebiete*) 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 ordinance (*Umwandlungsverordnung*) was passed by the Berlin government on March 3, 2015, in force until March 13, 2020. The Berlin government decided to extend the ordinance (*Umwandlungsverordnung)* for another five years, i.e. until 2025.

14.5.7 Construction and property development contracts

14.5.7.1 Applicable provisions of the German Civil Code (Bürgerliches Gesetzbuch)

On January 1, 2018, an amendment to the German Civil Code (*Bürgerliches Gesetzbuch* – "**BGB**") relating to construction contracts came into effect that implements a number of amendments to the BGB relating to agreements in connection with planning and construction works and codifies a range of new types of contracts which so far were not explicitly regulated. These changes are briefly summarized below. The BGB now differentiates, in particular, between construction contracts (*Bauverträge*), consumer construction contracts (*Verbraucherbauverträge*) as well as the property development contracts (*Bauträgerverträge*). In principle, a property development contract is a mixed contract (*gemischter Vertrag*) covering both aspects of a sales contract (*Kaufvertrag*) and of a contract for work (*Werkvertrag*). The newly applicable law now explicitly stipulates that the property development contract is a contract with respect to the construction (*Errichtung*) or reconstruction (*Umbau*) of a house or a comparable building and by which the developer is obliged to transfer ownership to the property to be developed. The BGB further includes additional provisions for consumer construction contracts, including property development contracts entered into with private purchasers, such as owner-occupiers and retail buy-to-let investors. Prior to entering into a property development with a private purchaser, the respective real estate developer is required to provide such purchaser with a written description of the building specifications (*Baubeschreibung*). Such description needs to be provided in good time before entering into the property development contract and also needs to fulfil the requirements set forth in the BGB. In addition, the developer has to inform the purchaser bindingly about the time of completion of the development project or, if such information is not possible at the time of conclusion of the contract, the estimated time needed for realizing the respective development project. Furthermore, the developer also needs to describe in detail the specifications of the building, which include, for instance, a general description of the building to be built, the type and extent of the services offered, general data on the building including floor plans and information on square footage, potentially information on the energy, fire safety and sound proofing standard. Except where a consumer construction contract was notarized, the consumer has a statutory right to rescind the agreement within the statutory periods and the contractor is obligated to duly inform the consumer of such right. Aside from these provisions relating to property development and consumer construction contracts, general rules relating to sales contracts (*Kaufverträge*) and work contracts (*Werkverträge*) as well as the German Real Estate Agent and Commercial Contractor Regulation ((*Makler- und Bauträgerverordnung* ("**MaBV**")) apply.

In the context of property development contracts (Bauträgerverträge), the BGB provides for additional requirements with respect to the issuance of certain sureties which were introduced by the Act to Secure Contractor Claims and Improve the Enforcement of Payment Claims (*Forderungssicherungsgesetz* ("**FoSiG**")). In case the recipient of such works is a consumer and instalment payments have been agreed by the parties, real estate developers building or remodeling a house or similar construction structure are required to issue a surety (the "**FoSiG Surety**") with respect to 5% of the agreed remuneration upon beginning of construction works (i.e., when the first instalment under the MaBV is due and payable). The purpose of the FoSiG Surety is to secure contractual performance in a timely and adequate manner and to provide purchasers a minimum security from the consequences of an insolvency of the respective project developer. The issuance of the FoSiG Surety is mandatory and can only be avoided if such purchasers withhold an amount corresponding to 5% of the aggregate purchase price from their instalment payments.

14.5.7.2 German Real Estate Agent and Commercial Contractor Regulation ((Makler- und Bauträgerverordnung)

The MaBV is, *inter alia*, applicable to property development contracts relating to the development and sale of residential properties to owner-occupiers (*Selbstnutzer*) and retail buy-to-let investors in Germany. The MaBV provides for certain regulations to be complied with by, inter alia, real estate developers in connection with the conclusion of property development contracts (*Bauträgerverträgen*). In particular, the MaBV provides for a staggered payment framework, which entitles a real estate developer to significant fixed down payments in line with the completion of construction milestones, for respective collateralization of such down payments and imposes an obligation on the developer to separate funds received from purchasers from private assets. The real estate developer may request up to seven instalment payments subject to specific construction progress to be included in the individual payment schedule agreed under the property development contract (*Bauträgervertrag*). Such instalment payments may, however, only be requested if the amount of an instalment payment corresponds to the actual value of the work performed by the real estate developer at the time such instalment payment becomes due and payable.

The first construction milestone is the start of ground works (*Beginn der Erdarbeiten*). Upon the achievement of this milestone, the real estate developer is entitled to request the first instalment in the amount of 30% of the agreed contractual sum in case ownership of a real property is to be transferred and 20% of the agreed contractual sum in case a hereditary building right is to be created or transferred. The second instalment for 40% of the remaining agreed contractual sum is due and payable upon completion of the building shell (including carpentry work) (*Rohbaufertigstellung, einschließlich Zimmererarbeiten*). As a result, a total of 58% of the aggregate agreed contractual sum under the respective property development contract (*Bauträgervertrag*) is due and payable upon completion of the building shell if ownership of a real property is to be transferred. Further instalments can be requested in up to seven partial payments in accordance with the following milestones set forth in the MaBV: installation of roof surfaces (*Herstellung der Dachflächen*), basic installation of heating systems, sanitary and electrical facilities (*Rohinstallation der Heizungs-, Sanitär- und Elektroanlagen*), window installation (*Fenstereinbau*), interior plaster work (*Innenputzarbeiten*), screed work (*Estricharbeiten*), tiling work in the sanitary area (*Fliesenarbeiten im Sanitärbereich*), readiness for occupancy and concurrently with the transfer of possession (*Bezugsfertigkeit und Zug um Zug gegen Besitzübergabe*), facade works (*Fassadenarbeiten*) a final completion (*vollständige Fertigstellung*).

However, a real estate developer must not request payment of the first instalment from the purchaser unless the following conditions are met: (i) the underlying purchase contract is binding and all necessary approvals have been granted, the notary public has confirmed these requirements in writing and no cancelation rights have been granted to the purchaser, (ii) a priority notice of conveyance (*Auflassungsvormerkung*) has been registered in the land register (*Grundbuch*) with respect to the respective purchaser's title of ownership, (iii) all mortgages (other than for financing the purchase price for the purchaser) have been subordinated to the purchaser's priority notice of conveyance (*Auflassungsvormerkung*), and (iv) the building permit (*Baugenehmigung*) has been obtained (or it has been confirmed that a building permit is not required). In practice, real estate developers often face significant delays when dealing with the land register authorities. As a result, the process of registering of such priority notice of conveyance (*Auflassungsvormerkung*) may be delayed significantly. In such case, the real estate developer can request instalment payments subject to issuing to the purchaser a surety covering the respective pre-payment amount ("**MaBV Aval**"). Once either all of the above conditions are met or a corresponding MaBV Aval has been issued, the real estate developer is entitled to request the instalment payments under the agreed payment schedule from the relevant purchaser.

14.6 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 "*1.3.6 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.*"

14.6.1 Environmental Liability Under Public Law

14.6.1.1 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 (*Bundesbodenschutzgesetz*) authorizes the local authorities 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 may be waived or transferred by express contractual agreement.

14.6.1.2 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 polluters may be held liable for the resulting damage. Such liability exists independently of any potential action taken by the public authorities.

14.6.1.3 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 breaks, and non-friable asbestos, from which asbestos fibers are usually not released and which, therefore, poses a limited risk to human health. Except in the event of structural alterations, there is generally no obligation to remove non-friable asbestos under the asbestos guidelines.

Friable asbestos is generally 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 contamination, ranging from immediate action (including demolition, removal or coating of the asbestos) to risk assessments at intervals of no more than five years. The removal and disposal of asbestos-containing materials requires specific safety measures and may trigger elevated costs.

In the case of asbestos contamination, a tenant may also assert a right of rent reduction or, in extreme circumstances, termination for good cause. 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.

14.6.1.4 *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 prohibited. The use of PCB is generally prohibited. 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 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.

14.6.1.5 *War Ordnance*

In Germany, the federal states are responsible for the clearance of ordnance and other remnants of war. In most states, public services are responsible for the clearance of war ordnance, while other states commission private specialized firms. All states assume, and dispose of, unexploded ordnance themselves. However, the extent to which a private investor or an owner of contaminated real estate incurs liabilities in connection with the clearing of remnants of war or ordnance, including preparatory measures like the disposal of plants and layers of soil or preventive search measures, where the initial suspicions prove unfounded, varies from state to state.

14.6.2 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 in our portfolio has 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.

14.6.3 Restitution rights and transfer approval

Under the Law on the Settlement of Open Property Issues (*Gesetz zur Regelung offener Vermögensfragen*), former owners of properties who were dispossessed either by the national socialist government between January 30, 1933 and May 8, 1945 or by the former German Democratic Republic (*Deutsche Demokratische Republik*) can demand the restitution of such properties. If return of the properties is impossible due to a valid sale to a third party, the former owners have compensation claims under the German Restitution Act (*Entschädigungsgesetz*). The German Asset Allocation Law (*Vermögenszuordungsgesetz*) provides for similar regulations.

With regard to properties located in the former German Democratic Republic (*Deutsche Demokratische Republik*), the German Real Estate Transfer Ordinance (*Grundstücksverkehrsordnung*) generally requires owners of properties to obtain approval from the competent authorities prior to disposing of any properties, unless such approval was previously granted for a transfer of the property completed after September 28, 1990. If any restitution claims have been filed for a property, such approval will not be granted until the claim has been settled.

15. SHAREHOLDER STRUCTURE

As of the date of this Prospectus, the Company's share capital amounts to €91,718.51, divided into 73,966,539 ordinary shares in dematerialized form with no nominal value. To the knowledge of the Company and based on the notifications received by the Company as of the date of this Prospectus, the following shareholders held an interest (direct or indirect) of at least 5% in the Company's shares as of the date of this Prospectus. The percentage values shown in the table below are the shares of voting rights last notified to the Company in relation to the Company's share capital as of the date of the respective notification. It should be noted that the number and share of voting rights last notified may have changed since the respective notification was submitted to the Company given that there is no obligation to notify unless the voting rights reached, exceeded or fell below notifiable thresholds:

Shareholder	**Share of Voting Rights (in %)**[(1)]
ADLER Real Estate Aktiengesellschaft [(2)]	19.86
Fairwater Multi-Strategy Investment ICAV [(3)]	5.63
Klaus Wecken [(4)]	5.58
Fortitudo Capital SPC [(5)]	5.16
Free float	63.77
Total	**100.00**

(1) The percentage of voting rights was calculated on the basis of the Company's registered share capital as of the date of this Prospectus and includes voting rights that are suspended.

(2) Treasury shares by way of indirect shareholding of ADLER Real Estate Aktiengesellschaft. ADLER Real Estate Aktiengesellschaft is, as disclosed in its group notification, the controlling shareholder of ADO Group Ltd., which, in turn, directly holds shares in the Company. Under Luxembourg law, the voting rights of the shares directly held by ADO Group Ltd. have been suspended since April 9, 2020. The Company intends to settle the call option under a call option agreement with Aggregate Holdings S.A. by transfer of these treasury shares, which will, prior to the settlement of the call option, be transferred from ADO Group Ltd. to ADLER Real Estate Aktiengesellschaft and from ADLER Real Estate Aktiengesellschaft to the Company. In addition, Aggregate Holdings S.A. subscribes to new shares of the Company issued in connection with a capital increase without subscription rights. As a result of the settlement of the call option, Aggregate Holdings S.A. will become a shareholder of the Company and is expected to hold 22.50% of the voting rights in the Company after the settlement of the Consus Real Estate Call Option Exercise, which is expected to occur on or around July 6, 2020. For additional information, see "*11.4 Call/Put-Option Agreement*". All of the voting rights in the Company to be held by Aggregate Holdings S.A. are indirectly attributable to ultimate shareholder Günther Walcher.

(3) Direct shareholding of Fairwater Multi-Strategy Investment ICAV, managed by Mirabella Malta Limited and acting as AIFM, holding the shares in and acting in respect of the sub-fund Fairwater Real Estate Opportunities Fund.

(4) Direct and indirect shareholding of Klaus Wecken and Wecken & Cie.

(5) Direct and indirect shareholding of Fortitudo Capital SPC, who, on behalf and for the account of Fortitudo Real Estate Opportunities Segregated Portfolio, holds the shares and has appointed Mezzanine IX Investors S.A. and Pruss GmbH, a wholly-owned subsidiary of Mezzanine IX Investors S.A., respectively, to exercise voting rights over the shares. These entities can vote at their own discretion.

Subject to any limitations imposed by Luxembourg laws, each share in the Company confers one vote at the General Meeting. The Company is neither directly nor indirectly owned nor controlled by any other company or person. There are no arrangements known to the Company, the operation of which may at a subsequent date result in a change of control in the Company.

16. GENERAL INFORMATION ON THE COMPANY AND THE ADO PROPERTIES GROUP

16.1 Formation and Incorporation, History and Development, Commercial Name

On November 13, 2007, the Company was incorporated as a private limited liability company in Cyprus with the Cyprus Department of Registrar of Companies and Official Receiver under the legal name "Swallowbird Trading & Investments Limited" and 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 dated June 8, 2015 and adopted the form of a private limited liability company under Luxembourg law (*société à responsabilité limitée*) and changed its legal name to "ADO Properties S.à r.l." The Company was subsequently converted to a public limited liability company under Luxembourg law (*société anonyme*) by decision of the General Meeting dated June 16, 2015 and changed its legal name to "ADO Properties S.A.".

On June 11, 2015, the Company was registered with the Luxembourg Register of Commerce and Companies (*Registre de Commerce et des Sociétés, Luxembourg*) under registration number B197554. Deletion of the Company's registration in Cyprus was completed on June 8, 2015.

On July 23, 2015, the Company completed its initial public offering and all of its shares are traded on the regulated market segment (*Regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) and on the sub-segment thereof with additional post-admission obligations (Prime Standard).

The Company's commercial name is "ADO Properties".

16.2 Legal and Commercial Name, Address and LEI

The legal name of the Company is ADO Properties S.A. and the Company operates under its commercial name ADO Properties.

The Company, with Legal Entity Identifier (LEI) 391200OYYFJ3DWAMEC69, has its business address at 1B, Heienhaff, L-1736 Senningerberg, Luxembourg, and is registered in the Luxembourg Register of Commerce and Companies (*Registre de Commerce et des Sociétés, Luxembourg*) under number B 197554.

The Company is a public limited liability company incorporated and operating under Luxembourg law (*société anonyme*).

16.3 Corporate Purpose, Registered Office, Fiscal Year and Duration

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 Companies Law.

Pursuant to Article 4 of the Articles of Association, the Company's corporate purpose is as follows:

- The Company's corporate purpose is 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 issuances of debt securities to affiliated and group companies. It may also give guarantees and grant securities in favor 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 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.
- 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 1B, Heienhaff, L-1736 Senningerberg, Grand Duchy of Luxembourg (telephone: +352 278 456 710). The Company's website is www.ado.properties. The information contained on this website does not constitute a part of this Prospectus.

The Company's fiscal year begins on January 1 of each year and terminates on December 31 of the same year.

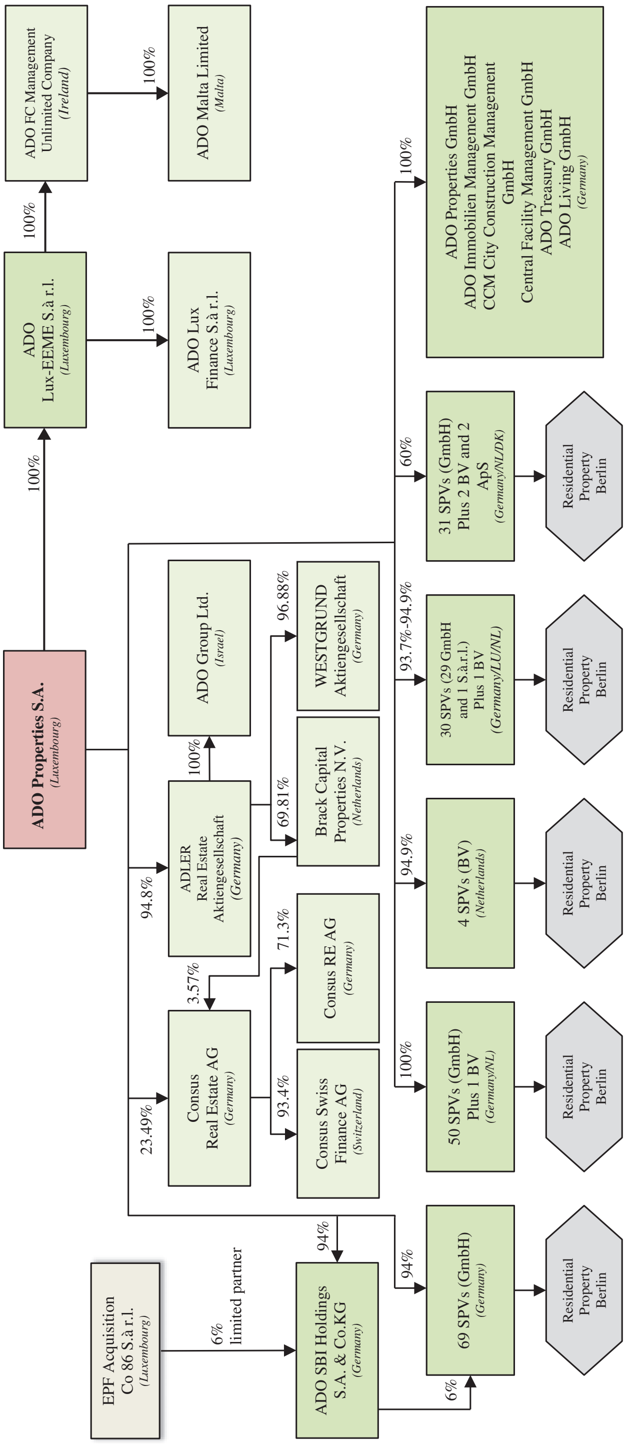
The Company is established for an unlimited period of time.

16.4 Group Structure

The Company is the holding company of the ADO Properties Group. The Company's business is primarily conducted by the relevant operating subsidiaries. The ADO Properties 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 ADO Properties Group to a significant extent. As of March 31, 2020, the ADO Properties Group comprises 199 subsidiaries. On April 9, 2020, the ADLER Group was consolidated into the ADO Properties Group. Accordingly, as of the date of this Prospectus, the ADO Properties Group comprises 434 subsidiaries.

The Company has concentrated certain group managerial and administrative functions, such as controlling, legal, tax, treasury, public relations, investor relations and human resources, at the level of the Company. In doing so, the Company has entered into service agreements with the majority of the ADO Properties Group companies.

The following organization chart sets forth an overview (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 ADO Properties Group's limited partnerships (*Kommanditgesellschaften*) are held through third-party companies. The shareholdings presented below are rounded to whole numbers (unless otherwise stated).



16.5 The Company's Subsidiaries

The Company is the holding company of the ADO Properties Group. The following table shows the Company's subsidiaries held directly or indirectly as of March 31, 2020, except as otherwise indicated, with a book value representing at least:

(i) 5% of the fair value of our total real estate portfolio as of March 31, 2020;

(ii) 5% of our consolidated rental income for the period January 1, 2018-March 31, 2020; 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.

		Share of equity and voting rights (in %)			
		As of March 31,	As of December 31,		
Company name	**Country of incorporation**	**2020**	**2019**	**2018**	**2017**
ADO Properties GmbH	Germany	100.00	100.00	100.00	100.00
ADO Immobilien Management GmbH	Germany	100.00	100.00	100.00	100.00
Central Facility Management GmbH	Germany	100.00	100.00	100.00	100.00
CCM City Construction Management GmbH	Germany	100.00	100.00	100.00	100.00
ADO FC Management Unlimited Company	Ireland	100.00	100.00	100.00	100.00
ADO Lux-EEME S.à r.l.	Luxembourg	100.00	100.00	—	—
ADO Malta Limited	Malta	100.00	100.00	—	—
ADO Sonnensiedlung S.à r.l.	Luxembourg	94.90	94.90	94.90	94.90
RVB Angerburgerallee B.V.	Netherlands	94.00	94.00	94.00	—

The only material tangible, fixed assets that the Company owns (including leased properties) are residential properties, the majority of which are pledged against mortgage bank loans.

As a result of the settlement of the Tender Offer on April 9, 2020, ADLER Real Estate became a subsidiary of the Company. Following the settlement of the Consus Real Estate Acquisition, Consus Real Estate is expected to become a subsidiary of the Company.

16.6 Statutory Auditor

The Company's statutory auditor (*réviseur d'entreprises agréé*) is KPMG Luxembourg, *Société cooperative* ("**KPMG**"), with registered office at 39, avenue John F. Kennedy, L-1855 Luxembourg, Grand Duchy of Luxembourg, and registered with the Luxembourg financial sector supervisory authority (*Commission de Surveillance du Secteur Financier*) ("**CSSF**") as an approved audit firm (*cabinet de révision agréé*) and with the Luxembourg Register of Commerce and Companies (*Registre de Commerce et des Sociétés, Luxembourg*) under number B149133 and is a member of the Luxembourg Institute of Company Auditors (*Institut des Réviseurs d'Entreprises, Luxembourg*). KPMG has audited the Company's consolidated financial statements as of and for the fiscal years ended December 31, 2019, 2018 and 2017, prepared in accordance with IFRS and included in this Prospectus, and issued an unqualified auditor's report in each case.

16.7 Luxembourg Paying Agent and LuxCSD Principal Agent

The Luxembourg paying agent and LuxCSD Principal Agent for the Company's shares is BNP Paribas Securities Services, Luxembourg branch. The mailing and registered address of BNP Paribas Securities Services, Luxembourg branch, is 60, avenue J.F. Kennedy, L-2085 Luxembourg, Luxembourg. All shares of the Company are registered in a single securities account at the sole settlement agent LuxCSD. LuxCSD enables the deposit of issuances and the centralized settlement and deposit of securities of all kinds, including shares in dematerialized form.

17. DESCRIPTION OF THE SHARE CAPITAL OF ADO PROPERTIES S.A. AND APPLICABLE REGULATIONS

17.1 Current Share Capital; Shares

As of the date of this Prospectus, the Company's share capital amounts to €91,718.51 divided into 73,966,539 ordinary shares in dematerialized form with no nominal value. The share capital has been fully paid up. The New Shares have been issued pursuant to Luxembourg law.

In connection with the Offering, the Company's share capital is expected to be increased against cash contributions by €38,216.05 from €91,718.51 to €129,934.56 by issuing 30,819,391 New Shares by way of resolution of a duly appointed delegate of the Board of Directors which is expected to be adopted on or about July 21, 2020.

All dematerialized shares are registered with a single settlement organization in Luxembourg, LuxCSD. The New Shares shall be issued in dematerialized form only and shall be subject to the Luxembourg law of April 6, 2013 on dematerialized securities.

17.2 Development of the Share Capital

The Company's share capital has developed as follows within the period covered by the historical financial information:

On January 1, 2017, the Company's share capital amounted to €54,684 divided into 44,100,000 ordinary shares in dematerialized form with no nominal value.

By resolution of the Board of Directors dated November 13, 2018 and a confirmation by a delegate of the Board of Directors on December 14, 2018, the Company's share capital was increased, by incorporation of reserves in an amount of €38.14 from €54,684 to €54,722.14 represented by 44,130,757 ordinary shares in dematerialized form with no nominal value (for the purposes of issuing new shares under a long term incentive plan).

By resolution of the Board of Directors dated June 13, 2019 and a confirmation by two delegates of the Board of Directors on July 5, 2019, the Company's share capital was increased, by incorporation of reserves in an amount of €79.17 from €54,722.14 to €54,801.31 represented by 44,194,607 ordinary shares in dematerialized form with no nominal value (for the purposes of issuing new shares under a long term incentive plan).

By resolutions of the Board of Directors dated January 16, 2020 and March 30, 2020 and by the resolution of the delegate of the Board of Directors dated March 31, 2020, the Company's share capital was increased, (against a contribution in kind) in an amount of €34,287.25, from €54,801.31 to €89,088.56, represented by 71,845,613 ordinary shares in dematerialized form with no nominal value.

By resolution of the Board of Directors dated April 28, 2020 and by the resolution of the delegate of the Board of Directors dated May 13, 2020, the Company's share capital was increased, (against a contribution in kind) in an amount of €216.79, from €89,088.56 to €89,305.35, represented by 72,020,446 ordinary shares in dematerialized form with no nominal value.

By resolution of a delegate of the Board of Directors dated June 29, 2020, the Company's share capital was increased, (against a contribution in kind) in an amount of €2,413.16, from €89,305.35 to €91,718.51, represented by 73,966,539 ordinary shares in dematerialized form with no nominal value.

17.3 Authorized Capital

As of the date of this Prospectus, the Company's authorized capital amounts to €750,000,000, of which €91,718.51 has been issued as the current share capital.

17.4 Issuance of New Shares

The General Meeting or the Board of Directors (within the limits as described below) may from time to time issue shares up to the amount of the authorized capital. 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 Article 5 of the Articles of Association, authorization is given to the Board of Directors (or delegates duly appointed by the Board of Directors) to issue shares from time to time within the limits of the Authorized Capital at such times and on such terms and conditions, including the issue price, as the Board of Directors or its delegates may in its or their discretion resolve in its or their own discretion. The Board of Directors is authorized to grant existing shares or issue new shares to the following persons free of charge: employees or a certain category of employees of the Company; employees of subsidiaries in which the Company directly or indirectly holds at least 10% of share capital or voting rights; employees of companies of which at least 50% of share capital or voting rights are held directly or indirectly by a company that itself holds directly or indirectly at least 50% of the share capital of the Company; officers of the Company or of any of the companies mentioned above or certain categories of such officers. The Board of Directors is authorized to determine the conditions and modalities of any grant or issue of shares free of charge (including any required minimum holding period).

Pursuant to Article 5 of the Articles of Association, subject to applicable laws and 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. Preferential subscription rights are granted proportional to the fraction of the capital represented by the shares held by each shareholder. The Board of Directors is authorized to suppress, waive or limit the shareholders' preferential subscription rights in any decision regarding a capital increase to the extent the Board of Directors deems such suppression, waiver or limitation advisable for any issuance or issuances of shares within the scope of the Company's authorized unissued capital. In addition, the General Meeting may take a decision to limit or exclude 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 preferential subscription rights of existing shareholders, the Company will publish the decision by placing an announcement in the *Recueil électronique des sociétés et associations*, in a newspaper published in Luxembourg and on the website of the Company. The announcement will specify the period in which the preferential subscription rights may be exercised. Such period may not be shorter than 14 days from the date of publication in the *Recueil électronique des sociétés et associations*. Luxembourg law does not provide for any procedure for determining the preferential subscription right exercise date and such date is in practice defined in the relevant resolution on the issue of shares. The announcement will also specify the details regarding the procedure for exercise of the preferential subscription rights. The preferential subscription right is exercised by placing an order with the Company and paying for the newly issued shares. Under Luxembourg law, preferential subscription rights are transferable and tradable property rights.

The Articles of Association prohibit the Company from issuing fractional shares. The Board of Directors is authorized at its discretion to provide for the payment of cash in lieu of any fraction of a share.

17.5 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 of Directors (i) to pay for any of the Company's shares, which the Company may repurchase from its shareholders, (ii) to offset any net realized losses, (iii) to make distributions to the shareholders in the form of a dividend or (iv) to allocate funds to the legal reserve.

17.6 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 of Directors subject to compliance with the 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.

17.7 Purchase of Own Shares

ADO Group Ltd., an indirect subsidiary of the Company, holds 19.86% of the Company's shares as of the date of this Prospectus. Other than that, no subsidiary nor the Company holds any shares of the Company, nor does a third party hold any shares in the Company on behalf of the Company or any of its other subsidiaries.

According to Article 5 of the Articles of Association, the Company may, to the extent and under the terms permitted by law, repurchase its own shares. Without prejudice to the principle of equal treatment of shareholders in the same situation and the provisions of the Luxembourg law of December 23, 2016 on market abuse, pursuant to Article 430-15 of the Luxembourg Companies Law, the Company may acquire its own shares either itself or through a person acting in its own name but on the Company's behalf subject, *inter alia*, to the following statutory conditions:

(i) the authorization to acquire shares is to be given by a general shareholders' meeting, which determines 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 the case of acquisition for value, the maximum and minimum consideration;

(ii) the acquisitions must not have the effect of reducing the net assets of the Company below the aggregate of the subscribed capital and the reserves, which may not be distributed pursuant to Article 461-2, paragraphs 1 and 2 of the Luxembourg Companies Law or the Articles of Association; and

(iii) only fully paid-up shares may be included in the transaction.

At the time each authorized acquisition is carried out, the Board of Directors must ensure that the statutory conditions mentioned in the preceding paragraph are complied with.

Where the acquisition of the Company's own shares is necessary in order to prevent serious and imminent harm to the Company, no authorization will be required from the General Meeting. In such a case, the next General Meeting must be informed by the Board of Directors of the reasons for and the purpose of the acquisitions made, the number and nominal values, or in the absence thereof, the accounting par value of the shares acquired, the proportion of the subscribed capital which they represent and the consideration paid for them.

No authorization will likewise be required from the General Meeting in the case of shares acquired either by the Company itself or by a person acting in his/her own name but on behalf of the Company for the distribution thereof to the staff of the Company or to the staff of a company with which it is in a control relationship (within the meaning of Article 1711-1 of the Luxembourg Companies Law). The distribution of any such shares must take place within twelve months from the date of their acquisition.

Pursuant to Article 430-16 of the Luxembourg Companies Law, none of the abovementioned statutory conditions, except for the condition described under (2) above, apply to the acquisition of:

(a) shares acquired pursuant to a decision to reduce the capital or in connection with the issue of redeemable shares;

(b) shares acquired as a result of a universal transfer of assets;

(c) fully paid-up shares acquired free of charge or acquired by banks and other financial institutions pursuant to a purchase commission contract;

(d) shares acquired because of a legal obligation or a court order for the protection of minority shareholders, in particular, in the event of a merger, the division of the Company, a change in the Company's object or form, the transfer abroad of its registered office or the introduction of restrictions on the transfer of shares;

(e) shares acquired from a shareholder in the event of failure to pay them up; and

(f) fully paid-up shares acquired pursuant to an allotment by court order for the payment of a debt owed to the Company by the owner of the shares;

(g) fully paid-up shares issued by an investment company with fixed capital and acquired at the investor's request by that company or by a person acting in his/her own name, but on behalf of that company.

Shares acquired in the cases indicated under (b) to (f) must, however, be disposed of within a maximum period of three years after 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 ten percent of the subscribed capital.

If the shares so acquired are not disposed of within the period prescribed, they must be cancelled. The subscribed capital may be reduced by a corresponding amount. Such a reduction is compulsory where the acquisition of shares and their subsequent cancellation results in the Company's net assets having fallen below the amount of the subscribed capital and the reserves which may not be distributed under applicable laws or the Articles of Association.

Any shares acquired in contravention of Articles 430-15 and 430-16 paragraph 1, point 1 of the Luxembourg Companies Law, must be disposed of within a period of one year after the acquisition. If they have not been disposed of within that period, they must be cancelled and the preceding paragraph regarding (compulsory) capital reduction and cancellation shall also apply.

In those cases where the acquisition of its own shares by the Company is permitted in accordance with the foregoing, the holding of such shares is subject to the following conditions: (i) among the rights attaching to the shares, the voting rights in respect of the Company's own shares are suspended; and (ii) if the said shares are included among the assets shown in the balance sheet, a non-distributable reserve of the same amount is to be created among the liabilities.

Where the Company has acquired own shares in accordance with the abovementioned, the annual report of the Board of Directors must indicate: (i) the reasons for acquisitions made during the fiscal year, (ii) the number and, if applicable, the nominal value of the shares acquired and disposed of during the fiscal year and the proportion of the subscribed capital which they represent, (iii) in the case of acquisition or disposal for value, the consideration for the shares and (iv) the number and, if applicable, the nominal value of all the shares acquired and held in the Company's portfolio as well as the proportion of the subscribed capital which they represent.

17.8 Share-Based Remuneration and Stock Plans

The Company had entered into service agreements with a previous member of the Board of Directors and the previous members of Senior Management which contain long-term and short-term incentive payments. The service agreements with the previous member of the Board of Directors and the previous members of the Senior Management have has been terminated with effect as of the end of March 2020, and in case of the former chief executive officer with effect as of April 2020. The current members of the Senior Management also have service agreements with long-term incentive payment and short-term incentive payment. For more information, see "*18.4.3 Short-Term Incentive Program (STI)*" and "*18.4.4 Long-Term Incentive Program (LTI)*".

17.9 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. Reference shall be made of it on the certificate.

The Company's shares will be freely transferable in accordance with the legal requirements for dematerialized shares. The Board of Directors may, however, impose transfer restrictions for the Company's 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 (*virement de compte à compte*).

17.10 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 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.

17.11 Changes in Share Capital

The Company may by resolution adopted at a General Meeting 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 of Directors is authorized to issue shares up to the total amount of the authorized unissued share capital (see "*17.4 Issuance of New Shares*" above).

The Company may proceed to repurchase its own shares within the limits laid down by law (see "*17.7 Purchase of Own Shares*").

17.12 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 Companies Law. Dividends may be declared by the General Meeting upon approval of the annual accounts for the immediately preceding financial year.

The Articles of Association also provide that the Board of Directors 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 statutory provisions applicable to commercial companies.

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 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 of Directors out of available net profits, premium or other available reserves subject to compliance with conditions required by the Luxembourg Companies 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.

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. There are no specific dividend restrictions or procedures for non-resident shareholders.

The Company shall make dividend payments only into the hands of LuxCSD and that payment shall release the Company from any and all obligations in respect of such payment.

17.13 Voting Rights, General Meeting

Subject to restrictions under applicable laws, each of the Company's shares entitles its holder to attend all General Meetings, either in person or by proxy, to address the General Meeting and to exercise voting rights and each of the Company's shares entitles the holder to one vote at a General Meeting. There is no minimum shareholding required to be able to attend or vote at a General Meeting.

As long as the Company's shares are admitted to trading on a regulated market within a member state of the European Union, 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, as amended by the Luxembourg law of August 1, 2019 to implement Directive (EU) 2017/828 as regards the encouragement of long-term shareholder engagement (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 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 (*Recueil électronique 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 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 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 association 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 preferential subscription 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, the quorum must generally be at least one-half of the issued share capital to which voting rights are attached under the Articles of Association or Luxembourg law, unless otherwise provided by the Articles of Association or mandatorily required by law. If such quorum is not present, a second General Meeting 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 (except as otherwise provided by mandatory law or the Articles of Association) by a two-thirds majority of the votes validly cast on such resolution. Abstentions are not considered "votes."

Any increases in the commitments of shareholders are subject to unanimous approval.

No quorum is required for any ordinary resolutions to be considered at a General Meeting. 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 the Articles of Association or Luxembourg law. Abstentions are not considered "votes".

The Company's annual General Meeting shall be held in accordance with Luxembourg law within six months of the end of the Company's financial year (the "**Annual General Meeting**") in Luxembourg at the registered office of the Company, or at such other place in Luxembourg as may be specified in the convening notice of the meeting.

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 present or represented at a General Meeting and declare that they have been informed of the agenda, the General Meeting may be held without prior convening notice.

The Board of Directors as well as the statutory auditor, have the right to convene a General Meeting. The Board of Directors is obliged to call a General Meeting to be held within one month when a group of shareholders representing at least one-tenth of the issued share capital requests the convening of a General Meeting in writing indicating the agenda of the proposed meeting. If further to a valid request by shareholders, no General Meeting is convened within the time limit, the General Meeting may be called by a person designated by the president of the commercial division of the district court (*président du tribunal d'arrondissement*) at the request of shareholders representing at least one-tenth of the issued share capital.

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 and (b) have the right to table draft resolutions for items included or to be included on the agenda of the General Meeting. 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 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.

17.14 Information Rights

In accordance with the Luxembourg Shareholder Rights Law, the Company shall make, *inter alia*, 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, the total amount of shares (and as the case may be, class of shares) and voting rights as at the date of the convening notice, inter alia, such documents which need to be submitted to the General Meeting, the convening notice, a draft of the resolutions to be taken for each item on the agenda or an explanation from the Board of Directors if such draft is not available. Shareholders may upon request obtain a copy of the full, unabridged text of the documents to be submitted to the General Meeting by electronic means or at the registered office of the Company.

The Board of Directors may take the decision to adjourn the General Meeting at any time during the meeting for a period of up to four weeks. It is required to do so on request by shareholders representing at least 10% of the issued share capital. The adjournment (which also applies to the general meetings called to amend the Articles of Association) will render null and void any decisions taken at the General Meeting so adjourned. The second General Meeting may adopt final decisions, provided that, in the case of an amendment to the Articles of Association, the requisite quorum is present.

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 and its preparation as well as the protection of confidentiality and business interests of the Company.

As from the Annual General Meeting held in 2020, shareholders must be informed in detail of the remuneration of directors and the Company's remuneration policy. The Company must prepare a management remuneration policy describing all components, criteria, methods and modalities applied to determine the fixed and variable remuneration of directors in accordance with the Luxembourg Shareholder Rights Law. Shareholders have an advisory vote on this policy, unless the Articles of Association provide otherwise. The remuneration policy must be submitted to the General Meeting for approval each time there is a significant change thereto and at least every four years. In addition, the Company must prepare a report for the General Meeting on the remuneration and benefits granted to directors.

The Company is required to publicly disclose material transactions (excluding "transactions" taking place as part of the Company's ordinary activity and concluded under normal market conditions) with related parties no later than the conclusion of the transaction. The Board of Directors must approve material transactions with related parties (*i.e.* any transaction between the Company and a related party, the publication or disclosure of which could have a material impact on the economic decisions of the Company's shareholders and which could have a risk for the Company and the shareholders, including minority shareholders, which are not related parties). With regard to the definition of a material transaction, both the nature of the transaction and the position of the related party must be taken into account. The obligation to disclose material transactions also applies in case of material transactions between related parties of the Company and the Company's subsidiaries. Note that under the Luxembourg Shareholder Rights Law, certain disclosure obligations (including certain annual disclosure obligations) are also imposed on institutional investors and asset managers (more in particular, in respect of their engagement policy and how such policy is implemented). In addition, certain obligations are imposed on proxy advisors and intermediaries.

17.15 Distribution Of Assets on Winding-Up

In the event of a loss pursuant to which the net assets of the Company fall below half of the share capital, the Board of Directors must convene a General Meeting so that it is held within two months as of the date on which the Board of Directors discovered or should have ascertained this loss. The Board of Directors shall set out the causes of that situation and shall justify its proposals in a special report which must be made available to the shareholders at the registered office of the Company eight days prior to the General Meeting. If it proposes to continue to conduct business, it shall set out in its report the measures which it intends to take in order to remedy the financial situation of the Company. The report shall be announced in the agenda of the General Meeting. Any shareholder is entitled to obtain a copy of the report, free of charge, upon request and upon evidence of their title, eight days prior to the General Meeting. A copy of the report shall be sent to the registered shareholders at the same time as the convening notice to the General Meeting. At this General Meeting, shareholders will resolve on the possible dissolution of the Company. The quorum is at least one-half of all of the shares issued and a second General Meeting may be convened, through a new convening notice, at which shareholders can validly deliberate and decide regardless of the number of shares present or represented. A two-thirds majority of the votes cast by the shareholders present or represented is required at any such General Meeting. Where following the loss the net assets of the Company fall below one-quarter of the share capital, the same procedure must be followed, it being understood, however, that the dissolution only requires the approval of shareholders representing 25% of the votes cast at the General Meeting.

The General Meeting may at any time resolve to dissolve the Company according to the following process:

First, an extraordinary General Meeting is convened by the Board of Directors to be held in front of a Luxembourg notary, at which at least half of the share capital must be present or represented. The decision to dissolve the Company and to appoint one or more liquidator(s) is approved if adopted by at least two thirds of the votes validly cast. In case the quorum is not reached, a second meeting may be convened in which no quorum is required, but which must still approve the resolution with two thirds of the votes validly cast; abstention and nil votes will not be taken into account for the calculation of the majority. The liquidator(s), appointed by the General Meeting in the absence of any agreement to the contrary, will assume control of the affairs of the Company and all powers of the Board of Directors will cease. In case the General Meeting fails to appoint the liquidator(s), the members of the Board of Directors then in office will, *vis-à-vis* third parties, be deemed to be the liquidators of the Company. The duty of the liquidator(s) will be to realize the assets of the Company in order to settle or make provision for its outstanding liabilities and distribute the surplus to the shareholders in proportion to their respective shareholdings in accordance with the Articles of Association and the Luxembourg Companies Law.

The Company, once dissolved, is deemed to exist for as long as necessary for its proper liquidation.

As soon as the Company's affairs are fully wound up, the liquidator(s) will prepare a report on the liquidation, which will provide details of the conduct of the liquidation and the employment of the corporate assets and call a General Meeting at which the report shall be presented and an explanation given of it. Such second General Meeting will review the liquidators report and the accounts and supporting documents, appoint one or more auditor(s) to the liquidation who shall examine such documents and determine the date of a further and final General Meeting which, after the auditor(s) has/have issued its/their report shall in particular decide on the closing of the liquidation.

Finally, a third General Meeting will be held to resolve, in particular, upon the approval of the reports of the liquidator and the auditor to the liquidation, the place where the corporate books shall be kept for five years and closure of the liquidation proceedings. The notice on the closure of the liquidation (published in the RESA (*Recueil Electronique des Sociétés et Asssociations*)) also contains information concerning the place where the corporate books are deposited and kept for a period of five years and an indication of the measures taken for the deposit in escrow of the sums and assets due to creditors or to shareholders which it has not been possible to deliver to them, if any.

17.16 Mandatory Takeover Bids and Exclusion of Minority Shareholders

17.16.1 Mandatory Bids, Squeeze-Out and Sell-Out Rights

The Luxembourg Law of May 19, 2006 on takeover bids (*offres publiques d'acquisition*), as amended (the "**Luxembourg Takeover Law**"), provides that where a natural or legal person, as a result of his/her own acquisition or the acquisition by persons acting in concert with him/her, obtains voting securities of the Company, which, added to any existing holdings of voting securities of the Company of his/hers and the holdings of voting securities of the Company of persons acting in concert with him/her, directly or indirectly give him/her a 33 1/3% (or higher) holding of all the voting rights in the Company, giving him/her control of the Company under the Luxembourg Takeover Law, such a person is required to make a bid as a means of protecting the minority shareholders of the Company. Such a bid shall be addressed at the earliest opportunity to all the holders of the remaining voting securities for all their holdings at an equitable and fair price.

Following the implementation of Directive 2004/25/EC of the European Parliament and of the Council of April 21, 2004, any voluntary bid for the takeover of the Company and any mandatory bid will be subject to shared regulation by the Financial Sector Supervisory Authority (*Commission de Surveillance du Secteur Financier*) of the Grand Duchy of Luxembourg ("**CSSF**") pursuant to the Luxembourg Takeover Law, which has implemented the Takeover Directive into Luxembourg law, and by the German Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht*) ("**BaFin**") pursuant to the German Securities Acquisition and Takeover Act (*Wertpapiererwerbs- und Übernahmegesetz*).

Under the shared regulation regime, German takeover law applies to the matters relating to the consideration offered, the bid procedure, the content of the offer document and the procedure of the bid. The German Regulation on the Applicability of the Takeover Code (*WpÜG-Anwendbarkeitsverordnung*) specifies the applicable provisions in more detail. Matters regarding company law (and related questions), such as, for instance, the question relating to the percentage of voting rights which give control over a company and any derogation from the obligation to launch a bid or regarding information to be provided to employees of the target company, and, to the extent applicable, any sell-out or squeeze-out procedures further to a voluntary or mandatory takeover bid, will exclusively be governed by Luxembourg law.

The 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 the bidder holds voting securities representing not less than 95% of the share capital that carry voting rights to which the offer relates and 95% of the voting rights, the bidder may require the holders of the remaining voting securities to sell those securities to the bidder. The price offered for such securities in the squeeze-out proceedings must be a "fair price." Pursuant to the Luxembourg Takeover Law, a price offered in a voluntary offer shall be presumed "fair" if at least 90% of the securities comprised in the bid were acquired in the context of the voluntary offer. The price paid in a mandatory offer is deemed a "fair price". The consideration paid in the squeeze-out proceedings must take the same form as the consideration offered in the offer or consist solely of cash. Moreover, an all-cash option must be offered to the remaining shareholders of the Company. Finally, the right to initiate squeeze-out proceedings must be exercised within three months following the expiration of the acceptance period of the offer.

The 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 if after such offer the bidder (and any person acting in concert with the bidder) holds voting securities carrying more than 90% of the voting rights, the remaining security holders may require that the bidder purchase the remaining voting securities. In such sell-out proceedings, a price shall be presumed "fair", pursuant to Luxembourg Takeover Law, if this corresponds to the price offered in the voluntary offer, in the sell-out proceedings context of which at least 90% of the securities comprised in the bid were acquired. The price paid in a mandatory offer is deemed a "fair price." The consideration paid in the sell-out proceedings must take the same form as the consideration offered in the offer or consist solely of cash.

Moreover, an all-cash option must be offered to the remaining shareholders of the Company. Finally, the right to initiate sell-out proceedings must be exercised within three months following the expiration of the acceptance period of the offer.

Where the Company has issued more than one class of voting securities, the rights of squeeze-out and sellout described in the last two preceding paragraphs can be exercised only in the class in which the applicable thresholds have been reached.

17.16.2 Luxembourg Mandatory Squeeze-Out and Sell-Out Law

The Company may also be subject to the Luxembourg law of July 21, 2012 on the squeeze-out and sell-out of securities of companies admitted or having been admitted to trading on a regulated market or which have been subject to a public offer (the "**Luxembourg Mandatory Squeeze-Out and Sell-Out Law**"). The Luxembourg Mandatory Squeeze-Out and Sell-Out Law provides that if any individual or legal entity, acting alone or in concert with another, becomes the owner directly or indirectly of a number of shares or other voting securities representing at least 95% of the voting share capital and 95% of the voting rights of the Company: (i) such owner may require the holders of the remaining shares or other voting securities to sell those remaining securities (the "**Mandatory Squeeze-Out**"); and (ii) the holders of the remaining shares or securities may require such owner to purchase those remaining shares or other voting securities (the "**Mandatory Sell-Out**"). The Mandatory Squeeze-Out and the Mandatory Sell-Out must be exercised at a fair price according to objective and adequate methods applying to asset disposals. The procedures applicable to the Mandatory Squeeze-Out and the Mandatory Sell-Out must be carried out in accordance with the Luxembourg Mandatory Squeeze-Out and Sell-Out Law and under the supervision of the CSSF.

In accordance with the Luxembourg Mandatory Squeeze-Out and Sell-Out Law, the holders of the remaining securities concerned by the Mandatory Squeeze-Out may oppose this Mandatory Squeeze-Out project. The deadline to file an opposition is one month as from the date on which the proposed price was made public. The opposition, setting out the reasons thereof, shall be made by registered letter with acknowledgement of receipt sent to the CSSF and within one month from the date on which the proposed price was made public. A copy of the letter shall be sent within the same time period via registered letter with acknowledgement of receipt to the majority shareholder and to the Company.

Similarly, the holder(s) of remaining securities that exercised the right of Mandatory Sell-Out, as well as any other holder of remaining securities that wishes to present his/her securities to the Mandatory Sell-Out, in accordance with the Luxembourg Mandatory Squeeze-Out and Sell-Out Law may oppose the proposed price for the Mandatory Sell-Out. All the holders of remaining securities that oppose the price proposed for the Mandatory Sell-Out are required to take part in the Mandatory Sell-Out. The deadline to file an opposition is one month as from the date on which the proposed price was made public. The opposition, setting out the reasons thereof, shall be made by registered letter with acknowledgement of receipt sent to the CSSF and within one month from the date on which the proposed price was made public. A copy of the letter shall be sent within the same time period via registered letter with acknowledgement of receipt to the majority shareholder and to the Company.

17.17 Shareholding Disclosure Requirements

17.17.1 Luxembourg Transparency Law

Holders of the shares and derivatives or other financial instruments linked to the 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 "**Luxembourg Transparency Law**"). The following description summarizes these obligations. The Company's shareholders are advised to consult with their own legal advisers to determine whether the notification obligations apply to them.

The Luxembourg Transparency Law provides that, if a person acquires or disposes of a shareholding in the Company, and if following the acquisition or disposal the proportion of voting rights held by the person reaches, exceeds or falls below one of the thresholds of 5%, 10%, 15%, 20%, 25%, 331/3%, 50% or 66 2/3% of the total voting rights existing when the situation giving rise to a declaration occurs (the "**Relevant Threshold**"), such person must simultaneously notify the Company and the CSSF of the proportion of voting rights held by it further to such event.

A person must also notify the Company and the CSSF of the proportion of his or her voting rights if that proportion reaches, exceeds or falls below the Relevant Threshold as a result of events changing the breakdown of voting rights and on the basis of the information disclosed by the Company.

The same notification requirements apply to a natural person or legal entity to the extent they are entitled to acquire, to dispose of, or to exercise voting rights in any of the following cases or a combination of them:

(a) voting rights held by a third party with whom that person or entity has concluded an agreement, which obliges them to adopt, by concerted exercise of the voting rights they hold, a lasting common policy towards the management of the Company;

(b) voting rights held by a third party under an agreement concluded with that person or entity providing for the temporary transfer for consideration of the voting rights in question;

(c) voting rights attaching to shares which are lodged as collateral with that person or entity, provided the person or entity controls the voting rights and declares their intention of exercising them;

(d) voting rights attaching to shares in which that person or entity has the life interest;

(e) voting rights which are held, or may be exercised within the meaning of points (a) to (d), by an undertaking controlled by that person or entity;

(f) voting rights attaching to shares deposited with that person or entity which the person or entity can exercise at his/her/its discretion in the absence of specific instructions from the shareholders;

(g) voting rights held by a third party in its own name on behalf of that person or entity; and

(h) voting rights which that person or entity may exercise as a proxy where the person or entity can exercise the voting rights at their discretion in the absence of specific instructions from the shareholders.

The notification requirements also apply to a natural person or legal entity who holds, directly or indirectly, financial instruments that result in an entitlement to acquire, on such holder's own initiative alone, under a formal agreement, shares to which voting rights are attached and already issued.

The above notification requirements also apply to a natural person or legal entity that holds, directly or indirectly:

(i) financial instruments that, on maturity, give the holder, under a formal agreement, either the unconditional right to acquire or the discretion as to his right to acquire shares, to which voting rights are attached, already issued by the Company, or

(ii) financial instruments which are not included in point (i) above but which are referenced to the shares referred to in that point and with an economic effect similar to that of the financial instruments referred to in that point, whether or not they confer a right to a physical settlement.

The notification required shall include the breakdown by type of financial instruments held in accordance with point (i) above and financial instruments held in accordance with point (ii) above, distinguishing between the financial instruments which confer a right to a physical settlement and the financial instruments which confer a right to a cash settlement.

The number of voting rights shall be calculated by reference to the full notional amount of shares underlying the financial instrument except where the financial instrument provides exclusively for a cash settlement, in which case the number of voting rights shall be calculated on a 'delta-adjusted' basis, by multiplying the notional amount of underlying shares by the delta of the instrument. For this purpose, the holder shall aggregate and notify all financial instruments relating to the same underlying issuer. Only long positions, i.e. such buyer positions, which are entered into in the expectation that the value of the share will increase, shall be taken into account for the calculation of voting rights. Long positions shall not be netted with short positions, i.e. such seller positions, which are entered into in the expectation that the value of the share will decrease, relating to the same underlying issuer.

For the purposes of the above, the following shall be considered to be financial instruments, provided they satisfy any of the conditions set out in points (i) or (ii) above:

(a) transferable securities;

(b) options;

(c) futures (i.e. forward transactions in which a seller contractually undertakes to deliver goods or assets to the buyer at a previously agreed date and price);

(d) swaps (i.e. agreements regarding the exchange of liabilities or claims);

(e) forward rate agreements (i.e. agreements about interest rate futures that enable securing an interest rate for a future investment period);

(f) contracts for differences; and

(g) any other contracts or agreements with similar economic effects which may be settled physically or in cash.

The notification requirements described above shall also apply to a natural person or a legal entity when the number of voting rights held directly or indirectly by such person or entity aggregated with the number of voting rights relating to financial instruments held directly or indirectly reaches, exceeds or falls below a Relevant Threshold. Any such notification shall include a breakdown of the number of voting rights attached to shares and voting rights relating to financial instruments.

Voting rights relating to financial instruments that have already been notified to that effect shall be notified again when the natural person or the legal entity has acquired the underlying shares and such acquisition results in the total number of voting rights attached to shares issued by the same issuer reaching or exceeding a Relevant Threshold.

The notification to the Company and the CSSF must be effected promptly, but not later than four trading days after the date on which the shareholder, or person to whom the voting rights are attributed as set out above (i) learns of the acquisition or disposal or of the possibility of exercising voting rights, or on which, having regard to the circumstances, should have learned of it, regardless of the date on which the acquisition, disposal or possibility of exercising voting rights takes effect, or (ii) is informed of an event changing the breakdown of voting rights by the Company. Upon receipt of the notification, but not later than three trading days thereafter, the Company must make public all the information contained in the notification as regulated information within the meaning of the Luxembourg Transparency Law.

As long as the notifications have not been made to the Company in the manner prescribed, the exercise of voting rights relating to the shares exceeding the fraction that should have been notified is suspended. The suspension of the exercise of voting rights is lifted as of the moment the shareholder makes the notification.

Where within the fifteen days preceding the date for which the general shareholders' meeting has been convened, the Company receives a notification or becomes aware of the fact that a notification has to be or should have been made in accordance with the Luxembourg Transparency Law, the Board of Directors may postpone the general shareholders' meeting for up to four weeks.

In accordance with Article 8(4) of the Luxembourg Transparency Law, the disclosure requirements do not apply to the acquisition or disposal of a major holding by a market maker (*teneur de marché*) in securities insofar as the acquisition or disposal is effected in their capacity as a market maker in securities and insofar as the acquisition is not used by the market maker to intervene in the management of the Company.

In accordance with Article 8(6) of the Luxembourg Transparency Law, the disclosure requirements do not apply to voting rights attached to securities acquired for stabilization purposes, provided that the voting rights attached to these shares are not exercised or otherwise used to intervene in the management of the Company.

17.17.2 German Securities Trading Act

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 publish notices made by shareholders in accordance with the Luxembourg 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% immediately, but no later than within three trading days after receiving them, via media outlets or outlets where it can be assumed that the notice will be disseminated in the European Union and the non-European Union parties to the agreement on the European Economic Area. The Company must also transmit the notice to the BaFin and to the German Company Register (*Unternehmensregister*) for storage.

17.17.3 Luxembourg Squeeze-out and Sell-out Law

Pursuant to Article 3 of the Luxembourg Mandatory Squeeze-Out and Sell-Out Law, any individual or legal entity, acting alone or in concert with another, who (i) becomes the owner directly or indirectly of a number of shares or other voting securities representing at least 95% of the voting share capital and 95% of the voting rights of the Company, (ii) falls below one of the thresholds under (i) above (after having crossed these thresholds) or (iii) acquires additional shares (after having crossed the thresholds), must notify the Company and the CSSF. The notification by the relevant individual or legal entity shall include, in addition to the relevant percentage of the participation held in the Company, (i) the transaction that triggered the notification requirement, (ii) the effective date of such transaction, (iii) its identity, and (iv) the ways the shares or other voting securities are being held.

The notification to the Company and the CSSF must be effected as soon as possible, but not later than four working days after obtaining knowledge of the effective acquisition or disposal or of the possibility of exercising or not the voting rights. Upon receipt of the notification, but no later than three working days in Luxembourg thereafter, the Company must make public all the information contained in the notification in a manner ensuring fast access to the information and on a non-discriminatory basis.

17.18 Directors Dealings

A person discharging managerial responsibilities within the meaning of Article 3 para. 1 no. 25 of Regulation (EU) No 596/2014 of the European Parliament and of the Council of April 16, 2014 ("**MAR**"), must notify the Company and CSSF of transactions undertaken for their own account relating to the Company's shares or to financial instruments based on the Company's shares (subject to a €5,000.00 *de-minimis* exception per calendar year for all such transactions). This also applies to persons closely associated with a person discharging managerial responsibilities within the meaning of Article 3 para. 1 no. 26 MAR. Such notifications shall be made promptly and no later than three business days after the date of the relevant transaction. The Company shall ensure that such notifications are made public promptly and no later than three business days after the relevant transaction.

During a closed period of 30 calendar days before the announcement of an interim financial report or a year-end report which the Company is required to make public according to (i) the rules of the trading venue where the Company's shares are admitted to trading or (ii) national law, persons discharging managerial responsibilities are prohibited from conducting for their own account or for the account of a third party any transactions directly or indirectly relating to shares or debt instruments of the Company, or to derivatives or other financial instruments linked to such securities.

18. DESCRIPTION OF THE GOVERNING BODIES OF THE COMPANY

18.1 Overview

The governing bodies of the Company are the Board of Directors and the General Meeting. The powers of these governing bodies are defined in the Luxembourg Companies Law and the Articles of Association. The Board of Directors together with the Senior Management manages the Company in accordance with applicable laws (see "*18.9 Corporate Governance*").

18.2 Board of Directors

The management of the Company is vested in the Board of Directors. The Articles of Association provide that the Board of Directors must comprise at least one member if there is only one shareholder and if there is more than one shareholder, the Board of Directors shall comprise at least three members.

The Board of Directors convenes whenever required by the Company's affairs. The meetings are called by the chairman of the Board of Directors (the "**Chairman**"). Furthermore, the Board of Directors is convened if so requested by any member of the Board of Directors. The Chairman presides at meetings of the Board of Directors.

The meetings of the Board of Directors 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 of Directors shall be announced in writing at least five days in advance. A convening notice may be dispensed with if all members of the Board of Directors consent. The meetings of the Board of Directors 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 members of the Board of Directors present or represented at a meeting of the Board of Directors constitutes a quorum, and resolutions are adopted by the simple majority vote of the members of the Board of Directors present or represented. The Board of Directors may also take decisions by means of circular resolutions in writing signed by all directors. Each member of the Board of Directors can mandate another member of the Board of Directors in writing to represent him. Each member of the Board of Directors can represent one or more other members of the Board of Directors.

The General Meeting elects members of the Board of 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 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 the Company's shares present at such General Meeting. If the Board of Directors has a vacancy, the remaining directors have the right to appoint a replacement until the next General Meeting.

The business address of all members of the Board of Directors is that of the Company's registered office: 1B, Heienhaff, L-1736 Senningerberg, Grand Duchy of Luxembourg.

18.2.1 Duties of a Member of the Board of Directors under Luxembourg Law

The members of the Board of Directors 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 after having been made aware of it.

The responsibility of members of the Board of Directors may be asserted in the name of the Company following a decision by the General Meeting.

It is possible for minority shareholders and holders of beneficial parts to commence judicial proceedings against members of the Board of Directors for the account of the Company. Such proceedings may be brought by one or several shareholders or owners of beneficial parts that hold at least 10% of votes attaching to instruments conferring the right to vote at any General Meeting that has decided on a discharge of members of the Board of Directors.

One or more shareholders representing at least 10% of the issued capital or 10% of the votes attaching to all existing instruments giving voting rights, either individually or as a group, may put questions relating to one or several operations of the Company, as well as any affiliated companies controlled by the Company within the meaning of Article 1711-1 of the Luxembourg Companies Law, to the Board of Directors in writing. In the latter case, the request has to be considered in the light of the interests of the companies that are consolidated. A copy of the response is furnished to the auditor of the Company. If no response is received within one month, the shareholders may ask the president of the district court to nominate one or several experts to establish a report on the operations that form the basis of the written request. If the request is accepted, the judge will determine the experts' powers and the extent of their mission. It may charge the related costs to the Company. The judge decides whether the report should be published.

18.2.2 Power and Duties of the Board of Directors

The Board of Directors 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, to the General Meeting.

According to the Articles of Association, the Board of Directors 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 of Directors 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 of Directors may revoke any such delegation of any one or more Daily Managers at any time. As of the date of this Prospectus, Thierry Beaudemoulin (co-chief executive officer of the Company) and Maximilian Rienecker (co-chief executive officer of the Company) are each appointed as a Daily Manager.

The Board of Directors is empowered by the Articles of Association to elect a Chairman, an Executive Vice Chairman and one or more deputy chairmen.

The Board of Directors' duties, responsibilities and internal rules of procedures are described in the Company's rules of procedure (the "**Rules of Procedure**") as adopted by the Board of Directors' on April 28, 2020. The Board of Directors may amend the Rules of Procedure from time to time.

18.2.3 Representation Towards Third Parties

The Company shall be bound by (i) the joint signatures of two members of the Board of Directors or (ii) by the sole or joint signature(s) of any person or persons to whom such signatory power shall have been delegated by the Board of Directors.

The Daily Manager represents the Company *vis-à-vis* third parties in the course of the daily management.

18.2.4 Composition of the Board of Directors

As of the date of this Prospectus, the Board of Directors is composed of seven members:

Name	Position	Start of Appointment	End of Appointment
Dr. Peter Maser	Independent Director, Chairman	December 10, 2019	For a term until the Annual General Meeting held in 2020
Thierry Beaudemoulin	Director	December 10, 2019	For a term until the Annual General Meeting held in 2020
Maximilian Rienecker	Director	April 28, 2020	For a term until the Annual General Meeting held in 2020
Dr. Ben Irle	Director	December 10, 2019	For a term until the Annual General Meeting held in 2020
Dr. Michael Bütter	Independent Director	June 20, 2019	For a term until the Annual General Meeting held in 2020
Arzu Akkemik	Independent Director	December 10, 2019	For a term until the Annual General Meeting held in 2020
Jörn Stobbe	Independent Director	June 20, 2019	For a term until the Annual General Meeting held in 2020

Dr. Peter Maser is qualified to practice law in Germany and obtained his doctorate in law at the University of Tübingen, Germany. Between 1989 and 1995, he held various positions at audit firms and trust agencies and at Mediagroup Ebner. As of 1992, Dr. Maser practices as an attorney-at-law and was a partner at a law firm in Freiburg im Breisgau, Germany. Since 2003, he is a partner at Deloitte Legal Rechtsanwaltsgesellschaft mbH.

Thierry Beaudemoulin graduated from the Intitut d'Etudes Politiques de Paris, France in 1993 and obtained a master's degree in real estate and urban planning from the same institution in 1995. From 1996 to 1998, Mr. Beaudemoulin was special advisor to the chief executive officer of Batigere. Between 1998 and 2000, he was head of property management at Foncia and held positions as asset manager and managing director France at ING REIM (Europe) between 2000 and 2004. From 2004 to 2006, Mr. Beaudemoulin was managing director for the Paris region at Batigere. Between 2006 and October 2019 he was chief executive officer at Covivio Germany and member of the executive board at Covivio.

Maximilian Rienecker holds a Master of Science in Management (with distinction) from the University of Nottingham. Between 2008 and 2013, he worked for ING Investment Management in Hong Kong and SMB Offshore in Monaco. Thereafter, between 2013 and 2017, he worked as a financial analyst for a multi-family office based in the United Kingdom. In February 2017, Mr. Rienecker joined ADLER Real Estate as the head of corporate finance and strategy, where he was appointed co-chief executive officer in 2018. In the same year, he became chief executive officer of WESTGRUND Aktiengesellschaft in Germany.

Dr. Ben Irle completed an apprenticeship as a publisher at Gruner & Jahr in Hamburg, Germany and London, United Kingdom, following which he completed his legal studies at the University of Hamburg and Birmingham, United Kingdom, including post-graduate studies in business law in Hamburg and an LL.M. degree from the University of Birmingham. Moreover, Dr. Irle holds a doctorate in law from the University of Hamburg. Between 2005 and 2011, he was founding partner at a law firm in Berlin, Germany. Thereafter, in 2012 and 2013, he was managing partner at Irle Kalckreuth LLP and as of 2014, managing partner at Irle Moser Rechtsanwälte PartG in Berlin. Since 2017, Dr. Irle is chairman of the supervisory board of Focus Hören AG (Hamburg) and since 2019, Dr. Irle is member of the board of directors of ADO Group Ltd. in Israel.

Arzu Akkemik holds a degree in international finance and accounting from the London School of Economics in London, United Kingdom. Ms. Akkemik started her career as an analyst at Barings Securities in London in 1993. From 1994 onwards, Ms. Akkemik worked in the practice areas of corporate finance and fund management in London. From 2005 to 2013, she was a director/senior fund manager at Rexiter Capital Management in London. In 2013, she founded Cornucopia Advisors Limited and Cornucopia Asset Management Limited.

Dr. Michael Bütter is qualified to practice law in Germany, holds a doctorate in law and graduated with a Master of Studies from the University of Oxford, England. Between 2001 and 2008, he worked at various law firms. From 2005 to 2008, Dr. Bütter was a partner at Hogan Lovells LLP. Between 2008 and 2013, he was, among others, the general counsel and chief compliance officer at Deutsche Annington SE (now Vonovia SE). From 2015 to 2018, he was a member of the executive board of Scout24 AG and chief executive officer of Immobilien Scout GmbH. Between 2016 and 2018, Dr. Bütter was a member of the advisory board and chief executive officer of Corestate Capital S.A.

Jörn Stobbe studied law at the University of Kiel, Germany, and completed his German law state examinations in 1995. Mr. Stobbe started his career at Landgesellschaft Schleswig-Holstein mbH in 1995. From 2000 to 2013, he worked at Clifford Chance. From 2013 to 2017, Mr. Stobbe was employed at RREEF Management GmbH. In 2017, he joined Union Investment Real Estate GmbH, where he currently serves as a member of the management board and Union Investment Institutional Property GmbH, where he also serves as a member of the management board.

18.2.5 *Directorships Held by Members of the Board of Directors*

Except as set forth below, no member of the Board of Directors has held any directorship at any company (other than companies in the ADO Properties Group and companies that are subsidiaries of companies of which the respective member of the Board of Directors is or was a member of its board of directors or other governing body) or partnerships within the last five years:

Name	Entity	Position	Until
Dr. Peter Maser	Volksbank Stuttgart eG	Vice chairman of the supervisory board	Ongoing
	BF.direkt AG	Chairman of the supervisory board	Ongoing
	EURAM Bank AG	Chairman of the supervisory board	Ongoing
	The Grounds Real Estate Development AG	Vice chairman of the supervisory board	Until August 2019
	DEMIRE Deutsche Mittelstands Real Estate AG	Vice chairman of the supervisory board	Until February 2017
Thierry Beaudemoulin	Covivio SA	Member of the executive board	Until October 2019
Maximilian Rienecker	ADLER Real Estate Aktiengesellschaft	Member of the management board, co-chief executive officer	Ongoing
	WESTGRUND Aktiengesellschaft	Chief executive officer, chief executive officer	Ongoing
Dr. Ben Irle	ADO Group Ltd.	Member of the board of directors	Ongoing
	Focus Hören AG	Chairman of the supervisory board	Ongoing
Dr. Michael Bütter	ASSMANN BERATEN+PLANEN AG	Deputy chairman of the supervisory board	Ongoing
	RICS Germany	Member of the management board	Ongoing
	Realconnext.com	Chairman of the advisory board	Ongoing
	Bots4YouGmbH	Member of the advisory board and stakeholder	Ongoing
	TLG Immobilien AG	Deputy chairman of the supervisory board	Until 2019
	Corestate Capital S.A.	Member of the advisory board and chief executive officer	Until 2018
	Scout 24 AG	Member of the executive board	Until 2018
	Immobilien Scout GmbH	Chief executive officer	Until 2018
Jörn Stobbe	Union Investment Real Estate GmbH	Member of the management board	Ongoing
	Union Investment Institutional Properties GmbH	Member of the management board	Ongoing
	1. FC Köln KGaA	Chairman of the advisory board	Ongoing
	Geneba Properties N.V.	Member of the advisory board	Until 2018
	RREEF Management GmbH	Member of the management board	Until 2017

Other than the above-mentioned directorships, no member of the Board of Directors performs any other activities outside of the Company which are significant with respect to the Company.

18.2.6 Compensation and Shareholdings of Members of the Board of Directors

Compensation of the members of the Board of Directors is determined by the General Meeting. At the Annual General Meeting held in 2019, the General Meeting approved a fixed annual remuneration of €50,000 for each member of the Board of Directors (except Mr. Rabin Savion and Mr. David Daniel), and an additional €1,500 per attendance at a meeting of the Board of Directors or any committee of the Board of Directors (in each case except Mr. Rabin Savion and Mr. David Daniel). Mr. Rabin Savion only received payment in relation to his former position as chief executive officer of the Senior Management. Mr. David Daniel only received payment in relation to his position as a Daily Manager (irrespective of the fact that the General Meeting had previously approved remuneration to be paid to Mr. David Daniel for his position as a member of the Board of Directors).

The current members of the Board of Directors will receive a fixed annual remuneration of €50,000, and an additional €1,500 per attendance at a meeting of the Board of Directors or any committee of the Board of Directors until the next General Meeting. In the fiscal year ended December 31, 2019, no remuneration was paid to the current chairman of the Board of Directors.

All members of the Board of Directors are reimbursed for their reasonable out-of-pocket expenses incurred in connection with attending meetings of the Board of Directors and meetings of committees. The respective fixed annual remuneration for members of the Board of Directors shall be paid pro rata for the days served as a member of the Board of Directors during each respective year. In addition, the Company has included the members of the Board of Directors in a D&O group insurance (see "*13.6.5 Insurance Coverage*").

With the exception of the service agreements entered into with Mr. Thierry Beaudemoulin and Mr. Maximilian Rienecker in respect of their respective roles as co-chief executive officers of the Company and as Daily Managers, respectively, (see "*18.4.2 Compensation and Shareholdings of the Senior Management of the Company and its Subsidiaries*"), no service contracts that provide for benefits after the termination of the employment relationship exist between members of the Board of Directors and the Company or a subsidiary within ADO Properties Group.

As of the date of this Prospectus, no member of the Board of Directors directly holds any shares in the Company or options on shares in the Company.

18.3 Committees

The Board of Directors may from time to time create one or several committees composed of members of the Board of Directors and/or external persons and to which it may delegate powers and roles as appropriate. At the date of this Prospectus, the Company has established three committees: the Audit Committee, the Nomination and Compensation Committee and the Ad Hoc Committee. The rules of procedure for the committees are governed by the Company's rules of procedure for the Audit Committee, the Nomination and Compensation Committee and the Ad-Hoc Committee as adopted by the Board of Directors' on April 28, 2020 (the "**Committees Rules of Procedure**"). According to the Committees Rules of Procedure to which the committees are subject, the committees convene whenever required by the Company's affairs. The meetings are called by the chairman of the relevant committee. Furthermore, the committee is convened if so requested by any committee member. The meetings of the committees 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 committees shall be announced in writing at least five days in advance. A convening notice may be dispensed with if all members of the respective committee consent. The meetings of the 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 committee members present or represented at a committee meeting constitutes a quorum, and resolutions are adopted by the simple majority vote of the committee members present or represented. Each committee member can mandate another committee member in writing to represent him. Each committee member can represent one or more other committee members.

18.3.1 Audit Committee

The purpose of the Audit Committee is (i) to assist the Board of Directors in fulfilling its oversight responsibilities relating to the integrity of the financial statements and the adequacy of internal control systems over financial reporting,(ii) to monitor the effectiveness of the Company's internal quality control and risk management systems and (iii) to make recommendations for the appointment, compensation, retention and oversight of, and consider the independence of, the external auditors. It is further responsible for evaluating whether any transaction between the Company and a related party is a material transaction which would require approval of the Board of Directors and publication (except transactions entered into between the Company and its subsidiaries provided (i) that they are wholly owned or (ii) if not wholly-owned, that no other related party of the Company has any interest in that subsidiary). The Audit Committee also performs other duties imposed by applicable laws and regulations of the regulated market or markets on which the Company's shares are listed, as well as any other duties entrusted to the committee. The Audit Committee reports periodically to the Board of Directors on its activities. For the avoidance of doubt, the Audit Committee has an internal function only. No decision making powers or powers of representation have been delegated to the Audit Committee. The chairman of the Audit Committee must be independent from the Company. The members of the Audit Committee are Dr. Michael Bütter (chairman), Dr. Peter Maser and Jörn Stobbe. The Committees Rules of Procedure do not provide for a fixed membership term.

18.3.2 Nomination and Compensation Committee

The purpose of the Nomination and Compensation Committee is to review the compensation policy, make proposals as to the remuneration of the Senior Management, and advise on any benefit or incentive schemes. It further assists the Board of Directors with respect to matters relating to the nomination of candidates for the Board of Directors and the committees. The Nomination and Compensation Committee decides on the qualifications of potential candidates and recommends candidates to the Board of Directors for election as directors by the General Meeting, as required. The Nomination and Compensation Committee shall furthermore assist with the preparation of any remuneration report of the Company, to the extent such a report is legally required. For the avoidance of doubt, the Nomination and Compensation Committee has an internal function only. No decision making powers or powers of representation have been delegated to the Nomination and Compensation Committee. The members of the Nomination and Compensation Committee are Dr. Peter Maser (chairman), Jörn Stobbe and Arzu Akkemik. The Committees Rules of Procedure do not provide for a fixed membership term.

18.3.3 Ad Hoc Committee

The purpose of the Ad Hoc Committee is to resolve on the disclosure of information by the Company to meet its obligation under MAR. The Ad Hoc Committee shall, sometimes at short notice, review, identify and resolve if information is to be considered inside information and if it should be subject to disclosure or whether the prerequisites for a delay in the disclosure of such inside information are applicable. It is a key requirement of the Ad Hoc Committee that its members be available at short notice. Decision making powers and power of representation in respect of the disclosure of information by the Company to meet its obligation under MAR have been delegated by the Board of Directors to the Ad Hoc Committee. The members of the Ad Hoc Committee are Thierry Beaudemoulin (chairman), Maximilian Rienecker and Florian Sitta. The Committees Rules of Procedure do not provide for a fixed membership term.

18.4 Senior Management of the ADO Properties Group

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. The Company's real estate is held by operational subsidiaries which are led by the Senior Management, which, as of the date of this Prospectus, comprises each of Thierry Beaudemoulin and Maximilian Rienecker as co-chief executive officer, respectively. The Senior Management of the ADO Properties Group is integral to the management of the Company's subsidiaries and is responsible for the day-to-day management of the business of such subsidiaries. Thierry Beaudemoulin and Maximilian Rienecker are each a member of the Senior Management and a member of the Board of Directors.

18.4.1 Directorships Held by Members of the Senior Management of the ADO Properties Group

No member of the Senior Management holds any directorship of any company (other than companies within the ADO Properties Group and companies that are subsidiaries of companies of which the member of the Senior Management is or was a member of the Senior Management) or partnerships. Furthermore, no member of the Senior Management performs any other activities outside of the ADO Properties Group that are significant with respect to the Company.

18.4.2 Compensation and Shareholdings of the Senior Management of the Company and its Subsidiaries

Pursuant to a service agreement between the Company and Thierry Beaudemoulin, entered into with effect as from December 10, 2019, and as amended and restated on April 6, 2020 (the "**TB Service Agreement**"), Thierry Beaudemoulin shall receive a fixed gross annual remuneration in the amount of €600,000, payable in 12 equal installments at the end of each calendar month.

Pursuant to (i) a service agreement between the Company and Maximilian Rienecker and (ii) a managing director's service agreement between ADO Properties GmbH and Maximilian Rienecker, (collectively, the "**MR Service Agreements**" and, together with the TB Service Agreement, the "**Service Agreements**"), Maximilian Rienecker shall receive a fixed gross annual remuneration in the amount of €600,000, payable in 12 equal installments at the end of each calendar month.

Compensation of the members of the Senior Management further includes a performance-related annual variable cash payment in the form of a short-term incentive ("**STI**") (see "*18.4.3 Short-Term Incentive Program (STI)*") and a performance-related variable cash or share payment in the form of a long-term incentive ("**LTI**") (see "*18.4.4 Long-Term Incentive Program (LTI)*").

In addition to the fixed and the variable remuneration, under the Service Agreements, the Board of Directors may, in its reasonable discretion, grant each member of the Senior Management, individually, an additional bonus for outstanding performances without a prior agreement. A legal claim to such a discretionary bonus does however not exist. Furthermore, each member of the Senior Management is entitled to benefits such as the continued payment of the fixed remuneration for a certain period of time in the event of an incapacity to perform services due to illness, payment of contributions to a health insurance (capped at an amount of €1,500 per month), usage of a company car for business and private use (or, if no company car is provided, a monthly payment of €2,000 in lieu thereof), an annual payment of up to €3,000 for purposes of health care as well as reimbursements of out-of-pocket expenses, including travel expenses, reasonably incurred in the course of the services as a member of the Senior Management in accordance with the applicable policies of the Company.

Further, under the Service Agreements, the Board of Directors may, in its reasonable discretion, grant an additional bonus to each member of the Senior Management for outstanding performances, whereas a legal claim to such discretionary bonus does not exist.

During the term of the Service Agreements, each member of the Senior Management is prohibited from working for a company that is a direct or indirect competitor of the Company and prohibited from establishing, acquiring or directly or indirectly investing in such a competitor. However, it is permissible to invest in a competitor to the extent that the interest in such company does not enable the member of the Senior Management to exert any influence on its business activities and does, in any case, not exceed 5% of the share capital of such company. The member of the Senior Management is obligated to notify the Company of any such investments. Furthermore, each member of the Senior Management has agreed to a post-contractual prohibition of competition for a term of three months. During such period, the member of the Senior Management will receive a compensation for each month in the amount of 50% of their most recent total monthly remuneration, whereas the compensation may be reduced under certain circumstances. Additionally, the Company may, prior to termination, waive its rights under the post-contractual non-competition clause, in which case the Company does not have an obligation to pay the compensation. The terms of the service agreement between the member of the Senior Management and the Company began with effect as of the date on which the appointment as member of the Senior Management became effective and runs with a fixed term until December 9, 2023. In the event of a re-appointment as member of the Senior Management, the terms of the service agreement of the member of the Senior Management extend accordingly.

The term of the Service Agreements expires on December 9, 2023. In the event of a re-appointment as Daily Manager, the term of the Service Agreements shall be extended accordingly.

The Service Agreements shall terminate in the event that the member of the Senior Management is removed or resigns from the position as Daily Manager. The Service Agreements may be terminated by the Company at any time and without prior notice in the event of a material breach of duty of the member of the Senior Management. Furthermore, the Service Agreements may be terminated by written notice, subject to a notice period of 90 days. During such notice period, the Company is entitled to release the member of the Senior Management from his duties.

In the event of a termination of the Service Agreements by the Company for reasons other than those for which the member of the Senior Management is responsible, the member of the Senior Management is entitled to a severance payment which may not exceed the lower of (i) two annual remunerations (including entitlements under its STI and LTI) and (ii) the remuneration that would be due for the remaining term under the Service Agreements.

In the event that a permanent invalidity is preventing the member of the Senior Management from performing his duties, the Service Agreements automatically expire at the end of the calendar quarter in which such a determination was made.

In the event that a change of control occurs or in the event that the member of the Senior Management is removed from his position on the Board of Directors by the general meeting of the Company, the member of the Senior Management may terminate the Service Agreements with a notice period of three months at the end of a calendar month, provided that the termination is submitted to the Company within a period of six months from the day on which the member of the Senior Management becomes aware of the change of control or the loss of the position on the Board of Directors, as applicable. A change of control occurs if one or more third parties acting jointly, and in each case not affiliated with the Company, acquire more than 30% of the stock in the Company and the position as a member of the Senior Management is more than insignificantly affected as a result thereof (for the avoidance of doubt, ADO Group Ltd. and ADLER Real Estate are not deemed to be third parties in this respect). The position of the member of the Senior Management is in particular deemed to be more than insignificantly affected in case of a material (i) change in the strategy of the Company or (ii) change in the position of the member of the Senior Management, or (iii) relocation of the place of work (e.g. abroad or more than 500 km from the current place of work). Upon such a termination of the Service Agreements as a result of a change of control, the member of the Senior Management is, subject to certain conditions, entitled to a severance payment which may not exceed the lower of (i) two annual remunerations (including entitlements under STI and LTI) and (ii) the remuneration that would be due for the remaining term under the Service Agreements.

As set forth in the Service Agreements, the Company has included the member of the Senior Management in a D&O group insurance (see *13.6.5 Insurance Coverage*).

In addition, the Company had entered into service agreements with previous members of the Senior Management and one former member of the Board of Directors in respect of his role as a Daily Manager, which also contained LTIs. The respective service agreements with the former member of the Board of Directors and the former members of the Senior Management have been terminated.

In the fiscal year ended December 31, 2019, the Company issued a total of 63,850 shares with no nominal value free of charge to Mr. Rabin Savion (the former chief executive officer of the Company), Mr. Florian Goldgruber (the former chief financial officer of the Company) and Mr. Eyal Horn (the former chief operating officer of the Company), in each case based on their respective LTI plan.

18.4.3 Short-Term Incentive Program (STI)

The Service Agreements include an STI, which is subject to achieving certain STI-targets and the respective weighting of each STI-target. The STI-targets shall be composed of targets relating to the development of (i) net rental income, (ii) FFO 1, (iii) the residential vacancy rate (each of (i) through (iii) with a weighting of 30%), and (iv) a discretionary bonus of up to 10% of the maximum STI based on a decision of the Board of Directors. The STI-targets shall be agreed by the parties of the Service Agreements by the end of the month of April for the respective calendar year or, if no such agreement can be reached between the parties to the Service Agreements, shall be set by the Company at its reasonable discretion. Payments under the STI range from a minimum target achievement of 50% for each STI-Target up to a maximum target achievement of 100% for each STI-target, calculated on a linear basis. The Board of Directors has the discretion to adjust the weighting of each STI target. The STI is capped at €350,000 per calendar year.

Subject to certain conditions, in the event of an extraordinary event resulting in a significant change in the bonus parameters, the Board of Directors, under the Service Agreements, may adjust each STI-target to an appropriate extent which, ultimately, may result in an increase in the variable remuneration thereunder.

18.4.4 Long-Term Incentive Program (LTI)

The Service Agreements also include an LTI, which is subject to achieving two LTI-targets, each weighted 50%, and based on the development of the EPRA NAV and the development of the Company's share price in relation to the EPRA Germany index, respectively. Payments under the LTI can be made in cash or shares and range from a minimum target achievement of 50% up to a maximum target achievement of 100%. The LTI is capped at €350,000 per calendar year.

Subject to certain conditions, in the event of extraordinary events that result in a significant change of the LTI parameters, the Board of Directors, under the Service Agreements, may adjust each LTI-target to reflect such events.

18.5 Certain Information on the Members of the Board of Directors, Audit Committee, Nomination and Compensation Committee, Ad Hoc Committee and Senior Management of the ADO Properties Group

No member of the Board of Directors 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 a company, been associated with any bankruptcies and/or insolvencies, receiverships, liquidations or companies put into administration.

No member of the Board of Directors 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 a company.

None of the members of the Board of Directors or Senior Management are related to one another by blood or marriage.

The Company has not granted any members of the Board of Directors any loans, nor has it assumed any guarantees or sureties on their behalf. The members of the Board of Directors 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.

18.6 Conflicts Of Interest

Four members of the Board of Directors are independent.

Dr. Ben Irle is a member of the board of directors of ADO Group Ltd. and simultaneously a member of the Board of Directors. As of the date of this Prospectus, ADLER Real Estate is the sole shareholder of ADO Group Ltd., which in turn holds 19.86% of the shares in the Company. If the interest of ADO Group Ltd. and the Company diverge, conflicts of interest could arise.

None of the other members of the Board of Directors have any conflicts of interest between their duties to the Company and their private interests or other duties.

18.7 General Meeting

The Company shall ensure equal treatment for all shareholders who are in the same position with regard to participation in, and the exercise of voting rights at, the General Meeting. Any duly constituted General Meeting represents all the shareholders of the Company. The General Meeting is empowered with the widest powers to order, implement or ratify all acts connected with the Company's operations that were not conferred on the Board of Directors.

18.7.1 Convening of General Meetings (other than the Annual General Meeting) and Location

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

The convening notice is to be published at least thirty days before the day of the meeting in the Official Gazette of Luxembourg (*Recueil électronique des sociétés et associations*), 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 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 thirty-day period is reduced to a seventeen-day period.

The convening notice must, *inter alia*, contain the precise date and location of the General Meeting and the proposed agenda. It must also set out the conditions for attendance and representation at the meeting.

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 and (b) have the right to table draft resolutions for items included or to be included on the agenda of the General Meeting. Those rights shall be exercised by a request in writing, which shall be 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 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.

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

The record date for General Meetings is the fourteenth day at midnight (24:00 hours) (Luxembourg time) before the date of the General Meeting (the "**Record Date**"). Shareholders are entitled to attend the General Meetings and exercise their rights only if they hold the Company's shares at the latest at the Record Date. Shareholders must notify the Company of their intention to participate in the General Meeting 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.

18.7.2 Chairman, Quorum and Majority

General Meetings are chaired by the Chairman. In the absence of the Chairman, the General Meeting is presided over by the most senior member of the Board of Directors present.

At any General Meeting, other than an extraordinary General Meeting convened for the purpose of amending the 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 Company's shares represented, by a simple majority of votes cast.

At any extraordinary General Meeting for the purpose of amending the 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 of the Company's shares issued and outstanding. If a quorum is not reached at a first General Meeting, a second General Meeting may be convened at which there is no quorum requirement. In order for the proposed resolutions to be adopted at a General Meeting, 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.

In the event that all the shareholders are present or represented at a General Meeting and declare that they have been informed of the agenda of the General Meeting, the General Meeting may be held without prior notice of meeting.

18.8 Annual General Meeting

The Annual General Meeting shall be held in accordance with Luxembourg law within six months of the end of the Company's fiscal year at the Company's registered office or at any other place in the Grand Duchy of Luxembourg indicated in the convening notice. The agenda of the Annual General Meeting, the reports and the documents required for such meeting are published on the Company's website. Following the approval of the annual accounts and consolidated accounts, the Annual General Meeting shall decide by special vote on the discharge of the liability of the members of the Board of Directors.

18.9 Corporate Governance

The Company's corporate governance practices are governed by Luxembourg law, particularly the Luxembourg Companies Law and the Company's Article of Association. As a Luxembourg company listed solely on the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*), the Company is not subject to any specific mandatory corporate governance rules. In particular, the Company is currently not required to adhere to the "Ten Principles of Corporate Governance" of the Luxembourg Stock Exchange or to declare whether they comply with the recommendations of German Corporate Governance Code (*Deutscher Corporate Governance Kodex*), the latter of which are only applicable to listed companies incorporated in Germany.

19. CERTAIN RELATIONSHIPS AND RELATED-PARTY TRANSACTIONS

In accordance with IAS 24, transactions with persons or companies that are, inter alia, members of the same group as the Company or which are in control of or controlled by the Company must be disclosed, unless they are already included in the Company's audited financial statements as consolidated companies. Control exists if a shareholder owns more than one half of the voting rights in the Company or, by virtue of an agreement, has the power to control the financial and operating policies of the Board of Directors. The disclosure requirements under IAS 24 also extend to transactions with associated companies (including joint ventures) as well as transactions with persons who have significant influence on the Company's financial and operating policies, including close family members and intermediate entities. This includes the members of the Board of Directors and close members of their families, as well as those entities over which the members of the Board of Directors or their close family members are able to exercise a significant influence or in which they hold a significant share of voting rights.

During the three-month period ended March 31, 2020, the fiscal years ended December 31, 2019, 2018 and 2017, as well as during the period from March 31, 2020 up to and including the date of this Prospectus, there have been no relevant related-party transactions except as described in this section. Further information of related party transactions, including quantitative amounts, are contained in the notes to the respective Consolidated Financial Statements, which are included in the section "*21. Financial Information*" of this Prospectus.

ADO Group Ltd., incorporated in Israel, holds 19.86% of all issued and paid share capital of the Company as of the date of this Prospectus. The sole shareholder of ADO Group Ltd. is ADLER Real Estate.

On December 15, 2019, the Company and ADLER Real Estate entered into a BCA to combine the business of the ADLER Group with the business of the ADO Properties Group (see "*13.7.1 Business Combination Agreement*".)

The transactions between the Company and its related parties are set forth in the following tables:

	As of March 31,	As of December 31,		
	2020	**2019**	**2018**	**2017**
	(unaudited) (in € thousand)	(audited) (in € thousand)		
Current assets				
ADO Group Ltd.	—	—	280	—
Current liabilities				
ADO Group Ltd.	61	63	5	42
Other financial liabilities	1,535	1,535	1,535	867
Interest payable	279	82	83	—
Non-current liabilities				
Other financial liabilities	998	46,416	40,492	27,238
Convertible bond	59,984	(59,782)	58,940	—
Derivative	574	(1,294)	5,182	—
Other loans and borrowings	23,899	23,634	22,600	21,610

	For the three-month period ended March 31,	For the year ended December 31,		
	2020	**2019**	**2018**	**2017**
	(unaudited) (in € thousand)	(audited) (in € thousand)		
Consolidated statement of profit or loss				
Services and management fee charges	7	87	46	64
Interest expense payable to ADO Group Ltd.	400	1,584	165	—
Interest expense payable to Harel Insurance Company Ltd.	265	1,035	990	946

On November 16, 2018, the Company placed senior, unsecured convertible bonds in a total nominal amount of €165 million. ADO Group Ltd. was allocated bonds reflecting its pro rata shareholding in the Company at the time of the placement of the bonds.

Under IAS 24, key management personnel includes 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, the individuals in key positions pursuant to IAS 24 include the Board of Directors. Compensation and benefits to key management personnel that are employed by the ADO Properties Group:

	For the three-month period ended March 31,	For the year ended December 31,		
	2020	**2019**	**2018**	**2017**
	(unaudited) (in € thousand)	**(audited) (in € thousand)**		
Short-term employee benefits	188	849	800	955
Share-based payments	63	108	335	350
Other compensation	5	2,132	279	—
Total	**256**	**3,089**	**1,414**	**1,305**

The emoluments granted to the members of supervisory bodies in that capacity for the relevant periods are as follows:

	For the three-month period ended March 31,	For the year ended December 31,		
	2020	**2019**	**2018**	**2017**
	(unaudited) (in € thousand)	**(audited) (in € thousand)**		
Directors fee granted to the members of the Board of Directors	155	1,165	608	714
One-time termination payment	—	1,515	279	—
Total	**155**	**2,680**	**887**	**714**

The emoluments granted to the members of the Senior Management are as follows:

	For the three-month period ended March 31,	For the year ended December 31,		
	2020	**2019**	**2018**	**2017**
	(unaudited) (in € thousand)	**(audited) (in € thousand)**		
Fixed salary	125	936	662	662
Short-term cash incentive	63	329	349	343
Long-term incentive to be paid in shares or cash	63	1,724	376	387
Office rent	5	3	—	—
One-time termination payment	—	3,241	—	—
Total	**255**	**6,233**	**1,390**	**1,392**

Apart for the Board of Directors remuneration, no remuneration was paid to such related parties in the 3M 2020, the Fiscal Year 2019, the Fiscal Year 2018 or the Fiscal Year 2017.

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.

The rules of procedure for related parties' transactions are governed by the Company's specific rules of procedure for related parties' transactions as adopted by the Board of Directors' on April 28, 2020 (the "**Specific Rules of Procedure**").

20. TAXATION

Investors should note that tax legislation of their respective home state and of the Company's country of incorporation, i.e. Luxembourg, may have an impact on the income from the Company's shares.

20.1 Taxation in the Federal Republic of Germany

The following sections describe a number of key German taxation principles that may be relevant for purchasing, holding or transferring the Company's 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 of this Prospectus, 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 the Company's shares are strongly advised to seek advice from their own tax counsel regarding the tax implications of purchasing, holding, disposing, donating and bequeathing the Company's 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 the Company's shares (see: "*20.1.1.1 Taxation of Dividends*"), the disposal of the Company's shares (see: "*20.1.1.4 Taxation of Capital Gains*") and the gratuitous transfer of the Company's shares (see: "*20.1.4 Inheritance and Gift Tax*"), etc.

20.1.1 General principles of taxation of shareholders of the Company

20.1.1.1 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). The solidarity surcharge shall be partially abolished as of January 1, 2021. However, the solidarity surcharge shall continue to apply for capital investment income unless the individual income tax burden for an individual holder is lower than 25%. If shares – as it is the case with the Company's shares – are held in collective safe custody (*Sammelverwahrung*) with a central securities depository (*Wertpapiersammelbank*) pursuant to Section 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 capital gains 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 distribution is generally not taxable and, therefore, not subject to withholding tax, income tax (including solidarity surcharge and church tax if applicable) or corporate tax and trade tax, however provided that the Company applies for a special assessment procedure with the German Federal Central Tax Office (*Bundeszentralamt für Steuern*) and subject to further prerequisites. Such distributions from the tax contribution account accordingly reduce the acquisition costs or the book value of the Company's shares, which may result in a greater amount of taxable capital gain upon the respective shareholder's sale of the Company's shares. To the extent that dividends from the tax contribution account exceed the acquisition costs of the Company's shares, a capital gain is recognized by the shareholder, which may be subject to tax in accordance with the provisions outlined below.

20.1.1.2 Taxation of dividends of Shareholders with tax residence in Germany

20.1.1.2.1 <u>Shares Held as Private Assets</u>

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: "*20.1.1.1 Taxation of Dividends*"). Income-related expenses incurred in connection with private capital 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 their individual income tax rate 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 annual lump sum deduction amount. Furthermore, dividend income may generally be offset by capital losses from other sources (with the exception of losses from the sale of shares; further, losses from worthless shares may only be offset against other investment income in the amount of €10,000 p.a.). Shareholders may be liable for church tax, which is generally deducted by way of withholding by the German Disbursing Agent, 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, and thereby are able to exert a significant influence on the companies economic activity, may, in principle, demand exemption from the compensatory taxation of capital income in the amount of 25 % within the meaning of Section 32d para. 1 sentence 1 German Income Tax Act (*Einkommensteuergesetz* – "**EStG**"). In this case, 60% of the dividends paid to the shareholder are subject to income tax according to the applicable rate plus solidarity surcharge (plus church tax, if any, for which, however, the 40% tax exemption does not apply) 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. Distributions that are made using funds from the tax contribution account (steuerliches Einlagekonto) are generally, subject to certain prerequisites, not taxable.

Tax withheld in Luxembourg (15% of the dividends, see: "*20.2.2.1 Withholding Tax*") can generally be credited against the German tax liability on the Luxembourg dividends received by the German tax resident individual.

20.1.1.2.2 Shares held by corporations as business assets

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 and are deemed to be a direct holding. However, 5% of the dividend distributions are treated as non-deductible business expenses and are subject to corporate tax. Business expenses actually incurred in connection with dividend income are generally tax-deductible.

For trade tax purposes, dividends paid by a corporation resident in another EU member state are only exempt as described above if the entity that is receiving the dividends held a stake of at least 15% in the share capital of the Company at the beginning of the assessment period. Otherwise, the dividends will be fully subject to trade tax. Under certain conditions no withholding tax should be levied by the German Disbursing Agent on dividends to corporations that are German tax residents. The same applies to the solidarity surcharge, which is levied in addition to the corporate income tax. Distributions that are made using funds from the tax contribution account (*steuerliches Einlagekonto*) are generally, subject to certain prerequisites, not taxable.

Tax withheld in Luxembourg (15% of the dividends, see: "*20.2.2.1 Withholding Tax*"), if any, can generally be credited against the German tax liability on the Luxembourg dividends received by the German tax resident corporation. However, it is not possible to offset income that is exempt from corporation tax pursuant to Section 8b para. 1 of the German Corporate Income Tax Act (*Körperschaftsteuergesetz* – "**KStG**"). In this case, it is also not possible to offset the 5% non-deductible operating expenses within the meaning of Section 8b para. 5 sentence 1 KStG against corporate tax.

20.1.1.2.3 Shares held as business assets of individuals (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 (levied on the full amount of the dividend), 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 means of a flat-rate imputation procedure. The dividends are exempt from trade tax, provided that the shareholder holds at least 15% of the Company's share capital at the beginning of the relevant assessment period. Distributions that are made using funds from the tax contribution account (*steuerliches Einlagekonto*) are generally, subject to certain prerequisites, not taxable.

Tax withheld in Luxembourg (15% of the dividends, see: "*20.2.2.1 Withholding Tax*") can generally be credited against the German tax liability on the Luxembourg dividends received by the German tax resident individual.

20.1.1.2.4 Shares held by 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 shareholder. Taxation is determined by whether the shareholder is a corporation or an individual.

If the shareholder is a corporation, the dividends contained in its profit share are taxed in accordance with the principles applicable to corporations (see: "*20.1.1.4.1.2 Shares held by corporations*"). If the partner is an individual (sole proprietors) and the shares are held as business assets, dividends contained in their profit share are taxed in accordance with the principles applicable to sole proprietors (see: "*20.1.1.2.3 Shares held as business assets of individuals (sole proprietors)*"). Subject to certain conditions, an individual shareholder may request that its personal income tax in relation with earnings not withdrawn from the partnership may be subject to a favorable income tax rate.

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 flat-rate imputation procedure. The dividends are exempt from trade tax, provided that the partnership holds at least 15% of the Company's share capital at the beginning of the relevant assessment period. Distributions that are made using funds from the tax contribution account (*steuerliches Einlagekonto*) are generally, subject to certain prerequisites, not taxable.

Tax withheld in Luxembourg (15% of the dividends, see: "*20.2.2.1 Withholding Tax*"), can generally be credited against the individual partners' personal German tax liability on the share of Luxembourg dividends.

20.1.1.2.5 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 15% 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.

Tax withheld in Luxembourg (15% of the dividends, see: "*20.2.2.1 Withholding Tax*"), if any, can generally be credited against the German tax liability on the Luxembourg dividends received by the German tax resident corporation.

20.1.1.3 Shareholders with tax residence outside of 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 Company's 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 Company's 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.

20.1.1.4 Taxation of Capital Gains

20.1.1.4.1 Shareholders with tax residence in Germany

20.1.1.4.1.1. Shares held as private assets

Capital gains are classified as private capital income 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 Company's 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 an annual lump sum deduction amount of €801 (€1,602 for jointly assessed married couples and registered partners); it is not possible to further deduct expenses actually incurred except for expenses incurred directly in connection with the disposal. Capital gains generated by the disposal of shares can be offset against other losses from capital 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, 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 or at the moment of the disposal, any capital gains realized are deemed to be trade 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 (levied on the full amount of the capital gain), if any), and, correspondingly, only 60% of the operating expenses economically related to the capital gain and only 60% of any capital losses will be 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.

20.1.1.4.1.2. Shares held by corporations

Gains from the disposal of shares held by corporations that are German tax residents (registered office or place of management) 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 to trade tax. Consequently, capital gains are generally effectively 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.

20.1.1.4.1.3. *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 shares are held as business assets of the sole proprietor with tax residence in Germany and the sole proprietor declares this fact to the German Disbursing Agent on the designated official form. If withholding tax including solidarity surcharge was levied, this does not have a compensatory effect. 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; church tax is levied on the full amount of the capital gain) 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 flat-rate imputation procedure. Generally, only 60% of the losses on disposals and business expenses commercially linked to the shares sold may be deducted.

20.1.1.4.1.4. *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 shareholder. 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: "*20.1.1.4.1.2 Shares held by corporations*") or an individual (see: "*20.1.1.2.3 Shares held as business assets of individuals (sole proprietors)*"). Upon application and subject to further conditions, a partner that is an individual may, subject to certain conditions, have its personal income tax lowered for earnings attributable to him and that have not been 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.

20.1.1.4.1.5. *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.

20.1.1.4.1.6. *Shareholders with tax residence outside Germany*

Gains from the sale of shares held by shareholders (individuals and corporations) who are not tax resident in Germany may also be subject to taxation in Germany as of January 1, 2019 due to changes in the law, provided that (i) the shareholder, taking into account a period of five years prior to the sale date or at the moment of the sale, directly or indirectly held at least 1% of the share capital of the Company and (ii) the value of the shares at any time during the 365 days prior to the sale was based directly or indirectly on more than 50% of immovable assets located in Germany. The extent to which applicable double taxation treaties restrict the right of taxation of Germany or assign the sole right of taxation to the state of residence must be examined individually for each investor in accordance with the provisions of the double taxation treaties. In the event of taxation of capital gains in Germany, the same provisions that apply to the taxation of shareholders resident in Germany and holding shares as business assets apply (see "*20.1.1.4 Taxation of Capital Gains*").

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: "*20.1.1.4 Taxation of Capital Gains*" above).

20.1.2 If the Company qualifies as investment fund in the sense of the German Investment Tax Act

As of January 1, 2018 changes to the German Investment Tax Act became effective introducing a new taxation regime for (retail) investment funds, whereas the semi-transparent taxation regime for special investment funds basically continues to apply (general treatment of the unit holder, as if he would hold the fund's assets directly with certain exemptions), if the relevant requirements are fulfilled. If the company would not qualify as special investment fund the unit holders would be subject to taxation on (i) distributions, (ii) pre-determined tax bases (*Vorabpauschalen*) and (iii) capital gains from the sale of investment fund units. Special partial tax exemptions would be available on such income received from the fund depending on the investment strategy of the fund and the individual tax status of the unit holder (e.g. private, business or corporate investor). Due to the intended revision of the current CFC rules in Germany (see below "*20.1.3 German CFC Rules*"), it can not be excluded that low-taxed income of participations in investment funds (*i.e.*, not the income of the fund itself) could, under certain circumstances, become subject to German CFC rules.

20.1.3 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. The effective low tax rate in the sense of German CFC rules is currently set at 25%.

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.

The draft bill regarding the implementation of the Anti Tax Avoidance Directive (ATAD) by the EU in 2016 in Germany has been published on March 24, 2020 and includes the revision of the current CFC rules in Germany. It is anticipated that the final bill will be applicable as per January 1, 2021.

The current version of the draft bill includes amendments regarding the threshold of foreign share holdings by German resident investors. The current law takes into account with regard to the "control of a foreign company" criterion, the collective holdings of all German resident investors in a foreign based (low taxed) company whereas the amendments within the draft bill stipulate a shareholder-related approach, taking into account related parties. Thus, for the present case only shareholders who individually or taking into account related parties hold more than 50% of the Company may fall under the scope of CFC rules.

20.1.4 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.

20.1.5 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.

20.1.6 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.

The proposed Directive has been and remains subject to negotiation between the participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Based on recent announcements, the FTT may initially provide for a tax on share purchases in ten EU Member States acknowledging already existing FTT regimes.

20.2 Taxation in the Grand Duchy of Luxembourg

The following is an overview discussion of certain material Luxembourg tax consequences with respect to the Company and its shares. This overview does not purport to be a comprehensive description of all of the tax considerations that may be relevant to any particular holder of the Company's 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 the Company's 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 shareholders should therefore consult their own 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.

20.2.1 Taxation of the Company

20.2.1.1 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 24.94% for a company established in Senningerberg in 2019 or 2020. 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.

20.2.1.2 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 on a net asset value up to and including €500,000,000. In case the net asset value of the Company exceeds €500,000,000, any amount in excess of said threshold will be subject to net wealth tax at a rate of 0.05%. 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.

The Company is subject to the fixed minimum net wealth tax of €4,815 if the sum of fixed financial assets, receivables on related entities, transferable securities and cash at bank exceeds 90% of its balance sheet and €350,000. If the Company should not fall within the scope of the €4,815 minimum net wealth tax, a progressive minimum net wealth tax will be applicable ranging from €535 to €32,100, depending on the Company´s total gross assets.

20.2.2 Taxation of Investors

This tax disclosure is limited to the tax consequences to investors owning the Company's shares or preferential subscription rights. This discussion therefore is limited to taxation issues in respect of the holding and selling of these shares or preferential subscription rights.

20.2.2.1 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.

20.2.2.2 Non-resident Shareholders

A shareholder will not become resident, nor be deemed to be resident, in Luxembourg solely by virtue of the acquisition, the holding and/or disposing of the Company's shares or preferential subscription rights or the execution, performance, delivery and/or enforcement of his/her rights thereunder.

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 Company's shares or preferential subscription rights are attributable are not taxable in Luxembourg, except if the Company's shares or preferential subscription rights are part of a substantial participation of more than 10% in the Company and provided these shares or preferential subscription rights are sold within six months of their acquisition or, under certain conditions, the individual shareholder has been a Luxembourg resident for more than 15 years and has become a non-resident less than 5 years after the sale disposal or redemption of the Company's shares or preferential subscription rights 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 Company's shares or preferential subscription rights are attributable, must include any income received, as well as any gain realized on the sale, disposal or redemption of the Company's shares or preferential subscription rights, 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 Company's shares or preferential subscription rights are attributable.

20.2.2.3 Luxembourg-resident Shareholders

20.2.2.3.1 Luxembourg-resident Individuals

Any dividends and other payments derived from the Company's 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 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. For the years 2019 and 2020 the top marginal rate including solidarity surcharge is at 45.78%.

A gain realized upon the sale, disposal or redemption of the Company's shares or preferential subscription rights 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 Company's shares or preferential subscription rights were acquired or the disposal of the Company's shares or preferential subscription rights did not precede the acquisition and provided the Company's shares do not represent a substantial participation.

A participation is deemed to be substantial where a resident individual shareholder holds or has held, either alone or together with his/her spouse or partner and/or minor children, directly or indirectly at any time within the 5 years preceding the disposal, more than 10% of the share capital of the company whose shares are being disposed of. A shareholder is also deemed to alienate a substantial participation if he acquired free of charge, within the 5 years preceding the transfer, a participation that constituted a substantial participation in the hands of the alienator (or the alienators in case of successive transfers free of charge within the same 5-year period). Capital gains realized on a substantial participation more than 6 months after the acquisition thereof are taxed according to the half-global rate method (i.e. the average rate applicable to the total income is calculated according to progressive income tax rates and half of the average rate is applied to the capital gains realized on the substantial participation). A disposal may include a sale, an exchange, a contribution or any other kind of alienation of the participation or preferential subscription rights.

Capital gains realized on the disposal of the Company's shares or preferential subscription rights by resident individual shareholders, who act in the course of their professional/business activity, are subject to income tax at ordinary rates. Taxable gains are defined as being the difference between the price for which the Company's shares or preferential subscription rights have been disposed of and the lower of their cost or book value.

20.2.2.3.2 Luxembourg-resident Companies

Luxembourg resident corporate shareholders will be subject to corporation taxes at the rate of up to 24.94% for entities having their registered office in Luxembourg-City on dividend distributions made by the Company and the gains received upon disposal of the Company's shares or preferential subscription rights 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, or reserved alternative investment funds subject to the law of July 23, 2016.

20.2.2.4 Net Wealth Tax

Non-resident and resident individual shareholders are exempt from net wealth tax on the Company's shares in Luxembourg.

20.2.2.4.1 Non-resident Shareholders

The mere holding of the shares and preferential subscription rights 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 the Company's shares.

Non-resident shareholders who have a permanent establishment or a permanent representative in Luxembourg to which the Company's shares are attributable are subject to Luxembourg net wealth tax on the Company's shares, unless the conditions provided for by paragraph 60 of the valuation law of October 16, 1934, as amended (*BewG*) are met.

20.2.2.4.2 Luxembourg-resident Shareholders

Shares of the Company held by Luxembourg resident corporate shareholders, will be subject to an annual net wealth tax charge (*impôt sur la fortune*) of 0.5% (of 0.05% applicable to the net wealth exceeding €500,000,000) except if:

(i) the conditions provided for by the valuation law of October 16, 1934, as amended (*BewG*) are met; or

(ii) 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, a professional pension institution governed by the amended law of July 13, 2005, a securitization company governed by the amended law of March 22, 2004 on securitization, or a reserved alternative investment fund vehicle governed by the amended law of July 23, 2016.

Luxembourg resident corporate shareholders are subject to the fixed minimum net wealth tax of €4,815 if the sum of fixed financial assets, receivables on related entities, transferable securities and cash at bank exceeds 90% of their balance sheet and €350,000. If the Luxembourg resident corporate shareholders should not fall within the scope of the €4,815 minimum net wealth tax, a progressive minimum net wealth tax will be applicable ranging from €535 to €32,100, depending on their total gross assets.

Investment companies in risk capital subject to the law of June 15, 2004, as amended, a professional pension institution governed by the amended law of July 13, 2005, a securitization company governed by the amended law of March 22, 2004 on securitization or a reserved alternative investment fund vehicle governed by the amended law of July 23, 2016 provided that its exclusive object is the investment in risk capital and that article 48 of the amended law of July 23, 2016 applies, remain subject to the minimum net wealth tax.

20.2.2.5 Other Tax Consequences

20.2.2.5.1 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 the Company's shares as a consequence of the issuance of the Company's shares, nor will any of these taxes be payable as a consequence of a subsequent transfer, repurchase or redemption of the Company's shares, unless the documents relating to the Company's shares are voluntary registered, appended to a document that requires mandatory registration in Luxembourg or deposited in the minutes of a notary.

20.2.2.5.2 Gift Taxes

No estate or inheritance tax is levied on the transfer of the Company's shares upon death of a holder of the Company's 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 the Company's shares if the gift is not passed before a Luxembourg notary or recorded in a deed registered in Luxembourg. Where a holder of the Company's shares is a resident for tax purposes of Luxembourg at the time of his death, the Company's shares are included in its taxable estate for inheritance tax or estate tax purposes.

20.2.2.5.3 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.

21. FINANCIAL INFORMATION

ADO Properties S.A.

Unaudited Condensed Consolidated Interim Financial Statements of ADO Properties S.A. as of and for the three-month period ended March 31, 2020

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

Report of the Réviseur d'Entreprises agréé on the Review of Interim Financial Information

Introduction

We have reviewed the accompanying condensed consolidated interim statement of financial position of ADO Properties S.A. ("the Company") as at March 31, 2020, the condensed consolidated interim statements of profit or loss, comprehensive income, changes in equity and cash flows for the three month period ended March 31, 2020, 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 European Union. 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" as adopted, for Luxembourg, by the Institut des Réviseurs d'Entreprises. 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 as at March 31, 2020 is not prepared, in all material respects, in accordance with IAS 34, "Interim Financial Reporting" as adopted by the European Union.

Luxembourg, May 17, 2020

KPMG Luxembourg
Société coopérative
Cabinet de révision agréé

Bobbi Jean Breboneria
Associate Partner

Assets
In EUR thousand

	Note	March 31, 2020 (Unaudited)	March 31, 2019 (Unaudited)	Dec 31, 2019 (Audited)
Assets				
Non-current assets				
Investment properties	4A	**3,626,994**	4,054,288	3,624,453
Investment in financial instrument	5B	**152,951**	—	186,158
Advances in respect of investment properties		**—**	6,300	6,300
Property and equipment		**10,840**	9,505	10,927
Other financial asset	5B	**87,727**	6,635	98,871
Restricted bank deposits		**4,273**	2,051	3,873
Deferred expenses		**668**	805	745
Right-of-use assets		**563**	1,301	814
Loans granted	5B	**36,205**	—	—
Deferred tax assets		**1,561**	2,109	—
		3,921,782	4,082,994	3,932,141
Current assets				
Trading properties	4B	**25,104**	32,366	25,860
Restricted bank deposits		**27,155**	28,194	26,494
Trade receivables		**16,384**	13,229	15,570
Other receivables		**32,543**	6,278	8,842
Cash and cash equivalents		**413,722**	24,283	387,558
Advances paid	4C	**50,000**	—	—
		564,908	104,350	464,324
Total assets		**4,486,690**	4,187,344	4,396,465
Equity and liabilities				
Shareholders' equity				
Share capital		**55**	55	55
Share premium		**500,608**	499,209	500,608
Reserves		**174,733**	324,244	250,684
Retained earnings		**1,893,877**	1,336,543	1,895,445
Total equity attributable to owners of the Company		**2,569,273**	2,160,051	2,646,792
Non-controlling interests		**99,021**	46,912	51,653
Total equity		**2,668,294**	2,206,963	2,698,445
Liabilities				
Non-current liabilities				
Corporate bonds	4D	**397,568**	397,031	397,433
Convertible bonds	4D	**156,863**	154,764	156,334
Other loans and borrowings	4E	**734,749**	1,036,917	740,212
Other financial liabilities	5B	**998**	40,852	46,416
Derivatives	5B	**4,059**	21,208	6,091
Lease liabilities		**414**	616	473
Deferred tax liabilities		**239,336**	251,289	239,347
		1,533,987	1,902,677	1,586,306
Current liabilities				
Other loans and borrowings	4E	**215,758**	17,675	37,605
Other financial liabilities	5B	**1,535**	1,535	1,535
Trade payables		**23,853**	16,738	22,079
Other payables		**42,443**	40,838	49,613
Lease liabilities		**653**	687	823
Derivatives	5B	**167**	231	59
		284,409	77,704	111,714
Total equity and liabilities		**4,486,690**	4,187,344	4,396,465

CO-CHIEF EXECUTIVE OFFICER	CO-CHIEF EXECUTIVE OFFICER
Thierry Beaudemoulin	**Maximilian Rienecker**

Date of approval: May 17, 2020

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

Condensed Consolidated Interim Statement of Profit or Loss

In EUR thousand

	Note	For the three months ended March 31, 2020 (Unaudited)	For the three months ended March 31, 2019 (Unaudited)	For the year ended Dec 31, 2019 (Audited)
Revenue	6A	**31,622**	39,989	156,520
Cost of operations	6B	**(7,790)**	(10,949)	(44,011)
Gross profit		**23,832**	29,040	112,509
General and administrative expenses		**(6,236)**	(4,581)	(25,050)
Other expenses	8B	**(6,052)**	—	(13,188)
Other income	8E	**6,800**	—	78,132
Changes in fair value of investment properties		**—**	—	461,517
Results from operating activities		**18,344**	24,459	613,920
Finance income		**2,010**	24	102,475
Finance costs		**(25,354)**	(12,573)	(32,375)
Net finance costs	6C	**(23,344)**	(12,549)	70,100
Profit before tax		**(5,000)**	11,910	684,020
Taxes tax benefit (expense)		**2,023**	(1,721)	(77,096)
Profit for the period		**(2,977)**	10,189	606,924
Profit attributable to:				
Owners of the Company		**(1,630)**	9,880	601,874
Non-controlling interests		**(1,347)**	309	5,050
Profit for the period		**(2,977)**	10,189	606,924
Basic earnings per share (in EUR)		**(0.04)**	0.22	13.63
Diluted earnings per share (in EUR)		**(0.04)**	0.22	12.74

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

Condensed Consolidated Interim Statement of Comprehensive Income

In EUR thousand

	For the three months ended		For the year ended
	March 31, 2020 (Unaudited)	March 31, 2019 (Unaudited)	Dec 31, 2019 (Audited)
Profit for the period	**(2,977)**	10,189	606,924
Items that may be reclassified subsequently to profit or loss			
Effective portion of changes in fair value of cash flow hedges	**54**	(324)	10
Related tax	**(7)**	51	(2)
Reserve from financial asset measured at fair value through other comprehensive income net of tax	**(72,701)**	—	(67,510)
Total other comprehensive income (loss)	**(72,654)**	(273)	(67,502)
Total comprehensive income (loss) for the period	**(75,631)**	9,916	539,422
Total comprehensive income (loss) attributable to:			
Owners of the Company	**(74,284)**	9,607	534,372
Non-controlling interests	**(1,347)**	309	5,050
Total comprehensive income for the period	**(75,631)**	9,916	539,422

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

Condensed Consolidated Interim Statement of Cash Flows

In EUR thousand

	Note	For the three months ended March 31, 2020 (Unaudited)	For the three months ended March 31, 2019 (Unaudited)	For the year ended Dec 31, 2019 (Audited)
Cash flows from operating activities				
Profit for the period		**(2,977)**	10,189	606,924
Adjustments for:				
Depreciation		**375**	315	1,488
Profit from selling portfolio		**—**	—	(78,132)
Changes in fair value of investment properties	4A	**—**	—	(461,517)
Net finance costs	6C	**23,344**	12,549	(70,100)
Income tax expense		**(2,023)**	1,721	77,096
Share-based payment		**63**	125	1,530
Change in short-term restricted bank deposits related to tenants		**(245)**	(761)	(2,142)
Change in long-term restricted bank deposits from condominium sales		**(4,892)**	(878)	(4,102)
Change in trade receivables		**(814)**	84	(2,959)
Change in other receivables		**(2,135)**	(2,921)	(2,931)
Change in trading properties		**756**	2,662	9,168
Change in trade payables		**1,774**	(1,702)	5,632
Change in other payables		**(8,341)**	(38)	15,896
Income tax paid		**21**	(386)	(7,087)
Net cash from operating activities		**4,906**	20,959	88,764
Cash flows from investing activities				
Purchase of and CAPEX on investment properties	4A	**(2,540)**	(15,421)	(44,068)
Advances paid for investment property purchase		**6,300**	—	—
Proceeds from selling portfolio		**—**	—	570,335
Investment in financial instrument		**(40,159)**	—	(254,342)
Purchase of and CAPEX on property and equipment		**(66)**	(1,055)	(3,121)
Interest received		**18**	4	39
Grant of long-term loans		**(43,542)**	—	—
Acquisition of other investments		**(50,000)**	—	—
Change in short-term restricted bank deposits, net		**4,076**	—	218
Net cash used in investing activities		**(125,913)**	(16,472)	269,061
Cash flows from financing activities				
Long-term loans received	4E	**—**	—	79,427
Repayment of long-term loans		**(2,703)**	(3,870)	(15,876)
Short-term loans received		**175,000**	—	—
Upfront fees paid for credit facilities	4E	**(168)**	(162)	(702)
Interest paid		**(3,266)**	(3,962)	(26,427)
Payment of lease liabilities		**(209)**	(175)	(789)
Compensation fee payments in respect of other financial liabilities		**—**	—	(768)
Prepaid costs of raising debt		**(17,418)**	—	—
Issuance costs		**(4,065)**	—	—
Dividend distributed		**—**	—	(33,098)
Net cash from financing activities		**147,171**	(8,169)	1,767
Change in cash and cash equivalents during the period		**26,164**	(3,682)	359,592
Cash and cash equivalents at the beginning of the period		**387,558**	27,965	27,966
Cash and cash equivalents at the end of the period		**413,722**	24,283	387,558

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

Condensed Consolidated Interim Statement of Changes in Equity

In EUR thousand

	For the three months ended March 31, 2020 (Unaudited)								
	Share capital	Share premium	Hedging reserves	Capital reserve from transactions with controlling shareholder	Reserve financial asset measured at fair value through other comprehensive income	Retained earnings	Total	Non-controlling interests	Total equity
Balance as at January 1, 2020	55	500,608	(850)	319,044	(67,510)	1,895,445	2,646,792	51,653	2,698,445
Total comprehensive income for the period									
Profit for the period	—	—	—	—	—	(1,630)	(1,630)	(1,347)	(2,977)
Other comprehensive income (loss) for the period, net of tax	—	—	47	—	(72,701)	—	(72,654)	—	(72,654)
Total comprehensive income (loss) for the period	—	—	47	—	(72,701)	(1,630)	(74,284)	(1,347)	(75,631)
Transactions with owners, recognized directly in equity									
Changes in put option (see note 5B)	—	—	—	(3,298)	—	—	(3,298)	48,715	45,417
Share-based payment	—	—	—	—	—	63	63	—	63
Balance as at March 31, 2020	55	500,608	(803)	315,746	(140,211)	1,893,877	2,569,273	99,021	2,668,294

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

Condensed Consolidated Interim Statement of Changes in Equity

In EUR thousand

	For the three months ended March 31, 2019 (Unaudited)							
	Share capital	**Share premium**	**Hedging reserves**	**Capital reserve from transactions with controlling shareholder**	**Retained earnings**	**Total**	**Non-controlling interests**	**Total equity**
Balance as at January 1, 2019	55	499,209	(859)	325,736	1,326,538	2,150,679	46,603	2,197,282
Total comprehensive income for the period								
Profit for the period	—	—	—	—	9,880	9,880	309	10,189
Other comprehensive income (loss) for the period, net of tax	—	—	(273)	—	—	(273)	—	(273)
Total comprehensive income (loss) for the period	—	—	(273)	—	9,880	9,607	309	9,916
Transactions with owners, recognized directly in equity								
Changes in put option (see note 5B)	—	—	—	(360)	—	(360)	—	(360)
Share-based payment	—	—	—	—	125	125	—	125
Balance as at March 31, 2019	55	499,209	(1,132)	325,376	1,336,543	2,160,051	46,912	2,206,963

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

Condensed Consolidated Interim Statement of Changes in Equity

In EUR thousand

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

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

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

Note 1 – ADO Properties S.A.

ADO Properties S.A. (the "Company" or "ADO") was incorporated on November 13, 2007 as a private limited liability company in Cyprus and until June 8, 2015, its legal name was "Swallowbird Trading & Investments Limited". The Company holds and operates a portfolio of mainly residential assets in Berlin, Germany.

The Company deleted its registration in Cyprus and moved its registered office and central administration to Luxembourg by decision of the general meeting of shareholders dated June 8, 2015 and adopted the form of a private limited liability company (*société à responsabilité limitée*) under Luxembourg law. The Company was then converted 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 name to "ADO Properties S.A." (B-197554). The address of the Company's registered office is Aerogolf Center, 1B Heienhaff, L-1736 Senningerberg, Luxembourg.

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

The Company is a direct subsidiary of ADO Group Ltd. ("ADO Group").

The condensed consolidated interim financial statements of the Company as at March 31, 2020 and for the three-month period then ended comprise the Company and its subsidiaries (together referred to as the "Group").

Note 2 – Basis of Accounting

A. Statement of compliance

The condensed consolidated interim financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting* as applicable in the European Union ("EU"). 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 for understanding 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, 2019.

These condensed consolidated interim financial statements are presented in Euro ("EUR"), and have been rounded to the nearest thousand except where otherwise indicated. Due to rounding, the figures reported in tables and cross-references may deviate from their exact values as calculated.

These condensed consolidated interim financial statements were authorized for issue by the Company's Board of Directors on May 17, 2020.

B. Use of judgments, estimates and fair value measurements

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. This also applies to fair value measurements and the determination of fair values. 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 were applied to the consolidated financial statements as at and for the year ended December 31, 2019.

Note 3 – Accounting Policies

Except as described below in note 3A, the accounting policies applied by the Group in these condensed consolidated interim financial statements are the same as those applied by the Group in its financial statements for the year ended December 31, 2019. These condensed consolidated interim financial statements should therefore be read in conjunction with the Group's annual consolidated financial statements for the year ended December 31, 2019.

A. Initial application of new standards, amendments to standards and interpretations

As from January 1, 2020, the Group applies the new standards and amendments to standards described below:

- IFRS 3 Business Combinations

Note 3 – Accounting Policies (continued)

A. Initial application of new standards, amendments to standards and interpretations (continued)

The Group has initially adopted the Amendment of IFRS 3 from January 1, 2020, but it does not have a material effect on the Group's condensed consolidated interim financial statements.

The Group will apply the amendment when determining whether the acquisition of ADLER Real Estate Aktiengesellschaft gives rise to a Business Combination. For further details see note 8(B).

Note 4 – Selected Notes to the Condensed Consolidated Interim Statement of Financial Position

A. Investment properties

In EUR thousand	March 31, 2020 (Unaudited)	March 31, 2019 (Unaudited)	Dec 31, 2019 (Audited)
Balance as at January 1	**3,624,453**	4,044,023	4,044,023
Additions by way of acquiring subsidiaries	**—**	—	—
Additions by way of acquiring assets	**—**	—	—
Capital expenditure	**2,541**	15,365	44,013
Transfer from investment properties (see note 4A(1))	**—**	(5,100)	(5,100)
Disposal of subsidiaries	**—**	—	(920,000)
Fair value adjustments	**—**	—	461,517
Balance as at March 31	**3,626,994**	4,054,288	3,624,453

(1) In 2019 the Group reclassified a building from investment properties to property and equipment in a total amount of EUR 5,100 thousand, representing its fair value for the reclassification date. The transfer was evidenced by a change in use (commencement of owner-occupation).

According to the Group's fair value valuation policies for investment properties, the investment properties generally undergoes a detailed valuation as at June 30 and December 31 of each year. For the purpose of this condensed consolidated interim financial statement as at March 31, 2020, CBRE did not perform any valuation. The valuer conducted an analysis considering the impacts of rent freeze and COVID-19. CBRE did not conclude major fair value developments between December 31, 2019 and March 31, 2020 based on asking prices and transaction prices currently observed at a limited number in the market. However, as the valuation performed as at December 31, 2019 is subject to material valuation uncertainty, it is recommended by the valuer to keep the valuation under frequent review.

Since the beginning of 2019, there have been public discussion about a rental freeze proposition for rental apartments in Berlin. The Berlin Parliament ("Berliner Abgeordnetenhaus") enacted the law for rent control in the housing sector ("MietenWoG Bln") as at January 30, 2020. The law came into force as at February 23, 2020 when it was published in the Berlin bulletin for legislation ("Berliner Gesetzesund Verordnungsblatt"). Berlin is the first federal state which passed such a law. As of March 31, 2020, the endurance of the rental freeze is totally unclear. As published at May 6, 2020, 284 members of the federal parliament, from the political parties have passed in constitutional complaints in front of the Federal Constitutional Court in Karlsruhe ("Bundesverfassungsgericht") to carry out a check of compatibility of this rental freeze act with constitutional law.

The outbreak of the coronavirus ("COVID-19"), declared by World Health Organization as a "Global Pandemic" on March 11, 2020, has impacted financial markets and market activities in many sectors. According to CBRE, despite COVID-19, the overall mismatch between supply and demand of residential housing in Germany is still evident. The valuer even expects that a stronger immigration from EU countries with significant negative economic impacts due to the novel coronavirus will lead to additional demand for residential space in midterm. As a result, the defensive and stable asset class residential could be even more sought after than before this crisis. CBRE notes interested investors for German residential property with strong equity capital background.

In terms of the market sentiment, CBRE still observes strong interest in the Berlin residential sector, even though the number of transactions has decreased which leads to the conclusion that, overall, prices and thus value haven't really changed.

B. Trading properties

During the three months ended March 31, 2020, the Group completed the sale of 10 condominium units for a total consideration of EUR 2.2 million (during the first quarter of 2019: 17 units for EUR 4.2 million and

Note 4 – Selected Notes to the Condensed Consolidated Interim Statement of Financial Position (continued)

B. Trading properties (continued)

during the year 2019: 63 units for EUR 14.9 million) recorded under revenues in the condensed consolidated interim statement of profit or loss.

C. Advances paid

Following the conclusion of the Strategic Cooperation Agreement on January 17, 2020, the Company entered into a letter of intent with Consus Swiss Finance AG, which was amended on February 21, 2020, for the purchase of 89.9% of the shares in all companies that hold plots of land belonging to the Holsten Quartier project development in Hamburg (the "Holsten Quartier"). The provisional purchase price for 100% of the shares in Holsten Quartier is EUR 320 million on a cash-free debt-free basis, subject to finalization of the Company's due diligence. In exchange for a EUR 50 million down-payment, Consus Swiss Finance AG granted the Company exclusivity for twelve months to continue and finalize the legal, technical, economic and tax due diligence. There is no obligation to enter into a share purchase agreement and the signing of the share purchase agreement is subject to the satisfactory completion of the due diligence.

D. Corporate bonds and convertible bonds

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

On November 16, 2018, the Company placed senior, unsecured convertible bonds in a total nominal amount of EUR 165 million with institutional investors, convertible into new and/or existing ordinary registered shares of the Company. The coupon has been set at 1.25% p. a. (effective interest rate of 1.34%), payable semi-annually in arrears. The bonds will mature on November 23, 2023.

The Company undertakes not to incur any financial indebtedness after the issue date of the bonds, and will also procure that its subsidiaries will not incur any financial indebtedness after the issue date of the bond (except for refinancing existing financial indebtedness), if immediately after giving effect to the incurrence of such additional financial indebtedness (taking into account the application of the net proceeds of such incurrence) the following tests would not be met: (i) Loan-to-Value ratio (LTV) $\leq$ 60%; (ii) secured Loan-to-Value ratio $\leq$ 45%; (iii) unencumbered asset ratio $\geq$ 125%; and (iv) interest coverage ratio (ICR) $\geq$ 1.8.

As at March 31, 2020, the Company is fully compliant with all covenant requirements.

Following the Company's announcement on December 15, 2019 for a voluntary public takeover offer for all shares in ADLER Real Estate AG, and the acquisition of a 22.18% strategic minority stake in CONSUS Real Estate AG, S&P and Moody's had placed the Company's long term corporate credit rating of BBB- / Baa3 under review.

On April 23, 2020, following the successful closing of the voluntary public takeover offer for ADLER, the Company received notice from S&P that its rating had been adjusted from BBB- to BB with stable outlook. S&P's fundamental analysis of the business risk profile remains unchanged and was moved to the better end of its satisfactory category. S&P's anchor score is BBB- based on ADO's financial position and financing policy, the quality of ADO's portfolio and the strong fundamentals of the German residential market. The Company has received further confirmation of its adequate liquidity position. ADO's corporate rating has been adjusted down by two notches due to perceived execution risk related to the combination with ADLER Real Estate, including the announced rights issue, and comparable rating analysis.

On May 4, 2020, Moody's adjusted the Company's rating to Ba1 from Baa3. The outlook was changed to negative from rating under review due to the perceived execution risk.

E. Other loans and borrowings

As at March 31, 2020, other loans and borrowings carry an average effective interest rate (i.e. considering the swap interest hedging effect from variable to fixed interest) of 1.6% per annum (as at March 31, 2019: 1.8% and as at December 31, 2019: 1.8%). The average maturity of other loans and borrowings is four years (as at March 31, 2019: four years and as at December 31, 2019: four years).

Note 4 – Selected Notes to the Condensed Consolidated Interim Statement of Financial Position (continued)

E. Other loans and borrowings (continued)

All bank loans are non-recourse loans from German banks with the related assets (investment properties and trading properties) as their only security.

As at March 31, 2020, under the existing loan agreements, the Group is fully compliant with its obligations (including loan covenants) to the financing banks.

On March 9, 2018, the Group signed a EUR 200 million revolving credit facility with a two-year term and two extension options, each for one year. The relating upfront fees were recognized under deferred expenses in the condensed consolidated interim statement of financial position and will be amortized over four years. On January 30, 2019, the Group exercised one extension option for one year in an amount of EUR 175 million. In February 2020 the Group exercised the second option for one year in an amount of EUR 50 million. On March 26, 2020 the Group drew down an amount of EUR 175 million.

On December 15, 2019, the Company signed a EUR 3,463 million bridge facility agreement with a 1-year term and four extension options, each for six months (see note 8B). The maximum amount of the bridge facility agreement has subsequently been reduced and, as at March 31, 2020, is EUR 2,424 million.

Note 5 – Financial Instruments

All of the aspects of the Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements as at and for the year ended December 31, 2019.

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, trade and other receivables, restricted and other bank deposits and trade and other payables are considered to be the same or approximate to their fair value due to their short-term nature.

The fair values of the other liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

	March 31, 2020 (Unaudited)		**March 31, 2019 (Unaudited)**		**December 31, 2019 (Audited)**	
In EUR thousand	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
Corporate bonds	**397,172**	**362,724**	397,031	396,492	397,433	397,140
Convertible bonds	**156,863**	**152,085**	154,764	162,542	156,334	172,348
Variable rate loans and borrowings(*)	**76,905**	**80,940**	76,611	79,476	75,758	78,878
Fixed rate loans and borrowings(*)	**697,799**	**713,036**	977,981	997,681	702,059	713,609
Total	**1,328,739**	**1,308,785**	1,606,387	1,636,191	1,331,584	1,361,975

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

B. Fair value hierarchy of financial instruments measured at fair value

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:

	March 31, 2020 (Unaudited)			**March 31, 2019 (Unaudited)**		**December 31, 2019 (Audited)**		
In EUR thousand	**Level 1**	**Level 2**	**Level 3**	**Level 2**	**Level 3**	**Level 1**	**Level 2**	**Level 3**
Other financial asset (1)	**—**	**—**	**87,727**	—	6,635	—	—	98,871
Derivative financial liabilities (2)	**—**	**4,226**	**—**	21,439	—	—	6,150	—
Investment in financial instrument (3)	**152,951**	**—**	**—**	—	—	186,158	—	—
Loan granted (4)	**—**	**—**	**36,205**	—	—	—	—	—

Note 5 – Financial Instruments (continued)

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

(1) Other financial asset relates to the Group's option for purchasing the non-controlling interest in a transaction completed at the end of 2013 (EUR 6,912 thousand) and a call option agreement with a major shareholder of Consus Real Estate AG ("Consus") to acquire an additional 50.97% in Consus in the amount of EUR 80,815 thousand. The model used by an external and independent valuator for Consus' call option is based on a multivariate Monte-Carlo simulation applying a Cholesky decomposition with correlated random numbers in order to model two correlated stock prices. Both other financial assets are measured at fair value.

(2) The fair value of the interest rate swaps, including both current and non-current liabilities, is measured by discounting the future cash flows over the period of the contract and using market interest rates appropriate for similar instruments. The credit risk used by the bank is not a material component of the valuation made by the bank, and the other variables are market-observable.

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

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

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

(4) On February 6, 2020, ADO granted an interest-bearing loan of EUR 43,542,242 to Taurecon Invest IX GmbH i.Gr. ("Taurecon"). The loan has a term until February 15, 2023 and was used by Taurecon to purchase from ADO Group Ltd. (a wholly owned subsidiary of ADLER Real Estate) its minority shareholdings in various entities in which ADO (directly or indirectly) owns the majority of shares. The interest on the loan shall accrue at an interest rate of 3.00% p.a. The loan amount may increase or decrease, as the case may be, if and to the extent the final purchase price to be paid by Taurecon for the purchase or the shares may be adjusted going forward. This loan is classified as a financial asset and measured at fair value through profit and loss because it does not meet the 'solely payment of principal and interest' criteria. The valuation model is based on a univariate Monte-Carlo simulation.

As a result of the acquisition of the non-controlling interest by Taurecon and the expiration of the related put option held by ADO Group Ltd., the company recognized an increase in equity in an amount of EUR 45.4 million and derecognized the liability towards ADO Group Ltd.

Note 6 – Selected Notes to the Condensed Consolidated Interim Statement of Profit and Loss

A. Revenue

In EUR thousand	For the three months ended March 31, 2020 (Unaudited)	For the three months ended March 31, 2019 (Unaudited)	For the year ended Dec 31, 2019 (Audited)
Net rental income	**27,904**	33,653	134,141
Selling of condominiums	**2,188**	4,293	14,948
Income from facility services	**1,530**	2,043	7,431
Total	**31,622**	39,989	156,520

B. Cost of operations

In EUR thousand	For the three months ended March 31, 2020 (Unaudited)	For the three months ended March 31, 2019 (Unaudited)	For the year ended Dec 31, 2019 (Audited)
Salaries and other expenses	**2,593**	3,202	11,443
Cost of utilities recharged, net	**370**	435	1,630
Selling of condominiums – cost	**1,401**	3,127	11,058
Property operations and maintenance	**3,426**	4,185	19,880
Total	**7,790**	10,949	44,011

Note 6 – Selected Notes to the Condensed Consolidated Interim Statement of Profit and Loss (continued)

C. Net finance costs

In EUR thousand	For the three months ended March 31, 2020 (Unaudited)	For the three months ended March 31, 2019 (Unaudited)	For the year ended Dec 31, 2019 (Audited)
Interest received on bank deposits	**(18)**	—	39
Interest on bonds	**2,672**	2,637	(10,670)
Change in fair value of derivative component of convertible bond	**(1,882)**	4,777	10,180
Change in fair value of loan granted	**7,530**	—	—
Change in fair value of other financial assets	**11,144**	—	92,256
Interest on other loans and borrowings	**3,679**	4,655	(19,046)
Other net finance expenses	**219**	480	(2,659)
Total	**23,344**	12,549	70,100

Note 7 – Segments Reporting

The basis of segmentation and the measurement basis for segment profit or loss are the same as presented in note 24 regarding operating segments in the annual consolidated financial statements for the year ended December 31, 2019.

Information about reportable segments

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

In EUR thousand	For the three months ended March 31, 2020 (Unaudited)		
	Residential property management	Privatization	Total consolidated
External income from residential property management	**29,303**	**131**	**29,434**
External income from selling condominiums	**—**	**2,188**	**2,188**
Consolidated revenue	**29,303**	**2,319**	**31,622**
Reportable segment gross profit	**22,952**	**880**	**23,832**
General and administrative expenses			**(6,236)**
Changes in fair value of investment properties			**—**
Other expenses			**(6,052)**
Other income			**6,800**
Finance income			**2,010**
Finance expense			**(25,354)**
Consolidated profit before tax			**(5,000)**
Income tax expense			**2,023**
Consolidated profit after tax			**(2,977)**

In EUR thousand	For the three months ended March 31, 2019 (Unaudited)		
	Residential property management	Privatization	Total consolidated
External income from residential property management	35,553	143	35,696
External income from selling condominiums	—	4,293	4,293
Consolidated revenue	35,553	4,436	39,989
Reportable segment gross profit	27,790	1,250	29,040
General and administrative expenses			(4,581)
Changes in fair value of investment properties			—
Finance income			24
Finance expense			(12,573)
Consolidated profit before tax			11,910
Income tax expense			(1,721)
Consolidated profit after tax			10,189

Note 7 – Segments Reporting (continued)

In EUR thousand	For the year ended December 31, 2019 (Audited) Residential property management	Privatization	Total consolidated
External income from residential property management	141,000	572	141,572
External income from selling condominiums	—	14,948	14,948
Consolidated revenue	141,000	15,520	156,520
Reportable segment gross profit	108,061	4,448	112,509
General and administrative expenses			(25,050)
Changes in fair value of investment properties			461,517
Other income			78,132
Other expenses			(13,188)
Finance income			102,475
Finance expense			(32,375)
Consolidated profit before tax			684,020
Income tax expense			(77,096)
Consolidated profit after tax			606,924

Note 8 – Material Events in the Reporting Period and Subsequent Events

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

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

ADO Properties S.A. is continuously monitoring the impact of COVID-19. The valuation of the investment properties, financial assets and financial liabilities as at March 31, 2020 as disclosed in these condensed consolidated interim financial statements reflects the economic conditions in existence at that date. The Company does not expect the crisis to have any impact on rental income. In addition, in case the Company will have to deal with deferral of rental income, the Company has sufficient sources of funding its operating continuity.

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

The Offer closed on March 25, 2020 with an acceptance rate of 91.93%. As at April 9, 2020, the newly issued shares of ADO Properties S.A. are listed on the Frankfurt Stock Exchange.

Closing of the Offer triggered change-of-control rights under, inter alia, a EUR 885 million bridge loan of ADLER Real Estate and certain other financings entered into by ADLER Real Estate and/or its respective subsidiaries. On April 9, 2020, ADO Properties S.A. refinanced the EUR 885 million bridge loan of ADLER Real Estate with a EUR 885 million bridge loan utilized under ADO's EUR 3,463 million bridge facility agreement with J.P. Morgan Securities Plc, J.P. Morgan AG and

Note 8 – Material Events in the Reporting Period and Subsequent Events (continued)

J.P. Morgan Europe Limited originally dated December 15, 2019, as amended from time to time. The vast majority of the creditors of other financings subject to change-of-control rights waived their respective change-of-control rights. ADO has, therefore, not yet utilized further loans under its bridge facility agreement. As at March 31, 2020 the maximum nominal amount of the bridge facility agreement has been reduced to EUR 2,424 million.

As at the reporting date, the Business Combination has not been completed as the finalization of the tender offer still depends on the finalization of legal, external and internal procedures. The Company concluded that as at March 31, it did not have the current ability to direct the activities that significantly affect ADLER Real Estate's returns. Therefore, ADLER Real Estate's activities are not consolidated in these financial statements.

The effect of the business combination, however, is not fully disclosed in these interim financial statements. This is in light of lack of confirmed data at the time of acquisition.

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

Upon investment of the Company into Consus, the Company did not receive any right to appoint any board members and does not have any representation in any of the boards of Consus as at December 31, 2019. The option is exercisable from the date of signing of the option agreement, i.e. December 15, 2019, until June 16, 2021. If the Company wishes to exercise the option, it needs to issue an exercise notice and the assignment of the shares needs to occur within 15 business days after all relevant merger clearance approvals have been obtained.

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

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

In addition, on April 17, 2020, the Company decided to launch the Takeover Offer also as a compensation offer which is necessary for the delisting of WESTGRUND Shares from trading on the regulated market of the Düsseldorf Stock Exchange (Börse Düsseldorf) (Section 39 para. 2 and 3 of the German Stock Exchange Act (Börsengesetz, "BörsG"), (the "Delisting Tender Offer" and, together with the Takeover Offer, the "Takeover Offer and Delisting Tender Offer").

On May 6, 2020, the Company published the offer document for the Takeover Offer and Delisting Tender Offer and offered to acquire all WESTGRUND Shares against payment of a consideration of EUR 11.74 in cash per WESTGRUND Share which corresponds to the value of the business calculated on the basis of a valuation of the Target as at the reference date April 16, 2020 (Section 39 para. 3 sentence 4 BörsG in conjunction with Section 31 para. 1, 2 and 7 German Securities and Takeover Act and Section 5 of the German Securities and Takeover Act Offer Ordinance (WpÜG-Angebotsverordnung).

E. On April 28, 2020, the Board of Directors resolved to initiate a domination agreement pursuant to Sections 291 et seq. of the German Stock Corporation Act (Aktiengesetz - AktG) between the Company (as controlling entity) and ADLER Real Estate (as controlled entity) in order to further pursue the integration. Such measures include, among others, the appointment of a valuer to perform the required IDW S 1 company valuation. The conclusion of the domination agreement is subject to further steps, among others, the approval of the general meeting of ADLER Real Estate.

F. In reference to note 23(A) in the annual financial statements, the Company reduced certain fees arising from the sale of shares of certain subsidiaries in an amount of EUR 6.8 million.

G. On May 13, 2020, the Company has further increased its share capital within the scope of its authorized capital, by issuing a total of 174,833 new ordinary dematerialized shares without nominal value against contribution-in-kind of ADLER Real Estate shares in the same ratio as proposed during the Exchange Offer (0.4164), in order to accommodate an ADLER Real Estate shareholder, who due to a technical error at the level of his custodian bank, could not participate in the Exchange Offer.

ADO Properties S.A.

Consolidated financial statements of ADO Properties S.A. as of and for the fiscal year ended December 31, 2019

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

Report of the Réviseur d'Entreprises agréé

Report on the Audit of the Consolidated Financial Statements

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

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

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

Revenue recognition for investment properties

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

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

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

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

- Evaluating the design and implementation and of operating effectiveness of key internal controls over the recording of revenue for the investment properties;
- Comparing rental revenue with underlying tenancy information, including monthly rents and rental periods as set out in the signed rental agreements, on a sample basis, and assessing whether fixed rental revenue had been recorded in the appropriate accounting period; and

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

Valuation of investment properties

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

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

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

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

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

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

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

- Evaluating the qualifications and competence of the external Valuer and reading the terms of engagement of the Valuer with the Group to determine whether there were any matters that might have affected their objectivity or limited the scope of their work.
- Involving our own valuation specialists to evaluate the valuation methodologies used and to test the integrity of inputs of the projected cash flows used in the valuation to supporting leases and other documents on a sample basis;
- Involving our own valuation specialists to challenge the capitalisation and discount rates used in the valuation by comparing them with historical rates and available industry data, taking into consideration comparability and market factors. Where the rates were outside the expected range, we undertook further procedures to understand the effect of additional factors and, when necessary, held further discussions with the Valuer; and
- Assessing the adequacy of the descriptions in the consolidated financial statements, in describing the inherent degree of subjectivity and key assumptions in the estimates. This includes the relationships between the key unobservable inputs and fair values, in conveying the uncertainties.

Other Information

The Board of Directors is responsible for the other information. The other information comprises the information stated in the annual report including the combined management report and the Corporate Governance Report but does not include the consolidated financial statements and our report of "Réviseur d'Entreprises agréé" thereon.

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

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

Responsibilities of the Board of Directors and Those Charged with Governance for the Consolidated Financial Statements

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

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

Responsibilities of the Réviseur d'Entreprises agréé for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

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

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

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

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

Other Matter

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

Luxembourg, March 30, 2020

KPMG

KPMG Luxembourg
Société coopérative
Cabinet de révision agréé

Bobbi Jean Breboneria
Associate Partner

Consolidated Statement of Financial Position

In EUR thousand

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

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

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

CHIEF EXECUTIVE OFFICER

Thierry Beaudemoulin

CHAIRMAN OF THE BOARD OF DIRECTORS

Dr. Peter Maser

Date of approval: March 30, 2020

Consolidated Statement of Profit or Loss

In EUR thousand

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

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

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

Consolidated Statement of Comprehensive Income

In EUR thousand

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

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

Consolidated Statement of Cash Flows

In EUR thousand

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

(*) See note 2 regarding the adaptation of IFRS 16.
(**) Immaterial adjustment of comparative data.
(***) Represents an amount less than EUR 1 thousand.

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

Consolidated Statement of Changes in Equity

In EUR thousand

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

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

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

Consolidated Statement of Changes in Equity

In EUR thousand

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

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

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

Consolidated Statement of Changes in Equity

In EUR thousand

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

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

Note 1 – ADO Properties S.A.

ADO Properties S.A. (the "Company") was incorporated on November 13, 2007 as a private limited liability company in Cyprus, and until June 8, 2015, its legal name was "Swallowbird Trading & Investments Limited". The Company holds and operates a mainly residential assets portfolio and sells units as a separate condominium in Berlin, Germany.

The Company deleted its registration in Cyprus and moved its registered office and central administration to Luxembourg by decision of the General Meeting of shareholders dated June 8, 2015 and adopted the form of a private limited liability company *(société à responsabilité limitée)* under Luxembourg law. The Company was then converted to a public limited liability company *(société anonyme)* under Luxembourg law by decision of the General Meeting of shareholders dated June 16, 2015 and changed its name to "ADO Properties S.A." (B-197554). The address of the Company's registered office is Aerogolf Center, 1B Heienhaff, L-1736 Senningerberg, Luxembourg.

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

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

The consolidated financial statements of the Company as at December 31, 2019 and for the year then ended comprise the Company and its subsidiaries (together referred to as the "Group").

Note 2 – Basis of Preparation

A. Statement of compliance

The consolidated financial statements as at and for the year ended December 31, 2019, have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU"). The consolidated financial statements were authorized for issue by the Board of Directors on March 30, 2020.

B. Functional and presentation currency

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

C. Basis of measurement

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

D. Operating cycle

The Group has two operating cycles:

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

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

E. Use of estimates, judgments and fair value measurement

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

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

Note 2 – Basis of Preparation (continued)

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

Judgments and use of estimates

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

- **Note 16 – Uncertain tax positions (judgments)**

  The extent of the certainty that the Group's tax positions will be accepted (uncertain tax positions) and the risk of it incurring any additional tax and interest expenses. This is based on an analysis of a number of matters including interpretations of tax laws and the Group's past experience. New information may become available that causes the Group to change its judgment, resulting in recognition of additional income tax expense in the period that such a change in judgment occurs.

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

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

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

  The fair value of investment properties as at December 31, 2019 was assessed by CBRE, an industry specialist that has appropriate and recognized professional qualifications and up-to-date experience regarding the location and category of the properties. The valuation includes assumptions regarding rent, vacancies, maintenance costs and discount rate. These assumptions are subject to uncertainties that may lead to either positive or negative value adjustments in the future, impacting the profit or loss from changes in fair value of investment properties in the period that such a change in estimations occurs.

- **Note 22 – Regarding measurement of derivatives at fair value (estimation)**

  Derivative valuations are calculated by the financing bank and checked by management. The risk that derivatives will not be appropriately valued exists, since the Group needs to make judgments about the estimation of the credit risk used by the lending bank and about whether the bank used the appropriate market observation for the other variables. New information may become available that causes the Group to change its estimation, impacting the profit or loss from changes in fair value of derivatives in the period that such a change in estimations occurs.

- **Note 3 – Regarding acquisitions of companies holding real estate assets (judgment)**

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

- **Note 17 – Regarding principle versus agent considerations (judgment)**

  The Group provides ancillary services to tenants, mainly utilities, for which it re-charges the tenants. The Group uses judgment when it examines whether it acts as a principal or as an agent in providing the services to tenants. The Group examined the indicators in IFRS 15, mainly whether it is the primarily responsible for fulfilling the promise to perform the specific services and whether it has

Note 2 – Basis of Preparation (continued)

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

discretion in determining the price for the services. For charges with respect to utilities such as supply of cold water, draining, street cleaning etc., the Group believes that it is acting as an agent and such charges are recognized on a net basis. For other charges, such as cleaning, gardening and certain maintenance services, the Group believes that it is acting as a principal and accordingly they are recognized on a gross basis. Property tax and insurance are not within the scope of IFRS 15.

- **Note 27 – Control analysis**

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

- **Note 27 – Significant influence analysis**

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

Determination of fair values

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

- Note 5, investment properties; and
- Note 22, financial instruments.

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

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

F. Changes in accounting policies

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

- IFRS 16 *Leases*

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

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

Note 2 – Basis of Preparation (continued)

F. Changes in accounting policies (continued)

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

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

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

On the inception date of the lease, the Group determines whether the arrangement is a lease or contains a lease, while examining if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. In its assessment of whether an arrangement conveys the right to control the use of an identified asset, the Group assesses whether it has the following two rights throughout the lease term:

(1) The right to obtain substantially all the economic benefits from use of the identified asset; and

(2) The right to direct the identified asset's use.

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

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

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

- IFRIC 23 *Uncertainty Over Income Tax Treatments*

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

G. New standards and interpretations not yet adopted

- IFRS 3 *Business Combinations*

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

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

- Amendment to IAS 1

  The Amendment replaces certain classification requirements for current or non-current liabilities. Thus for example, according to the Amendment, a liability will be classified as non-current when the entity

Note 2 – Basis of Preparation (continued)

G. New standards and interpretations not yet adopted (continued)

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

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

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

H. Change in classification

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

Note 3 – Basis of Consolidation

Consolidation methods

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

In addition to the Company, 199 subsidiaries (2018: 206) have been included in these consolidated financial statements.

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

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

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

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

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

Note 4 – Significant Accounting Policies

A. Investment properties

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

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

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

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

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

B. Trading properties

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

C. Restricted bank deposits

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

D. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits in banks and short-term investments with an original term of up to three months. The basis of measurement of the cash and cash equivalents is amortized cost.

E. Financial instruments

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

Initial recognition and measurement of financial assets

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

Note 4 – Significant Accounting Policies (continued)

E. Financial instruments (continued)

Derecognition of financial assets

Financial assets are derecognized when the contractual rights of the Group to the cash flows from the asset expire, or the Group transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. When the Group retains substantially all of the risks and rewards of ownership of the financial asset, it continues to recognize the financial asset.

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

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

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

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

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

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

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

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

Assessment whether cash flows are solely payments of principal and interest

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

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

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

Note 4 – Significant Accounting Policies (continued)

E. Financial instruments (continued)

Subsequent measurement and gains and losses

Financial assets at fair value through profit or loss

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

Financial assets at amortized cost

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

Financial assets at fair value through other comprehensive income

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

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

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

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

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

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

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

(3) Non-derivative financial liabilities

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

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

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

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

Note 4 – Significant Accounting Policies (continued)

E. Financial instruments (continued)

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

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

(4) Share capital – ordinary shares

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

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

(5) Derivative financial instruments, including hedge accounting

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

Cash flow hedges

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

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

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

Other derivatives

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

(6) Hybrid financial instruments (convertible bond)

Liabilities that are convertible into shares at the option of the holder, including a cash settlement option in favor of the Group, are a hybrid instrument (combined) that is fully presented as a financial liability.

Note 4 – Significant Accounting Policies (continued)

E. Financial instruments (continued)

The instrument is split into two components for measurement purposes: a liability component without a conversion feature that is measured at amortized cost according to the effective interest method, and a conversion option that is an embedded derivative and is measured at fair value at each reporting date.

Separable embedded derivatives that do not serve hedging purposes

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

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

F. Impairment

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

Financial assets

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

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

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

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

The Group considers a financial asset to be in default when:

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

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

Measurement of expected credit losses

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

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortized cost are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes a breach of contract such as a default or payments being past due.

Note 4 – Significant Accounting Policies (continued)

F. Impairment (continued)

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

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

Write-off

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

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

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

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

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

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

(3) Non-financial assets

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

G. Provisions

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

The Group recognizes indemnification as an asset if, and only if, it is virtually certain that the indemnification will be received if the Group will settle the obligation. The amount recognized for the indemnification does not exceed the amount of the provision. Provisions are measured on the basis of discounted expected future cash flows.

H. Employee benefits

Share-based payment transactions

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

Note 4 – Significant Accounting Policies (continued)

H. Employee benefits (continued)

on the number of awards that meet the related service and non-market performance conditions at the vesting date.

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

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

I. Revenue recognition

Policy applicable as from January 1, 2018

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

Identifying the contract

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

(a) The parties to the contract have approved the contract (in writing, orally or according to other customary business practices) and they are committed to satisfying the obligations attributable to them;

(b) The Group can identify the rights of each party in relation to the goods or services that will be transferred;

(c) The Group can identify the payment terms for the goods or services, that will be transferred;

(d) The contract has a commercial substance (i.e. the risk, timing and amount of the entity's future cash flows are expected to change as a result of the contract); and

(e) It is probable that the consideration, to which the Group is entitled to in exchange for the goods or services transferred to the customer, will be collected.

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

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

Determining the transaction price

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

Satisfaction of performance obligations

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

Note 4 – Significant Accounting Policies (continued)

I. Revenue recognition (continued)

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

Principal or agent

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

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

Policy applicable before January 1, 2018

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

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

J. Finance income and costs

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

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

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

K. Taxation

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

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

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

- The initial recognition of goodwill;
- The initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss; and

Note 4 – Significant Accounting Policies (continued)

K. Taxation (continued)

- Differences relating to investments in subsidiaries, to the extent that the Group is able to control the timing of the reversal of the temporary difference and it is probable that they will not reverse in the foreseeable future, either by way of selling the investment or by way of distributing dividends in respect of the investment.

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

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

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

L. Earnings per share

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

Note 5 – Investment Properties

A. Reconciliation of carrying amount

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

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

As at December 31, 2019, the closing balance of investment properties consisted of 16,115 (2018: 22,067) residential units with a total residential lettable area of 1,056,930 (2018: 1,454,255) m^2, 1,377 (2018:1,450) commercial units (retail, office and other commercial) with a total commercial lettable area of 161,721 (2018: 171,199) m^2 and 4,914 (2018: 5,401) parking spaces and spaces for storage, antennas, etc., all in Berlin.

According to the Group's fair value valuation policies for investment properties, investment properties generally undergo a detailed valuation as at June 30 and December 31 of each year. The valuations are based on a discounted cash flow model. The valuation model considers the present value of net cash flows to be generated from the property, taking into account expected rental growth rate, void periods, occupancy rate, lease incentive costs such as rent-free periods and other costs not paid by tenants.

Note 5 – Investment Properties (continued)

A. Reconciliation of carrying amount (continued)

The expected net cash flows are discounted using risk-adjusted discount rates. Among other factors, the discount rate estimation considers the quality of a building and its location (prime vs. secondary), tenant credit quality and lease terms.

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

The law is divided into two phases:

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

2) Furthermore rent caps will apply nine months after the law commencement. Starting from December 1, 2020 the key regulation will be as follows:

The rent caps are based on the rental table ("Mietspiegel") of Berlin of 2013 in accordance with the year of construction and equipment. In addition, surcharges and discounts for the location and modern equipment up to EUR 1.00 per m² can be taken into account. These rent caps may not be exceeded by more than 20%, otherwise the tenant may demand a reduction of the rent.

- Existing rents (plus, if applicable, individual adjustments) will have to be decreased to the rent level of the local rental table 2013 plus 20%.
- Rents of re-lettings (plus, if applicable, individual adjustments) will have to be decreased to the rent level of the local rental table 2013 plus 13.5% (compensation for inflation).

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

From the point of view of CBRE, the realization of the "Berliner Mietendeckel" in detail as at December 31, 2019 is still uncertain. Currently it is legally uncertain whether the law is constitutionally permissible and whether the legislative competence lies with the State of Berlin. This means that there are discussions among lawyers, whether the rental law for privately financed housing is exclusively regulated by federal law (Building Code; rent control) or whether individual laws or regulations can be passed at the level of the federal state and/or municipality. A standard control procedure at the Berlin Constitutional Court or the Federal Constitutional Court was announced by members of the opposition CDU and FDP after the law entered into force on 23 February 2020.

As at December 31, 2019, economical and legal effects/outcomes of the "Berliner Mietendeckel" are not predictable. CBRE states that in terms of market sentiment from the direct investors' side, they so far have not seen any decreases in pricing. Also, CBRE states that they are continuing to monitor the pricing of recent transactions, which will be relevant for the valuation as at December 31, 2019. So far, CBRE did not incorporate any changes in the cash flow of the DCF model as there is no existing legal framework for it. Further, CBRE carried out a survey based on real transaction prices from the local land valuation board and asking prices, both for multifamily houses in Berlin. By comparing July to October 2019 with the first half of 2019 the result of our analysis is that both sources of information indicate stable to slightly increasing prices despite the announcement of the rental freeze proposition. However, the valuer noted, that investors are more cautious and sometimes transactions are on hold. Therefore, the discount and exit cap rates, as at the date of approving these financial statements, generally remain stable.

According to German law, residential rental contracts are unlimited in their duration or lease period. The tenants have the sole right to terminate the contract with three months' notice in writing. According to German law, the owner can terminate the residential contract only if the owner has "justified cause", such as if the tenant is in default for more than two months' rent. The termination or cancellation of the contract

A. Reconciliation of carrying amount (continued)

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

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

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

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

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

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

B. Measurement of fair value

(1) Fair value hierarchy

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

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

(2) Valuation technique and significant unobservable inputs

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

Note 5 – Investment Properties (continued)

B. Measurement of fair value (continued)

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

	December 31, 2019					
	Central	S-Bahn ring	S-Bahn ring (1960-1990)	City ring	City ring (1960-1990)	Total
Fair value (EUR thousand)	**1,614,243**	**625,410**	**704,630**	**414,330**	**265,840**	**3,624,453**
Fair value per m² (EUR)	**3,332**	**2,839**	**2,750**	**2,725**	**2,380**	**2,959**
Average residential in-place rent (EUR/m²)	**7.71**	**7.42**	**7.25**	**8.50**	**6.67**	**7.50**
CBRE market rent (EUR/m²)	**9.64**	**9.16**	**8.52**	**8.86**	**7.76**	**9.03**
Average new letting rent (EUR/m²)	**11.97**	**10.34**	**10.25**	**9.84**	**9.51**	**10.91**
Multiplier (current rent)	**34.07**	**32.80**	**31.06**	**29.89**	**29.45**	**32.35**
Multiplier (CBRE market rent)	**27.79**	**25.99**	**26.09**	**25.03**	**25.05**	**26.58**
Multiplier (new letting rent)	**22.38**	**23.02**	**21.68**	**22.54**	**20.45**	**21.99**
Discount rate (%)	**4.53%**	**4.63%**	**4.63%**	**4.80%**	**4.76%**	**4.61%**
Capitalization interest rate (%)	**2.57%**	**2.71%**	**2.76%**	**2.85%**	**2.88%**	**2.69%**

	December 31, 2018					
	Central	S-Bahn ring	S-Bahn ring (1960-1990)	City ring	City ring (1960-1990)	Total
Fair value (EUR thousand)	1,478,973	481,740	678,360	316,010	1,088,940	4,044,023
Fair value per m² (EUR)	3,011	2,650	2,435	2,494	1,970	2,479
Average residential in-place rent (EUR/m²)	7.23	6.98	7.10	7.24	5.93	6.70
CBRE market rent (EUR/m²)	9.00	8.77	7.99	8.59	6.96	8.02
Average new letting rent (EUR/m²)	11.90	9.77	10.13	8.91	7.30	9.42
Multiplier (current rent)	32.73	31.96	28.53	28.34	27.93	30.14
Multiplier (CBRE market rent)	26.85	25.31	24.69	23.84	23.23	25.01
Multiplier (new letting rent)	20.30	22.70	19.47	23.00	22.16	21.28
Discount rate (%)	4.61%	4.73%	4.77%	4.93%	4.97%	4.77%
Capitalization interest rate (%)	2.65%	2.79%	2.91%	2.96%	3.02%	2.84%

(3) Sensitivity analysis

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

December 31, 2019			
		Change in values	
Valuation parameters	Change in parameters	In EUR thousand	%
Average new letting rent (EUR/m²)	**+10%**	**258,997**	**7.1**
Vacancy rate (%)	**+1%**	**(45,471)**	**(1.2)**
Discount and Capitalization rate (%)	**25bps**	**(321,501)**	**(8.8)**

December 31, 2018			
		Change in values	
Valuation parameters	Change in parameters	In EUR thousand	%
Average new letting rent (EUR/m²)	+10%	277,967	6.8
Vacancy rate (%)	+1%	(48,181)	(1.2)
Discount and Capitalization rate (%)	25bps	(341,351)	(8.3)

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

Note 5 – Investment Properties (continued)

C. Amounts that were recognized in the consolidated statement of profit or loss

	For the year ended December 31,		
	2019	**2018**	**2017**
		In EUR thousand	
Rental income from investment property	**134,141**	127,982	103,300
Direct operating expenses arising from investment property that generated rental income during the period	**(26,746)**	(20,736)	(15,551)
Total	**107,395**	107,246	87,749

Note 6 – Trading Properties

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

Note 7 – Restricted Bank Deposits

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

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

Note 8 – Trade Receivables

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

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

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

Note 8 – Trade Receivables (continued)

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

B. Impairment losses on trade receivables changed as follows:

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

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

Note 9 – Other Receivables

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

Note 10 – Cash and Cash Equivalents

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

Note 11 – Other Financial Liabilities

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

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

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

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

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

Note 12 – Equity

A. Share capital and share premium

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

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

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

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

B. Hedging reserve

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

C. Capital reserve from transactions with controlling shareholder

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

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

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

Note 13 – Corporate Bonds and Convertible Bonds

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

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

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

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

Note 13 – Corporate Bonds and Convertible Bonds (continued)

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

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

Note 14 – Other Loans and Borrowings

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

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

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

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

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

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

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

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

Note 15 – Other Payables

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

Note 16 – Taxes

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

(1) Germany

- The standard rate of corporation tax for both residents and non-residents is 15%. A "solidarity surcharge" is also levied resulting in an effective rate of 15.825% which applies to companies which hold German property regardless of their residence. Trade tax at the relevant rate (trade tax rate depends on the municipality of the Company) is also levied on the income of the companies, except for non-residents with no permanent establishment in Germany or if the companies' business purpose is restricted to the holding and letting of real estate property (property holding companies). Dividends received from another company are 95% tax exempt when the investment in the other company is at least 10% at the beginning of the calendar year or the investment was increased by 10% during the year.
- No tax is withheld on rental payments to non-resident companies holding German property.
- Capital gains on the sale of German property are subject to corporation tax at the standard rate for both residents and non-residents. Trade tax is also applicable at the relevant rate, except for non-residents with no permanent establishment in Germany or for property holding companies as long as the sale of the asset is classified as part of that business (detailed and strict regulations apply). Capital gains realized by a company on the sale of shares in a property holding company are 95% tax exempt.
- German real estate owned at the start of the calendar year is subject to annual property tax at 3.5% to 6.5% (depending on the location of the property, 6.0% for Berlin) on the specially assessed value of the property (dependent on the rental value and age of the property). The tax payable is a deductible expense for profit tax purposes such as trade tax and corporation tax.
- The transfer of German real estate or a share transaction that unifies at least 95% (expected to be reduced to 90%) of the shares of a company holding a real estate property is subject to a real estate transfer tax (RETT), which is payable by the buyer on the purchase price (on transfer of the property) or a specially assessed value as above (on transfer of shares). The tax rate varies between 3.5% and 6.5%, depending on the municipality where the property is located. In Berlin the tax rate is 6%.
- Limitation on the tax deductibility of interest expenses, and simultaneous repeal of the existing thin-capitalization rules. The "interest barrier rule" allows the deduction of net interest expenses exceeding EUR 3 million p.a. only to the extent that total net interest expenses do not exceed 30% of the EBITDA, unless the total net interest does not exceed EUR 3 million p.a. or other exemption criteria are met. The net interest expenses that are not deductible can be carried forward.
- Accumulated tax losses can be carried forward without time restriction and can be deducted from future profits and capital gains unless they exceed EUR 1 million. Losses carried forward that exceed EUR 1 million can only be deducted to the amount of 60% of the profits/capital gains that exceed EUR 1 million (minimum taxation). Those parts that cannot be deducted on the basis of the minimum taxation can be carried forward again and are subject to minimum taxation in the following years.

The corporation tax rate used to calculate deferred tax assets and deferred tax liabilities as at December 31, 2019 and as at December 31, 2018 is 15.825% for the property holding companies which only hold real

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

estate assets and 30.18% for the management companies that operate the real estate in Berlin, as these management companies are subject to corporate income tax of 15.825% and trade tax at the relevant rate.

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

(2) Luxembourg

- The Company is liable for Luxembourg corporation taxes. The aggregate maximum applicable rate, including corporate income tax, municipal business tax and a contribution to the employment fund, is 24.94% for the fiscal year ending 2019 for a company established in Luxembourg City.
- The Company is fully subject to the annual net wealth tax charge which amounts to 0.5% of the net asset value of the Company. Certain assets might be excluded from the net asset value for the purposes of the net wealth tax computation, provided that the provisions of paragraph 60 of the valuation law of October 16, 1934, as amended (BewG), are met.
- A 15% withholding tax will be due in Luxembourg on dividends paid by the Company to its shareholders unless the domestic withholding tax exemption regime or a withholding tax reduction or exemption under a double tax treaty concluded by Luxembourg applies. Normal interest payments (i.e. not profit-linked interest) and liquidation proceeds are generally not subject to withholding tax, unless the EU Savings Directive applies. Should any withholding taxes be payable on amounts paid by the Company, the Company assumes responsibility for the withholding of Luxembourg taxes at the source.

(3) Ireland

- An Irish tax resident company is subject to corporation tax on its worldwide income (subject to any relevant exemptions) at either 12.5% or 25% depending on the activities undertaken by the Company. Any capital gains recognized by an Irish company (subject to any relevant exemptions) will also be subject to corporation tax. However, such gains are re-grossed for corporation tax purposes to ensure they are taxed at the capital gains tax rate of 33%.
- Dividends received by an Irish resident company from another Irish resident company are exempt from corporation tax. Dividends received from a foreign company in the hands of an Irish resident company are subject to corporation tax; however, a credit should be available for underlying corporate and withholding tax generally for foreign tax paid.
- In general, with respect to non-resident companies, interest and patent royalties which are derived from Ireland are subject to withholding tax in Ireland at the rate of 20%. However, there are a number of domestic exemptions from this withholding tax. In addition, there may be exemptions or reliefs available under a treaty or under the EU directives.

(4) Malta

- A Malta tax resident company is subject to corporation tax on its worldwide income (subject to any relevant exemptions) at 35%. Any capital gains recognized by a Maltese company (subject to any relevant exemptions) will also be subject to corporation tax.
- The corporation income tax rate of a Maltese company may be reduced to 3.5%, based on the Notional Interest Deduction (NID) provision, and subject to conditions, or based on the refund mechanism subject to the conditions under the domestic law in Malta.
- Malta does not impose any withholding tax on an outbound payment of dividends. Consequently, dividends distribution by a Maltese resident company to its shareholder should not be subject to withholding tax in Malta.
- Interest payments generated in Malta by non-residents should not be subject to withholding tax in Malta based on the domestic tax law.

Note 16 – Taxes (continued)

B. Income taxes

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

C. Reconciliation of statutory to effective tax rate

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

D. Recognized deferred tax assets and liabilities

Deferred taxes recognized are attributable to the following:

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

Note 16 – Taxes (continued)

D. Recognized deferred tax assets and liabilities (continued)

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

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

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

Tax losses carried forward amounted to EUR 103,460 thousand at December 31, 2019 (2018: EUR 70,277 thousand). Tax losses can be carried forward indefinitely.

Deferred tax assets are recognized for tax losses carried forward to the extent that the realization of the related tax benefit through future taxable profits is probable. The Group did not recognize deferred tax assets of EUR 4,650 thousand as at December 31, 2019 (2018: EUR 6,065 thousand) in respect of losses carried forward amounting to EUR 29,385 thousand as at December 31, 2019 (2018: EUR 38,324 thousand) that can be carried forward against future taxable income due to its expectation for their utilization.

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

Note 17 – Revenue

	For the year ended December 31,		
	2019	2018	2017
	In EUR thousand		
Net rental income	134,141	127,982	103,300
Selling of condominiums	14,948	20,265	19,671
Income from facility services	7,431	6,606	5,881
Total	**156,520**	**154,853**	**128,852**

Note 18 – Cost of Operations

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

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

Note 19 – General and Administrative Expenses

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

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

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

Note 20 – Net Finance Costs

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

Note 21 – Earnings per Share

A. Basic and diluted earnings per share

The calculation of basic earnings per share as at December 31, 2019 was based on the profit attributable to the Company's ordinary shareholders divided by a weighted average number of ordinary shares outstanding, calculated as follows:

(1) Earnings attributable to the owners of the Company (basic)

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

(2) Weighted average number of ordinary shares

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

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

Note 22 – Financial Instruments

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

A. Credit risk

B. Market risk

C. Liquidity risk

A. Credit risk

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

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

Cash and cash equivalents

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

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

Note 22 – Financial Instruments (continued)

A. Credit risk (continued)

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

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

Assessment of expected credit losses for individual customers

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

B. Market risk

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

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

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

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

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

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

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

Note 22 – Financial Instruments (continued)

C. Liquidity risk

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

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

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

	December 31, 2019					
	Carrying amount	Contractual cash flows	2020	2021	2022	Due after 3 years
	In EUR thousand					
Corporate bonds	**397,433**	**430,000**	**6,000**	**6,000**	**6,000**	**412,000**
Convertible bonds	**1 56,334**	**175,314**	**2,063**	**2,063**	**2,063**	**169,125**
Other loans and borrowings	**777,81 7**	**829,247**	**57,526**	**131,401**	**68,335**	**571,985**
Other financial liabilities	**47,951**	**47,951**	**1,535**	**561**	**437**	**45,418**
Trade payables	**22,079**	**22,079**	**22,079**	**—**	**—**	**—**
Tenants' security deposits	**21,133**	**21,133**	**21,133**	**—**	**—**	**—**
Other payables	**18,958**	**18,958**	**18,958**	**—**	**—**	**—**
Derivatives (*)	**2,766**	**2,295**	**163**	**375**	**194**	**1,563**
Total	**1,444,471**	**1,546,977**	**129,457**	**140,400**	**77,029**	**1,200,091**

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

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

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

Note 22 – Financial Instruments (continued)

D. Fair value

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

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

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

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

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

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

Fair value for liabilities is estimated by discounting future cash flows by the market interest rate on the date of measurement.

In respect of the liability component of convertible bonds, the market rate of interest is determined by bid and ask quotes in the market.

The market interest rates used to determine the fair value of other loans and borrowings are the discount rate of Euribor+1.2% for the variable interest bank loans (2018: Euribor+1.2%) and the discount rate of 1.07% for the fixed interest bank loans (2018: 1.73%).

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

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

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

(a) Other financial assets relate to the Group's option for purchasing the non-controlling interest in a transaction completed at the end of 201 3 (EUR 6,862 thousand) which is measured at fair value and a call option agreement with a major shareholder of Consus Estate AG ("Consus") to acquire an additional 50.97% in Consus in the amount of EUR 92,009 thousand (see note 27D). The model used

Note 22 – Financial Instruments (continued)

D. Fair value (continued)

by an external and independent valuator for Consus' call option is based on a multivariate Monte-Carlo simulation applying a Cholesky decomposition with correlated random numbers in order to model two correlated stock prices.

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

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

(c) Other financial liabilities relate to a put option and an annual compensation fee granted to ADO Group (see note 11) measured at fair value. The fair value is calculated based on the expected payment amounts and the liability is discounted to present value using the market interest rate at the reporting date.

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

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

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

E. Capital management

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

The key figure for capital management is Loan-to-Value Ratio, which is the ratio of net financial liabilities compared to the value of the investment and trading properties. The Company aims to achieve a long-term Loan-to-Value Ratio of maximum 40%.

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

Note 22 – Financial Instruments (continued)

F. Movement in liabilities deriving from financing activities

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

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

Note 23 – Contingent Liabilities and Commitments

A. Contingent liabilities

The Group is involved in few legal actions arising in the ordinary course of business. It is management's opinion, on the basis of a legal opinion, that these matters will not have a material adverse effect on the Group's consolidated financial position or results of its operations, therefore no provision was recorded. An exception for that, the Company recorded a provision for broker fees accrued as a result of the sale of shares of certain subsidiaries (see note 27B).

B. Securities, guarantees and liens under bank finance agreements

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

In some cases, payments to the shareholders, including dividend distribution, are subject to financial covenants. Several German companies undertook not to sell or transfer a substantial part of their assets

Note 23 – Contingent Liabilities and Commitments (continued)

B. Securities, guarantees and liens under bank finance agreements (continued)

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.

C. Future minimum lease payments

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

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

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

Note 24 – Segments Reporting

The Company reports by business segments on the basis of the information provided to the Group's Chief Operating Decision Maker (CODM). Segment information is not reported by geographical region of the properties as all operational activities are located in Berlin.

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

- Residential property management – the Group's core business activity is the rent and management of the residential properties, which includes the modernization and maintenance of the properties, the management of tenancy agreements and marketing of residential units. The focus of property management is on the optimization of rental income;
- Privatization – this segment includes all aspects of the preparation and execution of the sale of units. In addition, this segment is also subject to modernization, maintenance and management, and generates rental income for non-vacant units.

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

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

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

Note 24 – Segments Reporting (continued)

A. Information about reportable segments

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

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

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

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

B. Entity level disclosures

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

Note 25 – Related Parties

A. Related companies

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

Transactions with related companies:

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

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

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

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

B. Transactions with key management personnel

Within the Group, the individuals in key positions pursuant to IAS 24 include the Board of Directors of ADO Properties S.A. Compensation and benefits to key management personnel that are employed by the Group:

	For the year ended December 31,		
	2019	**2018**	**2017**
	In EUR thousand		
Short-term employee benefits	**849**	800	955
Share-based payment	**108**	335	350
Other compensation (see note 19B)	**2,132**	279	—
Total	**3,089**	1,414	1,305

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

Note 25 – Related Parties (continued)

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

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

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

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

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

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

Note 26 – Auditors' Fees

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

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

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

Note 27 – Material Events in the Reporting Period and Subsequent Events

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

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

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

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

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

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

Closing of the Offer will trigger change-of-control rights under, inter alia, a EUR 885 million bridge loan of ADLER and certain other financings entered into by Adler and/or its respective subsidiaries. ADO Properties intends to refinance the EUR 885 million bridge loan and all other debt of ADLER and ADLER’s subsidiaries in relation to which creditors exercise their change-of-control rights with loans utilized under the EUR 3,463 million bridge facility agreement with J.P. Morgan Securities Plc, J.P. Morgan AG and J.P. Morgan Europe Limited. As at December 31, 2019, the maximum nominal amount of the bridge facility agreement will be reduced to EUR 2,424 million.

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

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

Upon investment of the Company into Consus, the Company did not receive any right to appoint any board members and does not have any representation in any of the boards of Consus as at December 31, 2019.

The call option is exercisable from the date of signing of the option agreement, i.e. 15 December 2019, until 16 June 2021. If the Company wants to exercise the option, it needs to issue an exercise notice and the assignment of the shares needs to occur within 15 business days after all relevant merger clearance approvals have been obtained. Under the put option, the shareholder of Consus shall have the right to request form the Company that it acquires the relevant shares, if a change of control event at the Company occurs. It shall be exercisable by the shareholder within 5 business days after the occurrence of a change of control event by giving written notice thereof to the Company.

Note 27 – Material Events in the Reporting Period and Subsequent Events (continued)

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

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

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

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

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

Note 28 – List of the Company Shareholdings

			Shareholding and control at December 31,	
			2019	2018
	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
4	Adon Grundstücks GmbH	Germany	99.64	99.64
5	Ahava Grundstücks GmbH	Germany	99.64	99.64
6	Anafa 1 Grundstücks GmbH	Germany	99.64	99.64
7	Anafa 2 Grundstücks GmbH	Germany	99.64	99.64
8	Gamazi Grundstücks GmbH	Germany	99.64	99.64
9	Anafa Grundstücks GmbH	Germany	99.64	99.64
10	Badolina Grundstücks GmbH	Germany	99.64	99.64
11	Berale Grundstücks GmbH	Germany	99.64	99.64
12	Bamba Grundstücks GmbH	Germany	99.64	99.64
13	Zman Grundstücks GmbH	Germany	99.64	99.64
14	ADO Immobilien Management GmbH	Germany	100	100
15	CCM City Construction Management GmbH	Germany	100	100
16	Drontheimer Str. 4 Grundstücks GmbH	Germany	99.64	99.64
17	Eldalote Grundstücks GmbH	Germany	99.64	99.64
18	Nuni Grundstücks GmbH	Germany	99.64	99.64
19	Krembo Grundstücks GmbH	Germany	99.64	99.64

Note 28 – List of the Company Shareholdings (continued)

	Company	Country	Shareholding and control at December 31, 2019 %	2018 %
20	Tussik Grundstücks GmbH	Germany	99.64	99.64
21	Geut Grundstücks GmbH	Germany	99.64	99.64
22	Gozal Grundstücks GmbH	Germany	99.64	99.64
23	Gamad Grundstücks GmbH	Germany	99.64	99.64
24	Geshem Grundstücks GmbH	Germany	99.64	99.64
25	Lavlav 1 Grundstücks GmbH	Germany	99.64	99.64
26	Lavlav 2 Grundstücks GmbH	Germany	99.64	99.64
27	Lavlav 3 Grundstücks GmbH	Germany	99.64	99.64
28	Lavlav Grundstücks GmbH	Germany	99.64	99.64
29	Mastik Grundstücks GmbH	Germany	99.64	99.64
30	Maya Grundstücks GmbH	Germany	99.64	99.64
31	Mezi Grundstücks GmbH	Germany	99.64	99.64
32	Muse Grundstücks GmbH	Germany	99.64	99.64
33	Papun Grundstücks GmbH	Germany	99.64	99.64
34	Nehederet Grundstücks GmbH	Germany	99.64	99.64
35	Neshama Grundstücks GmbH	Germany	99.64	99.64
36	Osher Grundstücks GmbH	Germany	99.64	99.64
37	Pola Grundstücks GmbH	Germany	99.64	99.64
38	ADO Properties GmbH	Germany	100	100
39	Reshet Grundstücks GmbH	Germany	99.64	99.64
40	Sababa18 Grundstücks GmbH	Germany	99.64	99.64
41	Sababa19 Grundstücks GmbH	Germany	99.64	99.64
42	Sababa20 Grundstücks GmbH	Germany	99.64	99.64
43	Sababa21 Grundstücks GmbH	Germany	99.64	99.64
44	Sababa22 Grundstücks GmbH	Germany	99.64	99.64
45	Sababa23 Grundstücks GmbH	Germany	99.64	99.64
46	Sababa24 Grundstücks GmbH	Germany	99.64	99.64
47	Sababa25 Grundstücks GmbH	Germany	99.64	99.64
48	Sababa26 Grundstücks GmbH	Germany	99.64	99.64
49	Sababa27 Grundstücks GmbH	Germany	99.64	99.64
50	Sababa28 Grundstücks GmbH	Germany	99.64	99.64
51	Sababa29 Grundstücks GmbH	Germany	99.64	99.64
52	Sababa30 Grundstücks GmbH	Germany	99.64	99.64
53	Sababa31 Grundstücks GmbH	Germany	99.64	99.64
54	Sababa32 Grundstücks GmbH	Germany	99.64	99.64
55	Shemesh Grundstücks GmbH	Germany	—	99.64
56	Stav Grundstücks GmbH	Germany	99.64	99.64
57	Tamuril Grundstücks GmbH	Germany	99.64	99.64
58	Tara Grundstücks GmbH	Germany	99.64	99.64
59	Tehila1 Grundstücks GmbH	Germany	99.64	99.64
60	Tehila2 Grundstücks GmbH	Germany	99.64	99.64
61	Tehila Grundstücks GmbH	Germany	99.64	99.64
62	Trusk Grundstücks GmbH	Germany	99.64	99.64
63	Wernerwerkdamm 25 Berlin Grundstücks GmbH	Germany	99.64	99.64
64	Yarok Grundstücks GmbH	Germany	99.64	99.64
65	Yahel Grundstücks GmbH	Germany	99.64	99.64
66	Yussifun Grundstücks GmbH	Germany	99.64	99.64
67	Bombila Grundstücks GmbH	Germany	99.64	99.64
68	ADO SBI Holdings S.A. & Co. KG	Germany	94	94
69	Central Facility Management GmbH	Germany	100	100
70	Sheket Grundstücks GmbH	Germany	100	100
71	Seret Grundstücks GmbH	Germany	100	100
72	Melet Grundstücks GmbH	Germany	100	100
73	Yabeshet Grundstücks GmbH	Germany	100	100
74	ADO Finance B.V.	Holland	100	100

Note 28 – List of the Company Shareholdings (continued)

	Company	Country	Shareholding and control at December 31, 2019 %	2018 %
75	Yadit Grundstücks GmbH	Germany	100	100
76	Zamir Grundstücks GmbH	Germany	100	100
77	Arafel Grundstücks GmbH	Germany	100	100
78	Sharav Grundstücks GmbH	Germany	100	100
79	Sipur Grundstücks GmbH	Germany	100	100
80	Matok Grundstücks GmbH	Germany	100	100
81	Barbur Grundstücks GmbH	Germany	94.9	94.9
82	Parpar Grundstücks GmbH	Germany	100	100
83	Jessica Properties B.V.	Holland	94.50	94.50
84	Alexandra Properties B.V.	Holland	94.44	94.44
85	Marbien B.V.	Holland	94.90	94.90
86	Meghan Properties B.V.	Holland	94.44	94.44
87	Matok Löwenberger Straße Grundstücks GmbH	Germany	100	100
88	Songbird 1 ApS	Denmark	60	60
89	Songbird 2 ApS	Denmark	60	60
90	Joysun 1 B.V.	Holland	60	60
91	Joysun 2 B.V.	Holland	60	60
92	Yona Investment GmbH & Co. KG	Germany	60	60
93	Yanshuf Investment GmbH & Co. KG	Germany	60	60
94	Ziporim Investment GmbH	Germany	60	60
95	Ofek 1 Grundstücks GmbH	Germany	—	100
96	Ofek 2 Grundstücks GmbH	Germany	—	100
97	Ofek 3 Grundstücks GmbH	Germany	—	100
98	Ofek 4 Grundstücks GmbH	Germany	—	100
99	Ofek 5 Grundstücks GmbH	Germany	—	100
100	Galim 1 Grundstücks GmbH	Germany	—	100
101	Galim 2 Grundstücks GmbH	Germany	—	100
102	Galim 3 Grundstücks GmbH	Germany	—	100
103	JS Nestorstrasse Grundstücks GmbH	Germany	60	60
104	JS Florapromenade Grundstücks GmbH	Germany	60	60
105	JS Cotheniusstrasse Grundstücks GmbH	Germany	60	60
106	JS Tauroggener Grundstücks GmbH	Germany	60	60
107	JS Kiehlufer Grundstücks GmbH	Germany	60	60
108	JS Rubenstrasse Grundstücks GmbH	Germany	60	60
109	Yona Stettiner Grundstücks GmbH	Germany	60	60
110	Yona Schul Grundstücks GmbH	Germany	60	60
111	Yona Otawi Grundstücks GmbH	Germany	60	60
112	Yona Strom Grundstücks GmbH	Germany	60	60
113	Yona Gutenberg Grundstücks GmbH	Germany	60	60
114	Yona Kameruner Grundstücks GmbH	Germany	60	60
115	Yona Schichauweg Grundstücks GmbH	Germany	60	60
116	Yona Alt-Tempelhof Grundstücks GmbH	Germany	60	60
117	Yona Gruberzeile Grundstücks GmbH	Germany	60	60
118	Yona Schloss Grundstücks GmbH	Germany	60	60
119	Yona Lindauer Grundstücks GmbH	Germany	60	60
120	Yona Nogat Grundstücks GmbH	Germany	60	60
121	Yona Bötzow Grundstücks GmbH	Germany	60	60
122	Yona Herbst Grundstücks GmbH	Germany	60	60
123	Yona Danziger Grundstücks GmbH	Germany	60	60
124	Yona Schön Grundstücks GmbH	Germany	60	60
125	Yanshuf Kaiser Grundstücks GmbH	Germany	60	60
126	Yanshuf Binz Grundstücks GmbH	Germany	60	60
127	Yanshuf Antonien Grundstücks GmbH	Germany	60	60
128	Yanshuf See Grundstücks GmbH	Germany	60	60
129	Yanshuf Hermann Grundstücks GmbH	Germany	60	60

Note 28 – List of the Company Shareholdings (continued)

	Company	Country	Shareholding and control at December 31, 2019 %	2018 %
130	Yanshuf Schmidt-Ott Grundstücks GmbH	Germany	60	60
131	Hanpaka Holding GmbH	Germany	100	100
132	Hanpaka Immobilien GmbH	Germany	94.90	94.90
133	Dvash 1 Holding GmbH	Germany	100	100
134	Dvash 2 Holding GmbH	Germany	100	100
135	Dvash 3 B.V.	Holland	100	100
136	Rimon Holding GmbH	Germany	100	100
137	Bosem Grundstücks GmbH	Germany	100	100
138	Rimon Grundstücks GmbH	Germany	94.90	94.90
139	Dvash 21 Grundstücks GmbH	Germany	94.90	94.90
140	Dvash 22 Grundstücks GmbH	Germany	94.90	94.90
141	Dvash 23 Grundstücks GmbH	Germany	94.90	94.90
142	Dvash 24 Grundstücks GmbH	Germany	94.90	94.90
143	Dvash 11 Grundstücks GmbH	Germany	94.90	94.90
144	Dvash 12 Grundstücks GmbH	Germany	94.90	94.90
145	Dvash 13 Grundstücks GmbH	Germany	94.90	94.90
146	Dvash 14 Grundstücks GmbH	Germany	94.90	94.90
147	ADO FC Management Unlimited Company	Ireland	100	100
148	5. Ostdeutschland Invest GmbH	Germany	94.90	94.90
149	8. Ostdeutschland Invest GmbH	Germany	94.90	94.90
150	Horef Holding GmbH	Germany	100	100
151	ADO 9110 Holding GmbH	Germany	100	100
152	Silan Holding GmbH	Germany	100	100
153	ADO Sonnensiedlung S.à r.l.	Luxembourg	94.90	94.90
154	Horef Grundstücks GmbH	Germany	94.93	94.93
155	Sprengelstraße 39 GmbH	Germany	94	94
156	Scharnweberstraße 112 Verwaltungsgesellschaft mbH	Germany	94.90	94.90
157	Kantstraße 62 Grundstücks GmbH	Germany	100	100
158	ADO Treasury GmbH	Germany	100	100
159	ADO 9160 Grundstücks GmbH	Germany	94.90	94.90
160	ADO 9200 Grundstücks GmbH	Germany	94.90	94.90
161	ADO 9210 Grundstücks GmbH	Germany	94.90	94.90
162	ADO 9220 Grundstücks GmbH	Germany	94.90	94.90
163	ADO 9230 Grundstücks GmbH	Germany	94.90	94.90
164	ADO 9240 Grundstücks GmbH	Germany	94.90	94.90
165	ADO 9250 Grundstücks GmbH	Germany	94.00	94.00
166	ADO 9260 Grundstücks GmbH	Germany	94.90	94.90
167	ADO 9270 Grundstücks GmbH	Germany	94.80	94.80
168	ADO 9280 Grundstücks GmbH	Germany	94.90	94.90
169	ADO 9290 Grundstücks GmbH	Germany	94.90	94.90
170	ADO 9300 Grundstücks GmbH	Germany	94.90	94.90
171	ADO 9310 Grundstücks GmbH	Germany	94.90	94.90
172	ADO 9320 Grundstücks GmbH	Germany	94.90	94.90
173	ADO 9330 Grundstücks GmbH	Germany	94.90	94.90
174	ADO 9340 Grundstücks GmbH	Germany	94.90	94.90
175	ADO 9350 Grundstücks GmbH	Germany	94.90	94.90
176	ADO 9360 Holding GmbH	Germany	100	100
177	ADO 9370 Grundstücks GmbH	Germany	94.90	94.90
178	ADO 9380 Grundstücks GmbH	Germany	94.90	94.90
179	ADO 9390 Grundstücks GmbH	Germany	94.90	94.90
180	ADO 9400 Grundstücks GmbH	Germany	94.90	94.90
181	ADO 9410 Grundstücks GmbH	Germany	94.90	94.90
182	ADO 9420 Grundstücks GmbH	Germany	94.90	94.90
183	ADO 9430 Grundstücks GmbH	Germany	94.90	94.90
184	ADO 9440 Grundstücks GmbH	Germany	94.90	94.90

Note 28 – List of the Company Shareholdings (continued)

	Company	Country	Shareholding and control at December 31, 2019 %	2018 %
185	ADO 9450 Grundstücks GmbH	Germany	94.90	94.90
186	ADO 9460 Grundstücks GmbH	Germany	94.90	94.90
187	ADO 9470 Grundstücks GmbH	Germany	94.90	94.90
188	ADO 9480 Grundstücks GmbH	Germany	94.90	94.90
189	ADO 9490 Grundstücks GmbH	Germany	94.90	94.90
190	ADO 9500 Grundstücks GmbH	Germany	94.90	94.90
191	ADO 9510 Grundstücks GmbH	Germany	94.90	94.90
192	ADO 9520 Grundstücks GmbH	Germany	94.90	94.90
193	ADO 9530 Grundstücks GmbH	Germany	94.90	94.90
194	ADO 9540 Holding GmbH	Germany	100	100
195	ADO Lux Finance S.à r.l.	Luxembourg	100	100
196	ADO 9550 Grundstücks GmbH	Germany	94.90	94.90
197	ADO 9560 Grundstücks GmbH	Germany	94.90	94.90
198	ADO 9570 Grundstücks GmbH	Germany	94.90	94.90
199	ADO 9580 Holding GmbH	Germany	100	100
200	RVB Angerburgerallee B.V.	Holland	94	94
201	ADO 9600 Grundstücks GmbH	Germany	94.90	94.90
202	ADO 9610 Grundstücks GmbH	Germany	94.90	94.90
203	ADO 9620 Grundstücks GmbH	Germany	94.90	94.90
204	ADO 9630 Grundstücks GmbH	Germany	94.90	94.90
205	ADO Living GmbH	Germany	100	100
206	ADO 9640 Grundstücks GmbH	Germany	94.90	94.90
207	ADO Lux-EEME S.à r.l	Luxembourg	100	—
208	ADO Malta Limited	Malta	100	—

ADO Properties S.A.

Consolidated financial statements of ADO Properties S.A. as of and for the fiscal year ended December 31, 2018

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

REPORT OF THE REVISEUR D'ENTREPRISES AGREE

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of ADO Properties S.A. and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at December 31, 2018, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Basis for opinion

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

Key audit matters

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

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

Revenue recognition for investment properties

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

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

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

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

- Evaluating the design and implementation and of operating effectiveness of key internal controls over the recording of revenue for the investment properties;
- Comparing rental revenue with underlying tenancy information, including monthly rents and rental periods as set out in the signed rental agreements, on a sample basis, and assessing whether fixed rental revenue had been recorded in the appropriate accounting period; and

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

Valuation of investment properties

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

Refer to Note 5 to the consolidated financial statements for related disclosures. We identified the valuation of investment properties as a key audit matter as they represent approximately 96.97% of total assets of the Group, and significant judgement is required in determining their fair value.

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

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

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

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

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

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

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

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

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

Other information

The Board of Directors is responsible for the other information. The other information comprises the information stated in the annual report including the combined management report and the Corporate Governance Report but does not include the consolidated financial statements and our report of "Réviseur d'Entreprises agréé" thereon.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Report on other legal and regulatory requirements

We have been appointed as "Réviseur d'Entreprises agréé" by the General Meeting of the Shareholders on June 19, 2018 and the duration of our uninterrupted engagement, including previous renewals and reappointments, is four years, three years of which was since the Company became a public interest entity.

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

The accompanying Corporate Governance Report is presented on pages 55 to 62. The information required by Article 68ter paragraph (1) letters c) and d) of the law of December 19, 2002 on the commercial and companies register and on the accounting records and annual accounts of undertakings, as amended, is consistent with the consolidated financial statements and has been prepared in accordance with applicable legal requirements.

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

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

Other matter

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

Luxembourg, March 19, 2019

KPMG Luxembourg
Société coopérative
Cabinet de révision agréé

Bobbi Jean Breboneria

Consolidated Statement of Financial Position as at

(In thousands EUR)

	Note	As at December 31, 2018	2017
Assets			
Non-current assets			
Investment properties	5	**4,044,023**	3,271,298
Advances in respect of investment properties		**6,300**	34,425
Property and equipment		**3,495**	2,783
Other financial asset	23	**6,615**	5,359
Restricted bank deposits	7	**3,859**	539 (*)
Deferred expenses	14	**791**	—
Deferred tax assets	16	**732**	—
		4,065,815	3,314,404
Current assets			
Trading properties	6	**35,028**	42,961
Restricted bank deposits	7	**24,752**	23,813 (*)
Trade receivables	8	**13,313**	10,324
Other receivables	9	**3,299**	5,231
Cash and cash equivalents	**10**	**27,966**	121,530
		104,358	203,859
Total assets		**4,170,173**	3,518,263
Shareholders' equity	12		
Share capital		**55**	55
Share premium		**499,209**	498,607
Reserves		**324,877**	330,638
Retained earnings		**1,326,538**	966,090
Total equity attributable to owners of the Company		**2,150,679**	1,795,390
Non-controlling interests		**46,603**	36,103
Total equity		**2,197,282**	1,831,493
Liabilities			
Non-current liabilities			
Corporate bonds	13	**396,899**	396,396
Convertible bonds	13	**154,252**	—
Other loans and borrowings	14	**1,040,909**	953,955
Other financial liabilities	11	**40,492**	27,238
Derivatives	23	**16,236**	2,878
Deferred tax liabilities	16	**249,114**	183,443
		1,897,902	1,563,910
Current liabilities			
Other loans and borrowings	14	**17,064**	72,768
Other financial liabilities	11	**1,535**	867
Trade payables		**18,497**	13,642
Other payables	15	**37,790**	35,476
Derivatives	23	**103**	107
		74,989	122,860
Total equity and liabilities		**4,170,173**	3,518,263

Rabin Savion
CEO

Florian Goldgruber
CFO

Date of approval: March 19, 2019

(*) Immaterial adjustment of comparative data – see note 2G regarding basis of preparation

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

Consolidated Statement of Profit or Loss

(In thousands EUR)

	Note	2018	2017	2016
		For the year ended December 31,		
Revenue	17	**154,853**	128,852	109,775
Cost of operations	18	**(41,996)**	(36,174)	(32,596) (*)
Gross profit		**112,857**	92,678	77,179
General and administrative expenses	19	**(18,451)**	(12,762)	(13,245) (*)
Changes in fair value of investment properties	5	**404,936**	383,638	444,268
Results from operating activities		**499,342**	463,554	508,202
Finance income		**1,399**	1,602	1,972
Finance costs		**(32,915)**	(29,609)	(29,700)
Net finance costs	21	**(31,516)**	(28,007)	(27,728)
Profit before tax		**467,826**	435,547	480,474
Income tax expense	16	**(70,362)**	(68,035)	(69,706)
Profit for the year		**397,464**	367,512	410,768
Profit attributable to:				
Owners of the Company		**386,964**	355,970	395,150
Non-controlling interest		**10,500**	11,542	15,618
Profit for the year		**397,464**	367,512	410,768
Basic and diluted earnings per share (in EUR)	22	**8.77**	8.07	10.11

(*) Immaterial adjustment of comparative data – see note 2G regarding basis of preparation

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

Consolidated Statement of Comprehensive Income

(In thousands EUR)

		For the year ended December 31,		
	Note	**2018**	**2017**	**2016**
Profit for the year		**397,464**	367,512	410,768
Items that may be reclassified subsequently to profit or loss				
Hedging reserve classified to profit or loss, net of tax		**10**	—	5,275
Effective portion of changes in fair value of cash flow hedges	23	**200**	1,218	(512)
Related tax		**(33)**	60	53
Total other comprehensive income		**177**	1,278	4,816
Total comprehensive income for the year		**397,641**	368,790	415,584
Total comprehensive income attributable to:				
Owners of the Company		**387,141**	357,246	399,938
Non-controlling interests		**10,500**	11,544	15,646
Total comprehensive income for the year		**397,641**	368,790	415,584

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

Consolidated Statement of Cash Flows

(In thousands EUR)

	Note	For the year ended December 31, 2018	2017	2016
Cash flows from operating activities				
Profit for the year		**397,464**	367,512	410,768
Adjustments for:				
Depreciation		**527**	452	356
Change in fair value of investment properties	5	**(404,936)**	(383,638)	(444,268)
Net finance costs	21	**31,516**	28,007	27,728
Income tax expense	16	**70,362**	68,035	69,706
Share-based payment		**546**	564	859
Change in short-term restricted bank deposits related to tenants		**(1,624)**	(4,727)	(2,883)
Change in long-term restricted bank deposits from condominium sales		**(3,320)**	(539) (*)	—
Change in trade receivables		**(2,926)**	(3,148)	1,116
Change in other receivables		**2,427**	(3,742)	976
Change in trading properties		**13,585**	12,830	15,007
Change in advances in respect of trading properties		**—**	—	(6,419)
Change in trade payables		**4,623**	1,408	1,509
Change in other payables		**(156)**	4,163	2,276
Income tax paid		**(4,155)**	(864)	(352)
Net cash from operating activities		**103,933**	86,313	76,379
Cash flows from investing activities				
Purchase of and CAPEX on investment properties	5	**(117,118)**	(189,182)	(116,839)
Advances paid for investment property purchase		**—**	(33,975)	(11,805)
Purchase of property and equipment		**(1,182)**	(795)	(784)
Interest received		**143**	3	29
Proceeds from disposal of investment properties		**—**	—	1,015
Acquisition of subsidiaries, net of acquired cash	3	**(216,685)**	(280,542)	(160,244)
Repayment of bank deposit		**—**	—	65,000
Change in short-term restricted bank deposits, net		**808**	9,992 (*)	(4,662)
Net cash used in investing activities		**(334,034)**	(494,499)	(228,290)
Cash flows from financing activities				
Proceeds from issuance of corporate bonds, net	13	**—**	396,185	—
Proceeds from issuance of convertible bonds, net	13	**163,740**	—	—
Long-term loans received	14	**121,637**	114,606	182,721
Repayment of long-term loans	14	**(93,283)**	(116,061) (*)	(158,300)
Proceeds from issuance of commercial papers	14	**673,000**	—	—
Repayment of commercial papers	14	**(673,000)**	—	—
Upfront fees paid for credit facilities	14	**(1,377)**	—	—
Repayment of short-term loans		**(2,300)**	(10,487) (*)	(13,088)
Interest paid		**(24,873)**	(18,103)	(18,762)
Compensation fee payments in respect of other financial liabilities	11	**(537)**	—	—
Payment from settlement of derivatives		**(10)**	—	(6,184)
Issuance of ordinary shares, net		**—**	—	292,975
Dividend distributed	12	**(26,460)**	(19,845)	(13,475)
Net cash from financing activities		**136,537**	346,295	265,887
Change in cash and cash equivalents during the year		**(93,564)**	(61,891)	113,976
Cash and cash equivalents at the beginning of the year		**121,530**	183,421	69,445
Cash and cash equivalents at the end of the year		**27,966**	121,530	183,421

(*) Immaterial adjustment of comparative data.

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

Consolidated Statement of Changes in Equity

(In thousands EUR)

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

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

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

Consolidated Statement of Changes in Equity

(In thousands EUR)

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

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

Consolidated Statement of Changes in Equity

(In thousands EUR)

	Share capital	Share premium	Hedging reserves	Capital reserve from transactions with controlling shareholder	Retained earnings	Total	Non-controlling interests	Total equity
Balance as at January 1, 2016	—	206,600	(7,100)	339,277	246,739	785,516	8,913	794,429
Total comprehensive income for the year								
Profit for the year	—	—	—	—	395,150	395,150	15,618	410,768
Other comprehensive income for the year, net of tax	—	—	4,788	—	—	4,788	28	4,816
Total comprehensive income for the year	—	—	4,788	—	395,150	399,938	15,646	415,584
Transactions with owners, recognized directly in equity								
Issuance of ordinary shares, net	55	292,920	—	—	—	292,975	—	292,975
Changes in put option (see note 11)	—	—	—	(3,146)	—	(3,146)	—	(3,146)
Dividend distributed	—	—	—	—	(13,475)	(13,475)	—	(13,475)
Share-based payment (see note 20)	—	—	—	53	84	137	—	137
Balance as at December 31, 2016	55	499,520	(2,312)	336,184	628,498	1,461,945	24,559	1,486,504

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

Note 1 – ADO Properties S.A.

ADO Properties S.A. (the “Company”) was incorporated on November 13, 2007 as a private limited liability company in Cyprus, and until June 8, 2015, its legal name was “Swallowbird Trading & Investments Limited”. The Company holds and operates a mainly residential assets portfolio and sells units as a separate condominium in Berlin, Germany.

The Company deleted its registration in Cyprus and moved its registered office and central administration to Luxembourg by decision of the general meeting of shareholders dated June 8, 2015 and adopted the form of a private limited liability company (*société à responsabilité limitée*) under Luxembourg law. The Company was then converted to a public limited liability company (*société anonyme*) under Luxembourg law by decision of the general meeting of shareholders dated June 16, 2015 and changed its name to “ADO Properties S.A.” (B-197554). The address of the Company’s registered office is Aerogolf Center, 1B Heienhaff, L-1736 Senningerberg, Luxembourg.

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

The Company is a direct subsidiary of ADO Group Ltd (“ADO Group”), an Israeli company traded on the Tel Aviv Stock Exchange.

The consolidated financial statements of the Company as at December 31, 2018 and for the year then ended comprise the Company and its subsidiaries (together referred to as the “Group”).

Note 2 – Basis of Preparation

A. Statement of compliance

The consolidated financial statements as at and for the year ended December 31, 2018, have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as adopted by the European Union (“EU”).

The consolidated financial statements were authorized for issue by the Board of Directors on March 19, 2019.

B. Functional and presentation currency

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

C. Basis of measurement

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

D. Operating cycle

The Group has two operating cycles:

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

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

E. Use of estimates, judgments and fair value measurement

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

Note 2 – Basis of Preparation (continued)

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

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

Judgments and use of estimates

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

- Note 16 – Uncertain tax positions (judgments)

  The extent of the certainty that the Group's tax positions will be accepted (uncertain tax positions) and the risk of it incurring any additional tax and interest expenses. This is based on an analysis of a number of matters including interpretations of tax laws and the Group's past experience. New information may become available that causes the Group to change its judgment, resulting in recognition of additional income tax expense in the period that such a change in judgment occurs.

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

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

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

  The fair value of investment properties as at December 31, 2018 was assessed by CBRE, an industry specialist that has appropriate and recognized professional qualifications and up-to-date experience regarding the location and category of the properties. The valuation includes assumptions regarding rent, vacancies, maintenance costs and discount rate. These assumptions are subject to uncertainties that may lead to either positive or negative value adjustments in the future, impacting the profit or loss from changes in fair value of investment properties in the period that such a change in estimations occurs.

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

  Derivative valuations are calculated by the financing bank and checked by management. The risk that derivatives will not be appropriately valued exists, since the Group needs to make judgments about the estimation of the credit risk used by the lending bank and about whether the bank used the appropriate market observation for the other variables. New information may become available that causes the Group to change its estimation, impacting the profit or loss from changes in fair value of derivatives in the period that such a change in estimations occurs.

- Note 3 – Regarding acquisitions of companies holding real estate assets (judgment)

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

- Note 17 – Regarding principle versus agent considerations (judgment)

  The Group provides ancillary services to tenants, mainly utilities, for which it re-charges the tenants. The Group uses judgment when it examines whether it acts as a principal or as an agent in providing the services to tenants. The Group examined the indicators in IFRS 15, mainly whether it is the primarily responsible for fulfilling the promise to perform the specific services and whether it has

Note 2 – Basis of Preparation (continued)

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

discretion in determining the price for the services. For charges with respect to utilities such as supply of cold water, draining, street cleaning etc., the Group believes that it is acting as an agent and such charges are recognized on a net basis. For other charges, such as cleaning, gardening and certain maintenance services, the Group believes that it is acting as a principal and accordingly they are recognized on a gross basis. Property tax and insurance are not within the scope of IFRS 15.

Determination of fair values

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

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

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

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

F. Changes in accounting policies

As from January 1, 2018 the Group applies the new standards and amendments to standards described below:

- IFRS 15 *Revenue from Contracts with Customers*

  As from January 1, 2018 the Group initially applies International Financial Reporting Standard 15 (“IFRS 15” or “the standard”), which provides guidance on revenue recognition.

  The Group elected to apply the standard using the cumulative effect approach with an adjustment to the balance of retained earnings as at January 1, 2018 and without a restatement of comparative data.

  The standard introduces a new five-step model for recognizing revenue from contracts with customers:

  (1) Identifying the contract with the customer.

  (2) Identifying distinct performance obligations in the contract.

  (3) Determining the transaction price.

  (4) Allocating the transaction price to distinct performance obligations.

  (5) Recognizing revenue when the performance obligations are satisfied.

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

  In the property rental and management sector, the Group provides management services to the tenants. In cases where the Group cannot direct the service transferred to the customer and it actually acts as an agent, the revenue is recognized on a net basis. In other cases, the revenue is recognized on a gross basis.

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

  (1) Application of the cumulative effect approach only for contracts not yet completed at the transition date; and

Note 2 – Basis of Preparation (continued)

F. Changes in accounting policies (continued)

(2) Examining the aggregate effect of contract changes that occurred before the date of initial application, instead of examining each change separately.

The application of IFRS 15 did not have a material effect on the financial statements of the Group.

- IFRS 9 (2014) *Financial Instruments*

  As from the first quarter of 2018, the Group applies IFRS 9 (2014) *Financial Instruments* ("IFRS 9" or "the standard"), which replaces IAS 39 *Financial Instruments: Recognition and Measurement* ("IAS 39"). Furthermore, as from that date the Group applies the amendment to IFRS 9 *Financial Instruments: Prepayment Features with Negative Compensation*.

  The Group has chosen to apply the standard and the amendment to the standard as from January 1, 2018 without amendment of the comparative data, other than where required by the standard with respect to certain hedging items, with an adjustment to the balance of retained earnings and other components of equity as at the date of initial application.

  The application of IFRS 9 did not have a material effect on the financial statements of the Group.

- Amendment to IAS 40 *Investment Property: Transfers of Investment Property*

  The amendment clarifies that an entity shall transfer property into, or out of, investment property only when there is evidence of a change in use. Change in use occurs when the property meets, or ceases to meet, the definition of investment property. The amendment clarifies that a change in management's intentions for the use of a property by itself does not constitute evidence of a change in use. The amendment also states that the list of evidence of change in use that is included in paragraph 57 of IAS 40 is a non-exhaustive list of examples.

  The amendment is applied on a prospective basis.

  The application of the amendment did not have a material effect on the consolidated financial statements, but may affect the classification of assets such that they will be classified as investment property or cease to be classified as investment property as a result of future changes in use.

G. Change in classification

The Group performed immaterial reclassifications in the comparative figures in order to align the classification in the comparative figures to the figures of the year ended December 31, 2018.

Note 3 – Basis of Consolidation

A. Consolidation methods

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

In addition to the Company, 206 subsidiaries (2017: 195) have been included in these consolidated financial statements.

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

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

Note 3 – Basis of Consolidation (continued)

A. Consolidation methods (continued)

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

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

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

B. Scope of consolidation

(1) On January 1, 2018, the Group carried out a transaction to take over 94.9% of the issued shares of three German entities holding one condominium building and three residential buildings located in Berlin, Germany, for a total consideration of EUR 17.4 million. As at the takeover date, the buildings included 102 residential units and 6 commercial units with a total leasable area of approximately 6.1 thousand m².

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

	thousands EUR
	(Unaudited)
Cash and cash equivalents	134
Trade and other receivables	13
Trading properties	5,651
Advances in respect of investment properties (1)	2,437
Investment properties (2)	12,591
Trade and other payables	(658)
Bank loans (3)	(2,498)
Other financial liabilities (4)	(258)
Total consideration	**17,412**
Consideration already paid in 2017	(2,750)
Less cash acquired	(134)
Net cash flow during the reporting period from the acquisition of subsidiaries	**14,528**

(1) The takeover of an additional residential building was completed during the reporting period for a total consideration of EUR 5.6 million. Consequently, an amount of EUR 1.6 million was reclassified from advances to investment properties in the condensed consolidated statement of financial position. The fair value of the building as at the takeover date was EUR 5.3 million, and it includes 33 residential units and 1 commercial unit with a total leasable area of approximately 2 thousand m².

(2) The fair value of the investment properties as at the takeover date was EUR 12.5 million. After the takeover of the additional building (see note 1 above), acquisition costs of EUR 0.5 million were recognized under changes in fair value of investment properties in the condensed consolidated profit or loss statement (approximately 3% of the total consideration).

(3) The bank loans were repaid during the period.

(4) Other financial liabilities refers to a put option granted to the non-controlling interests (see note 11).

(2) On April 16, 2018, the Group carried out a transaction to take over 94% of the issued shares of a Dutch entity holding one residential building complex located in Berlin, Germany, for a total consideration of EUR 153.4 million (including approximately 2.3% transaction costs). As at the takeover date, the buildings included 832 residential units and 24 commercial units with a total leasable area of approximately 65.6 thousand m².

Note 3 – Basis of Consolidation (continued)

B. Scope of consolidation (continued)

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

	thousands EUR (Unaudited)
Cash and cash equivalents	346
Trade and other receivables	145
Investment properties (1)	160,640
Property and equipment	57
Trade and other payables	(679)
Other financial liabilities (2)	(7,069)
Total consideration	**153,440**
Consideration to be paid after the reporting period (3)	(1,013)
Less cash acquired	(346)
Net cash flow during the reporting period from the acquisition of subsidiaries	**152,081**

(1) The fair value of the investment properties as at the takeover date was EUR 157 million, therefore acquisition costs of approximately EUR 3.6 million were recognized under changes in fair value of investment properties in the condensed consolidated profit or loss statement.
(2) Other financial liabilities refers to a put option granted to the non-controlling interests (see note 11).
(3) Consideration to be paid refers to transaction costs invoiced after the reporting period.

(3) On May 1, 2018, the Group carried out a transaction to take over 94.9% of the issued shares of four German entities holding four residential buildings and one commercial building located in Berlin, Germany, for a total consideration of EUR 31.3 million (including approximately 2.9% transaction costs). As at the takeover date, the buildings included 51 residential units and 68 commercial units with a total leasable area of approximately 13.8 thousand m².

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

	thousands EUR (Unaudited)
Cash and cash equivalents	318
Restricted bank deposits	124
Trade and other receivables	29
Investment properties (1)	31,953
Trade and other payables	(320)
Other financial liabilities (2)	(772)
Total consideration	**31,332**
Less cash acquired	(318)
Net cash flow during the reporting period from the acquisition of subsidiaries	**31,014**

(1) The fair value of the investment properties as at the takeover date was EUR 31.1 million, therefore acquisition costs of approximately EUR 0.9 million were recognized under changes in fair value of investment properties in the condensed consolidated profit or loss statement.
(2) Other financial liabilities refers to a put option granted to the non-controlling interests (see note 11).

(4) On October 1, 2018, the Group carried out a transaction to take over 94.9% of the issued shares of a German entity holding one commercial building located in Berlin, Germany, for a total consideration of EUR 19.6 million (including approximately 4.2% transaction costs). As at the takeover date, the buildings included 19 commercial units with a total leasable area of approximately 6.0 thousand m².

Note 3 – Basis of Consolidation (continued)

B. Scope of consolidation (continued)

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

	thousands EUR (Unaudited)
Cash and cash equivalents	343
Trade and other receivables	17
Investment properties (1)	19,668
Trade and other payables	(133)
Other financial liabilities (2)	(280)
Total consideration	**19,615**
Consideration to be paid after the reporting period (3)	(210)
Less cash acquired	(343)
Net cash flow during the reporting period from the acquisition of subsidiaries	**19,062**

(1) The fair value of the investment properties as at the takeover date was EUR 18.9 million, therefore acquisition costs of approximately EUR 0.8 million were recognized under changes in fair value of investment properties in the condensed consolidated profit or loss statement.

(2) Other financial liabilities refers to a put option granted to the non-controlling interests (see note 11).

(3) Consideration to be paid refers to transaction costs invoiced after the reporting period.

Note 4 – Significant Accounting Policies

A. Investment properties

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

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

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

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

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

B. Trading properties

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

Note 4 – Significant Accounting Policies (continued)

C. Restricted bank deposits

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

D. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits in banks and short-term investments with an original term of up to three months. The basis of measurement of the cash and cash equivalents is amortized cost.

E. Financial instruments

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

Initial recognition and measurement of financial assets

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

Derecognition of financial assets

Financial assets are derecognized when the contractual rights of the Group to the cash flows from the asset expire, or the Group transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. When the Group retains substantially all of the risks and rewards of ownership of the financial asset, it continues to recognize the financial asset.

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

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

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

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

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

All financial assets not classified as measured at amortized cost as described above, as well as financial assets designated at fair value through profit or loss, are measured at fair value through profit or loss. On initial recognition, the Group designates financial assets at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

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

Note 4 – Significant Accounting Policies (continued)

E. Financial instruments (continued)

Assessment whether cash flows are solely payments of principal and interest

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

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

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

Subsequent measurement and gains and losses

Financial assets at fair value through profit or loss

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

Financial assets at amortized cost

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

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

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

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

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

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

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

(3) Non-derivative financial liabilities

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

Note 4 – Significant Accounting Policies (continued)

E. Financial instruments (continued)

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

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

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

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

The accounting policy with regard to non-derivative financial liabilities in 2018 is similar to the accounting policy in 2017.

(4) Share capital – ordinary shares

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

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

(5) Derivative financial instruments, including hedge accounting

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

Cash flow hedges

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

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

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

E. Financial instruments (continued)

The accounting policy applied in the comparative information presented for 2017 and 2016 is similar to that applied for 2018. For cash flow hedges that were terminated before 2016, the change in fair value that is attributed to the forward element was recognized immediately in profit or loss.

Other derivatives

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

(6) Hybrid financial instruments (convertible bond)

Liabilities that are convertible into shares at the option of the holder, including a cash settlement option in favor of the Group, are a hybrid instrument (combined) that is fully presented as a financial liability.

The instrument is split into two components for measurement purposes: a liability component without a conversion feature that is measured at amortized cost according to the effective interest method, and a conversion option that is an embedded derivative and is measured at fair value at each reporting date.

Separable embedded derivatives that do not serve hedging purposes

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

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

F. Impairment

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

Financial assets

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

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

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

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

The Group considers a financial asset to be in default when:

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

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

Note 4 – Significant Accounting Policies (continued)

F. Impairment (continued)

Measurement of expected credit losses

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

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortized cost are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes a breach of contract such as a default or payments being past due.

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

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

Write-off

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

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

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

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

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

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

(3) Non-financial assets

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

Note 4 – Significant Accounting Policies (continued)

G. Provisions

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

The Group recognizes indemnification as an asset if, and only if, it is virtually certain that the indemnification will be received if the Group will settle the obligation. The amount recognized for the indemnification does not exceed the amount of the provision. Provisions are measured on the basis of discounted expected future cash flows.

H. Employee benefits

Share-based payment transactions

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

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

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

I. Revenue recognition

Policy applicable as from January 1, 2018

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

Identifying the contract

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

(a) The parties to the contract have approved the contract (in writing, orally or according to other customary business practices) and they are committed to satisfying the obligations attributable to them;

(b) The Group can identify the rights of each party in relation to the goods or services that will be transferred;

(c) The Group can identify the payment terms for the goods or services that will be transferred;

(d) The contract has a commercial substance (i.e. the risk, timing and amount of the entity's future cash flows are expected to change as a result of the contract); and

(e) It is probable that the consideration, to which the Group is entitled to in exchange for the goods or services transferred to the customer, will be collected.

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

If a contract with a customer does not meet all of the above criteria, consideration received from the customer is recognized as a liability until the criteria are met or when one of the following events occurs:

Note 4 – Significant Accounting Policies (continued)

I. Revenue recognition (continued)

the Group has no remaining obligations to transfer goods or services to the customer and any consideration promised by the customer has been received and cannot be returned; or the contract has been terminated and the consideration received from the customer cannot be refunded.

Determining the transaction price

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

Satisfaction of performance obligations

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

Principal or agent

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

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

Policy applicable before January 1, 2018

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

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

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

J. Finance income and costs

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

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

Note 4 – Significant Accounting Policies (continued)

J. Finance income and costs (continued)

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

K. Taxation

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

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

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

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

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

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

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

L. Earnings per share

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

M. New standards and interpretations not yet adopted

IFRS 16, *Leases*

IFRS 16 replaces IAS 17, Leases and its related interpretations. The standard's instructions annul the existing requirement from lessees to classify leases as operating or finance leases. Instead of this, for lessees, the new standard presents a unified model for the accounting treatment of all leases according to which the lessee has to recognize a right-of-use asset and a lease liability in its financial statements. Nonetheless, IFRS 16 includes two exceptions to the general model whereby a lessee may elect to not apply the requirements for recognizing a right-of-use asset and a liability with respect to short-term leases of up to one year and/or leases where the underlying asset has a low value.

Note 4 – Significant Accounting Policies (continued)

M. New standards and interpretations not yet adopted (continued)

In addition, IFRS 16 permits the lessee to apply the definition of the term lease according to one of the following two alternatives consistently for all leases: retrospective application for all the lease agreements, which means reassessing the existence of a lease for each separate contract, or alternatively to apply a practical expedient that permits continuing with the assessment made regarding existence of a lease based on the guidance in IAS 17, Leases, and IFRIC 4, Determining whether an Arrangement contains a Lease, with respect to leases entered into before the date of initial application. Furthermore, the standard determines new and expanded disclosure requirements from those required at present.

IFRS 16 is applicable for annual periods as of January 1, 2019.

The Group plans to adopt IFRS 16 as from January 1, 2019 using the cumulative effect method, with an adjustment to the balance of retained earnings as at January 1, 2019.

IFRS 16 includes various alternative transitional provisions, so that companies can choose between one of the two alternatives at initial application: full retrospective application or recognizing a cumulative effect, which means application (with the possibility of certain practical expedients) as from the mandatory effective date with an adjustment to the balance of retained earnings at that date.

The Group examined the effects of adopting IFRS 16 on the financial statements, and in its opinion, the expected effect on the financial statements will be an increase of approximately EUR 1,250 thousand in total liabilities and in total assets

IFRIC 23, Uncertainty Over Income Tax Treatments

IFRIC 23 clarifies how to apply the recognition and measurement requirements of IAS 12 for uncertainties in income taxes.

The new standard is effective for annual reporting periods beginning on or after January 1, 2019. The interpretation includes two alternatives for applying the transitional provisions, so that companies can choose between retrospective application or prospective application as from the first reporting period in which the entity initially applied the interpretation.

The Group has examined the effects of applying IFRIC 23, and in its opinion, the effect on the financial statements will be immaterial.

IFRS 3, Business Combinations

The Amendment clarifies whether a transaction to acquire an operation is the acquisition of a "business" or an asset. For the purpose of this examination, the Amendment added an optional concentration test so that if substantially all of the fair value of the acquired assets is concentrated in a single identifiable asset or a group of similar identifiable assets, the acquisition will be of an asset. In addition, the minimum requirements for definition as a business have been clarified, such as for example the requirement that the acquired processes be substantive so that in order for it to be a business, the operation shall include at least one input element and one substantive process, which together significantly contribute to the ability to create outputs. Furthermore, the Amendment narrows the reference to the outputs element required in order to meet the definition of a business and added examples illustrating the aforesaid examination.

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

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

Note 5 – Investment Properties

A. Reconciliation of carrying amount

	December 31, 2018 Thousands EUR	December 31, 2017 Thousands EUR
Balance as at January 1	**3,271,298**	2,278,935
Additions by way of acquiring subsidiaries (see note 3B)	**229,077**	411,539
Additions by way of acquiring assets	**87,150**	169,895
Capital expenditure	**51,562**	31,021
Transfer from investment properties to trading properties	**—**	(3,730)
Fair value adjustments	**404,936**	383,638
Balance as at December 31	**4,044,023**	3,271,298

As at December 31, 2018, the closing balance of investment properties consisted of 22,067 (2017: 20,421) residential units with a total residential lettable area of 1,454,255 (2017: 1,343,786) sqm, 1,450 (2017: 1,309) commercial units (retail, office and other commercial) with a total commercial lettable area of 171,199 (2017: 149,748) sqm and 5,401 (2017: 5,464) parking spaces and spaces for storage, antennas, etc., all in Berlin.

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

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

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

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

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

As at December 31, 2018, approximately 8.3% of the residential units were subject to rent restrictions ("Cost Rent").

B. Measurement of fair value

(1) Fair value hierarchy

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

Note 5 – Investment Properties (continued)

B. Measurement of fair value (continued)

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

(2) Valuation technique and significant unobservable inputs

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

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

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

	December 31, 2017					
	Central	**S-Bahn ring**	**S-Bahn ring (1960-1990)**	**City ring**	**City ring (1960-1990)**	**Total**
Fair value (EUR thousand)	1,249,758	408,910	432,550	240,300	939,780	3,271,298
Value per sqm (EUR)	2,669	2,355	2,171	2,378	1,699	2,187
Average residential in-place rent (EUR/sqm)	6.92	6.64	6.85	7.09	5.72	6.42
CBRE market rent (EUR/sqm)	8.81	8.54	7.52	8.40	6.61	7.71
Avg. new letting rent (EUR/sqm)	11.18	9.83	9.95	8.58	6.82	9.04
Multiplier (current rent)	31.18	29.42	26.07	27.33	24.71	27.87
Multiplier (CBRE market rent)	24.57	22.98	23.25	22.85	20.99	22.95
Multiplier (new letting rent)	19.36	19.98	17.56	22.36	20.34	19.57
Discount rate (%)	4.81%	4.97%	4.86%	5.00%	5.20%	4.96%
Capitalization interest rate (%)	2.86%	3.02%	3.00%	3.02%	3.26%	3.02%

Note 5 – Investment Properties (continued)

B. Measurement of fair value (continued)

(3) Sensitivity analysis

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

December 31, 2018

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

December 31, 2017

Valuation parameters	Change in parameters	Change in values thousands EUR	%
Average new letting rent (EUR/sqm)	+10%	316,999	9.5%
Vacancy rate (%)	+1%	(38,261)	(1.2%)
Discount and Capitalization rate (%)	25bps	(261,270)	(7.9%)

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

B. Amounts that were recognized in the consolidated statement of profit or loss

	For the year ended December 31, 2018	2017	2016
	thousands EUR		
Rental income from investment property	**127,982**	103,300	84,673
Direct operating expenses arising from investment property that generated rental income during the period	**(20,736)**	(15,551)	(11,790) (*)
Total	**107,246**	87,749	72,883

(*) Immaterial adjustment of comparative data – see note 2G regarding basis of preparation

Note 6 – Trading Properties

During the reporting period, the Group completed the sale of 66 condominium units for a total consideration of EUR 20,265 thousand (2017: 84 units for EUR 19,671 thousand).

During the period, the Group acquired an entity holding a condominium building with 24 residential units and 2 commercial units in Berlin at a total cost of EUR 5.7 million. See note 3B for more information regarding newly acquired trading properties during the period.

Note 7 – Restricted Bank Deposits

As at December 31, 2018 and December 31, 2017, the restricted bank deposits are denominated in euro and they carry no interest.

The balance as at December 31, 2018 includes EUR 23,250 thousand of pledged bank deposits received from tenants (December 31, 2017: EUR 21,503 thousand), EUR 1,501 thousand pledged to secure banking facilities (December 31, 2017: EUR 2,310 thousand) and EUR 3,860 thousand of restricted proceeds from condominium sales (December 31, 2017: EUR 539 thousand).

Note 8 – Trade Receivables

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

	December 31, 2018		
	Gross carrying amount	**Provision for impairment**	**Credit-impaired financial asset**
		thousands EUR	
Not past due	**7,896**	**—**	**7,896**
0-30 days past due	**1,724**	**(187)**	**1,537**
31-180 days past due	**3,713**	**(680)**	**3,033**
180 days to one year past due	**2,211**	**(1,490)**	**721**
More than one year past due	**5,566**	**(5,440)**	**126**
Total	**21,110**	**(7,797)**	**13,313**

	December 31, 2017		
	Gross	**Impairment**	**Total**
		thousands EUR	
Not past due	5,138	—	5,138
0-30 days past due	1,206	(128)	1,078
31-180 days past due	3,718	(908)	2,810
180 days to one year past due	1,905	(1,211)	694
More than one year past due	4,672	(4,068)	604
Total	16,639	(6,315)	10,324

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

There were no material transitional adjustments to IFRS 9.

B. Impairment losses on trade receivables changed as follows:

	2018	**2017**
	thousands EUR	**thousands EUR**
Balance as at January 1	**(6,315)**	(5,020)
Additions	**(3,194)**	(3,167)
Reversals	**1,541**	1,204
Write off of irrecoverable debts	**171**	668
Balance as at December 31	**(7,797)**	(6,315)

Note 9 – Other Receivables

	December 31,	
	2018	**2017**
	thousands EUR	**thousands EUR**
Advance to suppliers	**1,244**	745
Prepaid expenses	**655**	260
VAT	**728**	638
Parent company (ADO Group) (see note 26)	**280**	—
Others	**392**	3,588
Total	**3,299**	5,231

Note 10 – Cash and Cash Equivalents

As at December 31, 2018 and December 31, 2017, cash and cash equivalents include cash on hand and demand deposits denominated in euro and free from any restrictions.

Note 11 – Other Financial Liabilities

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

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

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

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

	December 31,	
	2018	**2017**
	thousands EUR	**thousands EUR**
Current liabilities		
Compensation fee	**1,535**	867
Non-current liabilities		
Compensation fee	**1,766**	772
Put option	**38,726**	26,466
Total	**42,027**	28,105

Note 12 – Equity

A. Share capital and share premium

	Ordinary shares (in thousands of shares)	
	2018	**2017**
In issue as at January 1	**44,100**	44,100
Share issuance under the LTI plan (1)	**31**	—
In issue as at December 31	**44,131**	44,100

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

(1) On December 14, 2018, based on the Long Term Incentive plan (see note 20) the Company issued 30,757 shares without nominal value to Mr. Shlomo Zohar, the former acting vice chairman of the Company's Board of Directors.

(2) A dividend in the amount of EUR 26.5 million (EUR 0.60 per share) was paid based on a decision of the Annual General Meeting which took place on June 19, 2018. The ex-dividend date was June 18, 2018.

B. Hedging reserve

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

Note 12 – Equity (continued)

C. Capital reserve from transactions with controlling shareholder

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

Note 13 – Corporate Bonds and Convertible Bonds

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

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

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

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

	Thousands EUR
Proceeds from issuance of convertible bonds	165,000
Transaction costs	(1,297)
Net proceeds	163,703
Amount initially classified as derivative, measured at fair value	(9,743)
Transaction costs allocated to the derivative component	76
Amount initially classified as liability, measured at amortized cost	**154,036**

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

As at December 31, 2018, the Company is fully compliant with all covenant requirements.

Note 14 – Other Loans and Borrowings

	December 31, 2018		December 31, 2017	
	Non-current	Current	Non-current	Current
	Thousands EUR			
Loans from banks	**993,809**	**17,064**	932,345	72,768
Other creditors	**47,100**	**—**	21,610	—
Total	**1,040,909**	**17,064**	953,955	72,768

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

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

C. Re-pricing on the variable interest loans is done on a quarterly basis. As at December 31, 2018 other loans and borrowings carry an average effective interest rate (i.e. considering the swap interest hedge deals from variable to fixed) of 1.8% per annum (as at December 31, 2017: 1.9%). The average maturity of other loans and borrowings is 4 years (as at December 31, 2017: 5 years).

D. On March 22, 2018, the Group received a bank loan in the amount of EUR 7.7 million to finance existing assets. The new loan carries an annual fixed interest rate of 1.49% per annum for a 7-year term.

E. On September 27, 2018, the Group repaid a bank loan in the amount of EUR 51.9 million with an average effective interest rate of 3.16% per annum.

F. On November 11, 2018, the Group issued unsecured Schuldscheindarlehen in a total amount of EUR 24.5 million, with tenors of five to ten years, including fixed and floating rate tranches. The fixed-rate tranches were issued subject to an interest rate of between 2.05% and 3.15%, and the floating rate tranch carries an interest rate of 6-months-EURIBOR + 1.7%.

G. On December 10, 2018, the Group received a bank loan in the amount of EUR 90 million, secured with the existing collateral from the Carlos portfolio. The new loan carries an annual fixed interest rate of 1.12% and will mature on March 31, 2022, similar to the existing bank loan.

H. On December 27, 2018, the Group repaid a bank loan in the amount of EUR 15 million with an average effective interest rate of 1.80% per annum. Consequently, an amount of EUR 0.1 million was recognized as one-off refinance costs in profit or loss.

I. At the end of December 2018, under the existing loan agreements, the Group is fully compliant with its obligations (including loan covenants) to the financing banks.

J. On March 9, 2018, the Group signed a EUR 200 million revolving credit facility agreement with a 2-year term and two extension options, each for one year. The relating upfront fees were recognized under deferred expenses in the statement of financial position and will be amortized over four years. During the reporting period, the Group drew down an amount of EUR 10 million from the revolving credit facility. As at December 31, 2018 this amount was paid back in full.

K. During the reporting period, the Group set up a commercial paper program with a maximum volume of EUR 500 million, which allows funds with a maximum term of 364 days to be raised at short notice. As at December 31, 2018 all of the commercial papers were paid back in full.

L. On November 8, 2018, the Group entered into a EUR 50 million bilateral credit facility agreement, maturing on December 30, 2019, and carrying an interest rate of 1 or 3-months-EURIBOR + a margin of between 1.00% and 2.25%, depending on the number of months elapsed after signing the agreement. As at December 31, 2018 the bilateral credit facility was terminated.

M. On October 11, 2018, Moody's downgraded the Company's long-term issuer rating to Baa3 from Baa2 and the short-term rating to P-3 from P-2. All ratings have been placed on review for further downgrade. On November 8, 2018, Moody's announced that the recent financing activities of the Company substantially reduce the likelihood of multi-notch downgrades.

Note 15 – Other Payables

	December 31,	
	2018	2017
	thousands EUR	thousands EUR
Accrued expenses	**3,061**	2,799
Accrued interest payable	**3,172**	3,488
Tenants' deposits	**23,260**	21,513
Parent company (ADO Group) (see note 26)	**5**	42
Deferred income	**2,503**	1,896
Corporate tax	**3,416**	2,197
VAT	**1,068**	2,171
Other	**1,306**	1,370
Total	**37,790**	35,476

Note 16 – Taxes

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

(1) Germany

- The standard rate of corporation tax for both residents and non-residents is 15%. A "solidarity surcharge" is also levied resulting in an effective rate of 15.825% which applies to companies which hold German property regardless of their residence. Trade tax at the relevant rate (trade tax rate depends on the municipality of the company) is also levied on the income of the companies, except for non-residents with no permanent establishment in Germany or if the companies' business purpose is restricted to the holding and letting of real estate property (property holding companies). Dividends received from another company are 95% tax exempt when the investment in the other company is at least 10% at the beginning of the calendar year or the investment was increased by 10% during the year.
- No tax is withheld on rental payments to non-resident companies holding German property.
- Capital gains on the sale of German property are subject to corporation tax at the standard rate for both residents and non-residents. Trade tax is also applicable at the relevant rate, except for non-residents with no permanent establishment in Germany or for property holding companies as long as the sale of the asset is classified as part of that business (detailed and strict regulations apply). Capital gains realized by a company on the sale of shares in a property holding company are 95% tax exempt.
- German real estate owned at the start of the calendar year is subject to annual property tax at 0.2% to 3.4% (depending on the location of the property, 2.8% for Berlin) on the specially assessed value of the property (dependent on the rental value and age of the property). The tax payable is a deductible expense for profit tax purposes such as trade tax and corporation tax.
- The transfer of German real estate or a share transaction that unifies at least 95% of the shares of a company holding a real estate property is subject to a real estate transfer tax (RETT), which is payable by the buyer on the purchase price (on transfer of the property) or a specially assessed value as above (on transfer of shares). The tax rate varies between 3.5% and 6.5%, depending on the municipality where the property is located. In Berlin the tax rate is 6%.
- Limitation on the tax deductibility of interest expenses, and simultaneous repeal of the existing thin-capitalization rules. The "interest barrier rule" allows the deduction of net interest expenses exceeding EUR 3 million p.a. only to the extent that total net interest expenses do not exceed 30% of the EBITDA, unless the total net interest does not exceed EUR 3 million p.a. or other exemption criteria are met. The net interest expenses that are not deductible can be carried forward.
- Accumulated tax losses can be carried forward without time restriction and can be deducted from future profits and capital gains unless they exceed EUR 1 million. Losses carried forward that exceed EUR 1 million can only be deducted to the amount of 60% of the profits/capital gains that exceed EUR 1 million (minimum taxation). Those parts that cannot be deducted on the basis of the minimum taxation can be carried forward again and are subject to minimum taxation in the following years.

The corporation tax rate used to calculate deferred tax assets and deferred tax liabilities as at December 31, 2018 and as at December 31, 2017 is 15.825% for the property holding companies which only hold real

Note 16 – Taxes (continued)

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

estate assets and 30.18% for the management companies that operate the real estate in Berlin, as these management companies are subject to corporate income tax of 15.825% and trade tax at the relevant rate.

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

(2) Luxembourg

- The Company is liable for Luxembourg corporation taxes. The aggregate maximum applicable rate, including corporate income tax, municipal business tax and a contribution to the employment fund, is 26.01% for the fiscal year ending 2018 for a company established in Luxembourg City.
- The Company is fully subject to the annual net wealth tax charge which amounts to 0.5% of the net asset value of the Company. Certain assets might be excluded from the net asset value for the purposes of the net wealth tax computation, provided that the provisions of paragraph 60 of the valuation law of October 16, 1934, as amended (BewG), are met.

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

(3) Ireland

- An Irish tax resident company is subject to corporation tax on its worldwide income (subject to any relevant exemptions) at either 12.5% or 25% depending on the activities undertaken by the company. Any capital gains recognized by an Irish company (subject to any relevant exemptions) will also be subject to corporation tax. However, such gains are re-grossed for corporation tax purposes to ensure they are taxed at the capital gains tax rate of 33%.
- Dividends received by an Irish resident company from another Irish resident company are exempt from corporation tax. Dividends received from a foreign company in the hands of an Irish resident company are subject to corporation tax; however, a credit should be available for underlying corporate and withholding tax generally for foreign tax paid.
- In general, with respect to non-resident companies, interest and patent royalties which are derived from Ireland are subject to withholding tax in Ireland at the rate of 20%. However, there are a number of domestic exemptions from this withholding tax. In addition, there may be exemptions or reliefs available under a treaty or under the EU directives.

B. Income taxes:

	For the year ended December 31,		
	2018	**2017**	**2016**
	thousands EUR		
Current year	**(3,562)**	(2,026)	(1,288)
Adjustments for prior years	**(1,894)**	(179)	(195)
Deferred tax expense	**(64,906)**	(65,830)	(68,223)
Total	**(70,362)**	(68,035)	(69,706)

Note 16 – Taxes (continued)

C. Reconciliation of statutory to effective tax rate:

	For the year ended December 31,		
	2018	2017	2016
	thousands EUR		
Statutory income tax rate	**26.01%**	27.08%	29.22%
Profit before taxes	**467,826**	435,547	480,474
Tax using the Company's domestic tax rate	**121,682**	117,946	140,395
Non-deductible expense	**142**	152	155
Utilization of tax losses from prior years for which deferred taxes were not created	**(7,598)**	(1,413)	(3,874)
Effect of tax rates in foreign jurisdictions	**(49,457)**	(49,033)	(65,235)
Deferred tax assets not recognized for tax losses and other timing differences	**14,227**	7,296	2,765
Inter-company transaction effect	**(10,528)**	(7,092)	(4,686)
Adjustments for prior years	**1,894**	179	195
Other differences, net	**—**	—	(9)
Income tax expenses	**70,362**	68,035	69,706

D. Recognized deferred tax assets and liabilities

Deferred taxes recognized are attributable to the following:

	December 31,	
	2018	2017
	thousands EUR	thousands EUR
Assets		
Derivatives	**185**	216
Convertible bonds	**732**	
Tax losses carried forward	**12,057**	13,377
	12,974	13,593
Liabilities		
Investment properties	**(259,503)**	(194,286)
Trading properties	**(1,853)**	(2,750)
	(261,356)	(197,036)
Net tax liabilities	**(248,382)**	(183,443)

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

	Investment properties	Trading properties	Derivatives	Convertible bonds	Tax losses	Total
	thousands EUR					
Balance as at January 1, 2017	(125,273)	(1,311)	156	—	8,755	(117,673)
Changes recognized in profit or loss	(69,013)	(1,439)	—	—	4,622	(65,830)
Changes recognized in equity or other comprehensive income	—	—	60	—	—	60
Balance as at December 31, 2017	(194,286)	(2,750)	216	—	13,377	(183,443)
Changes recognized in profit or loss	**(65,217)**	**897**	**2**	**732**	**(1,320)**	**(64,906)**
Changes recognized in equity or other comprehensive income	**—**	**—**	**(33)**	**—**	**—**	**(33)**
Balance as at December 31, 2018	**(259,503)**	**(1,853)**	**185**	**732**	**12,057**	**(248,382)**

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

Tax losses carried forward amounted to EUR 70,277 thousand at December 31, 2018 (2017: EUR 84,793 thousand). Tax losses can be carried forward indefinitely.

Note 16 – Taxes (continued)

D. Recognized deferred tax assets and liabilities (continued)

Deferred tax assets are recognized for tax losses carried forward to the extent that the realization of the related tax benefit through future taxable profits is probable. The Group did not recognize deferred tax assets of EUR 6,065 thousand as at December 31, 2018 (2017: EUR 3,158 thousand) in respect of losses carried forward amounting to EUR 38,324 thousand as at December 31, 2018 (2017: EUR 19,955 thousand) that can be carried forward against future taxable income due to its expectation for their utilization.

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

Note 17 – Revenue

	For the year ended December 31,		
	2018	**2017**	**2016**
	thousands EUR		
Net rental income	**127,982**	103,300	84,673
Selling of condominiums	**20,265**	19,671	19,965
Income from facility services	**6,606**	5,881	5,137
Total	**154,853**	128,852	109,775

Note 18 – Cost of Operations

	For the year ended December 31,		
	2018	**2017**	**2016**
	thousands EUR		
Salaries and other expenses (*)	**10,320**	7,995	6,873
Cost of utilities recharged, net	**1,843**	1,409	271
Selling of condominiums – cost	**15,817**	15,760	16,726
Property operations and maintenance	**14,016**	11,010	8,726 (**)
Total	**41,996**	36,174	32,596

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

(**) Immaterial adjustment of comparative data – see note 2G regarding basis of preparation.

Note 19 – General and Administrative Expenses

	For the year ended December 31,		
	2018	**2017**	**2016**
	thousands EUR		
Salaries and related expenses (A)	**3,671**	2,605	2,472
Share-based payment	**376**	387	682
Directors fee (B)	**887**	714	661
Rent	**1,056**	1,015	1,027 (*)
Professional services	**6,952**	3,417	3,081
Traveling	**331**	188	312
Office, communication and IT expenses	**1,459**	1,284	996
Advertising and marketing	**601**	438	404
Impairment loss on trade receivables	**1,646**	1,900	1,799
Depreciation	**450**	452	356
Services from parent company (see note 26)	**46**	64	75
Others	**976**	298	1,380
Total	**18,451**	12,762	13,245

(*) Immaterial adjustment of comparative data – see note 2G regarding basis of preparation.

A. As at December 31, 2018, the Group has 354 full-time employees (2017: 295, 2016: 247). On an annual average 327 people (2017: 271, 2016: 237) were employed.

B. On November 14, 2018, Mr. Shlomo Zohar, a director and the former acting vice chairman of the Company's Board of Directors, submitted his resignation letter to the Company, with such resignation to take effect on December 15, 2018. On November 29,

Note 19 – General and Administrative Expenses (continued)

2018 the Company and Mr. Zohar signed a mutual termination agreement. According to the agreement, upon Mr. Zohar's resignation, he was entitled to receive an amount of EUR 420 thousand, to be settled in cash (EUR 141 thousand for the period between January 1, 2018 until December 15, 2018 and the rest as termination fees). The Company recognized the full amount as an expense in General and Administrative Expenses. As at December 31, 2018, the Company paid Mr. Zohar the full termination amount in cash. On December 14, 2018, based on the Long Term Incentive plan the Company issued 30,757 shares free of charge to Mr. Zohar.

Note 20 – Share-based Payment

Under the Long Term Incentive plan ("LTI"), the Company's management has the possibility to receive together each year shares equaling a total volume of EUR 771,000 assuming maximum LTI-Target Achievement divided by the average trading price of the Company's shares. The LTI shall depend on the achievement of certain individual targets and the relevant weighting of each of such LTI-Targets in relation to the other applicable targets over the service agreement period starting at the commencement of each fiscal year (the "LTI-Period"). The LTI-Targets shall be composed of (i) the development of the net asset value ("NAV") per share as being targeted by the Board (weighting of 50%) and (ii) the development of the Company's share price in relation to the EPRA GERMANY index (weighting of 50%), both LTI-Targets measured over the duration of the LTI-Period. The fair value was measured at the grant date for the first year using the Monte-Carlo simulation considering the following: (i) the NAV Target was estimated at 100%; (ii) the expected EPRA Target was estimated at approximately 108%. During the reporting period, the Company recognized a total expense of EUR 546 thousand (2017: EUR 554 thousand) against retained earnings.

Note 21 – Net Finance Costs

	For the year ended December 31,		
	2018	**2017**	**2016**
	thousands EUR		
Interest received on bank deposits	**143**	3	29
Change in fair value of other financial asset	**1,256**	1,599	1,943
Total finance income	**1,399**	1,602	1,972
Interest on bonds	**(6,927)**	(2,824)	—
Change in fair value of derivative component of convertible bond	**(3,896)**	—	—
Interest on other loans and borrowings	**(19,214)**	(18,279)	(18,526)
One-off refinance costs	**(613)**	(6,741)	(9,465)
Other finance expenses	**(2,265)**	(1,765)	(1,709)
Total finance costs	**(32,915)**	(29,609)	(29,700)
Total net finance costs	**(31,516)**	(28,007)	(27,728)

Note 22 – Earnings per Share

A. Basic and diluted earnings per share

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

(1) Earnings attributable to the owners of the Company (basic)

	For the year ended December 31,		
	2018	**2017**	**2016**
	thousands EUR		
Profit attributable to the owners of the Company	**386,964**	355,970	395,150

Note 22 – Earnings per Share (continued)

A. Basic and diluted earnings per share (continued)

(2) Weighted average number of ordinary shares

	For the year ended December 31,		
	2018	**2017**	**2016**
	thousands of shares		
Balance as at January 1	**44,100**	44,100	35,000
Effect of issuance of regular shares	**1**	—	4,083
Weighted average number of shares	**44,101**	44,100	39,083

	For the year ended December 31,		
	2018	**2017**	**2016**
	in EUR		
Basic and diluted earnings per share (*)	**8.77**	8.07	10.11

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

Note 23 – Financial Instruments

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

A. Credit risk

B. Market risk

C. Liquidity risk

A. Credit risk:

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

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The revenue of the Company is primarily driven by rental income from more than 20,000 tenants. Accordingly, the Group does not bare any concentration credit risk.

Cash and cash equivalents

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

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

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

	December 31	
	2018	**2017**
	thousands EUR	**thousands EUR**
Cash and cash equivalents in banks and financial institutions:		
Rated A+	**1,643**	80,466
Rated AA-	**3,646**	119
Rated A-	**21,097**	20,494
Rated BBB-	**916**	9,145
Other	**664**	11,306
	27,966	121,530

Note 23 – Financial Instruments (continued)

A. Credit risk: (continued)

Assessment of expected credit losses for individual customers

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

B. Market risk:

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

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

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

	December 31,	
	2018	2017
	thousands EUR	thousands EUR
Fixed rate instruments		
Financial assets	**56,577**	145,882
Financial liabilities	**1,622,768**	1,409,761
Variable rate instruments		
Financial liabilities	**76,895**	83,460

On the basis of the valuation as at December 31, 2018, the Group performed a sensitivity analysis to determine the change in profit and loss given a parallel shift in the interest rate structure:

	Change in interest basis points	Effect on the profit before tax thousands EUR
December 31, 2018		
Variable rate instruments	**+50**	**(12)**
December 31, 2017		
Variable rate instruments	+50	(14)

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

C. Liquidity risk:

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

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

Note 23 – Financial Instruments (continued)

C. Liquidity risk: (continued)

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

	December 31, 2018					
	Carrying amount	Contractual cash flows	2019	2020	2021	Due after 5 years
Corporate bonds	**396,899**	**436,000**	**6,000**	**6,000**	**6,000**	**418,000**
Convertible bonds	**154,252**	**175,314**	**2,063**	**2,063**	**2,063**	**169,125**
Other loans and borrowings	**1,057,973**	**1,133,308**	**34,875**	**82,321**	**141,306**	**874,806**
Other financial liabilities	**42,027**	**42,027**	**1,535**	**768**	**561**	**39,163**
Trade payables	**18,497**	**18,497**	**18,497**	**—**	**—**	**—**
Tenants' security deposits	**23,260**	**23,260**	**23,260**	**—**	**—**	**—**
Other payables	**6,755**	**6,755**	**6,755**	**—**	**—**	**—**
Derivatives (*)	**2,776**	**2,969**	**92**	**220**	**378**	**2,279**
Total	**1,702,439**	**1,838,130**	**93,077**	**91,372**	**150,308**	**1,503,373**

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

	December 31, 2017					
	Carrying amount	Contractual cash flows	2018	2019	2020	Due after 5 years
Bonds	396,396	442,000	6,000	6,000	6,000	424,000
Other loans and borrowings	1,026,723	1,114,407	90,854	46,484	79,020	898,049
Other financial liabilities	28,105	28,105	867	328	325	26,585
Trade payables	13,642	13,642	13,642	—	—	—
Tenants' security deposits	21,513	21,513	21,513	—	—	—
Other payables	6,842	6,842	6,842	—	—	—
Derivatives	2,985	3,242	264	135	230	2,613
Total	**1,496,206**	**1,629,751**	**139,982**	**52,947**	**85,575**	**1,351,247**

D. Fair value:

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

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

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

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

Note 23 – Financial Instruments (continued)

D. Fair value: (continued)

	December 31, 2017			
	Carrying amount	Fair value		
		Level 1	Level 2	Level 3
	thousands EUR			
Liabilities:				
Corporate bonds	396,396	404,056	—	—
Variable rate other loans and borrowings (*)	83,460	—	—	85,751
Fixed rate other loans and borrowings (*)	943,263	—	—	944,092
Total	1,423,119	404,056	—	1,029,843

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

Fair value for liabilities is estimated by discounting future cash flows by the market interest rate on the date of measurement.

In respect of the liability component of convertible bonds, the market rate of interest is determined by bid and ask quotes in the market.

The market interest rates used to determine the fair value of other loans and borrowings are the discount rate of Euribor+1.2% for the variable interest bank loans (2017: Euribor+1.2%) and the discount rate of 1.12% for the fixed interest bank loans (2017: 1.73%).

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

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

	December 31, 2018		December 31, 2017	
	Level 2	Level 3	Level 2	Level 3
	thousands EUR			
Other financial asset (a)	**—**	**6,615**	—	5,359
Derivative financial liabilities (b)	**16,339**	**—**	2,985	—
Other financial liabilities (c)	**—**	**42,027**	—	28,105

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

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

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

(c) Other financial liabilities relate to a put option and an annual compensation fee granted to ADO Group (see note 11) measured at fair value. The fair value is calculated based on the expected payment amounts and the liability is discounted to present value using the market interest rate at the reporting date.

Note 23 – Financial Instruments (continued)

D. Fair value: (continued)

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

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

	2017	
	Other financial asset	Other financial liabilities
	thousands EUR	
Balance as at January 1, 2017	3,760	15,137
Fair value adjustment	1,599	4,520
New acquisitions	—	8,488
Dividend payment	—	—
Balance as at December 31, 2017	5,359	28,108

E. Capital management:

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

The key figure for capital management is Loan-to-Value Ratio, which is the ratio of net financial liabilities compared to the value of the investment and trading properties. The Company aims to achieve a long-term Loan-to-Value Ratio of maximum 40%.

	December 31,	
	2018	2017
	thousands EUR	thousands EUR
Corporate bonds	**396,899**	396,396
Convertible bonds	**154,252**	—
Other loans and borrowings	**1,057,973**	1,026,723
Other financial liabilities	**42,027**	28,105
Cash and other deposits	**(27,966)**	(121,530)
Net financial liabilities	**1,623,185**	**1,329,694**
Investment properties and advances in respect of investment properties	**4,050,323**	3,305,723
Trading properties	**35,028**	42,961
Total assets	**4,085,351**	**3,348,684**
Loan-to-Value Ratio	**39.7%**	**39.7%**

Note 23 – Financial Instruments (continued)

F. Movement in liabilities deriving from financing activities

	Corporate bonds	Convertible bonds	Other loans and borrowings	Other financial liabilities	Total
			thousands EUR		
Balance as at January 1, 2018	**396,396**	**—**	**1,026,723**	**28,105**	**1,451,224**
Changes from financing cash flows					
Receipt of loans and borrowings	—	165,000	121,637	—	286,637
Repayment of loans and borrowings	—	—	(95,583)	—	(95,583)
Transaction costs related to borrowings	—	(1,260)	—	—	(1,257)
Compensation fee payments	—	—	—	(537)	(537)
Total net financing cash flows	**—**	**163,740**	**26,054**	**(537)**	**189,260**
Changes arising from obtaining control of subsidiaries	**—**	**—**	**2,498**	**8,308**	**10,806**
Changes in fair value	**—**	**—**	**—**	**5,938**	**5,938**
Derivative component of convertible bond	**—**	**(9,667)**	**—**	**—**	**(9,667)**
Other changes	**503**	**179**	**2,698**	**214**	**3,591**
Balance as at December 31, 2018	**396,899**	**154,252**	**1,057,973**	**42,027**	**1,651,151**

Note 24 – Contingent Liabilities and Commitments

A. Contingent liabilities

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

B. Securities, guarantees and liens under bank finance agreements

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

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

C. Future minimum lease payments

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

Note 24 – Contingent Liabilities and Commitments (continued)

C. Future minimum lease payments (continued)

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

	December 31,	
	2018	2017
	thousands EUR	thousands EUR
Less than one year	**33,682**	28,214
Between one and three years	**26,727**	22,705
More than three years	**25,605**	21,295

Note 25 – Segments Reporting

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

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

- Residential property management – the Group's core business activity is the rent and management of the residential properties, which includes the modernization and maintenance of the properties, the management of tenancy agreements and marketing of residential units. The focus of property management is on the optimization of rental income;
- Privatization – this segment includes all aspects of the preparation and execution of the sale of units. In addition, this segment is also subject to modernization, maintenance and management, and generates rental income for non-vacant units.

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

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

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

A. Information about reportable segments

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

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

Note 25 – Segments Reporting (continued)

A. Information about reportable segments (continued)

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

	For the year ended December 31, 2016		
	Residential property management	Privatization	Total consolidated
		thousands EUR	
External income from residential property management	88,704	1,106	89,810
External income from selling condominiums	—	19,965	19,965
Consolidated revenue	**88,704**	**21,071**	**109,775**
Reportable segment gross profit	**73,486**	**3,693**	**77,179**
General and administrative expenses			(13,245)
Changes in fair value of investment properties			444,268
Finance income			1,972
Finance expense			(29,700)
Consolidated profit before tax			**480,474**
Income tax expense			(69,706)

B. Entity level disclosures

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

Note 26 – Related Parties

A. Related companies:

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

Note 26 – Related Parties (continued)

A. Related companies: (continued)

(1) Transactions with related companies:

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

	December 31, 2018	December 31, 2017
	thousands EUR	
Current assets		
ADO Group (presented under other receivables)	**280**	—
Current liabilities		
ADO Group (presented under other payables)	**5**	42
Other financial liabilities (see note 11)	**1,535**	867
Interest payable	**83**	—
Non-current liabilities		
Other financial liabilities (see note 11)	**40,492**	27,238
Convertible bond (see note 13B)	**58,940**	—
Derivative (see note 13B)	**5,182**	—
Other loans and borrowings (see note 14B)	**22,600**	21,610

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

	For the year ended December 31, 2018	2017	2016
		thousands EUR	
Consolidated statement of profit or loss			
Services and management fee charges from ADO Group	**46**	64	75
Interest expense payable to ADO Group (see note 13B)	**165**	—	—
Interest expense payable to Harel Insurance Company Ltd (see note 14B)	**990**	946	907

On November 16, 2018, the Company placed senior, unsecured convertible bonds in a total nominal amount of EUR 165 million (see note 13B). ADO Group received an allocation in the accelerated bookbuilding reflecting pro rata its shareholding in the Company at the time of the placement.

B. Transactions with key management personnel:

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

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

	For the year ended December 31, 2018	2017	2016
		thousands EUR	
Short-term employee benefits	**800**	955	915
Share-based payments	**335**	350	376
Other compensation (see note 19B)	**279**	—	—
Total	**1,414**	1,305	1,291

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

Note 26 – Related Parties (continued)

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

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

	For the year ended December 31,	
	2018	2017
	thousands EUR	
Directors fee granted to the members of the Board of Directors	**608**	714
One-time termination payment	**279**	—
Total	**887**	714

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

	For the year ended December 31,	
	2018	2017
	thousands EUR	
Fixed salary	**662**	662
Short-term cash incentive	**349**	343
Long-term incentive to be paid in shares	**376**	387
Office rent	**3**	—
Total	**1,390**	1,392

The Group is renting an office from the CFO for a monthly amount of EUR 300. The total amount for 2018 is EUR 2,850.

Note 27 – Auditors' Fees

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

	For the year ended December 31,	
	2018	2017
	thousands EUR	
Audit fees (*)	**828**	690
Thereof: KPMG Luxembourg, Société coopérative	**90**	148
Tax consultancy services	**55**	184
Thereof: KPMG Luxembourg, Société coopérative	**16**	27
Other non-audit related services	**164**	49
Thereof: KPMG Luxembourg, Société coopérative	**12**	—

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

Note 28 – Subsequent Events

A. On January 24, 2019 the Company's Board appointed Mr. David Daniel as a member and Executive Vice Chairman of the Board of Directors with immediate effect. David Daniel was appointed on a provisional basis until his membership may be confirmed by a general meeting of the Company, scheduled to be held in April 2019. He will fill the vacant position on the Board of Directors following the resignation of Mr. Shlomo Zohar.

B. On March 19, 2019 the Company's Board proposed to the shareholders at the Annual General Meeting to pay a dividend in the amount of EUR 33 million (EUR 0.75 per share). The Annual General Meeting will take place on June 20, 2019.

C. In respect of the revolving credit facility agreement (see note 14J), on January 30, 2019, the Group exercised one extension option, for one year.

D. On March 12, 2019 Mr. Moshe Lahmani resigned from his position as a member and Chairman of the Board. Mr. Moshe Dayan was appointed by co-optation by the Board to succeed Mr. Moshe Lahmani

Note 28 – Subsequent Events (continued)

as a new member and Chairman of the Board. Furthermore, Dr. Sebastian-Dominik Jais was appointed by co-optation by the Board as a new member of the Board in replacement of Mr. Yuval Dagim who resigned in July 2018. Both appointments are provisional until their ratification and confirmation by the next General Meeting of the Company.

Note 29 – List of the Company Shareholdings

	Company	Country	Shareholding and control at December 31, 2018	2017
			%	
1	Adest Grundstücks GmbH	Germany	99.64	99.64
2	Adoa Grundstücks GmbH	Germany	99.64	99.64
3	Adom Grundstücks GmbH	Germany	99.64	99.64
4	Adon Grundstücks GmbH	Germany	99.64	99.64
5	Ahava Grundstücks GmbH	Germany	99.64	99.64
6	Anafa 1 Grundstücks GmbH	Germany	99.64	99.64
7	Anafa 2 Grundstücks GmbH	Germany	99.64	99.64
8	Gamazi Grundstücks GmbH	Germany	99.64	99.64
9	Anafa Grundstücks GmbH	Germany	99.64	99.64
10	Badolina Grundstücks GmbH	Germany	99.64	99.64
11	Berale Grundstücks GmbH	Germany	99.64	99.64
12	Bamba Grundstücks GmbH	Germany	99.64	99.64
13	Zman Grundstücks GmbH	Germany	99.64	99.64
14	ADO Immobilien Management GmbH	Germany	100	100
15	CCM City Construction Management GmbH	Germany	100	100
16	Drontheimer Str. 4 Grundstücks GmbH	Germany	99.64	99.64
17	Eldalote Grundstücks GmbH	Germany	99.64	99.64
18	Nuni Grundstücks GmbH	Germany	99.64	99.64
19	Krembo Grundstücks GmbH	Germany	99.64	99.64
20	Tussik Grundstücks GmbH	Germany	99.64	99.64
21	Geut Grundstücks GmbH	Germany	99.64	99.64
22	Gozal Grundstücks GmbH	Germany	99.64	99.64
23	Gamad Grundstücks GmbH	Germany	99.64	99.64
24	Geshem Grundstücks GmbH	Germany	99.64	99.64
25	Lavlav 1 Grundstücks GmbH	Germany	99.64	99.64
26	Lavlav 2 Grundstücks GmbH	Germany	99.64	99.64
27	Lavlav 3 Grundstücks GmbH	Germany	99.64	99.64
28	Lavlav Grundstücks GmbH	Germany	99.64	99.64
29	Mastik Grundstücks GmbH	Germany	99.64	99.64
30	Maya Grundstücks GmbH	Germany	99.64	99.64
31	Mezi Grundstücks GmbH	Germany	99.64	99.64
32	Muse Grundstücks GmbH	Germany	99.64	99.64
33	Papun Grundstücks GmbH	Germany	99.64	99.64
34	Nehederet Grundstücks GmbH	Germany	99.64	99.64
35	Neshama Grundstücks GmbH	Germany	99.64	99.64
36	Osher Grundstücks GmbH	Germany	99.64	99.64
37	Pola Grundstücks GmbH	Germany	99.64	99.64
38	ADO Properties GmbH	Germany	100	100
39	Reshet Grundstücks GmbH	Germany	99.64	99.64
40	Sababa18 Grundstücks GmbH	Germany	99.64	99.64
41	Sababa19 Grundstücks GmbH	Germany	99.64	99.64
42	Sababa20 Grundstücks GmbH	Germany	99.64	99.64
43	Sababa21 Grundstücks GmbH	Germany	99.64	99.64
44	Sababa22 Grundstücks GmbH	Germany	99.64	99.64
45	Sababa23 Grundstücks GmbH	Germany	99.64	99.64
46	Sababa24 Grundstücks GmbH	Germany	99.64	99.64
47	Sababa25 Grundstücks GmbH	Germany	99.64	99.64

Note 29 – List of the Company Shareholdings (continued)

	Company	Country	Shareholding and control at December 31, 2018	2017
			%	
48	Sababa26 Grundstücks GmbH	Germany	99.64	99.64
49	Sababa27 Grundstücks GmbH	Germany	99.64	99.64
50	Sababa28 Grundstücks GmbH	Germany	99.64	99.64
51	Sababa29 Grundstücks GmbH	Germany	99.64	99.64
52	Sababa30 Grundstücks GmbH	Germany	99.64	99.64
53	Sababa31 Grundstücks GmbH	Germany	99.64	99.64
54	Sababa32 Grundstücks GmbH	Germany	99.64	99.64
55	Shemesh Grundstücks GmbH	Germany	99.64	99.64
56	Stav Grundstücks GmbH	Germany	99.64	99.64
57	Tamuril Grundstücks GmbH	Germany	99.64	99.64
58	Tara Grundstücks GmbH	Germany	99.64	99.64
59	Tehila1 Grundstücks GmbH	Germany	99.64	99.64
60	Tehila2 Grundstücks GmbH	Germany	99.64	99.64
61	Tehila Grundstücks GmbH	Germany	99.64	99.64
62	Trusk Grundstücks GmbH	Germany	99.64	99.64
63	Wernerwerkdamm 25 Berlin Grundstücks GmbH	Germany	99.64	99.64
64	Yarok Grundstücks GmbH	Germany	99.64	99.64
65	Yahel Grundstücks GmbH	Germany	99.64	99.64
66	Yussifun Grundstücks GmbH	Germany	99.64	99.64
67	Bombila Grundstücks GmbH	Germany	99.64	99.64
68	ADO SBI Holdings S.A. & Co. KG	Germany	94	94
69	Central Facility Management GmbH	Germany	100	100
70	Sheket Grundstücks GmbH	Germany	100	100
71	Seret Grundstücks GmbH	Germany	100	100
72	Melet Grundstücks GmbH	Germany	100	100
73	Yabeshet Grundstücks GmbH	Germany	100	100
74	ADO Finance B.V.	Holland	100	100
75	Yadit Grundstücks GmbH	Germany	100	100
76	Zamir Grundstücks GmbH	Germany	100	100
77	Arafel Grundstücks GmbH	Germany	100	100
78	Sharav Grundstücks GmbH	Germany	100	100
79	Sipur Grundstücks GmbH	Germany	100	100
80	Matok Grundstücks GmbH	Germany	100	100
81	Barbur Grundstücks GmbH	Germany	94.9	94.9
82	Parpar Grundstücks GmbH	Germany	100	100
83	Jessica Properties B.V.	Holland	94.50	94.50
84	Alexandra Properties B.V.	Holland	94.44	94.44
85	Marbien B.V.	Holland	94.90	94.90
86	Meghan Properties B.V.	Holland	94.44	94.44
87	Matok Löwenberger Straße Grundstücks GmbH	Germany	100	100
88	Songbird 1 ApS	Denmark	60	60
89	Songbird 2 ApS	Denmark	60	60
90	Joysun 1 B.V.	Holland	60	60
91	Joysun 2 B.V.	Holland	60	60
92	Yona Investment GmbH & Co. KG	Germany	60	60
93	Yanshuf Investment GmbH & Co. KG	Germany	60	60
94	Ziporim Investment GmbH	Germany	60	60
95	Ofek 1 Grundstücks GmbH	Germany	100	100
96	Ofek 2 Grundstücks GmbH	Germany	100	100
97	Ofek 3 Grundstücks GmbH	Germany	100	100
98	Ofek 4 Grundstücks GmbH	Germany	100	100
99	Ofek 5 Grundstücks GmbH	Germany	100	100
100	Galim 1 Grundstücks GmbH	Germany	100	100

Note 29 – List of the Company Shareholdings (continued)

	Company	Country	Shareholding and control at December 31, 2018	2017
			%	
101	Galim 2 Grundstücks GmbH	Germany	100	100
102	Galim 3 Grundstücks GmbH	Germany	100	100
103	JS Nestorstrasse Grundstücks GmbH	Germany	60	60
104	JS Florapromenade Grundstücks GmbH	Germany	60	60
105	JS Cotheniusstrasse Grundstücks GmbH	Germany	60	60
106	JS Tauroggener Grundstücks GmbH	Germany	60	60
107	JS Kiehlufer Grundstücks GmbH	Germany	60	60
108	JS Rubenstrasse Grundstücks GmbH	Germany	60	60
109	Yona Stettiner Grundstücks GmbH	Germany	60	60
110	Yona Schul Grundstücks GmbH	Germany	60	60
111	Yona Otawi Grundstücks GmbH	Germany	60	60
112	Yona Strom Grundstücks GmbH	Germany	60	60
113	Yona Gutenberg Grundstücks GmbH	Germany	60	60
114	Yona Kameruner Grundstücks GmbH	Germany	60	60
115	Yona Schichauweg Grundstücks GmbH	Germany	60	60
116	Yona Alt-Tempelhof Grundstücks GmbH	Germany	60	60
117	Yona Gruberzeile Grundstücks GmbH	Germany	60	60
118	Yona Schloss Grundstücks GmbH	Germany	60	60
119	Yona Lindauer Grundstücks GmbH	Germany	60	60
120	Yona Nogat Grundstücks GmbH	Germany	60	60
121	Yona Bötzow Grundstücks GmbH	Germany	60	60
122	Yona Herbst Grundstücks GmbH	Germany	60	60
123	Yona Danziger Grundstücks GmbH	Germany	60	60
124	Yona Schön Grundstücks GmbH	Germany	60	60
125	Yanshuf Kaiser Grundstücks GmbH	Germany	60	60
126	Yanshuf Binz Grundstücks GmbH	Germany	60	60
127	Yanshuf Antonien Grundstücks GmbH	Germany	60	60
128	Yanshuf See Grundstücks GmbH	Germany	60	60
129	Yanshuf Hermann Grundstücks GmbH	Germany	60	60
130	Yanshuf Schmidt-Ott Grundstücks GmbH	Germany	60	60
131	Hanpaka Holding GmbH	Germany	100	100
132	Hanpaka Immobilien GmbH	Germany	94.90	94.90
133	Dvash 1 Holding GmbH	Germany	100	100
134	Dvash 2 Holding GmbH	Germany	100	100
135	Dvash 3 B.V.	Holland	100	100
136	Rimon Holding GmbH	Germany	100	100
137	Bosem Grundstücks GmbH	Germany	100	100
138	Rimon Grundstücks GmbH	Germany	94.90	94.90
139	Dvash 21 Grundstücks GmbH	Germany	94.90	94.90
140	Dvash 22 Grundstücks GmbH	Germany	94.90	94.90
141	Dvash 23 Grundstücks GmbH	Germany	94.90	94.90
142	Dvash 24 Grundstücks GmbH	Germany	94.90	94.90
143	Dvash 11 Grundstücks GmbH	Germany	94.90	94.90
144	Dvash 12 Grundstücks GmbH	Germany	94.90	94.90
145	Dvash 13 Grundstücks GmbH	Germany	94.90	94.90
146	Dvash 14 Grundstücks GmbH	Germany	94.90	94.90
147	ADO FC Management Unlimited Company	Ireland	100	100
148	5. Ostdeutschland Invest GmbH	Germany	94.90	94.90
149	8. Ostdeutschland Invest GmbH	Germany	94.90	94.90
150	Horef Holding GmbH	Germany	100	100
151	ADO 9110 Holding GmbH	Germany	100	100
152	Silan Holding GmbH	Germany	100	100
153	ADO Sonnensiedlung S.à.r.l.	Luxembourg	94.90	94.90

Note 29 – List of the Company Shareholdings (continued)

	Company	Country	Shareholding and control at December 31, 2018	2017
			%	
154	Horef Grundstücks GmbH	Germany	94.93	94.93
155	Sprengelstraße 39 GmbH	Germany	94	94
156	Scharnweberstraße 112 Verwaltungsgesellschaft mbH	Germany	94.90	94.90
157	Kantstraße 62 Grundstücks GmbH	Germany	100	100
158	ADO Treasury GmbH	Germany	100	100
159	ADO 9160 Grundstücks GmbH	Germany	94.90	94.90
160	ADO 9200 Grundstücks GmbH	Germany	94.90	94.90
161	ADO 9210 Grundstücks GmbH	Germany	94.90	94.90
162	ADO 9220 Grundstücks GmbH	Germany	94.90	94.90
163	ADO 9230 Grundstücks GmbH	Germany	94.90	94.90
164	ADO 9240 Grundstücks GmbH	Germany	94.90	94.90
165	ADO 9250 Grundstücks GmbH	Germany	94.00	94.00
166	ADO 9260 Grundstücks GmbH	Germany	94.90	94.90
167	ADO 9270 Grundstücks GmbH	Germany	94.80	94.80
168	ADO 9280 Grundstücks GmbH	Germany	94.90	94.90
169	ADO 9290 Grundstücks GmbH	Germany	94.90	94.90
170	ADO 9300 Grundstücks GmbH	Germany	94.90	94.90
171	ADO 9310 Grundstücks GmbH	Germany	94.90	94.90
172	ADO 9320 Grundstücks GmbH	Germany	94.90	94.90
173	ADO 9330 Grundstücks GmbH	Germany	94.90	94.90
174	ADO 9340 Grundstücks GmbH	Germany	94.90	94.90
175	ADO 9350 Grundstücks GmbH	Germany	94.90	94.90
176	ADO 9360 Holding GmbH	Germany	100	100
177	ADO 9370 Grundstücks GmbH	Germany	94.90	94.90
178	ADO 9380 Grundstücks GmbH	Germany	94.90	94.90
179	ADO 9390 Grundstücks GmbH	Germany	94.90	94.90
180	ADO 9400 Grundstücks GmbH	Germany	94.90	94.90
181	ADO 9410 Grundstücks GmbH	Germany	94.90	94.90
182	ADO 9420 Grundstücks GmbH	Germany	94.90	94.90
183	ADO 9430 Grundstücks GmbH	Germany	94.90	94.90
184	ADO 9440 Grundstücks GmbH	Germany	94.90	94.90
185	ADO 9450 Grundstücks GmbH	Germany	94.90	94.90
186	ADO 9460 Grundstücks GmbH	Germany	94.90	94.90
187	ADO 9470 Grundstücks GmbH	Germany	94.90	94.90
188	ADO 9480 Grundstücks GmbH	Germany	94.90	94.90
189	ADO 9490 Grundstücks GmbH	Germany	94.90	94.90
190	ADO 9500 Grundstücks GmbH	Germany	94.90	94.90
191	ADO 9510 Grundstücks GmbH	Germany	94.90	94.90
192	ADO 9520 Grundstücks GmbH	Germany	94.90	94.90
193	ADO 9530 Grundstücks GmbH	Germany	94.90	94.90
194	ADO 9540 Holding GmbH	Germany	100	100
195	ADO Lux Finance S.à.r.l.	Luxembourg	100	100
196	ADO 9550 Grundstücks GmbH	Germany	94.90	—
197	ADO 9560 Grundstücks GmbH	Germany	94.90	—
198	ADO 9570 Grundstücks GmbH	Germany	94.90	—
199	ADO 9580 Holding GmbH	Germany	100	—
200	RVB Angerburgerallee B.V.	Holland	94	—
201	ADO 9600 Grundstücks GmbH	Germany	94.90	—
202	ADO 9610 Grundstücks GmbH	Germany	94.90	—
203	ADO 9620 Grundstücks GmbH	Germany	94.90	—
204	ADO 9630 Grundstücks GmbH	Germany	94.90	—
205	ADO Living GmbH	Germany	100	—
206	ADO 9640 Grundstücks GmbH	Germany	94.90	—

ADO Properties S.A.

Consolidated financial statements of ADO Properties S.A. as of and for the fiscal year ended December 31, 2017

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

REPORT OF THE REVISEUR D'ENTREPRISES AGREE

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of ADO Properties S.A. and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Basis for opinion

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

Key audit matters

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

<u>Revenue recognition for investment properties</u>

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

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

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

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

- Evaluating the design and implementation and of operating effectiveness of key internal controls over the recording of revenue for the investment properties;
- Comparing rental revenue with underlying tenancy information, including monthly rents and rental periods as set out in the signed rental agreements, on a sample basis, and assessing whether fixed rental revenue had been recorded in the appropriate accounting period;
- Performing substantive analytical procedures on the rental income by building an expectation for the rental income and comparing it to the actual rental income disclosed in the consolidated financial statements.

Valuation of investment properties

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

Refer to Note 5 to the consolidated financial statements for related disclosures. We identified the valuation of investment properties as a key audit matter as they represent approximately 93% of total assets of the Group, and significant judgement is required in determining their fair value.

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

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

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

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

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

- Evaluating the qualifications and competence of the external Valuer and reading the terms of engagement of the Valuer with the Group to determine whether there were any matters that might have affected their objectivity or limited the scope of their work.
- Involving our own valuation specialists to evaluate the valuation methodologies used and to test the integrity of inputs of the projected cash flows used in the valuation to supporting leases and other documents on a sample basis.
- Involving our own valuation specialists to challenge the capitalisation and discount rates used in the valuation by comparing them with historical rates and available industry data, taking into consideration comparability and market factors. Where the rates were outside the expected range, we undertook further procedures to understand the effect of additional factors and, when necessary, held further discussions with the Valuer.
- Assessing the adequacy of the descriptions in consolidated the financial statements, in describing the inherent degree of subjectivity and key assumptions in the estimates. This includes the relationships between the key unobservable inputs and fair values, in conveying the uncertainties.

Other information

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

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

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

Responsibilities of the Board of Directors and Those Charged with Governance for the Consolidated Financial Statements

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

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

Responsibilities of the "Réviseur d'Entreprises Agréé" for the audit of the Consolidated Financial Statements

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

We have been appointed as "Réviseur d'Entreprises Agréé" by the General Meeting of the Shareholders on 2 May 2017 and the duration of our uninterrupted engagement, including previous renewals and reappointments, is three years, of which 2 years since ADO Properties S.A. became a Public Interest entity

The combined management report, which is the responsibility of the Board of Directors, is consistent with the consolidated financial statements and has been prepared in accordance with applicable legal requirements.

The accompanying Corporate Governance Statement is presented on pages 50 to 55. The information required by Article 68ter paragraph (1) letters c) and d) of the law of 19 December 2002 on the commercial and companies register and on the accounting records and annual accounts of undertakings, as amended, is consistent with the consolidated financial statements and has been prepared in accordance with applicable legal requirements.

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

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

Other matter

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

Luxembourg, 19 March 2018

KPMG Luxembourg
Société coopérative
Cabinet de révision agréé

Stephen Nye

Consolidated Statement of Financial Position as at

(In thousands EUR)

	Note	As of December 31, 2017	2016
Assets			
Non-current assets			
Investment properties	5	**3,271,298**	2,278,935
Advances in respect of investment properties	28	**34,425**	11,805
Property and equipment		**2,783**	2,148
Other financial asset	23	**5,359**	3,760
		3,313,865	2,296,648
Current assets			
Trading properties	6	**42,961**	39,718
Advances in respect of trading properties		**—**	6,419
Restricted bank deposits	7	**24,352**	28,207
Trade receivables	8	**10,324**	6,604
Other receivables	9	**5,231**	1,377
Cash and cash equivalents	**10**	**121,530**	183,421
		204,398	265,746
Total assets		**3,518,263**	**2,562,394**
Shareholders' equity	12		
Share capital		**55**	55
Share premium		**498,607**	499,520
Reserves		**330,638**	333,872
Retained earnings		**966,090**	628,498
Total equity attributable to owners of the company		**1,795,390**	1,461,945
Non-controlling interests		**36,103**	24,559
Total equity		**1,831,493**	1,486,504
Liabilities			
Non-current liabilities			
Bonds	13	**396,396**	—
Other loans and borrowings	14	**953,955**	877,326
Other financial liabilities	11	**27,238**	14,723 *
Derivatives	23	**2,878**	3,926
Deferred tax liabilities	16	**183,443**	117,673
		1,563,910	1,013,648
Current liabilities			
Other loans and borrowings	14	**72,768**	27,388
Other financial liabilities	11	**867**	414 *
Trade payables		**13,642**	8,957
Other payables	15	**35,476**	25,224
Derivatives	23	**107**	259
		122,860	62,242
Total equity and liabilities		**3,518,263**	2,562,394

Rabin Savion
CEO

Florian Goldgruber
CFO

Date of approval: March 19, 2018

(*) Immaterial adjustment of comparative data – see note 2G regarding basis of preparation

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

Consolidated Statement of Profit or Loss

(In thousands EUR)

	Note	For the year ended December 31, 2017	2016	2015
Revenue	17	**128,852**	109,775	75,753
Cost of operations	18	**(36,174)**	(32,596) *	(19,186) *
Gross profit		**92,678**	77,179	56,567
General and administrative expenses	19	**(12,762)**	(13,245) *	(7,197) *
Changes in fair value of investment properties and assets held for sale	5	**383,638**	444,268	158,579
Other expenses		**—**	—	(430)
Results from operating activities		**463,554**	508,202	207,519
Finance income		**1,602**	1,972	1,584
Finance costs		**(29,609)**	(29,700)	(25,724)
Net finance costs	21	**(28,007)**	(27,728)	(24,140)
Profit before tax		**435,547**	480,474	183,379
Income tax expense	16	**(68,035)**	(69,706)	(27,372)
Profit for the year		**367,512**	410,768	156,007
Profit attributable to:				
Owners of the company		**355,970**	395,150	148,192
Non-controlling interest		**11,542**	15,618	7,815
Profit for the year		**367,512**	410,768	156,007
Basic and diluted earnings per share (in EUR)	22	**8.07**	10.11	5.04

(*) Immaterial adjustment of comparative data – see note 2G regarding basis of preparation

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

Consolidated Statement of Comprehensive Income

(In thousands EUR)

	Note	For the year ended December 31, 2017	2016	2015
Profit for the year		**367,512**	410,768	156,007
Items that may be reclassified subsequently to profit or loss				
Hedging reserve classified to profit or loss, net of tax		**—**	5,275	—
Effective portion of changes in fair value of cash flow hedges	23	**1,218**	(512)	2,840
Related tax		**60**	53	(666)
Total other comprehensive income		**1,278**	4,816	2,174
Total comprehensive income for the year		**368,790**	415,584	158,181
Total comprehensive income attributable to:				
Owners of the company		**357,246**	399,938	150,359
Non-controlling interest		**11,544**	15,646	7,822
Total comprehensive income for the year		**368,790**	415,584	158,181

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

Consolidated Statement of Cash Flows

(In thousands EUR)

	Note	For the year ended December 31, 2017	2016	2015
Cash flows from operating activities				
Profit for the year		**367,512**	410,768	156,007
Adjustments for:				
Depreciation	19	**452**	356	256
Change in fair value of investment properties and assets held for sale	5	**(383,638)**	(444,268)	(158,579)
Net finance costs	21	**28,007**	27,728	24,140
Income tax expense	16	**68,035**	69,706	27,372
Share-based payment		**564**	859	349
Change in short-term restricted bank deposits related to tenants		**(4,727)**	(2,883)	(5,878)
Change in trade receivables		**(3,148)**	1,116	(3,477)
Change in other receivables		**(3,742)**	976	(1,563)
Change in trading properties		**12,830**	15,007	7,928
Change in advances in respect of trading properties		**—**	(6,419)	—
Change in trade payables		**1,408**	1,509	1,036
Change in other payables		**4,163**	2,276	8,207
Income tax paid		**(864)**	(352)	(83)
Net cash from operating activities		**86,852**	76,379	55,715
Cash flows from investing activities				
Purchase and CAPEX of investment properties	5	**(189,182)**	(116,839)	(416,372)
Advances paid for investment property purchase	28	**(33,975)**	(11,805)	(799)
Purchase of property and equipment		**(795)**	(784)	(1,564)
Interest received		**3**	29	35
Proceeds from disposal of investment properties and assets held for sale		**—**	1,015	954
Acquisition of subsidiaries, net of acquired cash	3	**(280,542)**	(160,244)	(89,010)
Investments in bank deposit		**—**	—	(100,000)
Repayment of bank deposit		**—**	65,000	35,000
Change in short-term restricted bank deposits, net		**9,453**	(4,662)	(3,165)
Net cash used in investing activities		**(495,038)**	(228,290)	(574,921)
Cash flows from financing activities				
Proceeds from issue of bonds, net	13	**396,185**	—	—
Long-term loans received	14	**114,606**	182,721	338,248
Repayment of long-term loans	14	**(113,163)**	(158,300)	(42,535)
Short-term loans received		**—**	—	5,980
Repayment of short-term loans		**(13,385)**	(13,088)	(13,062)
Interest paid		**(18,103)**	(18,762)	(16,791)
Payment from settlement of derivatives		**—**	(6,184)	—
Proceeds from issue of share capital		**—**	—	29
Issuance of ordinary shares, net		**—**	292,975	193,000
Dividend distributed	12	**(19,845)**	(13,475)	—
Loans received from related parties		**—**	—	2,870
Loans received from related parties (issuance of capital note)		**—**	—	111,250
Net cash from financing activities		**346,295**	265,887	578,989
Change in cash and cash equivalents during the year		**(61,891)**	113,976	59,783
Cash and cash equivalents at the beginning of the year		**183,421**	69,445	9,662
Cash and cash equivalents at the end of the year		**121,530**	183,421	69,445

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

Consolidated Statement of Changes in Equity

(In thousands EUR)

	Share capital	Share premium	Hedging reserves	Capital reserve from transactions with controlling shareholder	Retained earnings	Total	Non-controlling interests	Total equity
Balance at January 1, 2017	**55**	**499,520**	**(2,312)**	**336,184**	**628,498**	**1,461,945**	**24,559**	**1,486,504**
Total comprehensive income for the year								
Profit for the year	—	—	—	—	355,970	355,970	11,542	367,512
Other comprehensive income for the year, net of tax	—	—	1,276	—	—	1,276	2	1,278
Total comprehensive income for the year	—	—	1,276	—	355,970	357,246	11,544	368,790
Transactions with owners, recognized directly in equity								
Changes in put option (see note 11)	—	—	—	(4,520)	—	(4,520)	—	(4,520)
Dividend distributed (see note 12)	—	(913)	—	—	(18,932)	(19,845)	—	(19,845)
Share-based payment (see note 20)	—	—	—	10	554	564	—	564
Balance at December 31, 2017	**55**	**498,607**	**(1,036)**	**331,674**	**966,090**	**1,795,390**	**36,103**	**1,831,493**

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

Consolidated Statement of Changes in Equity

(In thousands EUR)

	Share capital	Share premium	Hedging reserves	Capital reserve from transactions with controlling shareholder	Retained earnings	Total	Non-controlling interests	Total equity
Balance at January 1, 2016	—	206,600	(7,100)	339,277	246,739	785,516	8,913	794,429
Total comprehensive income for the year								
Profit for the year	—	—	—	—	395,150	395,150	15,618	410,768
Other comprehensive income for the year, net of tax	—	—	4,788	—	—	4,788	28	4,816
Total comprehensive income for the year	—	—	4,788	—	395,150	399,938	15,646	415,584
Transactions with owners, recognized directly in equity								
Issuance of ordinary shares, net	55	292,920	—	—	—	292,975	—	292,975
Changes in put option (see note 11)	—	—	—	(3,146)	—	(3,146)	—	(3,146)
Dividend distributed	—	—	—	—	(13,475)	(13,475)	—	(13,475)
Share-based payment (see note 20)	—	—	—	53	84	137	—	137
Balance at December 31, 2016	55	499,520	(2,312)	336,184	628,498	1,461,945	24,559	1,486,504

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

Consolidated Statement of Changes in Equity

(In thousands EUR)

	Share capital	Share premium	Hedging reserves	Capital reserve from transactions with controlling shareholder	Retained earnings	Total	Non-controlling interests	Total equity
Balance at January 1, 2015	2	13,569	(9,267)	27,350	98,326	129,980	1,091	131,071
Total comprehensive income for the year								
Profit for the year	—	—	—	—	148,192	148,192	7,815	156,007
Other comprehensive loss for the year, net of tax	—	—	2,167	—	—	2,167	7	2,174
Total comprehensive income for the years	—	—	2,167	—	148,192	150,359	7,822	158,181
Transactions with owners, recognized directly in equity								
Contribution from shareholders, net of tax	—	—	—	11,339	—	11,339	—	11,339
Increase of share premium	—	29	—	—	—	29	—	29
Stock split	(2)	2	—	—	—	—	—	—
Issuance of ordinary shares, net	—	193,000	—	—	—	193,000	—	193,000
Conversion of shareholder loans to equity	—	—	—	300,460	—	300,460	—	300,460
Share-based payment (see note 20)	—	—	—	128	221	349	—	349
Balance at December 31, 2015	—	206,600	(7,100)	339,277	246,739	785,516	8,913	794,429

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

Note 1 – ADO Properties S.A.

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

The Company deleted its registration in Cyprus and moved its registered office and central administration to Luxembourg by decision of the general meeting of shareholders dated June 8, 2015 and adopted the form of a private limited liability company (société à responsabilité limitée) under Luxembourg law. The Company was then converted to a public limited liability company (société anonyme) under Luxembourg law by decision of the general meeting of shareholders dated June 16, 2015 and changed its name to "ADO Properties S.A." (B-197554). The address of the Company's registered office is Aerogolf Center, 1B Heienhaff, L-1736 Senningerberg, Luxembourg.

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

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

The consolidated financial statements of the Company as at December 31, 2017 and for the year then ended comprise the Company and its subsidiaries (together referred to as the "Group").

Note 2 – Basis of Preparation

A. Statement of compliance

The consolidated financial statements as at and for the year ended December 31, 2017, have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU").

The consolidated financial statements were authorized for issue by the board of directors on March 19, 2018.

B. Functional and presentation currency

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

C. Basis of measurement

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

D. Operating cycle

The Group has two operating cycles:

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

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

E. Use of estimates, judgments and fair value measurement

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

Note 2 – Basis of Preparation (continued)

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

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

Judgments and use of estimates

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

- Note 16 – Uncertain tax positions (judgments)

  The extent of the certainty that the Group's tax positions will be accepted (uncertain tax positions) and the risk of it incurring any additional tax and interest expenses. This is based on an analysis of a number of matters including interpretations of tax laws and the Group's past experience. New information may become available that causes the Group to change its judgment, resulting in recognition of additional income tax expense in the period that such a change in judgment occurs.

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

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

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

  The fair value of investment properties as at December 31, 2017 was assessed by CBRE, an industry specialist that has appropriate and recognized professional qualifications and up-to-date experience regarding the location and category of the properties. The valuation includes assumptions regarding rent, vacancies, maintenance costs and discount rate. These assumptions are subject to uncertainties that may lead to either positive or negative value adjustments in the future, impacting the profit or loss from changes in fair value of investment properties in the period that such a change in estimations occurs.

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

  Derivative valuations are calculated by the financing bank and checked by management. The risk that derivatives will not be appropriately valued exists, since the Group needs to make judgments about the estimation of the credit risk used by the lending bank and about whether the bank used the appropriate market observation for the other variables. New information may become available that causes the Group to change its estimation, impacting the profit or loss from changes in fair value of derivatives in the period that such a change in estimations occurs.

Determination of fair values

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

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

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

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Note 2 – Basis of Preparation (continued)

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

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

F. Changes in accounting policies

- Amendment to IAS 7, Statement of Cash Flows

According to the Amendment, an entity is required to provide disclosures that will enable the users of the financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. These disclosures are to be provided with respect to the following changes in liabilities arising from financing activities; changes from financing cash flows: changes arising from obtaining or losing control of subsidiaries or other businesses; the effect of changes in foreign exchange rates; changes in fair values; and other changes. The new disclosure requirements were included in Note 23 regarding Financial Instruments.

G. Change in classification

The Group performed immaterial classifications in the comparative figures in order to align the classification in the comparative figures to the figures of the year ended December 31, 2017.

Note 3 – Basis of Consolidation

A. Consolidation methods

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

In addition to the Company, 195 subsidiaries (2016: 156) have been included in these consolidated financial statements.

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

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

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

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

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

Note 3 – Basis of Consolidation (continued)

B. Scope of consolidation

(1) During the first quarter of 2017, the Group carried out two separate transactions to take over 94% and 94.9%, respectively, of the issued shares of two German entities holding one condominium building and one residential building located in Berlin, Germany. The total consideration amounted to EUR 11.6 million (including approximately 2% transaction costs). The buildings include 86 residential units and 4 commercial units with a total leasable area of approximately 5.5 thousand sqm.

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

	thousands EUR
Cash and cash equivalents	349
Restricted bank deposits	32
Trade and other receivables	80
Trading properties	6,696
Investment properties (*)	5,115
Trade and other payables	(410)
Other financial liabilities (**)	(267)
Total consideration	**11,595**
Consideration already paid in 2016	(6,419)
Consideration to be paid after the reporting period (***)	(41)
Less cash acquired	(349)
Net cash flow from the acquisition of subsidiaries	**4,786**

(*) The fair value of the investment properties as at the takeover date was EUR 4,900 thousand, therefore acquisition costs of approximately EUR 0.2 million were recognized under changes in fair value of investment properties in the consolidated statement of profit or loss.

(**) Other financial liabilities refer to a put option granted to the non-controlling interests (see note 11).

(***) Consideration to be paid refers to transaction costs invoiced after the reporting period.

(2) During the second quarter of 2017, the Group took over 94.9% of the issued shares of a German entity holding 10 residential buildings located in Berlin, Germany. The total consideration amounted to EUR 75.5 million (including approximately 3% transaction costs). The buildings include 298 residential units and 30 commercial units with a total leasable area of approximately 27.4 thousand sqm.

Note 3 – Basis of Consolidation (continued)

B. Scope of consolidation (continued)

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

	thousands EUR
Cash and cash equivalents	40
Restricted bank deposits	562
Trade and other receivables	105
Investment properties (*)	77,887
Trade and other payables	(514)
Other financial liabilities (**)	(2,557)
Total consideration	**75,523**
Consideration to be paid after the reporting period (***)	(229)
Less cash acquired	(40)
Net cash flow from the acquisition of subsidiaries	**75,254**

(*) The fair value of the investment properties as at the takeover date was EUR 75,900 thousand, therefore acquisition costs of approximately EUR 2 million were recognized under changes in fair value of investment properties in the consolidated statement of profit or loss.

(**) Other financial liabilities refer to a put option granted to the non-controlling interests (see note 11).

(***) Consideration to be paid refers to transaction costs invoiced after the reporting period.

(3) During the third quarter of 2017, the Group carried out six separate transactions to take over 94%-94.9% of the issued shares of 15 German entities holding 20 residential buildings and one commercial building located in Berlin, Germany. The total consideration amounted to EUR 86.8 million (including approximately 3.3% transaction costs). The buildings include 524 residential units and 63 commercial units with a total leasable area of approximately 44.4 thousand sqm.

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

	thousands EUR
Cash and cash equivalents	644
Restricted bank deposits	88
Trade and other receivables	278
Property and equipment	292
Advances in respect of investment properties	450
Investment properties (*)	115,028
Trade and other payables	(1,400)
Bank loans (**)	(25,594)
Other financial liabilities (***)	(2,924)
Total consideration	**86,862**
Consideration to be paid after the reporting period (****)	(677)
Less cash acquired	(644)
Net cash flow from the acquisition of subsidiaries	**85,541**

(*) The fair value of the investment properties as at the takeover date was EUR 111,150 thousand. Acquisition costs of approximately EUR 3.8 million were recognized under changes in fair value of investment properties in the consolidated statement of profit or loss.

Note 3 – Basis of Consolidation (continued)

B. Scope of consolidation (continued)

(**) The bank loans were repaid during the period, consequently, an amount of EUR 2.5 million was recognized as one-off refinance costs in the consolidated statement of profit or loss.

(***) Other financial liabilities refer to a put option granted to the non-controlling interests (see note 11).

(****) Consideration to be paid refers to transaction costs invoiced after the reporting period.

(4) During the fourth quarter of 2017, the Group carried out two separate transactions to take over 94.9% of the issued shares of 18 German entities holding 21 residential buildings and one condominium building located in Berlin, Germany. The total consideration amounted to EUR 116.1 million (including approximately 3.6% transaction costs). The buildings include 1,325 residential units and 62 commercial units with a total leasable area of approximately 102 thousand sqm.

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

	thousands EUR
Cash and cash equivalents	612
Restricted bank deposits	189
Trade and other receivables	221
Trading properties	5,647
Investment properties (*)	213,509
Trade and other payables	(1,229)
Bank loans	(100,115)
Derivatives	(18)
Other financial liabilities (**)	(2,722)
Total consideration	**116,094**
Consideration to be paid after the reporting period (***)	(521)
Less cash acquired	(612)
Net cash flow from the acquisition of subsidiaries	**114,961**

(*) The fair value of the investment properties as at the takeover date was EUR 205,840 thousand. Acquisition costs of approximately EUR 7.7 million were recognized under changes in fair value of investment properties in the consolidated statement of profit or loss.

(**) Other financial liabilities refer to a put option granted to the non-controlling interests (see note 11).

(***) Consideration to be paid refers to transaction costs invoiced after the reporting period.

Note 4 – Significant Accounting Policies

A. Investment properties

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

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

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

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

Note 4 – Significant Accounting Policies (continued)

A. Investment properties (continued)

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

B. Trading properties

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

C. Restricted bank deposits

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

D. Cash and cash equivalents

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

E. Financial instruments

(1) Non-derivative financial assets

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

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

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

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

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

(2) Non-derivative financial liabilities

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

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

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

Note 4 – Significant Accounting Policies (continued)

E. Financial instruments (continued)

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

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

(3) Share capital – ordinary shares

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

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

(4) Derivative financial instruments, including hedge accounting

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

Cash flow hedges

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

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

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

Other derivatives

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

Note 4 – Significant Accounting Policies (continued)

F. Impairment

Non-financial assets

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

Non-derivative financial assets

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

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

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

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

G. Transactions with controlling shareholder

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

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

H. Provisions

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

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

I. Employee benefits

Share-based payment transactions

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

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

Note 4 – Significant Accounting Policies (continued)

I. Employee benefits (continued)

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

J. Revenue recognition

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

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

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

K. Finance income and costs

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

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

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

L. Taxation

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

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

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

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

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. For investment property that is measured at fair value, there is a rebuttable presumption that the

Note 4 – Significant Accounting Policies (continued)

L. Taxation (continued)

carrying amount of the investment property will be recovered through sale. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

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

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

M. Earnings per share

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

N. New standards and interpretations not yet adopted

- IFRS 15, *Revenue from Contracts with Customers*

  IFRS 15 replaces the current guidance regarding recognition of revenues and presents a comprehensive framework for determining whether revenue should be recognized and when and at what amount.

  IFRS 15 is applicable for annual periods beginning on or after January 1, 2018 and earlier application is permitted.

  The Group examined the effects of applying IFRS 15, and in its opinion the effect on the financial statements will be immaterial.

- IFRS 9 (2014), *Financial Instruments*

  IFRS 9 (2014) replaces the current guidance in IAS 39, Financial Instruments: Recognition and Measurement. IFRS 9 (2014) includes revised guidance on the classification and measurement of financial instruments, a new 'expected credit loss' model for calculating impairment for most financial assets (debt or equity instruments), and new guidance and requirements with respect to hedge accounting.

  IFRS 9 (2014) is effective for annual periods beginning on or after January 1, 2018 with early adoption being permitted.

  The Group examined the effects of applying IFRS 9 (2014), and in its opinion the effect on the financial statements will be immaterial.

- IFRS 16, *Leases*

  IFRS 16 replaces IAS 17, Leases and its related interpretations. For lessees, the standard presents a unified model for the accounting treatment of all leases according to which the lessee has to recognize an asset and liability in respect of the lease in its financial statements.

  IFRS 16 is applicable for annual periods as of January 1, 2019, with the possibility of early adoption, so long as the company has also early adopted IFRS 15, Revenue from Contracts with Customers.

  The Group started to examine the effects of adopting IFRS 16 on the financial statements, and in its opinion the effect on the financial statements will be immaterial.

Note 4 – Significant Accounting Policies (continued)

N. New standards and interpretations not yet adopted (continued)

- Amendment to IAS 40, *Investment Property: Transfers of Investment Property*

  The amendment clarifies that an entity shall transfer property into, or out of, investment property only when there is evidence of a change in use. Change in use occurs when the property meets, or ceases to meet, the definition of investment property. The amendment clarifies that a change in management's intentions for the use of a property by itself does not constitute evidence of a change in use. The amendment also states that the list of evidence of change in use that is included in paragraph 57 of IAS 40 is a non-exhaustive list of examples.

  The amendment is applicable for annual periods beginning on or after January 1, 2018.

  The Group has examined the effects of applying the amendment to IAS 40, and in its opinion the effect on the financial statements will be immaterial.

Note 5 – Investment Properties

A. Reconciliation of carrying amount

	December 31,	
	2017	**2016**
	Thousands EUR	**Thousands EUR**
Balance at January 1	**2,278,935**	1,456,804
Additions by way of acquiring subsidiaries (see note 3B)	**411,539**	272,132
Additions by way of acquiring assets (see note 5A(1))	**169,895**	98,285
Capital expenditure	**31,021**	25,351
Disposals	**—**	(1,015)
Transfer from investment properties to trading properties (see note 5A(2))	**(3,730)**	(16,890)
Fair value adjustments	**383,638**	444,268
Balance at December 31	**3,271,298**	2,278,935

As of December 31, 2017, the closing balance of investment properties consisted of 20,421 (2016: 17,701) residential units with a total residential lettable area of 1,343,786 (2016: 1,153,840) sqm, 1,309 (2016: 999) commercial units (retail, office and other commercial) with a total commercial lettable area of 149,748 (2016: 107,816) sqm and 5,464 (2016: 3,839) parking spaces and spaces for storage, antennas, etc., all in Berlin.

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

The rent increase is restricted by the law and can only be increased if several parameters are being met. The main two are: the existing rent price is below the rent mirror for the specific area where the apartment is located and the rent has remained unchanged for fifteen months and that no rent increase over 20% (capping limit) was made in the course of the last three years; the capping limit is 15% in areas where the adequate supply of rented dwellings is at risk and these areas are determined by means of a legal ordinance, like e.g. in Berlin.

In addition, a rent control law passed by parliament in June 2015 aims to prevent landlords in areas with stressed housing markets, e.g. the German capital from raising rents for new tenants by more than 10% above the local average ("rent mirror"). Furthermore, the last rent paid can also be used for the new contract and therefore the owner can use the higher of the two in practice. In cases of extensive modernization works (similar to new build standards) in the unit prior being newly rented out, the landlord is exempt from

Note 5 – Investment Properties (continued)

A. Reconciliation of carrying amount (continued)

handling under the rent control law and can rent the unit for market price without being capped by the legislation.

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

As at December 31, 2017, approximately 10.6% of the investment properties were subject to rent restrictions ("Cost Rent"), and 19% of them were released from restrictions as of January 1, 2018 (based on the number of units).

(1) During the reporting period the Group took over a total of 816 residential units and 145 commercial units in Berlin as part of asset acquisitions.

(2) During the reporting period the Group reclassified 1 building from investment properties to trading properties in a total amount of EUR 3,730 thousand, representing its fair value for the reclassification date.

B. Measurement of fair value

(1) Fair value hierarchy

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

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

(2) Valuation technique and significant unobservable inputs

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

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

	December 31, 2017					
	Central	**S-Bahn ring**	**S-Bahn ring (1960-1990)**	**City ring**	**City ring (1960-1990)**	**Total**
Fair value (EUR thousand)	**1,249,758**	**408,910**	**432,550**	**240,300**	**939,780**	**3,271,298**
Value per sqm (EUR)	**2,669**	**2,355**	**2,171**	**2,378**	**1,699**	**2,187**
Average residential in-place rent (EUR/sqm)	**6.92**	**6.64**	**6.85**	**7.09**	**5.72**	**6.42**
CBRE market rent (EUR/sqm)	**8.81**	**8.54**	**7.52**	**8.40**	**6.61**	**7.71**
Avg. new letting rent (EUR/sqm)	**11.18**	**9.83**	**9.95**	**8.58**	**6.82**	**9.04**
Multiplier (current rent)	**31.18**	**29.42**	**26.07**	**27.33**	**24.71**	**27.87**
Multiplier (CBRE market rent)	**24.57**	**22.98**	**23.25**	**22.85**	**20.99**	**22.95**
Multiplier (new letting rent)	**19.36**	**19.98**	**17.56**	**22.36**	**20.34**	**19.57**
Discount rate (%)	**4.81%**	**4.97%**	**4.86%**	**5.00%**	**5.20%**	**4.96%**
Capitalization interest rate (%)	**2.86%**	**3.02%**	**3.00%**	**3.02%**	**3.26%**	**3.02%**

Note 5 – Investment Properties (continued)

B. Measurement of fair value (continued)

	December 31, 2016					
	Central	**S-Bahn ring**	**S-Bahn ring (1960-1990)**	**City ring**	**City ring (1960-1990)**	**Total**
Fair value (EUR thousand)	875,895	266,440	338,980	147,490	650,130	2,278,935
Value per sqm (EUR)	2,253	2,023	1,810	2,127	1,377	1,824
Average residential in-place rent (EUR/sqm)	6.52	6.35	6.56	6.72	5.45	6.09
CBRE market rent (EUR/sqm)	7.80	7.64	6.99	7.76	6.13	6.98
Avg. new letting rent (EUR/sqm)	11.04	9.65	8.92	7.97	6.35	7.91
Multiplier (current rent)	27.45	26.04	22.82	24.77	21.20	24.34
Multiplier (CBRE market rent)	23.12	22.00	20.88	21.84	18.35	21.02
Multiplier (new letting rent)	16.34	17.43	16.37	21.01	17.73	18.55
Discount rate (%)	4.48%	4.63%	4.69%	4.77%	5.16%	4.74%
Capitalization interest rate (%)	3.02%	3.17%	3.29%	3.29%	3.68%	3.28%

(3) Sensitivity analysis

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

December 31, 2017

Valuation parameters	**Change in parameters**	**Change in values thousands EUR**	**Change in values %**
Average new letting rent (EUR/sqm)	**+10%**	**316,999**	**9.5%**
Vacancy rate (%)	**+1%**	**(38,261)**	**(1.2%)**
Discount and Capitalization rate (%)	**25bp**	**(261,270)**	**(7.9%)**

December 31, 2016

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

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

C. Amounts that were recognized in the consolidated statement of profit or loss

	For the year ended December 31,		
	2017	**2016**	**2015**
	thousands EUR		
Rental income from investment property	**103,300**	84,673	61,732
Direct operating expenses arising from investment property that generated rental income during the period	**(15,551)**	(11,790) *	(7,014) *
Total	**87,749**	72,883	54,718

(*) Immaterial adjustment of comparative data – see note 2G regarding basis of preparation

Note 6 – Trading Properties

During the reporting period the Group completed the sale of 84 condominium units for a total consideration of EUR 19,671 thousand (2016: 109 units for EUR 19,965 thousand).

During the period, the Group acquired two new condominium buildings with 70 residential units and 2 commercial units in Berlin at a total cost of EUR 12.3 million. See note 3B for more information regarding newly acquired trading properties during the period.

Note 6 – Trading Properties (continued)

During the reporting period, the Group reclassified 1 building from investment properties to trading properties for a total amount of EUR 3,730 thousand, representing its fair value for the reclassification date (see note 5A(2)).

Note 7 – Restricted Bank Deposits

As at December 31, 2017 and December 31, 2016, the short-term restricted bank deposits are denominated in Euro and they carry no interest.

The balance as at December 31, 2017 includes EUR 21,503 thousand of pledged bank deposits received from tenants (December 31, 2016: EUR 16,188 thousand), EUR 2,310 thousand pledged to secure banking facilities (December 31, 2016: EUR 10,123 thousand) and EUR 539 thousand of restricted proceeds from condominium sales (December 31, 2016: EUR 1,896 thousand).

Note 8 – Trade Receivables

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

	December 31,					
	2017			2016		
	Gross	Impairment	Total	Gross	Impairment	Total
	thousands EUR					
Not past due	**5,138**	**—**	**5,138**	3,787	—	3,787
0-30 days past due	**1,206**	**(128)**	**1,078**	1,091	(235)	856
31-180 days past due	**3,718**	**(908)**	**2,810**	2,649	(899)	1,750
180 days to one year past due	**1,905**	**(1,211)**	**694**	1,470	(1,298)	172
More than one year past due	**4,672**	**(4,068)**	**604**	2,627	(2,588)	39
Total	**16,639**	**(6,315)**	**10,324**	11,624	(5,020)	6,604

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

B. Impairment losses on trade receivables changed as follows:

	2017	2016
	thousands EUR	thousands EUR
Balance as at January 1	**(5,020)**	(3,049)
Additions	**(2,928)**	(2,383)
Additions by way of acquiring subsidiaries	**(239)**	(404)
Reversals	**1,204**	585
Write off of irrecoverable debts	**668**	231
Balance as at December 31	**(6,315)**	(5,020)

Note 9 – Other Receivables

	December 31,	
	2017	2016
	thousands EUR	thousands EUR
Advance to suppliers	**745**	159
Prepaid expenses	**260**	303
VAT	**638**	545
Others (*)	**3,588**	370
Total	**5,231**	1,377

(*) Others mainly include receivables from the previous owner of entities acquired during 2017 in the amount of EUR 3.4 million, due to purchase price adjustments. The outstanding balance was settled after the reporting period.

Note 10 – Cash and Cash Equivalents

As at December 31, 2017 and December 31, 2016 cash and cash equivalents include cash on hand and demand deposits denominated in Euro and free from any restrictions.

Note 11 – Other Financial Liabilities

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

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

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

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

	December 31,	
	2017	2016
	thousands EUR	thousands EUR
Current liabilities		
Compensation fee	**867**	414 (*)
Non-current liabilities		
Compensation fee	**772**	619 (*)
Put option	**26,466**	14,104 (*)
Total	**28,105**	15,137

(*) Immaterial adjustment of comparative data – see note 2G regarding basis of preparation

Note 12 – Equity

A. Share capital and share premium

	Ordinary shares (in thousands of shares)	
	2017	2016
In issue as at January 1	**44,100**	35,000
Issued for cash	**—**	9,100
In issue as at December 31	**44,100**	44,100

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

A dividend in the amount of EUR 19.8 million (EUR 0.45 per share) was paid based on a decision of the Annual General Meeting which took place on May 2, 2017. The record date was May 3, 2017.

B. Hedging reserve

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

C. Capital reserve from transactions with controlling shareholder

The capital reserve from transactions with controlling shareholder comprises the differences between the fair value and the consideration received/paid in relation to transactions with controlling shareholder. The

Note 12 – Equity (continued)

C. Capital reserve from transactions with controlling shareholder (continued)

main change in the capital reserve from transactions with controlling shareholder is driven by share-based payment to ADO Group's shares (see note 20) and change in put option of ADO Group (see note 11).

Note 13 – Bonds

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

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

As at December 31, 2017, the Company is fully compliant with all covenant requirements.

Note 14 – Other Loans and Borrowings

	December 31, 2017		December 31, 2016	
	Non-current	Current	Non-current	Current
	Thousands EUR			
Loans from banks	**932,345**	**72,768**	856,662	27,388
Other creditors	**21,610**	**—**	20,664	—
Total	**953,955**	**72,768**	877,326	27,388

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

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

C. Re-pricing on the variable interest loans is done on a quarterly basis. As at December 31, 2017 other loans and borrowings carry an average effective interest rate (i.e. considering the swap interest hedge deals from variable to fixed) of 1.9% per annum (as at December 31, 2016: 2.1%). The average maturity of other loans and borrowings is 5 years (as at December 31, 2016: 5.3 years).

D. Bank loans in an amount of EUR 125.7 million were taken over as part of the new acquisitions. Part of them, in the amount of EUR 25.6 million, was already repaid during the period (see note 3B(3)). As at December 31, 2017 the remaining bank loans carry an average market effective interest rate (i.e. considering the swap interest hedge deals from variable to fixed) of 1.7% per annum and their average maturity is 8.24 years.

E. On June 30, 2017 the Group received a bank loan in an amount of EUR 90 million for the purpose of refinancing an old bank loan that was taken over as part of an acquisition of the issued shares of a Luxembourg entity in 2016. The existing bank loan amounted to EUR 59.8 million (with a book value of EUR 65.6 million), and carried an annual fixed interest rate of 3.98% per annum. The new loan carries an annual fixed interest rate of 1.25% per annum for a 7-year term. The refinance was accounted for as a substantial modification of the terms of debt instruments, i.e. treated as an extinguishment of the original loan. Consequently, an amount of EUR 4.2 million was recognized as one-off refinance costs in profit or loss.

F. On September 13, 2017, the Group received a bank loan in an amount of EUR 17.5 million and on November 7, 2017 an additional amount of EUR 7.8 million to finance existing assets. The new loan carries an annual fixed interest rate of 1.49% per annum for a 7-year term. As part of the same

Note 14 – Other Loans and Borrowings (continued)

agreement, an additional amount of EUR 7.7 million is expected to be drawn down during the first quarter of 2018.

G. At the end of December 2017, under the existing loan agreements, the Group is fully compliant with its obligations including loan covenants to the financing banks.

Note 15 – Other Payables

	December 31,	
	2017	2016
	thousands EUR	thousands EUR
Accrued expenses	**2,799**	2,755
Accrued interest payable	**3,488**	835
Tenants' deposits	**21,513**	16,188
Parent company (ADO Group) (see note 26)	**42**	16
Deferred income	**1,896**	1,429
Corporate tax	**2,197**	930
VAT	**2,171**	1,934
Other	**1,370**	1,137
Total	**35,476**	25,224

Note 16 – Taxes

A. The main tax laws imposed on the Group companies in their countries of residence:

(1) Germany

- The standard rate of corporation tax for both residents and non-residents is 15%. A 'solidarity surcharge' is also levied resulting in an effective rate of 15.825% which applies to companies which hold German property regardless of their residence. Dividends received from another company are 95% tax exempt when the investment in the other company is at least 10% at the beginning of the calendar year or the investment was increased by 10% during the year.
- No tax is withheld on rental payments to non-resident companies holding German property.
- Capital gains on the sale of German property are subject to corporation tax at the standard rate for both residents and non-residents. Trade tax is also applicable at the relevant rate, except for non-residents with no permanent establishment in Germany or limited companies that only hold assets for capital investments as long as the sale of the asset is classified as part of that business (detailed regulations apply). Capital gains realized by a company on the sale of shares in a property holding company are 95% exempt.
- German real estate owned at the start of the calendar year is subject to annual property tax at 0.2% to 3.4% (depending on the location of the property, 2.8% for Berlin) on the specially assessed value of the property (dependent on the rental value and age of the property). The tax payable is a deductible expense for profit tax purposes such as trade tax and corporation tax.
- The transfer of German real estate or a share transaction that unifies at least 95% of the shares of a company holding a real estate property is subject to a real estate transfer tax (RETT) which is payable by the buyer on the purchase price (on transfer of the property) or a specially assessed value as above (on transfer of shares). The tax rate varies between 3.5% and 6.5%, depending on the municipality where the property is located. In Berlin the tax rate is 6%.
- Limitation on the tax deductibility of interest expenses, and simultaneous repeal of the existing thin-capitalization rules. The "interest barrier rule" allows the deduction of net interest expenses exceeding EUR 3 million p.a. only to the extent that total net interest expenses do not exceed 30% of the EBITDA, unless the total net interest does not exceed EUR 3 million p.a. or other exemption criteria are met. The net interest expenses which are not deductible can be carried forward.
- Accumulated tax losses can be carried forward without time restriction and can be deducted from future profits and capital gains unless they exceed EUR 1 million. Losses carried forward that exceed

Note 16 – Taxes (continued)

A. The main tax laws imposed on the Group companies in their countries of residence: (continued)

EUR 1 million can only be deducted to the amount of 60% of the profits / capital gains that exceed EUR 1 million (minimum taxation). Those parts that cannot be deducted on the basis of the minimum taxation can be carried forward again and are subject to minimum taxation in the following years.

The corporation tax rate used to calculate deferred tax assets and deferred tax liabilities as at December 31, 2017 and as at December 31, 2016 is 15.825% for the companies which hold the investment properties real estate assets and 30.18% for the management companies that operate the real estate in Berlin.

(2) Luxembourg

- The Company is liable for Luxembourg corporation taxes. The aggregate maximum applicable rate, including corporate income tax, municipal business tax and a contribution to the employment fund, is 27.08% for the fiscal year ending 2017 for a company established in Luxembourg City.
- The Company is fully subject to the annual net wealth tax charge which amounts to 0.5% of the net asset value of the Company. Certain assets might be excluded from the net asset value for the purposes of the net wealth tax computation, provided that the provisions of paragraph 60 of the valuation law of October 16, 1934, as amended (BewG) are met.

A 15% withholding tax will be due in Luxembourg on dividends paid by the Company to its shareholders unless the domestic withholding tax exemption regime or a withholding tax reduction or exemption under a double tax treaty concluded by Luxembourg applies. Normal interest payments (i.e. not profit-linked interest) and liquidation proceeds are generally not subject to withholding tax, unless the EU Savings Directive applies. Should any withholding taxes be payable on amounts paid by the Company, the Company assumes responsibility for the withholding of Luxembourg taxes at the source.

(3) Ireland

- An Irish tax resident company is subject to corporation tax on its worldwide income (subject to any relevant exemptions) at either 12.5% or 25% depending on the activities undertaken by the company. Any capital gains recognized by an Irish company (subject to any relevant exemptions) will also be subject to corporation tax. However, such gains are re-grossed for corporation tax purposes to ensure they are taxed at the capital gains tax rate of 33%.
- Dividends received by an Irish resident company from another Irish resident company are exempt from corporation tax. Dividends received from a foreign company in the hands of an Irish resident company are subject to corporation tax, however, a credit should be available for underlying corporate and withholding tax generally for foreign tax paid.
- In general, with respect to non-resident companies, interest and patent royalties which are derived from Ireland are subject to withholding tax in Ireland at the rate of 20%. However, there are a number of domestic exemptions from this withholding tax. In addition, there may be exemptions or reliefs available under a treaty or under the EU directives.

B. Income taxes:

	For the year ended December 31,		
	2017	**2016**	**2015**
	thousands EUR		
Current year	**(2,026)**	(1,288)	(217)
Adjustments for prior years	**(179)**	(195)	(54)
Deferred tax expense	**(65,830)**	(68,223)	(27,101)
Total	**(68,035)**	(69,706)	(27,372)

Note 16 – Taxes (continued)

C. Reconciliation of statutory to effective tax rate:

	For the year ended December 31,		
	2017	2016	2015
	thousands EUR		
Statutory income tax rate	**27.08%**	29.22%	29.22%
Profit before taxes	435,547	480,474	183,379
Tax using the Company's domestic tax rate	**117,946**	140,395	53,583
Non-deductible expense	**152**	155	55
Utilization of tax losses from prior years for which deferred taxes were not created	**(1,413)**	(3,874)	(247)
Effect of tax rates in foreign jurisdictions	**(49,033)**	(65,235)	(25,128)
Deferred tax assets not recognized for tax losses and other timing differences	**7,296**	2,765	1,704
Inter-company transaction effect	**(7,092)**	(4,686)	(2,595)
Adjustments for prior years	**179**	195	54
Other differences, net	**—**	(9)	(54)
Income tax expenses	**68,035**	69,706	27,372

D. Recognized deferred tax assets and liabilities

Deferred taxes recognized are attributable to the following:

	December 31,	
	2017	2016
	thousands EUR	thousands EUR
Assets		
Derivatives	**216**	156
Tax losses carried forward	**13,377**	8,755
	13,593	8,911
Liabilities		
Investment properties	**(194,286)**	(125,273)
Trading properties	**(2,750)**	(1,311)
	(197,036)	(126,584)
Net tax liabilities	**(183,443)**	(117,673)

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	Trading properties	Derivatives	Tax losses	Total
			thousands EUR		
Balance at January 1, 2016	(53,637)	—	1,142	3,902	(48,593)
Changes recognized in profit or loss	(71,636)	(1,311)	(129)	4,853	(68,223)
Changes recognized in equity or other comprehensive income	—	—	(857)	—	(857)
Balance at December 31, 2016	(125,273)	(1,311)	156	8,755	(117,673)
Changes recognized in profit or loss	**(69,013)**	**(1,439)**	**—**	**4,622**	**(65,830)**
Changes recognized in equity or other comprehensive income	**—**	**—**	**60**	**—**	**60**
Balance at December 31, 2017	**(194,286)**	**(2,750)**	**216**	**13,377**	**(183,443)**

Losses for tax purposes carried forward to future years, based on the Group's estimation:

Tax losses carried forward amounted to EUR 84,793 thousand at December 31, 2017 (2016: EUR 58,023 thousand). Tax losses can be carried forward indefinitely.

Note 16 – Taxes (continued)

D. Recognized deferred tax assets and liabilities (continued)

Deferred tax assets are recognized for tax losses carried forward to the extent that the realization of the related tax benefit through future taxable profits is probable. The Group did not recognize deferred tax assets of EUR 3,158 thousand at December 31, 2017 (2016: EUR 2,448 thousand) in respect of losses carried forward amounting to EUR 19,955 thousand at December 31, 2017 (2016: EUR 15,467 thousand) that can be carried forward against future taxable income due to its expectation for their utilization.

The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience.

Note 17 – Revenue

	For the year ended December 31,		
	2017	2016	2015
	thousands EUR		
Net rental income	**103,300**	84,673	61,732
Selling of condominiums	**19,671**	19,965	9,954
Income from facility services	**5,881**	5,137	4,067
Total	**128,852**	109,775	75,753

Note 18 – Cost of Operations

	For the year ended December 31,		
	2017	2016	2015
	thousands EUR		
Salaries and other expenses (**)	**7,995**	6,873	5,504
Cost of utilities recharged, net	**1,409**	271	312
Selling of condominiums – cost	**15,760**	16,726	8,471
Property operations and maintenance	11,010	8,726 (*)	4,899 (*)
Total	36,174	32,596	19,186

(*) Immaterial adjustment of comparative data – see note 2G regarding basis of preparation

(**) See note 19A regarding personal expenses and employees

Note 19 – General and Administrative Expenses

	For the year ended December 31,		
	2017	2016	2015
	thousands EUR		
Salaries and related expenses (A)	**2,605**	2,472	1,635
Share-based payment	**387**	682	283
Directors fee	**714**	661	167
Rent	**1,015**	1,027 (*)	683 (*)
Professional services	**3,417**	3,081	1,799
Traveling	**188**	312	119
Office, communication and IT expenses	**1,284**	996	828
Advertising and marketing	**438**	404	386
Impairment loss on trade receivables	**1,900**	1,799	646
Depreciation	**452**	356	256
Services from parent company (see note 26)	**64**	75	146
Others	298	1,380	249
Total	12,762	13,245	7,197

(*) Immaterial adjustment of comparative data – see note 2G regarding basis of preparation

A. As at December 31, 2017 the Group has 295 full-time employees (2016: 247, 2015: 228). On an annual average 271 people (2016: 237, 2015: 194) were employed.

Note 20 – Share-based Payment

A. In 2014 ADO Group's Board of Directors approved a share-based remuneration program to the Company's management which granted a total of 160,000 options, each option being exercisable into one of ADO Group's shares of NIS 1 par value with an exercise price of 0.357 NIS per share.

The options were exercised on June 8, 2017. During the reporting period, the Company recognized a total expense of EUR 10 thousand (2016: EUR 53 thousand) against reserve from transactions with controlling shareholder.

B. Under the Long Term Incentive plan ("LTI"), the Company's management and the vice chairman have the possibility to receive together each year shares equaling a total volume of EUR 785,000 assuming maximum LTI-Target Achievement divided by the average trading price of the Company's shares. The LTI shall depend on the achievement of certain individual targets and the relevant weighting of each of such LTI-Targets in relation to the other applicable targets over the service agreement period starting at the commencement of each fiscal year (the "LTI-Period"). The LTI-Targets shall be composed of (i) the development of the net asset value ("NAV") per share as being targeted by the Board (weighting of 50%) and (ii) the development of the Company's share price in relation to the EPRA GERMANY index (weighting of 50%), both LTI-Targets measured over the duration of the LTI-Period. The fair value was measured at the grant date for the first year using the Monte-Carlo simulation considering the following: (i) the NAV Target was estimated at 100%; (ii) The expected EPRA Target was estimated at approximately 108%. During the reporting period, the company recognized a total expense of EUR 554 thousand (2016: EUR 806 thousand) against retained earnings.

Note 21 – Net Finance Costs

	For the year ended December 31,		
	2017	**2016**	**2015**
	thousands EUR		
Interest received on bank deposits	**3**	29	35
Change in fair value of derivatives	**—**	—	400
Change in fair value of other financial asset	**1,599**	1,943	1,149
Total finance income	**1,602**	1,972	1,584
Interest on bonds	**(2,824)**	—	—
Interest on other loans and borrowings	**(18,279)**	(18,526)	(18,058)
Interest on loans from related parties (*)	**—**	—	(5,801)
One-off refinance costs	**(6,741)**	(9,465)	—
Other finance expenses	**(1,765)**	(1,709)	(1,865)
Total finance costs	**(29,609)**	(29,700)	(25,724)
Total net finance costs	**(28,007)**	(27,728)	(24,140)

(*) Interest on loans from related parties includes interest from loans and capital note from ADO Group until July 23, 2015.

Note 22 – Earnings per Share

A. Basic and diluted earnings per share

The calculation of basic and diluted earnings per share has been based on the profit attributable to the Company's ordinary shareholders divided by a weighted average number of ordinary shares outstanding, calculated as follows:

(1) Earnings attributable to the owners of the Company

	For the year ended December 31,		
	2017	**2016**	**2015**
	thousands EUR		
Profit attributable to the owners of the Company	**355,970**	395,150	148,192

Note 22 – Earnings per Share (continued)

A. Basic and diluted earnings per share (continued)

(2) Weighted average number of ordinary shares

	For the year ended December 31,		
	2017	**2016**	**2015**
		thousands of shares	
Balance as of January 1	**44,100**	35,000	25,000 (*)
Effect of issuance of regular shares	**—**	4,083	4,423
Weighted average number of shares	**44,100**	39,083	29,423

	For the year ended December 31,		
	2017	**2016**	**2015**
		in EUR	
Basic and diluted earnings per share (**)	**8.07**	10.11	5.04

(*) Restated due to stock split committed on June 16, 2015.
(**) The Company has no material dilutive potential ordinary shares.

Note 23 – Financial Instruments

The Group has exposure to the following risks arising from its use of financial instruments:

A. Credit risk

B. Market risk

C. Liquidity risk

A. Credit risk:

The Group is exposed to a default risk resulting from the potential failure of counterparty to fulfill its part of the contract. In order to minimize risks, financial transactions are only executed with creditworthy third parties. The maximum credit risk is the carrying amount of the financial assets as reported in the statement of financial position.

B. Market risk:

The Group is exposed to the risk of changes in market interest rates as a result of floating rate debt as well as new and follow-on loans. Loans obtained at variable rates expose the Group to cash flow interest rate risk, which could have adverse effects on the Group's profit or loss or financial position. Changes in interest rates may cause variations in interest expense on interest-bearing assets and liabilities.

The Group's management reviews the need to enter into derivative transactions to manage the interest rate risk arising from the Group's operations and its sources of finance.

The following table sets out the carrying amount of the Group's financial instruments that are exposed to interest rate risk:

	December 31,	
	2017	**2016**
	thousands EUR	**thousands EUR**
Fixed rate instruments		
Financial assets	**145,882**	211,628
Financial liabilities	**1,409,761**	858,001
Variable rate instruments		
Financial liabilities	**83,460**	90,944

Note 23 – Financial Instruments (continued)

B. Market risk: (continued)

On the basis of the valuation as at December 31, 2017, the Group performed a sensitivity analysis to determine the change in profit and loss given a parallel shift in the interest rate structure:

	Change in interest basis points	Effect on the Profit before tax thousands EUR
December 31, 2017		
Variable rate instruments	**+50**	**(14)**
December 31, 2016		
Variable rate instruments	+50	(67)

Assuming all other variables remain constant, a negative change in the interest rate at the same amount would have similar impact on the profit and loss, although in the opposite direction.

C. Liquidity risk:

In order to limit the liquidity risk, the Group continuously monitors all financing options available on the capital and banking markets and uses these options in a targeted manner. Moreover, the Group subjects its existing financings to an early review prior to the respective final maturity date in order to ensure refinancing.

Under the conditions of existing loan agreements, the Group is obliged to fulfill certain financial covenants. If financial covenants are violated and all commonly practiced solutions will be unsuccessful, the lenders could call in the loan. As part of risk management, the fulfillment of these financial covenants is continually monitored.

The following table shows the forecast for undiscounted cash flows of the non-derivative financial liabilities and derivative financial instruments:

	December 31, 2017					
	Carrying amount	Contractual cash flows	2018	2019	2020	>2021
Bonds	**396,396**	**442,000**	**6,000**	**6,000**	**6,000**	**424,000**
Other loans and borrowings	**1,026,723**	**1,114,407**	**90,854**	**46,484**	**79,020**	**898,049**
Other financial liabilities	**28,105**	**28,105**	**867**	**328**	**325**	**26,585**
Trade payables	**13,642**	**13,642**	**13,642**	**—**	**—**	**—**
Tenants' security deposits	**21,513**	**21,513**	**21,513**	**—**	**—**	**—**
Other payables	**6,842**	**6,842**	**6,842**	**—**	**—**	**—**
Derivatives	**2,985**	**3,242**	**264**	**135**	**230**	**2,613**
Total	**1,496,206**	**1,629,751**	**139,982**	**52,947**	**85,575**	**1,351,247**

	December 31, 2016					
	Carrying amount	Contractual cash flows	2017	2018	2019	>2020
Other loans and borrowings	904,714	990,862	45,729	84,066	42,617	818,450
Other financial liabilities	15,137	15,137	414 (*)	206 (*)	205 (*)	14,312 (*)
Trade payables	8,957	8,957	8,957	—	—	—
Tenants' security deposits	16,188	16,188	16,188	—	—	—
Other payables	3,949	3,949	3,949	—	—	—
Derivatives	4,185	4,587	212	389	197	3,789
Total	953,130	1,039,680	75,449	84,661	43,019	836,551

(*) Immaterial adjustment of comparative data – see note 2G regarding basis of preparation

D. Fair value:

(1) Financial assets and liabilities measured at fair value for disclosure purposes only

The carrying amounts of certain financial assets and liabilities, including cash and cash equivalents, trade and other receivables, restricted and other bank deposits and trade and other payables are

Note 23 – Financial Instruments (continued)

D. Fair value: (continued)

considered to be the same or proximate to their fair value due to their short-term nature. The fair values of the other financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

	December 31, 2017		December 31, 2016	
	Carrying amount	Fair value (Level 3)	Carrying amount	Fair value (Level 3)
	thousands EUR			
Liabilities:				
Bonds	**396,396**	**404,056**	—	—
Variable rate loans and borrowings (*)	**83,460**	**85,751**	90,944	94,228
Fixed rate loans and borrowings (*)	**943,263**	**944,092**	813,770	827,143
Total	**1,423,119**	**1,433,899**	904,714	921,371

(*) Including the current portion of long-term loans and borrowings

Fair value for liabilities is estimated by discounting future cash flows by the market interest rate on the date of measurement. The market interest rates used to determine the fair value are discount rate of Euribor+1.2% for the variable interest bank loans (2016: Euribor+1.3%) and discount rate of 1.73% for the fixed interest bank loans (2016: 1.3%).

(3) Fair value hierarchy of financial instruments measured at fair value

The table below analyzes financial instruments, measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorized:

	December 31, 2017		December 31, 2016	
	Level 2	Level 3	Level 2	Level 3
	thousands EUR			
Other financial asset (a)	**—**	**5,359**	—	3,760
Derivative financial liabilities (b)	**2,985**	**—**	4,185	—
Other financial liabilities (c)	**—**	**28,105**	—	15,137

(a) Other financial asset relates to the Group's option for purchasing the non-controlling interest in a transaction completed at the end of 2013. This other financial asset is measured at fair value.

(b) Fair value of derivatives, including both current and non-current liabilities, is measured by discounting the future cash flows over the period of the contract and using market interest rates appropriate for similar instruments. The credit risk used by the bank is not a material component of the valuation made by the bank and the other variables are market-observable.

(c) Other financial liabilities relate to a put option and an annual compensation fee granted to ADO Group (see note 11) measured at fair value. The fair value is calculated based on the expected payment amounts and the liability is discounted to present value using the market interest rate at the reporting date.

Although the Group believes that the estimates of fair value are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair value.

E. Capital management:

The Company's management aims to maximize a long-term increase in value for the investors, taking into account financial risks by maintaining a degree of financial flexibility in order to be able to pursue the Group's growth and portfolio optimization.

Note 23 – Financial Instruments (continued)

E. Capital management: (continued)

The key figure for capital management is Loan-to-Value, which is the ratio of net financial liabilities compared to the value of the investment and trading properties. The Company aims to achieve a long-term Loan-to-Value ratio of maximum 45%.

	December 31, 2017 thousands EUR	December 31, 2016 thousands EUR
Bonds	**396,396**	—
Other loans and borrowings	**1,026,723**	904,714
Other financial liabilities	**28,105**	15,137
Cash and other deposits	**(121,530)**	(183,421)
Net financial liabilities	**1,329,694**	736,430
Investment properties and advances in respect of investment properties	**3,305,723**	2,290,740
Trading properties and advances in respect of trading properties	**42,961**	46,137
Total assets	**3,348,684**	2,336,877
Loan-to-Value Ratio	**39.7%**	31.5%

F. Movement in liabilities deriving from financing activities

	Bonds	Other loans and borrowings	Other financial liabilities	Total
	thousands EUR			
Balance at January 1, 2017	**—**	**904,714**	**15,137**	**919,851**
Changes from financing cash flows				
Receipt of loans and borrowings	398,604	114,606	—	513,210
Repayment of loans and borrowings	—	(126,548)	—	(126,548)
Transaction costs related to borrowings	(2,419)	—	—	(2,419)
Total net financing cash flows	**396,185**	**(11,942)**	**—**	**384,243**
Changes arising from obtaining control of subsidiaries	**—**	**125,709**	**8,470**	**134,157**
Changes in fair value	**—**	**—**	**4,520**	**4,520**
Other changes	**211**	**8,242**	**(23)**	**8,453**
Balance at December 31, 2017	**396,396**	**1,026,723**	**28,105**	**1,451,224**

Note 24 – Contingent Liabilities and Commitments

A. Contingent liabilities

The Group is involved in few legal actions arising in the ordinary course of business. While the outcome of all legal actions and their expected timing is currently not determinable, it is management's opinion that these matters will not have a material adverse effect on the Group's consolidated financial position or results of its operations, therefore no provision was recorded.

B. Securities, guarantees and liens under bank finance agreements

In order to secure loans granted for purchasing the assets, the Group has granted banks with regard to certain subsidiaries: first ranking liens on all the investment property assets, including rights on the land and the projects for which the loans were taken; liens on all of their rights, including by way of assignment of rights, pursuant to the agreements to which they are party, including general contractor contracts, long-term tenants' leases and subordination of all shareholder loans to the financing bank; liens on all of the rights deriving from each material contract to which the borrower company is a party.

In some cases, payments to the shareholders, including dividend distribution, are subject to financial covenants. Several German companies undertook not to sell or transfer a substantial part of their assets without the prior consent of the financing bank. In certain events the Project Companies undertook not to

Note 24 – Contingent Liabilities and Commitments (continued)

B. Securities, guarantees and liens under bank finance agreements (continued)

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.

C. Future minimum lease payments

The Group leases out to external parties a number of commercial properties (investment property). The lease agreements are usually for 5 years (on average), are non-cancellable and linked to the CPI. Renewal of the agreements at the end of the period is subject to the consent of the Group and the lessees. The average renewal period of these agreements is ranging from 3 to 5 years.

At the end of the reporting period, the future minimum lease payments under non-cancellable operating leases as follows:

	December 31,	
	2017	**2016**
	thousands EUR	**thousands EUR**
Less than one year	**28,214**	22,672
Between one and 3 years	**22,705**	19,039
More than 3 years	**21,295**	17,523

Note 25 – Segments Reporting

The Company reports by business segments on the basis of the information provided to the Group’s chief operating decision maker (CODM). Segment information is not reported by geographical region of the properties, as all operational activities are located in Berlin.

The following summary describes the operations in each of the Group’s operating segments:

- Residential property management – the Group’s core business activity is the rent and management of the residential properties, which includes the modernization and maintenance of the properties, the management of tenancy agreements and marketing of residential units. The focus of property management is on the optimization of rental income.
- Privatization – this segment includes all aspects of the preparation and execution of the sale of units. In addition this segment is also subject to modernization, maintenance and management, and for non-vacant units generates rental income.

A group-wide planning and controlling system ensures that resources for both segments are efficiently allocated and their successful use is monitored. Assets and liabilities are not viewed separately by segment.

The accounting policies of the operating segments are the same as described in note 4 regarding significant accounting policies.

Performance is measured based on segment gross profit before revaluation of investment properties. Segment results reported to the CODM include items directly attributable to a segment on a reasonable basis.

Note 25 – Segments Reporting (continued)

A. Information about reportable segments

Information regarding the results of each reportable segment is included below.

	Year ended December 31, 2017		
	Residential property management	Privatization	Total consolidated
		thousands EUR	
External income from residential property management	**108,303**	**878**	**109,181**
External income from selling condominiums	**—**	**19,671**	**19,671**
Consolidated revenue	**108,303**	**20,549**	**128,852**
Reportable segment gross profit	**88,368**	**4,310**	**92,678**
General and administrative expenses			**(12,762)**
Changes in fair value of investment properties			**383,638**
Finance income			**1,602**
Finance expense			**(29,609)**
Consolidated profit before tax			**435,547**
Income tax expense			**(68,035)**

	Year ended December 31, 2016		
	Residential property management	Privatization	Total consolidated
		thousands EUR	
External income from residential property management	88,704	1,106	89,810
External income from selling condominiums	—	19,965	19,965
Consolidated revenue	**88,704**	**21,071**	**109,775**
Reportable segment gross profit	**73,486**	**3,693**	**77,179**
General and administrative expenses			(13,245)
Changes in fair value of investment properties			444,268
Finance income			1,972
Finance expense			(29,700)
Consolidated profit before tax			**480,474**
Income tax expense			(69,706)

	Year ended December 31, 2015		
	Residential property management	Privatization	Total consolidated
		thousands EUR	
External income from residential property management	64,575	1,224	65,799
External income from selling condominiums	—	9,954	9,954
Consolidated revenue	**64,575**	**11,178**	**75,753**
Reportable segment gross profit	**54,467**	**2,100**	**56,567**
General and administrative expenses			(7,197)
Changes in fair value of investment properties and assets held for sale			158,579
Other expenses			(430)
Finance income			1,584
Finance expense			(25,724)
Consolidated profit before tax			**183,379**
Income tax expense			(27,372)

B. Entity level disclosures

The Group has no major customers from which 10% or more of the Group's revenue derives.

Note 26 – Related Parties

A. Related companies:

In these financial statements, ADO Group is considered as a related party.

(1) Transactions with related companies:

The following balances with related parties are included in the consolidated statement of financial position:

	December 31, 2017	December 31, 2016
	thousands EUR	
Current liabilities		
ADO Group (presented under other payables)	**42**	16
Other financial liabilities (see note 11)	**867**	414 (*)
Non-current liabilities		
Other financial liabilities (see note 11)	**27,238**	14,723 (*)

(*) Immaterial adjustment of comparative data – see note 2G regarding basis of preparation

The following balances with related parties are included in the consolidated statement of profit or loss:

	For the year ended December 31, 2017	2016	2015
	thousands EUR		
Consolidated statement of profit or loss			
Services and management fee charges from ADO Group	**64**	75	146
Interest on loans from ADO Group (*)	**—**	—	891
Interest on Capital note to ADO Group (*)	**—**	—	4,910

(*) Interest on loans from and capital note to ADO Group Ltd. comprises interest until July 23, 2015.

B. Transactions with key management personnel:

Within the Group, the individuals in key positions pursuant to IAS 24 include the Board of Directors of ADO Properties S.A.

Compensation and benefits to key management personnel that are employed by the Group:

	For the year ended December 31, 2017	2016	2015
	thousands EUR		
Short-term employee benefits	**955**	915	526
Share-based payments	**350**	376	199
Total	**1,305**	1,291	725

The Board of Directors and members of their immediate families do not personally have any business relationship with the Group other than in their capacity as members of the Board of Directors.

C. Emoluments granted to the members of the management and supervisory bodies:

The emoluments granted to the members of the supervisory bodies in that capacity for the financial year are broken down as follows:

	For the year ended December 31, 2017	2016
	thousands EUR	
Directors fee granted to the members of the board of directors	**714**	661
Total	**714**	661

Note 26 – Related Parties (continued)

C. Emoluments granted to the members of the management and supervisory bodies: (continued)

The emoluments granted to the members of the senior management (CEO, CFO and COO) are broken down as follows:

	For the year ended December 31,	
	2017	2016
	thousands EUR	
Fixed salary	**662**	720
Short-term cash incentive	**343**	311
Long-term incentive to be paid in shares	**387**	462
One-time termination payment	**—**	612
Total	**1,392**	2,105

Note 27 – Auditors' Fees

Fees billed to the Company and its subsidiaries by KPMG Luxembourg, Société coopérative, Luxembourg, and other member firms of the KPMG network during the year are as follows (excluding VAT):

	For the year ended December 31,	
	2017	2016
	thousands EUR	
Audit fees (*)	**690**	1,051
Thereof: KPMG Luxembourg, Société coopérative	**148**	651
Tax consultancy services	**184**	87
Thereof: KPMG Luxembourg, Société coopérative	**27**	26
Other non-audit related services	**49**	68
Thereof: KPMG Luxembourg, Société coopérative	**—**	—

(*) Including audit-related services in relation to share and bond issuance.

Note 28 – Subsequent Events

A. After the reporting date, the Group carried out a transaction to take over 94% of the issued shares of a Dutch entity holding a residential building complex located in Berlin, Germany. The total consideration amounted to EUR 160.4 million (including approximately 2% transaction costs). The building includes 832 residential units and 24 commercial units with a total leasable area of approximately 66 thousand sqm. At the date of acquisition, the total annual net cold rent from the new acquisition amounted to EUR 5.6 million.

B. In addition to the above transaction, after the reporting date, the Group acquired 22 assets in 12 different deals, some of them initially assessed as asset deals, and others as share deals, comprising a total of 581 residential units and 26 commercial units in Berlin. The gross purchase price for 100% of the acquired assets amounted to EUR 91.9 million. At the date of acquisition, the total annual net cold rent from the new acquisitions amounted to EUR 2.9 million. As at December 31, 2017, the Group paid an advance of EUR 34 million that was recorded as advances in respect of investment properties.

C. On March 9, 2018 the Group signed a EUR 175 million revolving credit facility with a 2 year term and two extension options, each for 1 year.

D. As of the reporting date the Group is in the final steps to set-up a commercial paper program with a maximum volume of EUR 500 million under which funds with a maximum term of 364 days can be raised at short notice.

E. On March 19, 2018 the Company's Board proposed to the Annual General Meeting to pay a dividend in the amount of EUR 26.5 million (EUR 0.60 per share). The Annual General Meeting will take place on June 19, 2018.

Note 29 – List of the Company Shareholdings

	Company	Country	Shareholding and control at December 31, 2017	2016
			%	
1	Adest Grundstücks GmbH	Germany	99.64	99.64
2	Adoa Grundstücks GmbH	Germany	99.64	99.64
3	Adom Grundstücks GmbH	Germany	99.64	99.64
4	Adon Grundstücks GmbH	Germany	99.64	99.64
5	Ahava Grundstücks GmbH	Germany	99.64	99.64
6	Anafa 1 Grundstücks GmbH	Germany	99.64	99.64
7	Anafa 2 Grundstücks GmbH	Germany	99.64	99.64
8	Gamazi Grundstücks GmbH	Germany	99.64	99.64
9	Anafa Grundstücks GmbH	Germany	99.64	99.64
10	Badolina Grundstücks GmbH	Germany	99.64	99.64
11	Berale Grundstücks GmbH	Germany	99.64	99.64
12	Bamba Grundstücks GmbH	Germany	99.64	99.64
13	Zman Grundstücks GmbH	Germany	99.64	99.64
14	ADO Immobilien Management GmbH	Germany	100	100
15	CCM City Construction Management GmbH	Germany	100	100
16	Drontheimer Str. 4 Grundstücks GmbH	Germany	99.64	99.64
17	Eldalote Grundstücks GmbH	Germany	99.64	99.64
18	Nuni Grundstücks GmbH	Germany	99.64	99.64
19	Krembo Grundstücks GmbH	Germany	99.64	99.64
20	Tussik Grundstücks GmbH	Germany	99.64	99.64
21	Geut Grundstücks GmbH	Germany	99.64	99.64
22	Gozal Grundstücks GmbH	Germany	99.64	99.64
23	Gamad Grundstücks GmbH	Germany	99.64	99.64
24	Geshem Grundstücks GmbH	Germany	99.64	99.64
25	Lavlav 1 Grundstücks GmbH	Germany	99.64	99.64
26	Lavlav 2 Grundstücks GmbH	Germany	99.64	99.64
27	Lavlav 3 Grundstücks GmbH	Germany	99.64	99.64
28	Lavlav Grundstücks GmbH	Germany	99.64	99.64
29	Mastik Grundstücks GmbH	Germany	99.64	99.64
30	Maya Grundstücks GmbH	Germany	99.64	99.64
31	Mezi Grundstücks GmbH	Germany	99.64	99.64
32	Muse Grundstücks GmbH	Germany	99.64	99.64
33	Papun Grundstücks GmbH	Germany	99.64	99.64
34	Nehederet Grundstücks GmbH	Germany	99.64	99.64
35	Neshama Grundstücks GmbH	Germany	99.64	99.64
36	Osher Grundstücks GmbH	Germany	99.64	99.64
37	Pola Grundstücks GmbH	Germany	99.64	99.64
38	ADO Properties GmbH	Germany	100	100
39	Reshet Grundstücks GmbH	Germany	99.64	99.64
40	Sababa18 Grundstücks GmbH	Germany	99.64	99.64
41	Sababa19 Grundstücks GmbH	Germany	99.64	99.64
42	Sababa20 Grundstücks GmbH	Germany	99.64	99.64
43	Sababa21 Grundstücks GmbH	Germany	99.64	99.64
44	Sababa22 Grundstücks GmbH	Germany	99.64	99.64
45	Sababa23 Grundstücks GmbH	Germany	99.64	99.64
46	Sababa24 Grundstücks GmbH	Germany	99.64	99.64
47	Sababa25 Grundstücks GmbH	Germany	99.64	99.64
48	Sababa26 Grundstücks GmbH	Germany	99.64	99.64
49	Sababa27 Grundstücks GmbH	Germany	99.64	99.64
50	Sababa28 Grundstücks GmbH	Germany	99.64	99.64
51	Sababa29 Grundstücks GmbH	Germany	99.64	99.64
52	Sababa30 Grundstücks GmbH	Germany	99.64	99.64
53	Sababa31 Grundstücks GmbH	Germany	99.64	99.64
54	Sababa32 Grundstücks GmbH	Germany	99.64	99.64

Note 29 – List of the Company Shareholdings (continued)

	Company	Country	Shareholding and control at December 31, 2017	2016
			%	
55	Shemesh Grundstücks GmbH	Germany	99.64	99.64
56	Stav Grundstücks GmbH	Germany	99.64	99.64
57	Tamuril Grundstücks GmbH	Germany	99.64	99.64
58	Tara Grundstücks GmbH	Germany	99.64	99.64
59	Tehila1 Grundstücks GmbH	Germany	99.64	99.64
60	Tehila2 Grundstücks GmbH	Germany	99.64	99.64
61	Tehila Grundstücks GmbH	Germany	99.64	99.64
62	Trusk Grundstücks GmbH	Germany	99.64	99.64
63	Wernerwerkdamm 25 Berlin Grundstücks GmbH	Germany	99.64	99.64
64	Yarok Grundstücks GmbH	Germany	99.64	99.64
65	Yahel Grundstücks GmbH	Germany	99.64	99.64
66	Yussifun Grundstücks GmbH	Germany	99.64	99.64
67	Bombila Grundstücks GmbH	Germany	99.64	99.64
68	ADO SBI Holdings S.A. & Co. KG	Germany	94	94
69	Central Facility Management GmbH	Germany	100	100
70	Sheket Grundstücks GmbH	Germany	100	100
71	Seret Grundstücks GmbH	Germany	100	100
72	Melet Grundstücks GmbH	Germany	100	100
73	Yabeshet Grundstücks GmbH	Germany	100	100
74	ADO Finance B.V.	Holland	100	100
75	Yadit Grundstücks GmbH	Germany	100	100
76	Zamir Grundstücks GmbH	Germany	100	100
77	Arafel Grundstücks GmbH	Germany	100	100
78	Sharav Grundstücks GmbH	Germany	100	100
79	Sipur Grundstücks GmbH	Germany	100	100
80	Matok Grundstücks GmbH	Germany	100	100
81	Barbur Grundstücks GmbH	Germany	94.9	94.9
82	Parpar Grundstücks GmbH	Germany	100	100
83	Jessica Properties B.V.	Holland	94.50	94.50
84	Alexandra Properties B.V.	Holland	94.44	94.44
85	Marbien B.V.	Holland	94.90	94.90
86	Meghan Properties B.V.	Holland	94.44	94.44
87	Matok Löwenberger Straße Grundstücks GmbH	Germany	100	100
88	Songbird 1 ApS	Denmark	60	60
89	Songbird 2 ApS	Denmark	60	60
90	Joysun 1 B.V.	Holland	60	60
91	Joysun 2 B.V.	Holland	60	60
92	Yona Investment GmbH & Co. KG	Germany	60	60
93	Yanshuf Investment GmbH & Co. KG	Germany	60	60
94	Ziporim Investment GmbH	Germany	60	60
95	Ofek 1 Grundstücks GmbH	Germany	100	100
96	Ofek 2 Grundstücks GmbH	Germany	100	100
97	Ofek 3 Grundstücks GmbH	Germany	100	100
98	Ofek 4 Grundstücks GmbH	Germany	100	100
99	Ofek 5 Grundstücks GmbH	Germany	100	100
100	Galim 1 Grundstücks GmbH	Germany	100	100
101	Galim 2 Grundstücks GmbH	Germany	100	100
102	Galim 3 Grundstücks GmbH	Germany	100	100
103	JS Nestorstrasse Grundstücks GmbH	Germany	60	60
104	JS Florapromenade Grundstücks GmbH	Germany	60	60
105	JS Cotheniusstrasse Grundstücks GmbH	Germany	60	60
106	JS Tauroggener Grundstücks GmbH	Germany	60	60
107	JS Kiehlufer Grundstücks GmbH	Germany	60	60
108	JS Rubenstrasse Grundstücks GmbH	Germany	60	60

Note 29 – List of the Company Shareholdings (continued)

	Company	Country	Shareholding and control at December 31, 2017	2016
			%	%
109	Yona Stettiner Grundstücks GmbH	Germany	60	60
110	Yona Schul Grundstücks GmbH	Germany	60	60
111	Yona Otawi Grundstücks GmbH	Germany	60	60
112	Yona Strom Grundstücks GmbH	Germany	60	60
113	Yona Gutenberg Grundstücks GmbH	Germany	60	60
114	Yona Kameruner Grundstücks GmbH	Germany	60	60
115	Yona Schichauweg Grundstücks GmbH	Germany	60	60
116	Yona Alt-Tempelhof Grundstücks GmbH	Germany	60	60
117	Yona Gruberzeile Grundstücks GmbH	Germany	60	60
118	Yona Schloss Grundstücks GmbH	Germany	60	60
119	Yona Lindauer Grundstücks GmbH	Germany	60	60
120	Yona Nogat Grundstücks GmbH	Germany	60	60
121	Yona Bötzow Grundstücks GmbH	Germany	60	60
122	Yona Herbst Grundstücks GmbH	Germany	60	60
123	Yona Danziger Grundstücks GmbH	Germany	60	60
124	Yona Schön Grundstücks GmbH	Germany	60	60
125	Yanshuf Kaiser Grundstücks GmbH	Germany	60	60
126	Yanshuf Binz Grundstücks GmbH	Germany	60	60
127	Yanshuf Antonien Grundstücks GmbH	Germany	60	60
128	Yanshuf See Grundstücks GmbH	Germany	60	60
129	Yanshuf Hermann Grundstücks GmbH	Germany	60	60
130	Yanshuf Schmidt-Ott Grundstücks GmbH	Germany	60	60
131	Hanpaka Holding GmbH	Germany	100	100
132	Hanpaka Immobilien GmbH	Germany	94.90	94.90
133	Dvash 1 Holding GmbH	Germany	100	100
134	Dvash 2 Holding GmbH	Germany	100	100
135	Dvash 3 B.V.	Holland	100	100
136	Rimon Holding GmbH	Germany	100	100
137	Bosem Grundstücks GmbH	Germany	100	100
138	Rimon Grundstücks GmbH	Germany	94.90	94.90
139	Dvash 21 Grundstücks GmbH	Germany	94.90	94.90
140	Dvash 22 Grundstücks GmbH	Germany	94.90	94.90
141	Dvash 23 Grundstücks GmbH	Germany	94.90	94.90
142	Dvash 24 Grundstücks GmbH	Germany	94.90	94.90
143	Dvash 11 Grundstücks GmbH	Germany	94.90	94.90
144	Dvash 12 Grundstücks GmbH	Germany	94.90	94.90
145	Dvash 13 Grundstücks GmbH	Germany	94.90	94.90
146	Dvash 14 Grundstücks GmbH	Germany	94.90	94.90
147	ADO FC Management Unlimited Company	Ireland	100	100
148	5. Ostdeutschland Invest GmbH	Germany	94.90	94.90
149	8. Ostdeutschland Invest GmbH	Germany	94.90	94.90
150	Horef Holding GmbH	Germany	100	100
151	ADO 9110 Holding GmbH	Germany	100	100
152	Silan Holding GmbH	Germany	100	100
153	ADO Sonnensiedlung S.à.r.l.	Luxembourg	94.90	94.90
154	Horef Grundstücks GmbH	Germany	94.93	94.93
155	Sprengelstraße 39 GmbH	Germany	94	—
156	Scharnweberstraße 112 Verwaltungsgesellschaft mbH	Germany	94.90	—
157	Kantstraße 62 Grundstücks GmbH	Germany	100	—
158	ADO Treasury GmbH	Germany	100	—
159	ADO 9160 Grundstücks GmbH	Germany	94.90	—
160	ADO 9200 Grundstücks GmbH	Germany	94.90	—
161	ADO 9210 Grundstücks GmbH	Germany	94.90	—
162	ADO 9220 Grundstücks GmbH	Germany	94.90	—

Note 29 – List of the Company Shareholdings (continued)

	Company	Country	Shareholding and control at December 31, 2017	2016
			%	
163	ADO 9230 Grundstücks GmbH	Germany	94.90	—
164	ADO 9240 Grundstücks GmbH	Germany	94.90	—
165	ADO 9250 Grundstücks GmbH	Germany	94.00	—
166	ADO 9260 Grundstücks GmbH	Germany	94.90	—
167	ADO 9270 Grundstücks GmbH	Germany	94.80	—
168	ADO 9280 Grundstücks GmbH	Germany	94.90	—
169	ADO 9290 Grundstücks GmbH	Germany	94.90	—
170	ADO 9300 Grundstücks GmbH	Germany	94.90	—
171	ADO 9310 Grundstücks GmbH	Germany	94.90	—
172	ADO 9320 Grundstücks GmbH	Germany	94.90	—
173	ADO 9330 Grundstücks GmbH	Germany	94.90	—
174	ADO 9340 Grundstücks GmbH	Germany	94.90	—
175	ADO 9350 Grundstücks GmbH	Germany	94.90	—
176	ADO 9360 Holding GmbH	Germany	100	—
177	ADO 9370 Grundstücks GmbH	Germany	94.90	—
178	ADO 9380 Grundstücks GmbH	Germany	94.90	—
179	ADO 9379 Grundstücks GmbH	Germany	94.90	—
180	ADO 9400 Grundstücks GmbH	Germany	94.90	—
181	ADO 9410 Grundstücks GmbH	Germany	94.90	—
182	ADO 9420 Grundstücks GmbH	Germany	94.90	—
183	ADO 9430 Grundstücks GmbH	Germany	94.90	—
184	ADO 9440 Grundstücks GmbH	Germany	94.90	—
185	ADO 9450 Grundstücks GmbH	Germany	94.90	—
186	ADO 9460 Grundstücks GmbH	Germany	94.90	—
187	ADO 9470 Grundstücks GmbH	Germany	94.90	—
188	ADO 9480 Grundstücks GmbH	Germany	94.90	—
189	ADO 9490 Grundstücks GmbH	Germany	94.90	—
190	ADO 9500 Grundstücks GmbH	Germany	94.90	—
191	ADO 9510 Grundstücks GmbH	Germany	94.90	—
192	ADO 9520 Grundstücks GmbH	Germany	94.90	—
193	ADO 9530 Grundstücks GmbH	Germany	94.90	—
194	ADO 9540 Holding GmbH	Germany	100	—
195	ADO Lux Finance S.à.r.l.	Luxembourg	100	—

ADLER Real Estate Aktiengesellschaft

Unaudited Consolidated Interim Financial Statements of ADLER Real Estate Aktiengesellschaft as of and for the three-month period ended March 31, 2020

/// CONSOLIDATED BALANCE SHEET

(IFRS) as at 31 March 2020

In EUR '000	31.03.2020	31.12.2019
Assets	**10,506,416**	**10,681,677**
Non-current assets	**5,593,460**	**5,288,676**
Goodwill	**169,439**	169,439
Intangible assets	**546**	584
Property, plant and equipment	**19,311**	19,348
Investment properties	**4,929,746**	4,920,008
Loans to associated companies	**139,180**	79,524
Investments in associated companies	**79,539**	23,432
Other financial investments	**43,473**	56,603
Other non-current assets	**210,004**	17,783
Deferred tax assets	**2,222**	1,955
Current assets	**359,048**	**554,355**
Inventories	**85,935**	87,308
Trade receivables	**44,226**	31,987
Income tax receivables	**4,108**	4,643
Other current assets	**149,684**	193,002
Cash and cash equivalents	**75,095**	237,415
Non-current assets held for sale	**4,553,908**	**4,838,646**
Equity and liabilities	**10,506,416**	**10,681,677**
Shareholders' equity	**3,502,650**	**3,547,857**
Capital stock	**72,236**	71,064
Treasury shares	**-1,603**	-1,603
	70,633	69,461
Capital reserve	**315,148**	309,337
Retained earnings	**-54,151**	-26,438
Currency translation reserve	**1,216**	0
Net retained profit	**1,071,791**	1,093,506
Equity attributable to owners of the parent company	**1,404,637**	1,445,865
Non-controlling interests	**2,098,013**	2,101,992
Non-current liabilities	**4,776,914**	**4,928,486**
Pension provisions	**4,049**	4,092
Deferred tax liabilities	**444,658**	439,856
Other provisions	**3,148**	3,148
Liabilities from convertible bonds	**110,148**	122,249
Liabilities from bonds	**2,051,157**	2,327,846
Financial liabilities to banks	**2,135,053**	2,002,136
Other non-current liabilities	**28,701**	29,159
Current liabilities	**360,647**	**377,916**
Other provisions	**412**	12
Income tax liabilities	**18,555**	15,960
Liabilities from convertible bonds	**1,179**	1,947
Liabilities from bonds	**51,938**	101,612
Financial liabilities to banks	**180,011**	157,708
Trade payables	**43,531**	37,380
Other current liabilities	**65,021**	63,297
Liabilities held for sale	**1,866,205**	**1,827,418**

/// CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(IFRS) for the period from 1 January to 31 March 2020

In EUR '000	3M 2020	3M 2019
Gross rental income	**90,428**	94,865
Expenses from property lettings	**-40,491**	-39,342
Earnings from property lettings	**49,937**	**55,523**
Income from the sale of properties	**391,755**	186,080
Expenses from the sale of properties	**-389,511**	-186,512
Earnings from the sale of properties	**2,244**	**-432**
Personnel expenses	**-11,026**	-9,817
Other operating income	**1,561**	2,009
Other operating expenses	**-21,976**	-9,881
Income from fair value adjustments of investment properties	**-10,334**	9,660
Depreciation and amortisation	**-1,634**	-905
Earnings before interest and tax (EBIT)	**8,772**	**46,157**
Financial income	**33,578**	3,651
Financial costs	**-58,144**	-42,980
Net income from at-equity-valued investment associates	**271**	0
Earnings before tax (EBT)	**-15,523**	**6,828**
Income taxes	**-9,006**	7,845
Consolidated net profit from continuing operations	**-24,529**	**14,673**
Earnings after taxes of discontinued operations	**-2,000**	0
Consolidated net profit	**-26,529**	**14,673**
Actuarial gains/losses before taxes	**0**	0
Deferred taxes on actuarial gains/losses	**0**	0
OCI gains/losses not reclassifiable into profit or loss	**0**	**0**
Gains/losses from currency translation	**1,216**	1
Change in value of financial assets measured at fair value	**-3,548**	2
OCI own bonds – reclassifiable	**0**	0
Deferred taxes OCI – reclassifiable	**0**	0
OCI gains/losses reclassifiable into profit or loss	**-2,333**	**3**
Total comprehensive income from continuing operations	**-26,862**	**14,676**
Total comprehensive income of discontinued operations	**-74,676**	0
Total comprehensive income	**-101,538**	**14,676**
Carry-over total comprehensive income	**-101,538**	**14,676**
Net profit from continuing operations:		
Owners of the parent company	**-21,474**	14,559
Non-controlling interests	**3,055**	114
Consolidated net profit attributable to:		
Owners of the parent company	**-21,715**	14,559
Non-controlling interests	**-4,814**	114
Total comprehensive income from continuing operations:		
Owners of the parent company	**-23,807**	14,562
Non-controlling interests	**-3,055**	114
Total comprehensive income attributable to:		
Owners of the parent company	**-48,211**	14,562
Non-controlling interests	**-53,326**	114
Earnings per share, basic in EUR (consolidated net profit from continuing operations)	**-0.31**	0.21
Earnings per share, diluted in EUR (consolidated net profit from continuing operations)	**-0.26**	0.20
Earnings per share, basic in EUR (consolidated net profit)	**-0.31**	0.21
Earnings per share, diluted in EUR (consolidated net profit)	**-0.26**	0.20

/// CONSOLIDATED STATEMENT OF CASH FLOWS

(IFRS) for the period from 1 January to 31 March 2020

In EUR '000	3M 2020	3M 2019
Earnings before interest and taxes (EBIT) – continuing and discontinued operations	**26,472**	46,157
+ Depreciation and amortisation	**2,010**	905
–/+ Net income from fair value adjustments of investment properties	**10,334**	-9,660
–/+ Non-cash income/expenses	**5,497**	2,819
–/+ Changes in provisions and accrued liabilities	**357**	-29
–/+ Increase/decrease in inventories, trade receivables and other assets not attributable to investment or financing activities	**324,265**	-32,571
–/+ Decrease/increase in trade payables and other liabilities not attributable to investment or financing activities	**-361,219**	16,860
+ Interest received	**10**	74
+ Dividends received	**0**	0
+/– Tax payments	**-16**	-6,541
= **Operating cash flow before dis-/reinvestment into the trading portfolio**	**7,710**	**18,014**
–/+ Increase/decrease in inventories (commercial properties)	**1,373**	447
= **Net cash flow from operating activities**	**9,083**	**18,461**
thereof continuing operations	**3,983**	18,461
thereof discontinued operations	**5,100**	0
– Acquisition of subsidiaries, net of cash acquired	**0**	0
+ Disposal of subsidiaries, net of cash disposed	**0**	0
– Purchase of investment properties	**-87,222**	-38,609
+ Disposal of investment properties	**46,719**	73,086
– Purchase of property, plant and equipment and intangible assets	**-991**	-1,714
+ Disposal of property, plant and equipment and intangible assets	**0**	144
– Payments into short-term deposits	**-500**	-5,562
+ Proceeds from short-term deposits	**19,860**	0
+ Proceeds from disinvestment of financial assets	**0**	0
– Investments in financial assets	**-135,459**	-599
+ Proceeds from the repayment of long-term receivables from associated companies	**0**	0
– Payments for long-term receivables from associated companies	**0**	-11,300
= **Net cash flows from investing activities**	**-157,593**	**15,446**
thereof continuing operations	**-31,487**	15,446
thereof discontinued operations	**-126,106**	0
– Costs of issuing equity	**-4,065**	0
– Payments for acquisition of treasury shares including acquisition costs	**0**	0
– Transactions with non-controlling interests	**42,926**	-731
– Dividends paid to non-controlling interests	**0**	0
– Dividends paid to the owners of the company	**0**	0
– Payments for acquisition and repayment of convertible bonds	**0**	0
+ Proceeds from issue of bonds	**0**	0
– Repayment of bonds	**-300,516**	0
– Payments from issuing debt	**0**	0
– Interest payments	**-23,714**	-18,242
+ Proceeds from bank loans	**328,387**	20,015
– Repayment of bank loans	**-21,447**	-31,476
– Repayment of leasing liabilities	**-876**	-540
– Payment of interest portion of leasing liabilities	**-288**	-322
= **Net cash flows from financing activities**	**20,407**	**-31,296**
of which from continuing operations	**-126,763**	-31,296
of which from discontinued operations	**147,170**	0
Reconciliation to Consolidated Balance Sheet		
Cash and cash equivalents at beginning of periods	**624,973**	**77,655**
Non-cash changes in cash and cash equivalents from impairment losses	**-167**	0
Non-cash changes in cash and cash equivalents from currency translation	**-7,886**	0
Net cash flow from operating activities	**9,083**	18,461
Net cash flow from investing activities	**-157,593**	15,446
Net cash flow from financing activities	**20,407**	-31,296
= **Cash and cash equivalents at end of periods**	**488,817**	**80,266**
of which from continuing operations	**75,095**	80,266
of which from discontinued operations	**413,722**	0

/// CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(IFRS) for the period from 1 January to 31 March 2020

In EUR '000	Capital stock	Treasury shares	Capital reserves	Retained earnings	Currency translation reserves	Net retained profit	Equity attributable to the owners of the parent company	Non-controlling interests	Total equity
As at 1 January 2019	**71,064**	**-2,583**	**309,233**	**-3,264**	**88**	**842,888**	**1,217,426**	**362,205**	**1,579,631**
Consolidated net profit	**0**	0	0	0	0	14,559	14,559	114	14,673
Other comprehensive income (OCI) – reclassifiable	**0**	0	0	3	1	0	4	0	4
Other comprehensive income (OCI) – non-reclassifiable	**0**	0	0	0	0	0	0	0	0
Increase/decrease in shareholding with no change in status	**0**	0	95	0	0	0	95	-819	-724
Change in scope of consolidation	**0**	0	0	0	0	0	0	0	0
Acquisition of treasury shares	**0**	0	0	0	0	0	0	0	0
Conversion of convertible bonds	**0**	0	0	0	0	0	0	0	0
As at 31 March 2019	**71,064**	**-2,583**	**309,328**	**-3,261**	**89**	**857,447**	**1,232,083**	**361,500**	**1,593,583**
As at 1 January 2020	**71,064**	**-1,603**	**309,337**	**-26,438**	**0**	**1,093,506**	**1,445,865**	**2,101,992**	**3,547,857**
Consolidated net profit	**0**	0	0	0	0	-21,715	-21,715	-4,814	-26,529
Withdrawals from reserves	**0**	0	0	0	0	0	0	0	0
Other comprehensive income (OCI) – reclassifiable	**0**	0	0	-3,500	1,216	0	-2,284	0	-2,284
Other comprehensive income (OCI) – non-reclassifiable	**0**	0	0	-24,213	0	0	-24,213	-48,510	-72,723
Increase/decrease in shareholding with no change in status	**0**	0	-6,419	0	0	0	-6,419	49,345	42,926
Change in scope of consolidation	**0**	0	0	0	0	0	0	0	0
Transfer of Treasury shares	**0**	0	0	0	0	0	0	0	0
Conversion of convertible bonds	**1,172**	0	12,230	0	0	0	13,402	0	13,402
As at 31 March 2020	**72,236**	**-1,603**	**315,148**	**-54,151**	**1,216**	**1,071,791**	**1,404,637**	**2,098,013**	**3,502,650**

/// SELECTED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (IFRS) AS AT 31 MARCH 2020

GENERAL INFORMATION

ADLER Real Estate Aktiengesellschaft (hereinafter 'ADLER') is the parent company of the Group and has its legal domicile at Joachimsthaler Strasse 34, Berlin, Germany. The company is entered in the Commercial Register of Charlottenburg District Court under HRB 180360. Its financial year is the calendar year.

ADLER is a publicly listed real estate company focused on establishing and developing a substantial and profitable property portfolio. Its activities centre on the acquisition, development and management of residential properties throughout Germany. Additionally, ADLER has also been expanding its portfolio through new-build development projects.

ADLER's activities have the objective of investing in residential properties that offer sustainable potential for value appreciation and whose current income contributes to the company's overall success. The company's operating strategy also includes active value creation, i.e. improving its existing residential property portfolios by means of expansion, conversion or modernisation measures.

BASIS OF ACCOUNTING

Basis of preparation

The interim consolidated financial statements as at 31 March 2020 were prepared in accordance with International Financial Reporting Standards (IFRS), which are mandatory in the European Union. The consolidated financial statements, comprising the consolidated balance sheet, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated cash flow statement and selected note disclosures, also take particular account of the requirements of IAS 34 'Interim Financial Reporting'.

In accordance with IAS 34.41, greater reference is made to estimates and assumptions when preparing the interim consolidated financial statements than is the case for annual reporting. ADLER has adjusted the valuation of its investment properties to changes in the market environment. No other changes in estimates with material implications for the Group's net assets, financial position and results of operations arose in the interim reporting period.

Effective 10 December 2019, ADLER obtained control over ADO Group Ltd., Tel Aviv, Israel (ADO Group) and thereby ADO Properties S.A., Senningerberg, Luxembourg (ADO Properties) as well. They were included in consolidation as at 31 December 2019 on the grounds of simplicity and materiality. As ADLER lost control over ADO Properties again in early April 2020 as a result of the completion of the successful takeover bid by ADO Properties, it constitutes a discontinued operation in accordance with IFRS 5. The assets and liabilities of ADO Properties are reported under non-current assets and liabilities held for sale.

The consolidated statement of comprehensive income shows only continuing operations in the respective items, while the discontinued operation is shown as a total (earnings after taxes and total comprehensive income from discontinued operations). With regard to the consolidated statement of cash flows, cash flows from operating, investing and financing activities are shown in relation to continuing and discontinued operations.

The interim consolidated financial statements use the functional currency of the Group: euros (EUR). Unless otherwise indicated, all figures presented in euros have been rounded up or down to the nearest thousand euros (EUR thousands). Statements of thousand-euro amounts may result in discrepancies due to rounding up or down. Figures in brackets generally refer to the previous year.

Further information about the accounting policies can be found in the consolidated financial statements as at 31 December 2019, which form the basis for these interim consolidated financial statements.

BASIS OF ACCOUNTING (continued)

Accounting standards applicable for the first time in the 2020 financial year

The Group applied the following new and revised IFRS standards and interpretations in the 2020 financial year:

Standard/Interpretation	Title	IASB Effective date[1)]	Initial application date in the EU[1)]
EU endorsement achieved:			
Amendments to IAS 1 and IAS 8	Definition of materiality	01.01.2020	01.01.2020
Amendments to the Conceptual Framework	Amendments to References to the Conceptual Framework in IFRS Standards	01.01.2020	01.01.2020
EU endorsement outstanding:			
Amendments to IFRS 3	Definition of a business	01.01.2020	01.01.2020

1) For financial years beginning on or after this date

Amendment to IAS 1 and IAS 8 – definition of materiality

Materiality is defined as follows: information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general-purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. It is clarified that information that could influence users' decisions is not necessarily required if it is very unlikely to occur. It is added that the materiality of the information is not determined by its influence on decisions of all possible users but only the primary users. The changes have no material impact on the consolidated financial statements.

Amendment to the Conceptual Framework – amendments to references to the Conceptual Framework

Amendments to references to the Conceptual Framework in IFRS Standards (including IFRS 2, IFRS 3, IAS 1, IAS 8, IAS 34, IAS 37 and IAS 38) were published with the revision of the Conceptual Framework. The amendments, which are updates, have no material impact on the consolidated financial statements.

Amendment to IFRS 3 – definition of a business

The amendments contain an updated definition of a business to clarify the three associated elements. The amendment was prompted by uncertainty regarding the existence of a business on acquisition. There are no significant effects on the consolidated financial statements, as the resulting clarifications of the definition of business operations at ADLER have already been observed.

BASIS OF CONSOLIDATION

Subsidiaries are included in the consolidated financial statements in accordance with the requirements of IFRS 10. Subsidiaries are all entities that are controlled by the Group. The Group controls an entity when it has direct or indirect decision-making powers over the respective group company in the form of voting or other rights, participates in the positive and negative variable returns from the group company and can influence these returns due to its decision-making powers. These criteria have to be cumulatively fulfilled.

Subsidiaries are included in the consolidated financial statements (full consolidation) from the date on which the Group gains control. They are deconsolidated from the date on which control ceases.

Companies over which the Group can exercise significant influence are recognised as associates using the equity method in accordance with IAS 28. Significant influence is presumed when a group company directly or indirectly holds no less than 20 percent but no more than 50 percent of the voting rights.

Further information about consolidation principles can be found in the comments in the "Consolidation principles" section of the 2019 Annual Report.

SCOPE OF CONSOLIDATION AND BUSINESS COMBINATIONS

Including the parent company, the scope of consolidation includes a total of 431 companies (31 December 2019: 433) that are fully consolidated and seven companies that are recognised at equity (as at 31 December 2019: Six). ADO Properties has 199 fully consolidated companies.

MountainPeak Trading Limited, Cyprus was merged into ADLER Real Estate AG in the first quarter of 2020. This did not affect the Group‘s net assets, financial position or results of operations.

As a result of the binding sale and purchase agreement concluded in the third quarter of 2019 for the sale of a project development by BCP in Dusseldorf, the fully consolidated company Glasmacherviertel GmbH & Co. KG was sold at the end of the first quarter of 2020. As part of the agreed share deal, BCP retained 25 percent of the shares in these companies and carried out a transition consolidation. The remaining participation is included in the consolidated financial statements using the equity method as an associated company in accordance with IAS 28.

SEGMENT REPORTING

The majority of BCP acquired in April 2018 was presented as an independent segment until the end of the first quarter of 2019. After the purchase price allocation was finalised along with the first-time allocation of goodwill to the relevant CGUs, BCP was integrated into the Rental segment in the second quarter of 2019. The comparative figures have been adjusted accordingly. The residual interest in ACCENTRO was reclassified at 31 December 2019 from non-current assets held for sale (Trading) to investments accounted for using the equity method as the decision to sell it was reversed at the end of the reporting year. The comparative figures have been adjusted accordingly. The acquisition of ADO Properties in December 2019 represents a discontinued operation according to IFRS 5 and is therefore not shown in the segment reporting.

The ‘Rental’-segment includes all ADLER’s portfolios through the letting of which ADLER Real Estate AG aims to generate long-term gross rental income. Gross rental income and the expenses associated with the letting business reflect the activities of the Group’s Asset and Property Management, which manages residential units held in the portfolio in technical and commercial terms. This segment also includes the expenses for craftsmen and caretaker services which are provided by the Group’s internal Facility Management. To a lesser extent, this item also includes BCP’s commercial properties held for sale and project developments that are sold to non-group companies and which are therefore not to be added to the portfolio after completion.

Other group activities that do not constitute standalone segments are pooled in the ‘Other’-column. These are mainly historic holdings relating to development projects that have been in the rest of the process since the Group’s realignment.

Segment reporting based on the‘Rental’-segment is consistent with the internal reporting system to ADLER’s Management Board, which is the top management body pursuant to IFRS (management approach). The Group only trades in properties that are located in Germany. No geographical segmentation has been performed.

SEGMENT REPORTING (continued)

Income and EBIT for the period from 1 January 2020 to 31 March 2020 and for the previous year's comparative period are broken down as follows:

ADLER Group In EUR '000 – 3 months/Q1	Rental		Other		Group	
	2020	2019	2020	2019	2020	2019
Gross rental income and income from the sale of properties	482,132	280,898	51	47	482,183	280,945
– thereof gross rental income	90,377	94,818	51	47	90,428	94,865
– thereof income from sales	391,755	186,080	0	0	391,755	186,080
Change in the value of investment property	-10,334	9,660	0	0	-10,334	9,660
Earnings before interest and taxes (EBIT)	**8,774**	**46,107**	**-2**	**50**	**8,772**	**46,157**
Income from investments accounted for using the equity method	271	0	0	0	271	0
Financial result	**-24,593**	**-39,355**	**27**	**26**	**-24,566**	**-39,329**
Earnings before taxes (EBT)	**-15,548**	**6,752**	**25**	**76**	**-15,523**	**6,828**

Segment assets, segment liabilities and segment investments were structured as follows as at 31 March 2019:

ADLER Group In EUR '000	Rental 2019	Other 2019	Consolidation 2019	Group 2019
Assets per segment	5,928,217	4,541	-4,561	5,928,197
Result of investments accounted for using the equity method	79,539	0	0	79,539
Total segment assets	**6,007,756**	**4,541**	**-4,561**	**6,007,736**
Non-current assets held for sale ADO Properties	—	—	—	4,498,860
Segment liabilities	**5,137,498**	**4,636**	**-4,561**	**5,137,573**
Non-current liabilities held for sale ADO Properties	—	—	—	1,866,193
Segment investments	**80,905**	**0**	**0**	**80,905**

Segment assets, segment liabilities and segment investments were structured as follows as at 31 December 2019:

ADLER Group In EUR '000	Rental 2019	Other 2019	Consolidation 2019	Group 2019
Assets per segment	6,249,175	4,515	-4,543	6,249,147
Result of investments accounted for using the equity method	23,432	0	0	23,432
Total segment assets	**6,272,607**	**4,515**	**-4,543**	**6,272,579**
Non-current assets held for sale ADO Properties	—	—	—	4,409,098
Segment liabilities	**5,433,898**	**4,621**	**-4,543**	**5,433,976**
Non-current liabilities held for sale ADO Properties	—	—	—	1,699,844
Segment investments	**349,202**	**0**	**0**	**349,202**

SELECTED NOTES ON THE CONSOLIDATED BALANCE SHEET

Goodwill

In light of the coronavirus crisis, ADLER assessed whether there were signs of impairment and hence whether an impairment test required under IAS 36 should be carried out. ADLER is not currently anticipating any significant impact on its business activities and has therefore not adjusted its company planning in this respect. Nevertheless, the weighted average cost of capital has risen considerably since the last scheduled impairment test. WACC before taxes increased to 4.1 percent as at 31 March 2020 (31 December 2010: 2.7 percent). However, even taking into consideration this increased WACC figure, the impairment test in the fourth quarter of 2019 would not have led to impairment in any of the regional divisions. For this reason, ADLER does not believe there are any signs of impairment as at 31 March 2020.

SELECTED NOTES ON THE CONSOLIDATED BALANCE SHEET (continued)

Investment properties

The carrying amount of investment properties amounted to EUR 4,929,746k as at the balance sheet date (31 December 2019: EUR 4,920,008k). The additions of EUR 2,643k result from investments in project development properties under construction, with EUR 19,644k from modernization measures that can be capitalized and with EUR 2,969k from other additions. Disposals including reclassifications had an opposite effect according to IFRS 5 with EUR 5,184k and negative valuation effects with EUR 10,334k.

The negative valuation effects result from value adjustments to BCP's remaining commercial properties, because these have been affected by the measures to contain the corona virus. With regard to the valuation of residential properties, however, no significant effects can be identified at present, which is why a revaluation as of 31 March 2020 was not carried out.

Receivables and loans to associated companies

The carrying amount of receivables from and loans to associated companies amounted to EUR 139,180k as at the balance sheet date (31 December 2019: EUR 79,524k).

On 17 December 2018, ADLER entered into a binding agreement with an investor, which plans to sell around 1,400 rental units to Caesar JV Immobilienbesitz und Verwaltungs GmbH, Berlin, in which ADLER holds a 25 percent interest. ADLER will continue to undertake asset management for these portfolios. The properties had a carrying amount of approximately EUR 61,500k. Control over the rental units was transferred in the first quarter of 2019. The remaining receivables from the sale to the associated company are deferred and are due to be paid by 1 December 2022 at the latest, subject to customary interest and collateral. A partial payment of EUR 16,000k must be made by 1 December 2020 at the latest. As at 31 March 2020, ADLER recognises non-current receivables including interest claims against Caesar JV Immobilienbesitz und Verwaltungs GmbH of EUR 26,677k (31 December 2019: EUR 26,361k). An amount of EUR 16,000k is recognised under other current assets.

On 27 December 2018, ADLER also entered into a binding agreement with Benson Elliot Capital Management LLP, which plans to sell around 2,300 rental units to a joint venture, AB Immobilien B.V., Amsterdam, Netherlands, in which ADLER likewise holds a 25 percent interest. ADLER remains responsible for asset, property and facility management until the properties are sold to third parties. ADLER will profit from the potential upside of the final sale by the joint venture. The properties were worth approximately EUR 117,700k. Control over the rental units was transferred in the first quarter of 2019. The agreement for the sale of the around 2,300 rental units to AB Immobilien B.V. does not provide for a significant financing component as the remaining consideration is variable after the partial payment has been made. The amount and date of the consideration depend on the resale of properties to third parties over which ADLER has no material influence. However, payment is intended by no later than 31 December 2028. As at 31 March 2020, ADLER recognises receivables from AB Immobilien B.V. of EUR 45,494k (31 December 2019: EUR 45,494k).

As part of the transitional consolidation of Glasmacherviertel GmbH & Co. KG, an interest-bearing loan receivable of EUR 59,340k was recognised from the associated company, taking into account default risks.

SELECTED NOTES ON THE CONSOLIDATED BALANCE SHEET (continued)

Investments in associates and joint ventures

Seven companies were included in the consolidated financial statements using the equity method as at the balance sheet date (previous year: six companies). Two associates (previous year: two) have not been included at equity due to materiality considerations.

In EUR '000	2020	2019
Carrying amounts 01.01	**23,432**	**15,709**
Other additions	**55,836**	9,300
Other disposals	**0**	-2
Share of gains and losses (at-equity result)	**271**	-1,327
Other results attributable to the Group	**0**	0
Dividends received	**0**	-248
Carrying amounts 31.12	**79,539**	23,432

The main investments in associated companies are ACCENTRO, AB Immobilien B.V., Caesar JV Immobilienbesitz und Verwaltungs GmbH and Glasmacherviertel GmbH & Co. KG.

Additions of EUR 55,836k can be attributed to the transitional consolidation following the sale of the 75 percent stake in Glasmacherviertel GmbH & Co. KG. In accordance with IFRS 10, the remaining 25 percent interest in the company was measured at fair value, derived from the purchase price, at the date of transitional consolidation.

Other financial investments

In the 2018 financial year, ADLER acquired 3.6 percent of the shares in a development project company for residential properties based in Germany through its subsidiary BCP. The shares were classified as financial assets at fair value through profit or loss and recognised under other financial assets. As at 31 March 2020, based on the stock market price, the fair value amounted to EUR 24,598k (31 December 2019: EUR 35,655k). The change in value of EUR 11,057k compared to 31 December, 2019 is recognised under financial expenses.

Also reported under other financial investments as at the balance sheet date are bonds that are held as part of a business model whose aim is both to hold financial assets for the collection of contractual cash flows and to sell financial assets if necessary. Debt instruments are therefore measured at fair value with changes in other comprehensive income. As at 31 March 2020, based on the market price, the fair value amounted to EUR 12,380k (31 December 2019: EUR 14,454k). EUR 3,574k of this decrease is due to a write-down to the reporting date price, which was recognised in other comprehensive income. The acquisition of additional bonds at an acquisition cost of EUR 1,500k had the opposite effect.

Furthermore, as part of the sale of three commercial units, the remaining shares (in each case 10.1 percent) in the property companies of BCP in the amount of EUR 6,494k (31 December 2019: EUR 6.494k) are recognised. They are measured at fair value through profit or loss.

Other non-current assets

After receipt of payment of the initial purchase price instalment, the remaining receivables from the sale of the 75 percent stake in Glasmacherviertel GmbH & Co. KG and the loan receivable from the company were deferred, subject to customary interest and collateral. For payment of the purchase price receivables, it was agreed that each instalment payment would be due when certain milestones, which are not yet fixed but can be determined, in relation to project development are met. Accounting for default risks, a receivable of EUR 131.240k from the buyer is recognised under other non-current assets as at the balance sheet date. Provided that the set milestone is met on time, a partial payment of EUR 70,000k would be due by the end of the financial year. This is assumed to be highly probable on the balance sheet date.

SELECTED NOTES ON THE CONSOLIDATED BALANCE SHEET (continued)

Other non-current assets (continued)

Miscellaneous other non-current assets include advance payments of EUR 78,682k (31 December 2019: EUR 17,698k) in connection with the expansion of existing residential estates in Goettingen and Wolfsburg and the acquisition of land for project development and project development companies.

Other current assets

As of the balance sheet date, other current assets include residual receivables of EUR 56,964k (31 December 2019: EUR 56,261k) against the buyer of the shares in ACCENTRO which ADLER had sold at the end of 2017. Payment had been postponed several times according to a mutual understanding. The remaining and secured purchase price claim is to be paid in the course of the year 2020 after a further extension of the time limit and is subject to a market interest rate.

The earmarked funds shown under other current assets decreased by EUR 52,260k compared to 31 December 2019 to EUR 29,865k.

Cash and cash equivalents

Cash and cash equivalents amounted to EUR 75,095k at the balance sheet date, as against EUR 237,415k at the end of the previous year. EUR 15,324k (EUR 15,753k) is subject to restraints on disposal. ADLER can dispose of these resources, but they are intended for a special use.

Non-current assets held for sale

Non-current assets and liabilities held for sale include, in particular, the assets and liabilities of ADO Properties after consolidation of transactions within the Group. As ADLER lost control over ADO Properties again in early April 2020 as a result of the completion of the successful takeover bid by ADO Properties, this constitutes a discontinued operation in accordance with IFRS 5.

On 15 December 2019, ADLER and ADO Properties entered into a business combination agreement under which ADO Properties is to acquire ADLER as part of a public takeover offer. The takeover offer was completed successfully on 9 April 2020. A notification by ADO Properties indicated that nearly 92 percent of ADLER shareholders had accepted the offer.

Assets and liabilities of ADO Properties at the balance sheet day are as follows:

In EUR '000	31.03.2020	31.12.2019
Property, plant and equipment	**10,627**	10,965
Investment properties	**3,626,994**	3,624,453
Other financial investments	**240,679**	285,029
Other non-current assets	**86,206**	6,300
Deferred tax assets	**1,561**	0
Inventories	**37,868**	39,270
Trade receivables	**13,906**	13,987
Income tax receivables	**351**	160
Other current assets	**66,766**	41,376
Cash and cash equivalents	**413,722**	387,558
Total assets	**4,498,680**	**4,409,098**

SELECTED NOTES ON THE CONSOLIDATED BALANCE SHEET (continued)

Non-current assets held for sale (continued)

In EUR '000	31.03.2020	31.12.2019
Income tax liabilities	**334,620**	334,305
Liabilities from convertible bonds, non-current	**93,772**	93,602
Liabilities from bonds, non-current	**401,853**	402,008
Financial liabilities to banks, non-current	**722,315**	729,698
Other non-current liabilities	**29,369**	30,198
Income tax liabilities	**3,142**	3,109
Financial liabilities to banks, current	**222,402**	40,528
Trade liabilities	**23,518**	22,082
Other current liabilities	**35,202**	44,314
Total liabilities	**1,866,193**	**1,699,844**

Other non-current assets held for sale primarily include properties recognised at a value of EUR 55,228k (31 December 2019: EUR 429,548k), for which notarial purchase contracts were available at the balance sheet date. The disposal of non-current assets held for sale in the previous year did not have any material impact on earnings, as the assets were already measured at fair value. This corresponded to the sale price for the properties less related expenses.

Other non-current liabilities held for sale of EUR 12k (31 December 2019: EUR 127,574k) are to be transferred on disposal of the assets.

In detail, the following significant development occurred in relation to non-current assets and liabilities held for sale:

As a result of the binding sale and purchase agreement concluded in the third quarter of 2019 for the sale of a BCP development project in Düsseldorf, the fully consolidated company Glasmacherviertel GmbH & Co. KG was disposed of at the end of the first quarter of 2020. Investment properties of EUR 375,000k, which were recognised under non-current assets and liabilities held for sale as at 31 December 2019 as a result of the sale, and financial liabilities to banks of EUR 127,512k were disposed of when control was transferred.

Shareholders' equity

The capital stock of ADLER AG amounted to EUR 72,236k as at 31 March 2020 (31 December 2019: EUR 71,064k) and is divided into 72,236,485 no-par ordinary shares (31 December 2019: 71,063,743) with one voting right per share.

The exercise of conversion rights increased the share capital by EUR 1,172k and the capital reserves by EUR 12,230k.

Changes in the value of financial assets measured at fair value with no effect on income were recognised in the revenue reserves in the amount of EUR -27.761k (previous year: EUR -22,824k) after offsetting applicable taxes.

The currency translation reserve is attributable to the ADO Group.

In the first quarter of 2020, shares in several subsidiaries, particularly ADO Properties, were sold. The difference between the value of the shares and the consideration was offset against the capital reserve.

Further details can be found in the consolidated statement of changes in equity.

SELECTED NOTES ON THE CONSOLIDATED BALANCE SHEET (continued)

Liabilities for convertible bonds

Liabilities for convertible bonds were structured as follows as at the balance sheet date:

In EUR '000	31.03.2020	31.12.2019
2016/2021 convertible bond	**111,327**	124,196
Total	**111,327**	**124,196**
– thereof non-current	**110,148**	122,249
– thereof current	**1,179**	1,947

The non-current liabilities relate to the debt capital component of the convertible bonds after deducting proportionate transaction costs if the remaining term is longer than one year and providing that no change has been made as at the balance sheet date. The current liabilities from convertible bonds include the interest claims of the bondholders as at the balance sheet date.

Liabilities for bonds

Liabilities for bonds were structured as follows as at the balance sheet date:

In EUR '000	31.03.2020	31.12.2019
Bond 2017/2021	**497,577**	495,020
Bond 2017/2024	**296,194**	300,692
Bond 2018/2023	**500,710**	497,759
Bond 2018/2026	**301,422**	298,930
Bond 2019/2022	**401,869**	399,920
Bond BCP 2011/2020 (A)	**15,654**	15,828
Bond BCP 2013/2024 (B)	**49,374**	49,816
Bond BCP 2014/2026 (C)	**40,295**	40,590
Bond ADO Group 2015/2023 (G)	**0**	173,820
Bond ADO Group 2017/2025 (H)	**0**	157,083
Total	**2,103,095**	**2,429,458**
– of which non-current	**2,051,157**	2,327,846
– of which current	**51,938**	101,612

The ADO Group's bond liabilities were repaid early on 17 February 2020 at nominal value plus accrued interest. For refinancing, ADLER increased the bridge loan that was taken out to acquire the shares in the ADO Group. The remaining amount was paid from ADO Group's existing cash reserves.

The liabilities from the BCP Tranche A bond were repaid early on 20 April 2020.

Nominal bond amounts have been recognised under non-current liabilities less transaction costs, which are expensed on a time-apportioned basis using the effective interest method if the remaining term is longer than one year. Bondholders' interest claims as at the balance sheet date are recognised under current liabilities.

Financial liabilities to banks

Non-current financial liabilities to banks amounted to EUR 2,135,053k as at the balance sheet date (31 December 2019: EUR 2,002,136k). At EUR 168,410k, the increase compared to the previous year is mainly due to the increase in the bridge loan that was taken out in the previous year to finance the acquisition of the shares in the ADO Group. Conversely, reclassifications to short-term financial liabilities to banks due to upcoming repayments had an impact.

Current financial liabilities to banks amounted to EUR 180,011k as at the balance sheet date (31 December 2019: EUR 157,708k). Current financial liabilities also include the repayments and interest liabilities of the non-current financial liabilities due within one year.

SELECTED NOTES ON THE CONSOLIDATED BALANCE SHEET (continued)

Financial liabilities to banks (continued)

Liabilities to banks are mainly secured with land charges. Further security includes the assignment of gross rental income, the pledging of bank credit balances and shareholdings and letters of subordination.

SELECTED NOTES ON THE STATEMENT OF COMPREHENSIVE INCOME

Income from property lettings

Gross rental income is structured as follows:

In EUR '000	3M 2020	3M 2019
Net rental income	**60,193**	64,800
Income from recoverable expenses	**29,517**	29,562
Other income from property management	**718**	503
Total	**90,428**	**94,865**

The decrease in net rental income is due to the sale of the rental units of the non-core portfolio and the commercial properties of BCP in the course of the previous year.

Expenses from property lettings

Expenses from property lettings are broken down as follows:

In EUR '000	3M 2020	3M 2019
Apportionable and non-apportionable operating costs	**33,782**	35,182
Maintenance	**6,642**	4,078
Other property management expenses	**67**	82
Total	**40,491**	**39,342**

Income from the sale of properties

Income from the sale of properties is structured as follows:

In EUR '000	3M 2020	3M 2019
Income from the disposal of project development inventory properties	**12,336**	6,760
Income from the disposal of other inventory properties	**0**	81
Income from the disposal of investment properties	**379,419**	179,239
Total	**391,755**	**186,080**

As in the previous year, the income from the sale of project developments is fully attributable to BCP.

The income from the sale of investment properties is mainly due to the sale of the project development of BCP in Düsseldorf, which was initially intended for the company's own portfolio. In the previous year, income from the sale of investment properties was attributable to the sale of the rental units of the non-core portfolio.

Expenses from the sale of properties

Expenses from the sale of properties are structured as follows:

In EUR '000	3M 2020	3M 2019
Carrying amount of disposed project development inventory properties	**10,091**	7,196
Carrying amount of disposed other inventory properties	**0**	70
Carrying amount of disposed investment properties	**379,419**	179,239
Costs of disposal	**1**	7
Total	**389,511**	**186,512**

SELECTED NOTES ON THE STATEMENT OF COMPREHENSIVE INCOME (continued)

Expenses from the sale of properties (continued)

As in the previous year, the carrying amount of project developments is fully attributable to BCP.

The book value disposals from the sale of investment properties are mainly due to the sale of the project development of BCP in Dusseldorf, which was initially intended for the company's own portfolio. In the previous year, the book value disposals from the sale of investment properties were attributable to the sales of the rental units of the non-core portfolio.

Other operating expenses

Other operating expenses break down as follows:

In EUR '000	3M 2020	3M 2019
Legal and consulting expenses	**9,929**	2,217
Impairment and write-downs of receivables	**3,859**	2,380
General and administrative expenses	**378**	347
Purchased services	**1,069**	444
Office and IT expenses	**1,734**	1,355
Cost of premises	**781**	788
Public relations	**911**	154
Miscellaneous other expenses	**3,315**	2,195
Total	**21,976**	**9,881**

The increase in legal and consulting costs is mainly due to the upcoming merger with ADO Properties.

Income from fair value adjustments of investment properties

Income from fair value adjustments of investment properties amounted to EUR -10,334k (previous year: EUR 9,660k) and comprises income of EUR 709k from fair value adjustments (previous year: EUR 9,905k) and expenses of EUR 11,043k for fair value adjustments (previous year: EUR 245k).

Financial income

Financial income is structured as follows:

In EUR '000	3M 2020	3M 2019
Interest income – financial assets measured at amortised cost	**1,269**	1,861
Interest income – financial assets at fair value through other comprehensive income	**209**	200
Net change in fair value of derivatives	**1,510**	1,586
Derecognition of financial liabilities measured at amortised cost	**30,576**	0
Other financial income	**14**	4
Total	**33,578**	**3,651**

The income from the derecognition of financial liabilities measured at amortised cost results from the early repayment of the bonds of the ADO Group at nominal value plus accrued interest.

SELECTED NOTES ON THE STATEMENT OF COMPREHENSIVE INCOME (continued)

Financial expenses

Financial expenses are structured as follows:

In EUR '000	3M 2020	3M 2019
Interest expenses – financial liabilities measured at amortised cost		
Interest expenses – bank loans	**19,481**	14,574
Interest expenses – bonds	**11,623**	14,024
Interest expenses – convertible bonds	**1,862**	1,992
Interest expenses – leasing	**302**	294
Interest expenses – other	**104**	11
Net change in fair value of derivatives	**22**	699
Net change in fair value of other financial instruments at fair value through profit or loss	**11,057**	6,332
Impairment of financial assets measured at amortised cost (loans, restricted funds, deposits at banks)	**2,068**	102
Impairment of financial assets at fair value with changes in other comprehensive income	**25**	2
Net foreign exchange losses/gain	**11,587**	4,950
Accrued interest on provisions	**9**	0
Other financial expenses	**4**	0
Total	**58,144**	**42,980**

The interest expenses for bonds include prepayment penalties and transaction costs that required immediate recognition as expenses due to the early repayment of financial liabilities to banks and other expenses related to the refinancing of EUR 6,604k (previous year: EUR 7,172k) in total.

Earnings after taxes from discontinued operations

In EUR '000	3M 2020	3M 2019
Income from property lettings	**37,794**	0
Expenses from property lettings	**-12,146**	0
Earnings from property lettings	**25,648**	**0**
Income from the sale of properties	**2,187**	0
Expenses from the sale of properties	**-2,046**	0
Earnings from the sale of properties	**141**	**0**
Personnel expenses	**-5,249**	0
Other operating income	**6,800**	0
Other operating expenses	**-9,264**	0
Income from fair value adjustments of investment properties	**0**	0
Depreciation and amortisation	**-375**	0
Earnings before interest and taxes (EBIT)	**17,700**	**0**
Financial income	**2,095**	0
Financial expenses	**-23,493**	0
Income from at-equity-valued investment associates	**0**	0
Earnings before taxes (EBT)	**-3,698**	**0**
Income taxes	**1,698**	0
Earnings after tax from discontinued operations	**-2,000**	**0**
Other comprehensive income	**-72,676**	0
Total comprehensive income of discontinued operations	**-74,676**	**0**

The after-tax result and the overall result from discontinued operations are attributable to ADO Properties.

SELECTED NOTES ON THE STATEMENT OF COMPREHENSIVE INCOME (continued)

Earnings after taxes from discontinued operations (continued)

The other result mainly results from changes in the value of equity instruments measured at fair value through profit or loss from the valuation of the shares in Consus acquired by ADO Properties.

Earnings per share

Earnings per share reflects the amount of earnings generated in a given period that are attributable to each share. This involves dividing consolidated net income by the weighted number of shares outstanding. This key figure is diluted by what are known as 'potential shares' (e.g. from convertible bonds).

Income per share is structured as follows:

	3M 2020 Continuing operations	3M 2020 Discontinued operations	3M 2020 Total
Consolidated net earnings (in EUR '000)	-24,529	-2,000	-26,529
Consolidated net earnings without non-controlling interests	-21,474	-241	-21,715
Expenses including deferred taxes on convertibles	1,438	0	1,438
Consolidated net earnings without non-controlling interests (diluted)	-20,036	-241	-20,277
Number of shares (in thousands)			
Weighted number of subscribed shares	68,922	68,922	68,922
Effect of conversion of convertibles	9,246	9,246	9,246
Weighted number of shares (diluted)	78,168	78,168	78,168
Earnings per share (in EUR)			
Basic earnings per share	-0.31	0.00	-0.31
Diluted earnings per share	-0.26	0.00	-0.26

	3M 2019 Continuing operations	3M 2019 Discontinued operations	3M 2019 Total
Consolidated net earnings (in EUR '000)	14,673	—	14,673
Consolidated net earnings without non-controlling interests	14,559	—	14,559
Expenses including deferred taxes on convertibles	1,392	—	1,392
Consolidated net earnings without non-controlling interests (diluted)	15,951	—	15,951
Number of shares (in thousands)			
Weighted number of subscribed shares	68,480	68,480	68,480
Effect of conversion of convertibles	10,419	10,419	10,419
Weighted number of shares (diluted)	78,899	78,899	78,899
Earnings per share (in EUR)			
Basic earnings per share	0.21	—	0.21
Diluted earnings per share	0.20	—	0.20

DISCLOSURES ON FINANCIAL INSTRUMENTS AND FAIR VALUE DISCLOSURES

The classification of financial instruments required was unchanged compared with 31 December 2019. There were no reclassifications within the categories of financial instruments or the fair value hierarchy levels in the period under report.

The allocation of assets and liabilities measured at fair value in accordance with the input factors of the respective measurement method was unchanged compared with 31 December 2018. Investment properties are still allocated to Level 3 in the fair value hierarchy.

OTHER DISCLOSURES

Related party disclosures

There were no material changes in related parties compared with the information provided as at 31 December 2019.

OTHER DISCLOSURES (continued)

Financial risk management

The material risks monitored and managed by the Group's financial risk management include interest rate, default, liquidity, financing and currency risks. A detailed description of these risks can be found in the notes to the consolidated financial statements as of 31 December 2019. Risks have not changed since 31 December 2019, although the following qualifications should be noted.

ADLER does not expect any major impact on its business as a result of the COVID-19 pandemic due to the stability of its business model, even though tenants may defer their rental payments for several months under certain conditions. This could temporarily disrupt the continuous inflow of liquidity. Experience to date has shown, however, that only a small number of tenants have made use of this opportunity.

The rating agency Standard & Poor's has adjusted the corporate rating of ADO Properties to BB/stable outlook, as it sees a certain implementation risk in the merger with ADLER, including the planned financing through the announced capital increase. This could make financing the entire company more expensive or more difficult.

Events after the balance sheet date

On 9 April 2020, ADO Properties' takeover offer to ADLER shareholders was successfully concluded. ADO Properties announced that 91.93 percent of ADLER shares had been exchanged for shares in ADO Properties. ADLER has therefore lost its controlling influence and will deconsolidate ADO Properties again. As the stock market price of ADO Properties has decreased since the acquisition date also in the wake of the COVID-19 pandemic, deconsolidation would result in a loss . Due to the lack of voting rights, the investment in ADO Properties will in future be classified as an financial asset measured at fair value. Taking into account the stock market price at the time these financial statements were prepared, this has already resulted in a recovery in value.

On 28 April 2020, ADO Properties announced its intention to conclude a domination agreement. The objective of concluding such an agreement was to make the remaining ADLER shareholders an offer for the acquisition of their shares.

No further material events with the potential to significantly influence the earnings, asset and financial position of ADLER Real Estate AG occurred.

/// AFFIRMATION BY THE LEGAL REPRESENTATIVES

"We hereby affirm to the best of our knowledge, pursuant to the applicable accounting principles for interim financial reporting, that these interim consolidated financial statements convey a true and fair view of the Group's financial, earnings and liquidity position, that the course of business, including the results of operations and the position of the Group, is represented in the interim consolidated management report in such a manner as to convey a true and fair view and that all essential opportunities and risks foreseeable for the Group in the remainder of the financial year are described."

Berlin, 18 May 2020

Tomas de Vargas Machuca	Maximilian Rienecker	Sven-Christian Frank
Co-CEO	Co-CEO	COO

/// LEGAL REMARKS

This report contains future-oriented statements that reflect the current management's views of ADLER Real Estate AG regarding future events. Every statement in this report that reflects intentions, assumptions, expectations or predictions, as well as the assumptions on which they are based, constitutes such a future-oriented statement. These statements are based on plans, estimates and forecasts currently available to the management of ADLER Real Estate AG. Therefore, they only apply to the day on which they are made. By their nature, future-oriented statements are subject to risks and uncertainty factors, and the actual developments can deviate considerably from the future-oriented statements or the events implicitly expressed in them. ADLER Real Estate AG is not obligated, nor does it intend, to update such statements in view of new information or future events.

ADLER Real Estate Aktiengesellschaft

Consolidated financial statements of ADLER Real Estate Aktiengesellschaft as of and for the fiscal year ended December 31, 2019

CONSOLIDATED BALANCE SHEET

(IFRS) as at 31 December 2019

In EUR '000	Note	31.12.2019	31.12.2018
Assets		**10,681,677**	**5,856,631**
Non-current assets		**5,288,676**	**5,233,411**
Goodwill	8.1	**169,439**	170,758
Intangible assets	8.1	**584**	612
Property, plant and equipment	8.2	**19,348**	7,578
Investment properties	8.3	**4,920,008**	4,989,054
Loans to associated companies	8.4	**79,524**	7,667
Investments in associated companies [1)]	8.5	**23,432**	15,709
Other financial investments	8.6	**56,603**	37,019
Other non-current assets	8.6	**17,783**	2,480
Deferred tax assets	8.7	**1,955**	2,535
Current assets		**554,355**	**437,677**
Inventories	8.8	**87,308**	88,096
Trade receivables	8.9	**31,987**	25,898
Income tax receivables	8.9	**4,643**	5,549
Other current assets	8.9	**193,002**	240,480
Cash and cash equivalents	8.10	**237,415**	77,655
Non-current assets held for sale [1)]	8.11	**4,838,646**	**185,543**
Equity and liabilities		**10,681,677**	**5,856,631**
Shareholders' equity		**3,547,857**	**1,579,631**
Capital stock	8.12	**71,064**	71,064
Treasury shares	8.12	**-1,603**	-2,583
		69,461	68,480
Capital reserve	8.13	**309,337**	309,233
Retained earnings	8.14	**-26,438**	-3,264
Currency translation reserve	8.15	**0**	88
Net retained profit		**1,093,506**	842,888
Equity attributable to owners of the parent company		**1,445,865**	1,217,426
Non-controlling interests	8.16	**2,101,992**	362,205
Non-current liabilities		**4,928,486**	**3,971,980**
Pension provisions	8.17	**4,092**	3,714
Deferred tax liabilities	8.7	**439,856**	380,794
Other provisions	8.18	**3,148**	3,900
Liabilities from convertible bonds	8.19	**122,249**	117,516
Liabilities from bonds	8.20	**2,327,846**	1,961,112
Financial liabilities to banks	8.21	**2,002,136**	1,476,187
Other non-current liabilities	8.22	**29,159**	28,756
Current liabilities		**377,916**	**304,526**
Other provisions	8.18	**12**	25
Income tax liabilities	8.23	**15,960**	12,921
Liabilities from convertible bonds	8.19	**1,947**	1,756
Liabilities from bonds	8.20	**101,612**	40,259
Financial liabilities to banks	8.21	**157,708**	142,408
Trade payables	8.23	**37,380**	47,440
Other current liabilities	8.23	**63,297**	59,717
Liabilities held for sale	8.11	**1,827,418**	**495**

1) For information on the remaining shares in ACCENTRO, including the previous year, adjusted in accordance with IFRS 5.26 ff; see section 2.1 of the notes to the consolidated financial statements

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(IFRS) for the period from 1 January to 31 December 2019

In EUR '000	Note	2019	2018
Gross rental income	9.1	**370,362**	349,595
Expenses from property lettings	9.2	**-151,044**	-145,908
Earnings from property lettings		**219,317**	**203,687**
Income from the sale of properties	9.3	**533,823**	75,068
Expenses from the sale of properties	9.4	**-533,329**	-66,963
Earnings from the sale of properties		**495**	**8,105**
Personnel expenses	9.5	**-47,130**	-35,138
Other operating income	9.6	**8,364**	8,914
Other operating expenses	9.7	**-68,964**	-66,268
Income from fair value adjustments of investment properties	9.8	**362,638**	465,129
Depreciation and amortisation	9.9	**-5,712**	-1,601
Earnings before interest and tax (EBIT)		**469,008**	**582,828**
Financial income	9.10	**10,190**	16,295
Financial costs	9.11	**-120,885**	-147,523
Net income from at-equity valued investment associates [1]	9.12	**-1,327**	3,425
Earnings before tax (EBT) [1]		**356,986**	**455,025**
Income taxes	9.13	**-81,231**	-122,576
Consolidated net profit from continuing operations [1]		**275,755**	**332,449**
Earnings after taxes of discontinued operations [1]	9.14	**92,009**	0
Consolidated net profit		**367,764**	**332,449**
Actuarial gains/losses before taxes	8.17	**-502**	-68
Deferred taxes on actuarial gains/losses		**152**	21
OCI gains/losses not reclassifiable into profit or loss		**-350**	**-48**
Gains/losses from currency translation	8.15	**-88**	2
Change in value of financial assets measured at fair value	11.1	**-205**	-802
OCI own bonds – reclassifiable		**0**	-32
Deferred taxes OCI – reclassifiable		**0**	10
OCI gains/losses reclassifiable into profit or loss		**-293**	**-822**
Total comprehensive income from continuing operations		**275,111**	**331,578**
Total comprehensive income of discontinued operations	9.14	**23,982**	0
Total comprehensive income		**299,093**	**331,578**
Carry-over total comprehensive income		**299,093**	**331,578**
Net profit from continuing operations:			
Owners of the parent company [1]		**207,745**	265,556
Non-controlling interests		**68,010**	66,893
Consolidated net profit attributable to:			
Owners of the parent company		**238,338**	265,556
Non-controlling interests		**129,426**	66,893
Total comprehensive income from continuing operations:			
Owners of the parent company		**207,101**	264,685
Non-controlling interests		**68,010**	66,893
Total comprehensive income attributable to:			
Owners of the parent company		**215,075**	264,685
Non-controlling interests		**84,018**	66,893
Earnings per share, basic in EUR (consolidated net profit from continuing operations)	9.15	**3.01**	3.96
Earnings per share, diluted in EUR (consolidated net profit from continuing operations)	9.15	**2.69**	3.50
Earnings per share, basic in EUR (consolidated net profit)	9.15	**3.46**	3.96
Earnings per share, diluted in EUR (consolidated net profit)	9.15	**3.08**	3.50

[1] Adjusted including the previous year in accordance with IFRS 5.26; see section 2.1 of the notes to the consolidated financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS

(IFRS) for the period from 1 January to 31 December 2019

	In EUR '000	31.12.2019	31.12.2018
	Earnings before interest and taxes (EBIT) – continuing and discontinued operations	**469,008**	582,828
+	Depreciation and amortisation	**5,712**	1,601
–/+	Net income from fair value adjustments of investment properties	**-362,638**	-465,129
–/+	Non-cash income/expenses	**19,773**	14,399
–/+	Changes in provisions and accrued liabilities	**-387**	-1,514
–/+	Increase/decrease in inventories, trade receivables and other assets not attributable to investment or financing activities	**-46,929**	-49,493
–/+	Decrease/increase in trade payables and other liabilities not attributable to investment or financing activities	**18,205**	35,976
+	Interest received	**865**	1,521
+	Dividends received	**248**	463
+/–	Tax payments	**-10,280**	-6,658
=	**Operating cash flow before dis-/reinvestment into the trading portfolio**	**93,577**	**113,994**
–/+	Increase/decrease in inventories (commercial properties)	**782**	17,005
=	**Net cash flow from operating activities**	**94,359**	**130,999**
	thereof continuing operations	**94,359**	130,999
	thereof discontinued operations	**0**	0
–	Acquisition of subsidiaries, net of cash acquired	**30,014**	-477,278
+	Disposal of subsidiaries, net of cash disposed	**162,030**	17,107
–	Purchase of investment properties	**-200,691**	-151,500
+	Disposal of investment properties	**170,705**	49,827
–	Purchase of property, plant and equipment and intangible assets	**-7,208**	-4,577
+	Disposal of property, plant and equipment and intangible assets	**299**	109
–	Payments into short-term deposits	**-48,969**	-13,100
+	Proceeds from short-term deposits	**15,064**	5,321
+	Proceeds from disinvestment of financial assets	**0**	14
–	Investments in financial assets	**-256,173**	-35,000
+	Proceeds from the repayment of long-term receivables from associated companies	**500**	0
–	Payments for long-term receivables from associated companies	**-12,500**	0
=	**Net cash flows from investing activities**	**-146,929**	**-609,077**
	thereof continuing operations	**107,256**	-609,077
	thereof discontinued operations	**-254,185**	0
–	Payments for acquisition of treasury shares including acquisition costs	**0**	-15,604
–	Transactions with non-controlling interests	**-91,538**	-447
–	Dividends paid to non-controlling interests	**0**	-6,854
–	Dividends paid to the owners of the company	**0**	-2,204
–	Payments for acquisition and repayment of convertible bonds	**0**	-34
+	Proceeds from issue of bonds	**400,000**	791,151
–	Repayment of bonds	**-318,676**	-251,513
–	Payments from issuing debt	**-5,599**	-20,783
–	Interest payments	**-83,231**	-112,212
+	Proceeds from bank loans	**1,321,887**	745,194
–	Repayment of bank loans	**-619,203**	-936,834
–	Repayment of leasing liabilities	**-2,468**	0
–	Payment of interest portion of leasing liabilities	**-1,136**	0
–	Decrease in financial liabilites	**0**	-2,035
=	**Net cash flows from financing activities**	**600,036**	**187,825**
	of which from continuing operations	**600,036**	187,825
	of which from discontinued operations	**0**	0
	Reconciliation to Consolidated Balance Sheet		
	Cash and cash equivalents at beginning of periods	**77,655**	**368,233**
	Non-cash changes in cash and cash equivalents	**-148**	-325
	Net cash flow from operating activities	**94,359**	130,999
	Net cash flow from investing activities	**-146,929**	-609,077
	Net cash flow from financing activities	**600,036**	187,825
=	**Cash and cash equivalents at end of periods**	**624,973**	**77,655**
	of which from continuing operations	**237,415**	77,655
	of which from discontinued operations	**387,558**	0

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(IFRS) for the period from 1 January to 31 December 2019

In EUR '000	Capital stock	Treasury shares	Capital reserves	Retained earnings	Currency translation reserve	Net retained profit	Equity attributable to the owners of the parent company	Non-controlling interests	Total equity
As at 1 January 2018	**57,548**	**-1,392**	**350,203**	**-1,310**	**86**	**555,442**	**960,576**	**76,924**	**1,037,500**
Consolidated net profit	**0**	-1	0	0	0	265,556	265,555	66,893	332,448
Withdrawals from reserves	**0**	0	-38,493	0	0	38,493	0	0	0
Other comprehensive income (OCI) – reclassifiable	**0**	0	0	825	2	0	-823	0	-823
Other comprehensive income (OCI) – non-reclassifiable	**0**	0	0	-48	0	0	-48	0	-48
Conversion IFRS 9	**0**	0	0	-1,081	0	0	-1,081	-38	-1,119
Increase/decrease in shareholding with no change in status	**0**	0	-11	0	0	0	-11	-446	-457
Change in scope of consolidation	**0**	0	0	0	0	0	0	225,726	225,726
Dividend	**0**	0	0	0	0	-2,204[1]	-2,204	-6,854	-9,058
Acquisition of treasury shares	**0**	-1,190	0	0	0	-14,399	-15,589	0	-15,589
Conversion of convertible bonds	**13,516**	0	-2,466	0	0	0	11,050	0	11,050
As at 31 December 2018	**71,064**	**-2,583**	**309,233**	**-3,264**	**88**	**842,888**	**1,217,426**	**362,205**	**1,579,631**
As at 1 January 2019	**71,064**	**-2,583**	**309,233**	**-3,264**	**88**	**842,888**	**1,217,426**	**362,205**	**1,579,631**
Consolidated net profit	**0**	0	0	0	0	238,338	238,338	129,426	367,764
Withdrawals from reserves	**0**	0	0	0	0	0	0	0	0
Other comprehensive income (OCI) – reclassifiable	**0**	0	0	-204	-88	0	-292	0	-292
Other comprehensive income (OCI) – non-reclassifiable	**0**	0	0	-22,970	0	0	-22,970	-45,408	-68,378
Increase/decrease in shareholding with no change in status	**0**	0	-847	0	0	0	-847	-90,735	-91,582
Change in scope of consolidation	**0**	0	0	0	0	0	0	1,746,504	1,746,504
Transfer of Treasury shares	**0**	980	951	0	0	12,279	14,210	0	14,210
Conversion of convertible bonds	**0**	0	1	0	0	0	1	0	1
As at 31 December 2019	**71,064**	**-1,603**	**309,337**	**-26,438**	**0**	**1,093,506**	**1,445,865**	**2,101,992**	**3,547,857**

[1] Dividend per share in the amount of EUR 0.04 based on the resolution of the Extraordinary General Meeting of 28 August 2018

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

ADLER Real Estate Aktiengesellschaft (hereinafter "ADLER") is the parent company of the Group and has its legal domicile at Joachimsthaler Strasse 34, Berlin, Germany. The Company is entered in the Commercial Register of Charlottenburg District Court under HRB 180360. Its financial year is the calendar year.

ADLER is a publicly listed real estate company focusing on establishing and developing a substantial and profitable property portfolio. Its activities centre on the acquisition, development and management of residential properties throughout Germany. In addition to this, ADLER selectively expands its portfolio through new-build project developments.

ADLER's activities have the objective of investing in residential properties that offer sustainable potential for value appreciation and whose current income contributes to the Company's overall success. The Company's operating strategy also includes active value creation, i.e. improving its existing residential property portfolios by means of expansion, conversion or modernisation measures.

Since 2017, the activities of trading residential properties and individual apartments have been given up. Trading activities were largely covered by the Group's majority interest in the listed company ACCENTRO Real Estate AG (hereinafter "ACCENTRO"). Please refer to our comments under 2.1 "Basis for the preparation of financial statements".

The consolidated financial statements and the group management report were approved for publication by the Management Board, subject to approval by the Supervisory Board, on 25 March 2020.

2. BASIS OF ACCOUNTING

2.1 Basis for the preparation of financial statements

ADLER's consolidated financial statements as at 31 December 2019 have been prepared in accordance with the International Financial Reporting Standards (IFRS) effective in the European Union and the provisions of § 315e (1) of the Handelsgesetzbuch (HGB – German Commercial Code). The requirements of the standards applied have been met and the financial statements represent a true and fair view of the company's net assets, financial position and result of operations.

The financial years of the parent company, its subsidiaries and associates are equivalent to the calendar year. The financial statements of subsidiaries have been prepared on the basis of uniform accounting policies. The statement of comprehensive income has been prepared using the total cost method.

The preparation of the consolidated financial statements requires the use of discretionary decisions, estimates and assumptions in respect of recognition and measurement. The areas that are more subject to judgement and complexity and those areas where assumptions and estimates are of decisive significance for the consolidated financial statements are presented in Note 6.

Effective 30 November 2017, ADLER lost its control over ACCENTRO and its subsidiaries by selling the majority of the shares in that company. With the sale of the majority stake in ACCENTRO, ADLER discontinued its trading segment and initially reported the remaining investment in ACCENTRO under non-current assets held for sale. The decision to dispose of the remaining interest in ACCENTRO was reversed at the end of the reporting year, with the result that it was reclassified to investments in associated companies. The amount reported in the same period of the previous year was restated accordingly in the consolidated balance sheet, the consolidated statement of comprehensive income, the consolidated statement of cash flows and the notes to the consolidated financial statements. An amendment in profit or loss for prior periods since classification as held for sale was dispensed with on the grounds of materiality (see note 8.5).

Effective 10 December 2019, ADLER achieved control over ADO Group Ltd, Tel Aviv/Israel (ADO Group) and thereby ADO Properties S.A., Senningerberg/Luxembourg (ADO Properties) as well. They were included in consolidation as at 31 December 2019 on the grounds of simplicity and materiality. As ADLER is expected to lose control over ADO Properties again in the first half of 2020, it constitutes a discontinued operation in accordance with IFRS 5. The assets and liabilities of ADO Properties are reported under non-current assets and liabilities held for sale (see note 4.2).

2. BASIS OF ACCOUNTING (continued)

2.1 Basis for the preparation of financial statements (continued)

The consolidated statement of comprehensive income shows only continuing operations in the respective items, while the discontinued operation is shown as a total (earnings after taxes and total comprehensive income from discontinued operations, see Note 9.14). With regard to the consolidated statement of cash flows, cash flows from operating, investing and financing activities are shown in relation to continuing and discontinued operations.

The consolidated financial statements have been prepared in euros, the Group's functional currency. Unless otherwise indicated, all figures presented in euros have been rounded up or down to the nearest thousand euros (EUR thousands). Statements of thousand-euro amounts may result in discrepancies due to rounding up or down. Figures in brackets generally refer to the previous year.

2.2 Accounting standards applicable for the first time in the 2019 financial year

The Group applied the following new and revised IFRS standards and interpretations in the 2019 financial year:

Standard/ Interpretation	Title	IASB Effective date[1)]	Initial application date in the EU[1)]
IFRS 16	Leases	01.01.2019	01.01.2019
Amendments to IAS 19	Employee benefits: Plan amendment, curtailment or settlement	01.01.2019	01.01.2019
Amendments to IAS 28	Long-term interests in associates and joint ventures	01.01.2019	01.01.2019
Amendments to IFRS 9	Prepayment features with negative compensation	01.01.2019	01.01.2019
IFRIC 23	Uncertainty over income tax treatments	01.01.2019	01.01.2019
Annual Improvements (2015 – 2017 cycle)	Amendments to IFRS 3, IFRS 11; IAS 12 and IAS 23	01.01.2019	01.01.2019

1) For financial years beginning on or after this date

IFRS 16 – Leases

The previous standard for leases, IAS 17 and the related interpretations were replaced by IFRS 16. IFRS 16 revises how leases are recognised, measured, presented and disclosed. In accordance with IFRS 16, the previous distinction between operating leases and finance leases is no longer applicable to the lessee. For all its leases, a lessee will recognise a lease liability equal to the present value of the future lease payments plus directly attributable costs and capitalises a corresponding right to use an asset. The right of use is amortised over the contractual term. Rights of use for investment properties that are measured at fair value in accordance with IAS 40 are also measured at fair value. The lease liabilities will be recognised and measured in accordance with the requirements applicable to financial instruments in accordance with IFRS 9. In the income statement, the items will be recognised separately as amortisation of assets and interest on the liability. Simplified requirements apply for the recognition of short-term leases and low-value asset leases. Here, the lease payments will be expensed over the term of the lease. Note disclosures are being extended and should enable users to assess the amount, timing and uncertainty involved in leases. For lessors, by contrast, the provisions of the new standard are similar to existing IAS 17 requirements. Leases will continue to be classified either as operating or financing leases.

ADLER applied IFRS 16 for the first time as at 1 January 2019 using the modified retrospective method. There was no cumulative effect from the first-time application of IFRS 16 which would have been recognised as an adjustment to the opening balance of retained earnings as at 1 January 2019. Comparative information for previous periods has not been restated. ADLER uses the simplification approach to maintain the definition of a lease for the transition. This means that the Group applies IFRS 16 to all contracts that have been concluded before 1 January 2019 and have been identified as leases in accordance with IAS 17 and IFRIC 4. ADLER uses the simplified approach for short-term leases (less than 12 months) and leases for which the underlying asset is of

2. BASIS OF ACCOUNTING (continued)

2.2 Accounting standards applicable for the first time in the 2019 financial year (continued)

low value and will recognise the lease payments as an expense when incurred over the lease term. Moreover, ADLER disregarded the initial direct costs on measurement of the right-of-use asset as at the date of adoption and defined the term of leases retrospectively.

As part of the analysis of leases already in place, the following types of contract were identified in which ADLER assumed obligations as the lessee and obtained the right-of-use asset:

- Leasehold contracts for land (leaseholds)
- Leases for office space, garages and storage space (property)
- Leases for cars and commercial vehicles (vehicles)
- Leases for hardware and heating equipment (hardware and contracting)

There are no material effects on the Group's existing finance leases (in particular individual leaseholds) as a lessee. For these finance leases, the carrying amount of the right-of-use asset and the lease liability as at 1 January 2019 was stated at the carrying amount of the leased asset and the lease liability in accordance with IAS 17 immediately before this date (EUR 12,099k).

The obligations previously entered into as a lessee for operating leases with terms of more than one year or not low value are of subordinate significance overall. In this context, additional lease liabilities and rights of use of EUR 10,000k were recognised as at 1 January 2019. The weighted average incremental borrowing rate for the lease liabilities reported as at 1 January 2019 was 3.0%. The right-of-use assets were stated in the amount of the lease liabilities and relate to the following assets: leasehold contracts amounting to EUR 3,306k; leases for office space, garages and storage space amounting to EUR 4,578k; leases for cars amounting to EUR 1,781k; and leases for hardware amounting to EUR 335k.

Shareholders' equity decreased slightly as a result of the increase in total assets. In the consolidated statement of comprehensive income, the expenses for the liabilities which have so far been recognised as operating leases are based on interest expenses for the leasing liabilities and, depending on the asset underlying the respective right of use, either through depreciation expenses for exploitation rights or through the income effect from fair value adjustments of investment properties (for leaseholds). This will result in a slight improvement of EBITDA and thus FFO I. Cash payments for the reduction of the outstanding lease liability and cash payments for the interest portion of the lease liabilities are allocated to the cash flow from financing activities. Until now the cash payments for operating leases have been recognised under cash flow from operating activities. This results in a slight improvement in cash flow from operating activities and a slight deterioration in net cash flow from financing activities.

For ADLER as a lessor, IFRS 16 has no material implications in terms of recognition and measurement. The Group's revenue from letting items of investment property (net rental income) is attributable to leases and is included in the scope of IFRS 16 as at 1 January 2019. ADLER has classified these leases as operating leases and applied IFRS 15 Revenue from Contracts with Customers to allocate the contractually agreed consideration to the individual lease and non-lease components. A distinction must be made between those non-lease components of the continuing obligation in which the tenant does not receive a separate service, but has to replace ADLER in the context of accounting for operating costs (subject to IFRS 16), and those in which ADLER has a commitment to provide a service (subject to IFRS 15). Thus, revenue from the charge of property tax and building insurance expenses are now included in the scope of IFRS 16 in addition to net rental income.

The tables below summarise the impact of the application of IFRS 16 on the relevant items of the consolidated balance sheet as at 31 December 2019 and the consolidated statement of comprehensive income for the period from 1 January to 31 December 2019. There were no other material implications on the consolidated statement of cash flows for the reporting period.

2. BASIS OF ACCOUNTING (continued)

2.2 Accounting standards applicable for the first time in the 2019 financial year (continued)

Impact on Consolidated Balance Sheet in EUR '000	Without application of IFRS 16	Adaptations	With application of IFRS 16
31 December 2019			
Assets			
Property, plant and equipment	12,777	6,571	19,348
Investment Properties	4,915,798	4,210	4,920,008
Total assets	**10,670,897**	**10,780**	**10,681,677**
Equity and liabilities			
Total equity	**3,547,894**	**-37**	**3,547,857**
Deferred tax liabilities	439,872	-16	439,856
Other non-current liabilities	20,835	8,324	29,159
Other current liabilities	60,787	2,509	63,297
Total liabilities	**7,123,003**	**10,817**	**7,133,820**
Total assets	**10,670,897**	**10,780**	**10,681,677**

Impact on Consolidated Balance Sheet in EUR '000	Without application of IFRS 16	Adaptations	With application of IFRS 16
31 December 2019			
Earnings from property lettings	218,852	465	219,317
Other operating expenses	-71,369	2,405	-68,964
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**471,850**	**2,870**	**474,720**
Depreciations and amortisation	-3,236	-2,476	-5,712
Earnings before interest and taxes (EBIT)	**468,614**	**394**	**469,008**
Financial expenses	-120,437	-447	-120,885
Earnings before taxes (EBT)	**357,040**	**-53**	**356,986**
Income taxes	-81,247	16	-81,231
Consolidated net profit from continuing operations	**275,792**	**-37**	**275,755**

IFRIC 23 – Uncertainty over Income Tax Treatments

IFRIC 23 clarifies the accounting for uncertainty regarding income taxes. On this basis, an entity shall use discretion when determining whether each tax treatment should be considered individually or whether some tax treatments should be considered collectively. The decision should be based on which approach better predicts the resolution of the uncertainty. An entity has to assume that a taxation authority will have the right to examine any amounts reported and will have full knowledge of all relevant information. In determining the relevant income tax amounts, the entity shall assess whether it is probable that the relevant taxation authority will accept the respective tax treatment the entity used or plans to use in its income tax declaration. If the entity concludes that it is not probable that the tax treatment will be accepted, the entity has to apply the most likely or expected amount of the tax treatment depending on which method better predicts the resolution of the uncertainty. An entity has to reassess its assessments and estimates if facts and circumstances change. The first-time application of IFRIC 23 did not have any material implications on ADLER's consolidated financial statements.

The aforementioned other amendments did not have any material implications.

2.3 Standards and interpretations not prematurely applied

A number of amendments and clarifications to existing standards and interpretations were also adopted, but these are not expected to have any material implications for the consolidated financial statements.

2. BASIS OF ACCOUNTING (continued)

2.3 Standards and interpretations not prematurely applied (continued)

Standard/Interpretation	Title	IASB Effective date [1]	Initial application date in the EU [1]
EU endorsement achieved:			
Amendments to IAS 1 and IAS 8	Definition of materiality	01.01.2019	01.01.2019
Amendments to the Conceptual Framework	Amendments to References to the Conceptual Framework in IFRS Standards	01.01.2019	01.01.2019
EU endorsement outstanding:			
Amendments to IFRS 3	Definition of a business	01.01.2020	expected 01.01.2020

[1] For financial years beginning on or after this date

Amendment to IAS 1 and IAS 8 – Definition of Materiality

Materiality is defined as following: information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general-purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. It is clarified that information that could influence users' decisions is not necessarily required if it is very unlikely. It is added that the materiality of the information is not determined by its influence on decisions of all possible users but only the primary users. ADLER will apply these changes as soon as they come into effect. ADLER does not expect any material implications on its consolidated financial statements.

Amendment to the Conceptual Framework – Amendments to References to the Conceptual Framework

Amendments to references to the Conceptual Framework in IFRS Standards (including IFRS 2, IFRS 3, IAS 1, IAS 8, IAS 34, IAS 37 and IAS 38) were published with the revision of the Conceptual Framework. The amendments, which are updates, have no material impact on the consolidated financial statements.

Amendment to IFRS 3 – Definition of a Business

The amendments contain an updated definition of a business to clarify the three associated elements. The amendment was prompted by uncertainty regarding the existence of a business on acquisition. ADLER does not expect any material implications on its consolidated financial statements, since the resulting clarifications of the definition of a business operation have already been observed by ADLER.

3. BASIS OF CONSOLIDATION

3.1 Subsidiaries

Subsidiaries involve all entities (including special purpose entities) controlled by ADLER. The Group assumes control over a company when it is exposed to variable returns or has a right to such returns and the ability to influence those returns by way of its influence over the company. It is generally the case that control is accompanied by a share of voting rights of more than 50 percent. When assessing whether the Group has control, account is taken of the existence and effect of potential voting rights that are currently exercisable or convertible and of a potential de facto control even though voting rights are less than 50 percent of the total.

Subsidiaries are fully consolidated from the date on which control passes to the parent company. They are deconsolidated if control ceases.

All material subsidiaries are included in the consolidated financial statements (see Note 4.1 "Investments in subsidiaries").

In the case of company acquisitions, it must be assessed (see Note 6, "Significant discretionary decisions and estimates") whether the respective acquisition constitutes a business combination pursuant to IFRS 3 or merely the acquisition of a group of assets and liabilities that do not qualify as a company.

3. BASIS OF CONSOLIDATION (continued)

3.1 Subsidiaries (continued)

Company acquisitions meeting the IFRS 3 definition are recognised using the purchase method. This involves allocating the cost of the company acquisition to individually-identifiable assets, liabilities and contingent liabilities in accordance with their fair values. Any surplus between the consideration given and the net assets is recognised as goodwill, while any corresponding deficit is charged to earnings. Incidental acquisition costs are expensed.

Shares in the net assets of subsidiaries that are not attributable to ADLER are recognised as separate components of equity under non-controlling interests. When calculating the share of consolidated net profit attributable to non-controlling interests, account is also taken of consolidation entries recognised through profit or loss. Non-controlling interests in partnerships are recognised under other liabilities.

The acquisition of property companies and project development companies that do not constitute businesses pursuant to IFRS 3 are presented as the direct acquisition of an aggregate unit, in particular of real estate. This involves allocating the costs of acquiring the company to individually-identifiable assets and liabilities based on their fair values. As a result, the acquisition of property companies and project development companies does not produce any positive or negative goodwill from capital consolidation. The sale of property companies is accordingly presented as the sale of an aggregate unit, in particular of real estate.

When preparing the consolidated financial statements, intragroup receivables, liabilities and results are eliminated within the consolidation of debt, expense and income items. The income and expenses resulting from intragroup transfers of assets are also eliminated. Accounting policies at subsidiaries are based on uniform group-wide standards.

3.2 Joint arrangements

Joint arrangements are based on contractual arrangements according to which two or more partners undertake an economic activity that is subject to joint control. Joint control exists when the partners have to work together to manage the relevant activities of the joint arrangement and decisions require the unanimous consent of the partners involved. A joint arrangement constitutes a joint venture when the partners exercising joint control have rights to the net assets of the arrangement. Where, by contrast, the partners have direct rights to the assets attributable to the joint arrangement and assume obligations for its liabilities, the arrangement constitutes a joint operation.

Where a joint arrangement is embodied by a legally-independent partnership or corporation with its own corporate assets, as a result of which ADLER's interest only results in a prorated claim to the net assets of the company, such an arrangement generally constitutes a joint venture. In the case of joint arrangements taking the form of a company under German civil law (such as associations) for which the legal form does not in itself result in an asset and financial structure separate from the partners, the decision as to whether the arrangement constitutes a joint venture or a joint operation is taken by additionally referring to the contractual provisions and the object of the joint arrangement.

Should neither the legal form nor the contractual provisions or other factors or circumstances indicate whether ADLER has direct rights over the assets or obligations for the liabilities of the joint arrangement in question, such an arrangement constitutes a joint venture.

Joint ventures are companies whose financial and business policies can be controlled by the Group directly or indirectly in conjunction with one or more third parties. Interests in joint ventures are recognised using the at-equity method.

The information provided on the recognition of joint ventures also applies to the recognition of associated companies.

3. BASIS OF CONSOLIDATION (continued)

3.3 Associated companies

Investments over which ADLER exerts significant influence – generally as a result of shareholdings between 20 percent and 50 percent – are basically measured using the at-equity method. For investments requiring measurement at equity, the acquisition cost is increased or decreased each year by the changes in equity attributable to the Group. Upon the initial inclusion of investments measured using the equity method, any differential amounts resulting from first-time consolidation are treated in the same way as goodwill relating to fully-consolidated companies.

Gains and losses from transactions between group companies and associates are eliminated based on the Group's share in the associates. Gains and losses from transactions between associates are not eliminated.

4. SCOPE OF CONSOLIDATION, BUSINESS COMBINATIONS AND PROPERTY COMPANIES

4.1 Shares in subsidiaries

Including the parent company, the scope of consolidation comprises a total of 433 (previous year: 229) fully consolidated companies. The Group owns no real estate outside Germany.

The consolidated group has developed as follows:

Quantity	2019	2018
As of 01.01.	**229**	111
Additions	**211**	121
Disposals	**4**	2
Mergers/accruals	**3**	1
As of 31.12.	**433**	229

In the period under review, 211 companies were newly-included in the consolidated group and three companies were deconsolidated. Four companies were merged with other companies in the consolidated group.

Following the departure of a shareholder, ADLER Real Estate Properties GmbH & Co. KG merged in the first Quarter 2019 with the remaining shareholder in the consolidated group. This did not affect the Group's net assets, financial position and results of operations.

As a result of the binding sale and purchase agreement concluded in the first quarter of 2019 for the sale of three commercial units in Rostock, Celle and Castrop-Rauxel, three property companies of Brack Capital Properties N.V. (BCP) were disposed of in the second quarter of 2019. BCP retained 10.1% of the shares in each of these companies as part of the agreed share deal.

Five companies were founded during the third quarter, each of which is intended to serve as an intermediate holding company in the portfolio segment. Two non-active companies (EAGLE BidCo GmbH and MBG Projektentwicklungsgesellschaft mbH) were merged with another company in the consolidated group. Another inactive company (Adler McKinney LLC) was liquidated. This had no effect on the Group's net assets, financial position and results of operations.

ADLER also acquired shares (94.9 percent each) in two real estate property companies in the third quarter.

In the middle of the fourth quarter, ADLER acquired the shares (89.99 percent) in a real estate project development company. In addition, two companies were founded, each of which is intended to serve as an intermediate holding company in the portfolio segment. At the end of the fourth quarter, ADLER also completed the acquisition of all shares in ADO Group Ltd (ADO Group) and fully consolidated the company and its 199 subsidiaries for the first time. In particular, ADO Group holds 33.25 percent of the Luxembourg-based ADO Properties S.A. (ADO Properties) located in Luxembourg together with its subsidiaries.

ADLER's shareholdings as of December 31, 2019, which also correspond to voting rights, are presented in an annex to the notes to the consolidated financial statements on page 190.

4. SCOPE OF CONSOLIDATION, BUSINESS COMBINATIONS AND PROPERTY COMPANIES (continued)

4.2 Business combinations

At the end of the fourth quarter, ADLER completed the acquisition of all shares in ADO Group and fully consolidated the company and subsidiaries for the first time.

Acquisition of ADO Group including ADO Properties

In December 2019, ADLER acquired all shares in ADO Group by way of a merger of a subsidiary acquired for this purpose with ADO Group, and thus indirectly acquired 33.25 percent of the shares in ADO Properties, a listed residential real estate company with investment properties of approximately EUR 3.6 billion in Berlin.

The transaction is treated as a business combination according to IFRS 3. The acquisition date on which ADLER gained control of ADO Group and, indirectly, of ADO Properties is December 10, 2019, at which time the last condition for completion of the merger was met. For the sake of simplicity, initial consolidation was carried out as of December 31, 2019, whereby one significant business transaction (acquisition of an interest in Consus Real Estate AG, Berlin, hereinafter: CONSUS, by ADO Properties) was treated separately.

The control of ADO Properties results primarily from the factual majority presence at the annual general meeting and representation on the administrative board. The reason for the de facto majority presence is the fact that ADLER is the Company's largest shareholder with 33.25 percent, and the remaining shares are relatively readily dispersed. Based on the past and expected future presence of the remaining shareholders, ADLER has a de facto majority of voting rights. With the voting rights acquired, ADLER would have had a majority at all of ADO Properties' past five annual shareholders' meetings. In addition, a substantial number of the company's board members were newly appointed as part of the acquisition, allowing ADLER to significantly expand its influence. For example, one member of the Board of Directors of ADO Properties is also a member of ADLER's Executive Committee. Particularly because of these two circumstances, ADLER came to the conclusion that the acquisition would result in control of ADO Properties as of December 31, 2019 and the Group is in a position to manage the significant activities of the Company.

ADO Group is a holding company listed in Tel Aviv/Israel, which mainly holds the 33.25 percent of ADO Properties as assets and has taken out financial liabilities for this purpose. Excluding the shares in ADO Properties and intercompany transactions, negative net assets were allocated to the acquisition of ADO Group as part of the purchase price allocation. Since the acquisition of the ADO Group was 100 percent, no minority interests arose from the acquisition of these net assets.

The main reason for the business combination was the acquisition of the shares in ADO Properties and thus the indirect access to the property portfolio of the company in Berlin in order to generate operational and financial synergies from the joint management and financing.

ADO Properties is a listed company specialising in residential properties and is based in Senningerberg, Luxembourg. ADO Properties' property portfolio is concentrated exclusively in Berlin and consists of 17,706 units (thereof 16,220 residential units) with a market value of approximately EUR 3,6 billion and a total area of 1,235,118 m².

The consideration for the acquisition of all shares in ADO Group and indirectly 33.25 percent of the shares in ADO Properties amounted to EUR 708,434k and was paid in cash. Incidental acquisition costs of EUR 10,160k were incurred, which were recorded under other operating expenses. Taking into account the acquired cash and cash equivalents of EUR 775,467k, the acquisition resulted in a net cash inflow of EUR 67,033k.

4. SCOPE OF CONSOLIDATION, BUSINESS COMBINATIONS AND PROPERTY COMPANIES (continued)

4.2 Business combinations (continued)

The preliminary allocation of the total purchase price to the acquired assets and liabilities at the time of initial consolidation is based on a preliminary external valuation report commissioned for this purpose to determine the fair values of these assets and liabilities. The acquired assets and liabilities have the following provisionally determined fair values at the time of initial consolidation:

in EUR '000	
Property, plant and equipment	11,356
Investment properties	3,624,453
Inventories	39,270
Trade receivables	13,987
Cash and cash equivalents	775,467
Other assets	54,914
Assets taken over	**4,519,447**
Financial liablities	-1,624,451
Deferred tax liabilities	-334,305
Trade liabilities	-22,082
Other liabilities	-87,524
Liabilities taken over	**-2,068,362**
Net assets at fair value	**2,451,085**
Non-controlling interests	1,742,651
Acquisition costs (consideration)	708,434
Balance	**0**

The fair values of the investment properties were determined at the time of initial consolidation on the basis of expert opinions prepared by external experts using the discounted cash flow method.

The acquired inventories primarily comprise properties held for trading and sold to third parties outside the Group. The fair values of these properties were determined in appraisals prepared by external experts using the discounted cash flow method.

The acquired inventories mainly comprise real estate held for trading and sold to third parties outside the Group. The fair values of these properties were determined on the basis of expert opinions prepared by external experts using the discounted cash flow method.

The carrying amounts of the acquired current trade accounts receivable already take into account any necessary valuation adjustments and correspond to their fair values. The gross value of trade accounts receivable due totalled EUR 18,144k, of which EUR 4,157k are expected to be uncollectible.

Other assets mainly relate to earmarked funds with special restrictions on use, advance payments and accruals for advance payments. They were acquired at their fair values.

Financial liabilities of EUR 797,939k in financial liabilities to banks, EUR 732,910k in liabilities from bonds and EUR 93,602k in liabilities from convertible bonds were assumed at their fair values.

The carrying amounts of the acquired current trade payables correspond to their fair values.

In determining deferred taxes, ADO Properties offset deferred tax assets on loss carryforwards in the amount of EUR 20,178k against deferred tax liabilities on temporary differences arising from the valuation of the investment properties. The loss carryforwards are still deductible in accordance with the applicable tax regulations despite the acquisition of the investment, as there are sufficient hidden reserves in the acquired companies.

4. SCOPE OF CONSOLIDATION, BUSINESS COMBINATIONS AND PROPERTY COMPANIES (continued)

4.2 Business combinations (continued)

Other liabilities relate primarily to loan liabilities to non-banks, liabilities from deposits received and deferred income. They were acquired at their fair values.

In measuring non-controlling interests, the option provided by IFRS 3.19 was exercised to measure non-controlling interests at their share of the identified net assets of ADO Properties. In determining the non-controlling interests, indirect minority interests were added together.

On December 15, 2019, ADLER and ADO Properties entered into a business combination agreement under which ADO Properties is to acquire ADLER as part of a public takeover offer. To this end, ADLER shareholders with a stake of approximately 52 percent had irrevocably declared their intention to contribute their shares to the public takeover offer by December 31, 2019. The German Federal Cartel Office also approved the merger on December 20, 2019. The takeover offer was published on February 7, 2020.

As a result of the irrevocable declarations of acceptance and the approval already given by the Federal Cartel Office, the successful completion of the public takeover bid is considered highly probable. For the completion of the takeover bid, ADO Properties will increase its share capital against contribution in kind under exclusion of the shareholders‘ statutory subscription rights and issue a number of new shares corresponding to the takeover quota. This will lead to a significant dilution of ADLER‘s existing shares. Further significant dilution is expected as part of the planned rights issue and a mandatory takeover bid for the acquisition of Consus by ADO Properties. The dilution is therefore considered highly probable as of the balance sheet date and will lead to a loss of control over ADO Properties. Therefore, all assets and liabilities of ADO Properties are reported as held for sale as of December 31, 2019, as part of a discontinued operation.

The ADO Group including ADO Properties has been included in the consolidated financial statements for the first time and for simplicity‘s sake, taking into account material transactions since its acquisition as of December 31, 2019. Since the acquisition, the share of profit after tax has been fully attributable to ADO Properties and is therefore shown under discontinued operations (see section 9.14).

If ADO Group including ADO Properties had been fully consolidated as of January 1, 2019, the Company would have contributed EUR 633,310k to profit after tax. The disclosure of a contribution to revenues was waived because ADO Properties is shown as a discontinued operation.

Pro-Forma prior-year figures

The following table shows the consolidated balance sheet as of the balance sheet dates 31 December 2019 and 31 December 2018 as well as pro forma information for the balance sheet date of 31 December 2019.

The pro-forma disclosures for the 2019 financial year are based on the assumption that ADO Properties is not a discontinued operation, so that the assets and liabilities concerned are not reported under non-current assets or liabilities held for sale.

4. SCOPE OF CONSOLIDATION, BUSINESS COMBINATIONS AND PROPERTY COMPANIES (continued)

4.2 Business combinations (continued)

Consolidated balance sheet ADLER Real Estate AG (pro forma)

In EUR '000	31.12.2019 (pro-forma)[1]	31.12.2019 (as reported)	31.12.2018 (as reported)
Assets	**10,681,677**	**10,681,677**	**5,856,631**
Non-current assets	**9,215,423**	**5,288,676**	**5,233,411**
Goodwill	169,439	169,439	170,758
Intangible assets	584	584	612
Property, plant and equipment	30,313	19,348	7,578
Investment properties	8,544,461	4,920,008	4,989,054
Receivables and loans to associated companies	79,524	79,524	7,667
Investments in associated companies	23,432	23,432	15,709
Other financial investments	341,632	56,603	37,019
Other non-current assets	24,082	17,782	2,480
Deferred tax assets	1,955	1,955	2,535
Current assets	**1,036,706**	**554,355**	**437,677**
Inventories	126,578	87,308	88,096
Trade receivables	45,974	31,987	25,898
Income tax receivables	4,803	4,643	5,549
Other current assets	234,377	193,001	240,480
Cash and cash equivalents	624,973	237,415	77,655
Non-current assets held for sale	**429,548**	**4,838,646**	**185,543**

[1] Pro-forma consolidated balance sheet for the presentation of ADO Properties upon adoption of the presentation as continuing operations, unaudited

In EUR '000	31.12.2019 (pro-forma)[1]	31.12.2019 (as reported)	31.12.2018 (as reported)
Equity and liabilities	**10,681,677**	**10,681,677**	**5,856,631**
Equity	**3,547,857**	**3,547,857**	**1,579,631**
Capital stock	71,064	71,064	71,064
Treasury shares	-1,603	-1,603	-2,583
Capital reserve	309,337	309,337	309,233
Retained earnings	-26,438	-26,438	-3,264
Currency translation reserve	0	0	88
Net retained profit	1,093,506	1,093,506	842,888
Equity attributable to owners of the parent company	1,445,865	1,445,865	1,217,426
Non-controlling interests	2,101,992	2,101,992	362,205
Non-current liabilities	**6,518,297**	**4,928,486**	**3,971,979**
Pension provisions	4,092	4,092	3,714
Deferred tax liabilities	774,161	439,856	380,794
Other provisions	3,148	3,148	3,900
Liabilites from convertible bonds	215,851	122,249	117,516
Liabilities from bonds	2,729,854	2,327,846	1,961,112
Financial liabilities to banks	2,731,834	2,002,136	1,476,187
Other non-current liabilities	59,357	29,159	28,756
Current liabilities	**487,949**	**377,916**	**304,526**

4. SCOPE OF CONSOLIDATION, BUSINESS COMBINATIONS AND PROPERTY COMPANIES (continued)

4.2 Business combinations (continued)

In EUR '000	31.12.2019 (pro-forma)[1]	31.12.2019 (as reported)	31.12.2018 (as reported)
Other provisions	12	12	25
Income tax liabilities	19,069	15,960	12,921
Liabilities from convertible bonds	1,947	1,947	1,756
Liabilities from bonds	101,612	101,612	40,259
Financial liabilities to banks	198,236	157,708	142,408
Trade payables	59,462	37,380	47,440
Other current liabilities	107,611	63,297	59,717
Liabilities held for sale	**127,574**	**1,827,418**	**495**

[1] Pro-forma consolidated balance sheet for the presentation of ADO Properties upon adoption of the presentation as continuing operations, unaudited

4.3 Acquisition of property companies and project development companies

In the third quarter, ADLER acquired shares (94.9 percent each) in two real estate companies, which own a small portfolio of 72 residential units and plots of land for project development. The companies do not conduct business operations as defined by IFRS 3, and the acquisition was therefore presented as a direct purchase of properties. The acquisition costs of the respective property companies were allocated to individually identifiable assets and liabilities based on their fair values. Investment properties totalling EUR 38,811k and financial liabilities to banks totalling EUR 19,154k were acquired through the property companies.

In the fourth quarter, ADLER acquired an 89.99 percent interest in a project development company, which owns a former office building and land. Plans call for a change in use from office to residential with 434 residential units, as well as small commercial spaces and a daycare center. The company does not conduct any business operations as defined by IFRS 3, so the acquisition was presented as a direct purchase of properties. The acquisition costs were allocated to the individually identifiable assets and liabilities on the basis of their fair values. Investment properties of EUR 54,319k and financial liabilities to banks of EUR 19,500k were acquired through the company.

5. SPECIFIC ACCOUNTING POLICIES

5.1 Intangible assets and property, plant and equipment

Upon first-time recognition, separately-purchased intangible assets are measured at cost. Following initial recognition, intangible assets with finite useful lives are subject to straight-line amortisation over their expected useful lives, generally over three to five years, and are tested for impairment as soon as there are any indications of such. Impairments of intangible assets are recognised through profit or loss under amortisation of intangible assets.

Intangible assets with indefinite useful lives, which include goodwill in particular, are not subject to scheduled amortisation. These assets are tested for impairment at least once a year, either on an individual asset or cash-generating group level. An impairment test is also performed should any triggering event occur.

Property, plant and equipment is recognised at cost, less accumulated depreciation and accumulated impairments. Cost includes expenses directly attributable to the acquisition. Subsequent acquisition or production costs are only capitalised if it is likely that future economic benefits will accrue to the company. Repair and maintenance costs are recognised as an expense in the financial year in which they are incurred.

Property, plant and equipment is subject to straight-line depreciation over its expected useful life, generally over three to 20 years (office equipment) or six to 13 years (vehicle fleet and outdoor facilities). The depreciation methods used and economic useful lives are reviewed and, if necessary, adjusted at each balance sheet date. Carrying amounts of property, plant and equipment are tested for impairment as soon as there are any indications that they exceed the respective recoverable amounts.

5. SPECIFIC ACCOUNTING POLICIES (continued)

5.1 Intangible assets and property, plant and equipment (continued)

The residual values and remaining useful lives are reviewed and, if necessary, adjusted at each balance sheet date.

Gains and losses from disposals of assets are calculated as the difference between the income from disposals and the respective carrying amounts and are recognised through profit or loss.

5.2 Investment properties

Investment properties include all properties that are held on a long-term basis to generate gross rental income and value growth. In contrast to investment properties, inventories constitute assets which are held for sale in the ordinary course of business, which are in the process of production for such sale or which are used in the production process or in the rendering of services. Consequently, properties held for sale in the normal course of business or constructed or developed with the intention of being sold are outside the scope of IAS 40. These are recognised under inventories and are within the scope of IAS 2.

At the time of acquisition, investment properties are measured at their acquisition and production costs, including the ancillary costs of the acquisition. In subsequent periods, investment properties are measured at their fair values. Ongoing maintenance costs are recognised as an expense in the Statement of Comprehensive Income. Modernisation measures, if they extend beyond ongoing maintenance, are capitalised if it is likely that the company will derive an economic benefit from them in the future. Measurement results are presented in the Consolidated Statement of Comprehensive Income under the item “Income from fair value adjustments of investment properties”.

The fair value of a property is the price that would be received for the sale of the asset between knowledgeable, willing and independent market participants in an orderly transaction or, in the case of the transfer of a liability, the price that would be paid. The fair value basically implies the sale of the asset. It corresponds to the (theoretical) price to be paid to the seller for a (hypothetical) sale of a property at the measurement date.

Fair value can be determined using the market-based approach, the cost-based approach or the income-based approach. It will maximise the use of relevant observable market-based input factors and minimise the use of non-observable inputs.

IFRS 13 requires investment property measured at fair value to be classified and the input factors referred to when determining fair value to be cited. Classification is based on the following three-level fair value hierarchy:

- Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2: Inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: Unobservable inputs for the asset or liability.

Investment properties are not traded in active markets, but are measured using input factors based on un-observable market data (Level 3).

The fair value of investment properties is determined by reference to surveys compiled by external experts on the basis of current market data and using internationally recognised valuation methods. The discounted cash flow method is generally used. For properties under construction (project development/project properties), which will be held in the long term to generate gross rental income and capital appreciation after completion, the residual value method is applied (please refer to the disclosures on measurement methods in Note 8.3).

Investment properties are derecognised when they are sold or unused over a sustained period of time and no future economic benefit is expected upon their retirement. Gains or losses resulting from disposal or discontinuation are recognised in the year of disposal or discontinuation. Gains or losses correspond to the difference between the disposal price and the carrying amount plus costs to sell.

5. SPECIFIC ACCOUNTING POLICIES (continued)

5.2 Investment properties (continued)

Properties initially acquired for trading purposes and correspondingly allocated to inventories are reclassified to investment properties when it becomes apparent that their use has changed.

5.3 Impairment of intangible assets and property, plant and equipment

To the extent that they are definitively allocated upon acquisition to a cash-generating unit, intangible assets with indefinite useful lives or that are not yet ready for use are not subject to scheduled amortisation but rather are tested annually for impairment. Assets subject to scheduled amortisation are tested for impairments if events or changes in circumstances indicate that the carrying amount may no longer be recoverable. Impairment losses are recognised in the amount by which the carrying amount exceeds the recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For impairment-testing purposes, assets are aggregated at the lowest level for which cash flows can be separately identified (cash-generating units). Goodwill is reviewed at the level of a cash-generating unit or a group of cash-generating units to which the goodwill is allocated.

A cash-generating unit is the smallest group of assets that includes assets and generates cash flows that are largely independent of the cash flows generated by other assets or groups of assets. Goodwill acquired as part of a business combination is allocated to the cash-generating unit or group of cash-generating units that is expected to benefit from the synergies of the business combination.

The main cash-generating units defined at the Group relate to properties which as investment properties are already measured using the fair value model and therefore require no additional impairment testing. In the context of the Group's operating management, properties are aggregated in business units structured along geographical lines. As these regional business units (North, West, East, Central) represent the lowest level within the Company on which goodwill is monitored for internal management purposes, the annual impairment test is performed on the level of the regional business units. Assets are allocated to the business units based on the geographical location of the properties.

Assets may only be written up to a maximum of amortised cost. No write-ups are recognised for goodwill.

5.4 Financial assets

Trade receivables are recognised from the date on which they incurred. All other financial assets are recognised for the first time on the trade date if the Company becomes a party in accordance with the terms of the instrument.

Financial assets (except for trade receivables with no material financing component) are recognised for the first time at fair value. An item that is not measured at fair value through profit or loss will incur transaction costs that are directly attributable to its acquisition or issuance. Upon initial recognition, trade receivables with no material financing component are measured at transaction price.

Upon initial recognition, a financial asset is classified and measured as follows:

- Financial assets at fair value through profit or loss – aafv
- Financial assets at fair value through other comprehensive income – aafvoci
- Financial assets measured at amortised cost – aac

Financial assets are not reclassified after initial recognition unless the Group changes its business model to manage its financial assets. In this case, all relevant financial assets are reclassified on the first day of the period under report following the change to the business model.

A financial asset is measured at amortised cost if both of the following conditions are met and it has not been classified as "at fair value through profit or loss":

- It is held as part of a business model whose aim is to hold financial assets for collection of the contractual cash flows.

5. SPECIFIC ACCOUNTING POLICIES (continued)

5.4 Financial assets (continued)

- The contractual terms and conditions governing a financial asset give rise to cash flows at fixed dates that are only payments of principal and interest on the principal amount outstanding.

A debt instrument is classified "at fair value through other comprehensive income" if the two conditions below are met and it has not been classified as "at fair value through profit or loss":

- It is held as part of a business model in which the aim is both to hold financial assets for the collection of contractual cash flows and to sell financial assets.
- Its terms result in payment flows at fixed dates which are only payments of principal and interest on the principal amount outstanding.

Upon initial recognition of an equity instrument that is not held for trading, the Group may irrevocably choose to show consequential changes in the fair value of the instrument in other comprehensive income. This choice is made on a case-by-case basis for each equity instrument.

All financial assets that are not measured at amortised cost or at fair value through other comprehensive income are measured at fair value through profit or loss. This includes all derivative financial assets. Upon initial recognition, the Group may irrevocably choose to designate financial assets that would otherwise qualify for measurement at amortised cost or fair value through other comprehensive income as "at fair value through profit or loss" if that results in eliminating or significantly reducing accounting mismatches. This so-called fair value option was not exercised on the existing financial assets of the ADLER Group.

ADLER makes an assessment of the goals of the business model in which the financial asset is held at a portfolio level, as this best reflects the way the business is managed and information is provided to management.

Financial assets held or managed for trading and whose performance is measured at fair value are measured at fair value through profit or loss.

For purposes of assessing whether the contractual cash flows are solely principal and interest payments, the "principal amount" is defined as the fair value of the financial asset upon initial recognition. "Interest" is defined as the consideration of the time value of money and the default risk associated with the principal amount over a period of time and other basic credit risks, costs and a profit margin. In assessing whether the contractual cash flows are exclusively interest and principal payments on the principal amount, the Group takes the contractual arrangements of the instrument into account. This includes an assessment of whether the financial asset includes a contractual arrangement that could change the timing or amount of the contractual cash flows so that they no longer meet these conditions.

ADLER derecognises a financial asset when the contractual rights to cash flows from the financial asset expire or when it transfers the rights to receive the cash flows in a transaction, in which all material risks and rewards associated with the ownership of the financial asset will also be transferred. Derecognition also occurs if the Group neither transfers nor retains all material risks and rewards of ownership and does not retain control over the transferred asset.

Financial assets at fair value through profit or loss

Equity instruments and derivatives are always subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss in the Consolidated Statement of Comprehensive Income.

Assets within this category are recognised as current assets if they are either held for trading or are expected to be realised within 12 months of the balance sheet date.

Financial assets measured at fair value through other comprehensive income

The correspondingly classified debt instruments are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairments are recognised

5. SPECIFIC ACCOUNTING POLICIES (continued)

5.4 Financial assets (continued)

in profit or loss. Other net gains or losses are recognised in other comprehensive income. Upon derecognition, the accumulated other comprehensive income is reclassified to profit or loss.

These assets are classified as current assets unless their maturity or realisation exceeds 12 months after the balance sheet date. They are otherwise recognised as non-current assets.

Financial assets measured at amortised cost

These financial assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairments are recognised in profit or loss. Gains or losses from the derecognition are recognised in profit or loss in the Consolidated Statement of Comprehensive Income.

They are classified as current assets unless their maturity exceeds 12 months after the balance sheet date. They are otherwise recognised as non-current assets. The effective interest method is applied only if the asset has a maturity of more than 12 months.

Impairments

ADLER recognises impairment losses on expected credit losses for:

- Financial assets measured at amortised cost.
- At fair value with changes in other comprehensive income.

ADLER measures the impairments in the amount of credit losses expected over the term, except for the following impairments, which are measured at the expected 12-month credit loss:

- Bonds with a low default risk at the balance sheet date.
- Other debt instruments, including bank deposits, for which the default has not significantly increased since first-time recognition.

Impairment losses on trade receivables (rental receivables, receivables from the disposal of properties and contract assets) are always measured in the amount of the expected credit loss over the term.

ADLER uses an impairment matrix to measure the expected credit losses of its receivables, which comprise a very large number of small balances. The loss rates are determined on the basis of an assumption based on the probability that a receivable advances through successive stages in the delay in payment. The assessment takes into account historical default rates depending on the past due status.

In determining whether the default risk of a financial asset has increased significantly since initial recognition and in estimating expected credit losses, ADLER considers reasonable and reliable information that is relevant and available without disproportionate time and expense. This comprises both quantitative and qualitative information and analyses that are based on past experience and well-founded assessments, including forward-looking information.

In ADLER's view, a bond has a low default risk if its credit risk rating meets the global definition of "investment grade". ADLER continues to assume that the default risk of a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to have defaulted if it is unlikely that the borrower will be able to fully pay its credit commitment to the Group without the Group having to resort to measures such as the realisation of collateral (if any is available).

Credit losses expected over the term are those that result from all possible default events during the expected life of the financial instrument. 12-month credit losses are the portion of expected credit losses resulting from default

5. SPECIFIC ACCOUNTING POLICIES (continued)

5.4 Financial assets (continued)

events that are possible within 12 months of the end of the reporting period (or a shorter period if the expected life of the instrument is less than 12 months). The maximum period to be considered when estimating expected credit losses is the maximum contract period in which the Group is exposed to credit risk.

Expected credit losses are the probability-weighted estimates of credit losses. Credit losses are measured as the present value of the defaults (i.e. the difference between the payments owed to a company in accordance with the contract and the payments the company is expected to make). Expected credit losses are discounted at the effective interest rate of the financial asset. When assessing expected credit losses, existing collateral is taken into account.

At each balance sheet date, ADLER estimates whether financial assets at amortised cost or bonds at fair value through other comprehensive income with regard to credit rating are impaired. A financial asset is impaired if one or more events have an adverse effect on the expected future cash flows of the financial asset. Indicators that a financial asset is impaired in credit quality include the following observable data:

- Significant financial difficulties of the issuer or the borrower.
- A breach of contract, such as a default or more than 90 days overdue.
- Restructuring a loan by the Group that it would otherwise not consider.
- It is likely that the borrower will enter bankruptcy or other financial reorganisation.
- The disappearance of an active market for a security due to financial difficulties.

Impairment losses of financial assets in accordance with IFRS 9 are not disclosed in a separate item in the Consolidated Statement of Comprehensive Income for reasons of materiality, but as previously under other operating expenses (trade receivables) and financial costs (other debt instruments). Impairment losses of financial assets are recognised separately in the notes to the consolidated financial statements.

Impairment losses on financial assets that are measured at amortised cost are deducted from the gross carrying amount of the assets. For bonds that are measured at fair value through other comprehensive income, the impairment is reclassified from other comprehensive income to profit or loss.

The gross carrying amount of a financial asset is amortised if the Group does not reasonably believe that the financial asset is fully or partly feasible. Subsequent payments received on previously derecognised amounts are recognised in profit or loss as other operating income.

5.5 Derivative financial instruments

In particular, the Group uses interest rate hedges intended to hedge changes in interest rates. Interest hedging instruments are used to hedge interest rate risks while foreign currency derivatives are used to hedge currency risks. However, the derivative financial instruments are not currently reported as hedges.

Under certain conditions, embedded derivatives are separated from the underlying contract and accounted for separately.

Upon initial recognition and subsequent measurement, derivatives are measured at fair value. Relevant changes are recognised through profit or loss in the Consolidated Statement of Comprehensive Income. The fair values of derivatives are determined using standard market valuation methods and take account of the market data available on the valuation date.

5.6 Inventories

Properties acquired exclusively for the purpose of resale in the normal course of business or for development and resale are recognised as inventories. Other inventories, such as heating oil stocks, are also recognised in this line item.

5. SPECIFIC ACCOUNTING POLICIES (continued)

5.6 Inventories (continued)

These items are initially measured at acquisition or production cost. Acquisition costs include the purchase price of the property plus directly attributable ancillary costs, such as brokerage fees, land transfer tax, notarial fees and land register costs. Renovation costs that result in a significant improvement to the properties are capitalised. These inventories are subsequently measured at the lower of cost from acquisition or production costs or at their net realisable value. Net realisable value corresponds to the estimated selling price less estimated costs through to completion and the estimated required disposal costs.

5.7 Cash and cash equivalents

Cash and cash equivalents comprise cash, demand deposits and other short-term highly-liquid financial assets with an initial term of up to three months. They also include credit balances at banks with original terms of no longer than six months and intended for short-term debt service.

5.8 Non-current assets and liabilities held for sale

A non-current asset or a group of non-current assets is classified as “held for sale” if the associated carrying amount will predominantly be recovered via a sale transaction rather than through continued use, if the assets are available for immediate sale and the sale is considered highly probable. The shares have been measured at the lower of their previous carrying amount and their fair value less sales costs. These assets or groups of assets, as well as the associated liabilities, are reported separately in the balance sheet. Liabilities are classified as “held for sale” if they are connected to an asset held for sale and are also due to be acquired by a buyer.

ADLER recognises investment properties as non-current assets held for sale if there are notarised purchase agreements or purchase intentions signed by both parties as at the balance sheet date, but the transfer of ownership will not take place until the following period as agreed in the contract. Initial recognition takes place at the contractually-agreed sale price and subsequently at fair value after deducting the costs of disposal, providing this is lower.

5.9 Shareholders’ equity

Debt and equity instruments are classified as financial liabilities or equity on the basis of the economic substance of the contractual arrangements. An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of the associated liabilities. Equity instruments are recognised in the amount of the issue proceeds, less directly attributable issuance costs. Issuance costs are costs that would not have been incurred if the equity instrument had not been issued. Such costs of an equity transaction, less all associated income tax benefits, are deducted from equity and directly offset against the capital reserves.

The components of a hybrid instrument issued by the Group (convertible bond) are separately recognised as financial liabilities and equity instruments in accordance with the economic substance of the arrangement. Upon issue, the fair value of the debt component is determined on the basis of the market interest rate applicable to a comparable non-convertible instrument. This amount is carried as a financial liability at amortised cost using the effective interest method through to settlement upon conversion or maturity of the respective instrument. The equity component is calculated by subtracting the value of the debt component from the fair value of the overall instrument. The resultant value, less income tax effects, is recognised under equity and is subsequently not measured.

5.10 Pension provisions

Provisions for pensions and similar obligations are measured by external actuaries using the projected unit credit method for defined benefit plans. Service cost is recognised under personnel expenses, while the interest portion of the increase in the provision is recognised in the financial result. Like deferred taxes, actuarial gains and losses arising in this regard are recognised under other comprehensive income. The amount recognised corresponds to the present value of the defined benefit obligation (DBO).

5. SPECIFIC ACCOUNTING POLICIES (continued)

5.10 Pension provisions (continued)

ADLER also pays contributions to state pension schemes in accordance with statutory provisions. Current payments for these defined contribution obligations are recognised within personnel expenses as social security contributions.

5.11 Other provisions

Other provisions are recognised for legal or constructive obligations to third parties which originated in the past and whose maturity or amount is uncertain when it is probable that meeting the obligation will result in an outflow of resources at the Group and when the obligation amount can be reliably estimated.

ADLER recognises provisions for non-profitable contracts when the benefit expected from the contractual claim is lower than the unavoidable costs of fulfilling the contractual obligations.

Measurement is based on the best estimate of the current scope of the obligation as at the balance sheet date. Non-current provisions are recognised at their respective settlement amounts discounted (present value) as at the balance sheet date.

5.12 Financial liabilities

Financial liabilities are recognised for the first time on the trade date if the Company becomes a party in accordance with the terms of the instrument. Liabilities are classified as current liabilities when the Group does not have the unconditional right to defer the redemption of the liability to a time later than at least 12 months after the balance sheet date or if settlement is expected within 12 months of the balance sheet date.

Financial liabilities are classified and measured as financial liabilities measured at amortised cost (flac) or financial liabilities at fair value through profit or loss (lafv). A financial liability is classified as at fair value through profit or loss if it is classified as held for trading, is a derivative or is classified as such at initial recognition. The so-called fair value option was not exercised on the existing financial liabilities of the ADLER Group.

Net gains or losses, including interest expenses related to financial liabilities at fair value through profit or loss, are recognised through profit or loss.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expenses and currency translation differences are recognised through profit or loss. Gains or losses from derecognition are also recognised through profit or loss.

When determining the fair value, the expected future cash flows are discounted using market interest rates with matching maturities. Individual characteristics of the financial instruments being measured are accounted for by way of standard credit rating and liquidity spreads.

The fair value of the financial liabilities is determined on the basis of the input factors in Levels 1, 2 and 3.

The Group derecognises a financial liability when the obligations stipulated in the contract have been settled, rescinded or have expired. The Group also derecognises a financial liability when the obligations stipulated in the contract are changed and the cash flows of the adjusted liability are significantly different. In this case, a new financial liability is recognised based on the adjusted requirements for fair value. When a financial liability is derecognised, the difference between the carrying amount of the amortised liability and the consideration paid (including any transferred non-cash assets or liabilities assumed) is recognised in profit or loss.

5.13 Taxes

Current tax assets and tax liabilities are measured at the amount of refund or payment expected to or from the tax authorities based on the tax rate and tax laws applicable as at the balance sheet date.

In accordance with IAS 12, deferred taxes are recognised for all temporary differences between the tax base of the assets and liabilities and their carrying amounts in the IFRS financial statements – with the exception of

5. SPECIFIC ACCOUNTING POLICIES (continued)

5.13 Taxes (continued)

deferred tax liabilities that arise from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affect neither the accounting profit nor taxable profit or loss – and for tax loss carryforwards. The exemption provided as per IAS 12.15(b) has been applied regarding the acquisition of property companies that have been included in the consolidated financial statements as acquisitions of groups of assets and liabilities rather than as a business combination in accordance with IFRS 3. Where the Group's acquisition costs exceed the tax carrying amounts, deferred taxes are only recognised for the difference between the fair values and the Group's acquisition costs.

The tax rates used to calculate deferred taxes are determined on the basis of currently valid statutory provisions. Unchanged from the previous year, application is made of tax rates of 15.0 percent for corporate income tax, 5.5 percent for the solidarity surcharge and 14.4 percent for trade tax for German group companies. Deferred tax assets for temporary differences and for tax loss carryforwards are recognised in the amount at which it is likely that temporary differences will be offset against future positive tax income and taking account of minimum taxation requirements. When measuring deferred taxes, account is taken of the expected implications of what is known as the extended property deduction on domestic trade tax.

No deferred taxes are recognised for taxable temporary differences, whether positive or negative, in connection with interests in group companies for as long as the Group is able to control their reversal and such differences will not be reversed in the foreseeable future.

Deferred tax assets and liabilities are offset against each other if the Group has a recoverable right to offset current tax assets against current tax liabilities and if such apply to income taxes of the same taxable entity and are levied by the same tax authority.

5.14 Leases

The Group is both a lessor and a lessee in the property letting business.

ADLER has adopted IFRS 16 applying the modified retrospective approach, hence the comparative information has not been restated and is instead still presented in accordance with IAS 17 and IFRIC 4.

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

As a lessee

In particular, ADLER enters into leases for the following assets:

- Leasehold contracts for land (leaseholds)
- Leases for office space, garages and storage space (property)
- Leases for cars and commercial vehicles (vehicles)
- Leases for hardware and heating equipment (hardware and contracting)

When an arrangement that contains a lease component is entered into or amended, the Group allocates the contractually-agreed consideration to the individual lease and non-lease components based on relative stand-alone selling prices.

At the commencement date, the Group recognises a right-of-use asset and a lease liability. The right-of-use asset is initially measured at cost, which is equal to the first-time measurement of the lease liability, adjusted for any lease payments made at or before the commencement date, plus any initial direct costs, less any lease incentives received.

The right-of-use asset is then depreciated on a straight-line basis from the commencement date to the end of the lease period, unless ownership of the underlying asset transfers to the Group by the end of the lease term or if the

5. SPECIFIC ACCOUNTING POLICIES (continued)

5.14 Leases (continued)

measurement of the right-of-use asset reflects that the Group will exercise a purchase option. In this case the right-of-use asset is depreciated on a straight-line basis over the useful life of the underlying asset, which is calculated in accordance with the provisions for property, plant and equipment. In addition, the right-of-use asset is adjusted on an ongoing basis for any impairment losses and certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using the Group's incremental borrowing rate. With the exception of leases for leaseholds, ADLER uses its incremental borrowing rate as the discount rate as the interest rate implicit in the lease cannot be readily determined.

To calculate its incremental borrowing rate, ADLER considers interest rates from several of its external financing sources in the form of the weighted average cost of debt (WACD) and possibly makes certain adjustments reflecting the terms of the lease and the nature of the asset. A single discount rate is applied to portfolios of leases with similar characteristics.

Interest rates for specific properties or market-based discount rates are used for leaseholds.

The lease payments included in the measurement of the lease liability comprise fixed payments, variable lease payments, amounts expected to be payable under residual value guarantees, the exercise price of a purchase option if the Group is reasonably certain to exercise that option and payments of penalties for terminating the lease, unless the Group is reasonably certain that it will not terminate the lease early.

The lease liability is measured at carrying amount applying the effective interest method. It is reassessed if there is a change in future lease payments resulting from a change in an index or a rate, when the Group adjusts its estimate of the amounts expected to be payable under the residual value guarantee, when the Group adjusts its opinion on exercising an option to extend or terminate the lease, or to purchase the underlying asset, or there is a change in in-substance fixed lease payments. When the lease liability is reassessed, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or this is recognised in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

ADLER reports right-of-use assets that do not meet the definition of investment property in its statement of financial position under property, plant and equipment and lease liabilities in other liabilities. Right-of-use assets to investment property (leaseholds in particular) measured at fair value in accordance with IAS 40 are also measured at fair value and reported under investment properties.

ADLER has decided not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Group recognises the lease payments in connection with these leases as an expense on a straight-line basis over the term of the lease.

As a lessor

If the Group is the lessor in a lease, it classifies each lease as a finance lease or an operating lease at inception of the contract.

ADLER leases its investment property. A lessor classifies these leases as operating leases as the lessee does not receive substantially all of the risks and rewards incidental to ownership. ADLER recognises lease payments for operating leases on a straight line basis over the term of the lease in gross rental income (net rental income).

When a lease is entered into or amended, the Group allocates the contractually-agreed consideration based on relative stand-alone selling prices. When an arrangement contains lease and non-lease components, the Group applies IFRS 15 to allocate the contractually-agreed consideration. A distinction must be made between those non-lease components of the continuing obligation in which the tenant does not receive a separate service, but has to replace ADLER in the context of accounting for operating costs (subject to IFRS 16), and those in which ADLER has a commitment to provide a service (subject to IFRS 15). Thus, revenue from the charge of property tax and building insurance expenses are now included in the scope of IFRS 16 in addition to net rental income.

5. SPECIFIC ACCOUNTING POLICIES (continued)

5.14 Leases (continued)

The Group applies the derecognition and impairment requirements of IFRS 9 to its receivables and liabilities from the lease.

5.15 Revenue recognition

The Group's income from letting items of real estate (net rental income) is attributable to leases and is recognised based on the period in accordance with the terms of the underlying contracts. Rent and income are recognised if they are stipulated by contract and it is probable that the economic benefits will accrue to the Group. Since net rents are usually paid monthly in advance, rent is due immediately.

Income from charged operating costs is recognised based on the period corresponding to the underlying rendering of services, i.e. when control of the service has been transferred to the tenants. It is required that there are contractual arrangements with the tenants and that it is likely that the specified consideration will be received. Operating costs and their additional charges are recognised using the principal method. This is due in particular to ADLER's business model, which provides for a high share of in-house services relevant to operating costs. ADLER is regarded by the tenant as being primarily responsible for the provision of services and also has an inventory risk for all services that are not provided in-house. The reporting of expenses related to operating costs and the corresponding income from additional charges to the tenant was therefore not offset in the Consolidated Statement of Comprehensive Income. Liabilities from the payments of ancillary expenses are reported net with the receivables for the services that have not yet been invoiced and the net amount is recognised under trade payables as "contract assets operating costs" or "liabilities from advance payments of operating costs". The tenants' advance payments of operating costs and the net rent are due monthly and are payable immediately.

Income from the sale of investment properties is recognised when the control has been transferred to the buyer; this is usually the case when transferring ownership rights, benefits and obligations arising from properties. When disposing of property companies, this date regularly coincides with the completion of the transfer of the respective shares. It is required that there are contractual arrangements with enforceable rights and obligations and that it is likely that the consideration specified will be received. The contracts in question provide for only this defined benefit obligation with a clearly defined consideration and the date of revenue recognition is specified in concrete terms. The purchase prices are usually deposited on notary accounts and paid to ADLER when the control has been transferred. Payments received for sales of investment properties (contract liabilities) are recognised under other liabilities if control has not yet been transferred.

Via BCP, the company acquired in the period under report, ADLER also generated income in Germany from sales of newly-built apartments as part of project developments. In accordance with IFRS 15, revenue from these sales are recognised before transfer of the apartments to the buyer, as revenue recognition is based on project progress over a period of time. Contractual arrangements with enforceable rights and obligations and receipt of the consideration specified are required for the recognition of income. The transaction price is determined separately for each performance obligation. The Company's performance obligation is to provide the buyer with the power of disposal of the respective apartment. Based on the existing contracts with the buyers and the legal situation in Germany, the apartments do not constitute assets with alternative use and the Company has an enforceable right to demand compensation for the services provided up to that point in time. The power of disposal within the meaning of IFRS 15.35(c) thus passes to the buyer upon conclusion of the notarised purchase agreement and revenue is recognised from this date according to the stage of completion or performance progress. The Company uses the input method to measure performance progress. Costs that do not reflect performance progress such as land and borrowing costs and duties are not taken into account. The Company estimates the costs required to complete the project to determine the amount of revenue expected to be realised. These estimates include the direct costs associated with the fulfilment of the contract and are allocated based on an appropriate allocation formula. Thus, a performance progress rate is determined according to which the revenue for each individual contract is recognised in accordance with the performance progress rate of the entire construction project. The Company uses a practical expedient regarding the consideration of material financing components, according to which the consideration does not have to be adjusted if it is expected at the time of conclusion of the contract that the period between the receipt of the consideration and the time of realisation of the sale will not exceed one year. Receivables from the services which have not yet been invoiced are recognised under trade receivables as "contract assets project development". Payments received for sales of project development properties (contract liabilities) are recognised under other liabilities if it is not possible to offset the contract assets again.

5. SPECIFIC ACCOUNTING POLICIES (continued)

5.15 Revenue recognition (continued)

Interest income is recognised in proportion to time in accordance with the provisions of the underlying contracts taking into account the residual claim and the effective interest rate over the remaining term.

5.16 Currency translation

The consolidated financial statements are prepared in euros. The euro is the currency of the primary business environment in which the Group operates and is therefore its functional currency.

Foreign currency transactions are translated into the functional currency of the relevant group company using the exchange rate on the transaction date. Monetary foreign currency items are subsequently translated at the respective reporting date rate. The currency translation differences arising upon the settlement of foreign currency transactions and from the translation of monetary foreign currency items at the reporting date rate are recognised in the income statement under other operating income or expenses. The functional currency of the foreign companies is the respective national currency, as the foreign companies conduct their businesses independently in financial, economic and organisational terms.

At the end of the year, assets and liabilities at foreign companies are translated into euros using the relevant reporting date rates, while income and expenses at such companies are translated using annual average exchange rates. Equity components are translated using the historical exchange rates applicable from a group perspective upon the dates of their respective addition to the scope of consolidation. The currency translation differences thereby arising compared with the reporting date rates are recognised in equity in the ”currency translation reserve” line item.

5.17 Residual interests and dividend distributions

In its consolidated financial statements, ADLER also includes subsidiaries that have the legal form of partnerships with non-controlling interests. Pursuant to IAS 32, the shareholder position attributable to these minorities requires recognition as a liability due to their statutory and non-excludable termination rights. When such liability arises, it is measured at the present value of the settlement claim attributable to the respective shareholder. This generally corresponds to the amount of capital contribution made by the shareholder. In subsequent periods, the liability is carried forward and adjusted to account for the company’s earnings prior to the recognition of this liability within earnings. To the extent that it is not due to capital contributions or withdrawals, the change in the liability is recognised through profit or loss. Where the carry forward procedure results in an imputed claim against the shareholder, such procedure is deferred until it once again results in a liability due from the shareholder.

For the corporations included in the Group, liabilities for dividends to shareholders are generally only recognised in the period in which the corresponding resolution concerning the appropriation of profit is adopted by the relevant shareholders’ meeting. Obligations for minimum profit distributions are deferred as liabilities.

5.18 Cash flow statement

The cash flow statement presents the development in the Group’s payment flows in the financial year. In the consolidated financial statements, the cash flow from operating activities is calculated using the indirect method, with earnings before interest and tax (EBIT) being adjusted to exclude non-cash-effective items and include cash-effective items. The cash flow statement presents the cash flows from operating, investment and financing activities.

5.19 Share-based payments

ADLER has a share-based compensation plan which grants beneficiaries at the company stock appreciation rights, and thus the possibility of participating in the company’s value growth. The stock appreciation rights provided in the stock appreciation right programme (“SAR Programme”) constitute a share-based cash-settled payment programme pursuant to IFRS 2. Provisions for these personnel obligations have been recognised in the amount of the expected expenses, with such being allocated in instalments over the fixed overall term of the respective tranches. The fair value is calculated in reference to recognised financial valuation models. The recognition of stock appreciation rights requires assumptions and estimates concerning the development in performance indications and personnel. The identification is carried out using an option price model.

6. SIGNIFICANT DISCRETIONARY DECISIONS AND ESTIMATES

In preparing its consolidated financial statements, the Company makes assessments and assumptions concerning expected future developments based on the circumstances extant at the balance sheet date. The estimates derived on this basis may deviate from actual circumstances at a later point in time. In this case, the assumptions and the carrying amounts of the relevant assets or liabilities are adjusted as appropriate on a prospective basis.

The assumptions and estimates are continually reviewed and are based on past experience and other factors, including expectations concerning future events that seem reasonable in the given circumstances.

In applying accounting policies, the Management Board made the following estimates which significantly impact the amounts recognised in the consolidated financial statements:

- In the event of business combinations as defined by IFRS 3, estimates are made to calculate the fair value of the consideration transferred and for the preliminary calculation of the fair values of the identifiable assets acquired and liabilities assumed.
- When testing goodwill for impairment, estimates have to be made concerning the recoverable amounts of the respective cash-generating units or group of cash-generating units. This corresponds to the higher of fair value less disposal costs and the value in use. When determining the value in use, the estimated future cash surpluses are discounted to their present values. This is based on the company planning adopted by the Management Board. For regional business units operating in the property management business, this particularly requires estimates to be made concerning future rental income, vacancy rates and maintenance and modernisation measures. Based on forecast market developments and past experience, the assumptions underlying these figures are factored into a planning horizon of up to ten years. The payment surpluses thereby determined are discounted to their present values, taking due account of market-based equity and debt financing costs, a market-based risk premium as well as a sustainable growth rate. The figure that best reflects the market value based on various scenarios and under consideration of all known input factors is reported in the consolidated financial statements.
- The market values of investment properties are based on the findings of independent experts commissioned to this end. These assessments are based on the discounted future cash surpluses determined using the discounted cash flow methods over a ten-year planning horizon. To perform the valuation, the surveyors have to estimate various factors, such as future rental income, vacancy rates, maintenance and modernisation measures and applicable interest rates. All these factors directly influence the fair value of the investment properties. Furthermore, due account is also taken of transaction costs in an amount deemed likely by ADLER. In the case of valuing property under construction, under the residual value method the construction costs still to be incurred as well as risk reductions for risk and profit until completion must be estimated. Further estimates will be made with regard to the fair value costs of disposal of properties held for sale.
- Estimates also characterise the determination of the impairment of financial assets. In this context, the default risks of financial assets must be assessed and the respective expected credit losses estimated.
- Based on its current planning, the Management Board decides to what extent future loss carryforwards can be utilised. The basis for decisions is thus the expected taxable profits of the respective company. Effects from the change of shareholders, which can lead to a demise of loss carryforwards if there are not sufficient hidden reserves in the respective company, must also be taken into account.
- For other provisions, various assumptions have to be made concerning the probabilities of occurrence and level of utilisation. Account is taken of all information known when preparing the balance sheet.
- When recognising revenue, it must be assessed whether the specified consideration is likely to be received. Revenue recognition for sales of newly built apartments as part of project developments is based on the period corresponding to the degree of completion or performance progress. In this context, the company estimates the costs required to complete the project to determine the amount of revenue expected to be realised.

6. SIGNIFICANT DISCRETIONARY DECISIONS AND ESTIMATES (continued)

In applying accounting policies, the Management Board made the following discretionary decisions materially impacting the amounts recognised in the consolidated financial statements:

- In respect of the properties held by the Group, the Management Board has to decide at each balance sheet date whether these assets are to be held for long-term rental and value appreciation purposes or rather classified as held for sale. Depending on this decision, the properties are reported as investment properties, under inventories or as non-current assets held for sale.
- When including ADO Properties in consolidation, it had to be decided whether there was de facto control as defined by IFRS 10.B38 even though the share of voting rights was less than 50%. As ADLER is expected to lose control over ADO Properties again in the first half of 2020, it had to be decided whether it constitutes a discontinued operation. Please see note 4.2 for details.
- Upon the addition of property companies, a decision has to be made whether this constitutes the acquisition of a business operation. When the acquisition involves not only assets and liabilities, but also a business operation (integrated group of activities), the transaction constitutes a business combination. For example, the business processes of asset and property management, receivables management and accounting are deemed to represent an integrated group of activities. A further key indication that the takeover involves a business operation is the fact that personnel are also employed by the company thereby taken over. All these processes and indications could be negated in the case of the acquisitions of property companies in the 2019 financial year, as a result of which the acquisitions have not yet been presented as business combinations pursuant to IFRS 3 in 2019.
- When acquiring equity investments, it must be decided whether there is significant influence when control is pooled. Significant influence is typically assumed for a shareholding of between 20% and 50%, though this presumption can be overcome in individual cases. In the 2019 financial year, in connection with the acquisition of ADO Properties, shares in Consus Real Estate AG, Berlin, amounting to approximately 22% in total were classified as a financial instrument in accordance with IFRS 9. Please see note 8.11 for details.
- To assess the lease term when accounting for leases, it must be decided whether it is reasonably certain that an extension option will be exercised. It must also be determined how the incremental borrowing rate will be calculated for discounting lease obligations.
- Upon the initial recognition of financial instruments, a decision has to be made as to which of the measurement categories they should be allocated to.

7. SEGMENT REPORTING

In its segment reporting, ADLER has so far distinguished between the “Rental”, “BCP” and “Other” segments. BCP, the majority of which was acquired in April 2018, was initially presented as an independent segment in accordance with internal reporting to the Management Board. After the purchase price allocation was finalised along with the first-time allocation of goodwill to the relevant CGUs, BCP was integrated into the Rental segment. The comparative figures have been adjusted accordingly. The residual interest in ACCENTRO was reclassified from non-current assets held for sale (Trading) to investments accounted for using the equity method as the decision to sell it was reversed at the end of the reporting year. The comparative figures have been adjusted accordingly.

Acquired in December 2019, ADO Properties constitutes a discontinued operation in accordance with IFRS 5 and is therefore not included in segment reporting. We refer to section 4.2.

The “Rental” segment includes all ADLER’s portfolios, through the letting of which ADLER Real Estate AG aims to generate long-term gross rental income. Gross rental income and the expenses associated with the letting business reflect the activities of the Group’s Asset and Property Management, which manages residential units held in the portfolio in technical and commercial terms. This segment also includes the expenses for craftsmen and caretaker services which are provided by the Group’s internal Facility Management. To a lesser extent, this item also includes BCP’s commercial properties held for sale and project developments that are sold to non-Group companies and which are therefore not to be added to the portfolio after completion.

Other group activities that do not constitute standalone segments are pooled in the “Other” column. These are mainly historic holdings relating to development projects that have been in the rest of the process since the Group’s realignment.

7. SEGMENT REPORTING (continued)

Segment reporting based on the trading segment is consistent with the internal reporting system to ADLER's Management Board, which is the top management body pursuant to IFRS (management approach). The Group only trades in properties that are located in Germany. No geographical segmentation has been performed.

Income and EBIT are structured as follows:

ADLER Group In EUR '000	Rental 2019	Other 2019	Group 2019
Income from the management of properties and from the sale of properties	903,977	208	904,185
– of which letting	370,154	208	370,362
– of which disposals	533,823	0	533,823
Change in the fair value of investment properties	362,638	0	362,638
Earnings before interest and tax (EBIT)	**468,766**	**242**	**469,008**
Result of investments accounted for using the equity method	-1,327	0	-1,327
Financial result	**-110,808**	**113**	**-110,695**
Result before taxes (EBT)	**356,654**	**332**	**356,986**

Revenue in the Rental segment amounted to EUR 903,977k (previous year: EUR 424,458k). The year-on-year increase of EUR 479,519k essentially relates to the sale of the non-core portfolio and BCP commercial units. In addition, BCP has only been included in the Group since the second quarter of 2018. Changes in the value of investment property amounted to EUR 364,638k (previous year: EUR 465,129k). EBIT in the Rental segment amounted to EUR 468,766k (previous year: EUR 582,732k), while earnings before income taxes were EUR 356,654k (previous year: EUR 454,895k).

Group earnings before income taxes were negatively affected by one-off items. Non-recurring expenses of EUR 10,511k were incurred in connection with the disposal of the BCP commercial units. There were also one-off expenses of EUR 13,847k (previous year: EUR 54,339k) for the early repayment of financial liabilities and bonds. Net financial income of EUR 441k (previous year: EUR 8,099k) is due to the measurement of financial instruments at fair value in the reporting period. There were also net foreign exchange losses of EUR 10,869k (previous year: EUR 987k) related to BCP bonds.

Depreciation of property, plant and equipment and amortisation of intangible assets break down as follows:

ADLER Group In EUR '000	Rental 2019	Other 2019	Group 2019
Depreciation of property, plant and equipment	-4,167	0	-4,167
Amortisation of intangible assets	-1,546	0	-1,546

Income and EBIT were broken down in the previous year as follows:

ADLER Group In EUR '000	Rental 2018	Other 2018	Group 2018
Income from the management of properties and from the sale of properties	424,458	205	424,663
– of which letting	349,390	205	349,595
– of which disposals	75,068	0	75,068
Change in the fair value of investment properties	465,129	0	465,129
Earnings before interest and tax (EBIT)	**582,732**	**96**	**582,828**
Result of investments accounted for using the equity method	3,425	0	3,425
Financial result	**-131,339**	**111**	**-131,228**
Result before taxes (EBT)	**454,895**	**130**	**455,025**

7. SEGMENT REPORTING (continued)

The depreciation of property, plant and equipment and amortisation of intangible assets in the previous year were broken down as follows:

ADLER Group In EUR '000	Rental 2018	Other 2018	Group 2018
Depreciation of property, plant and equipment	-1,432	0	-1,432
Amortisation of intangible assets	-169	0	-169

Segment assets, segment liabilities and segment investments are structured as follows:

ADLER Group In EUR '000	Rental 2019	Other 2019	Consolidation 2019	Group 2019
Assets per segment	6,249,175	4,515	-4,543	6,249,147
Result of investments accounted for using the equity method	23,432	0	0	23,432
Total segment assets	**6,272,607**	**4,515**	**-4,543**	**6,272,579**
Non-current assets held for sale ADO Properties	—	—	—	4,409,098
Segment liabilities	**5,433,898**	**4,621**	**-4,543**	**5,433,976**
Non-current liabilities held for sale ADO Properties	—	—	—	1,699,844
Segment investments	**349,202**	**0**	**0**	**349,202**

In the previous year, segment assets, segment liabilities and segment investments were structured as follows:

ADLER Group In EUR '000	Rental 2018	Other 2018	Consolidation 2018	Group 2018
Assets per segment	5,841,192	4,691	-4,961	5,840,922
Result of investments accounted for using the equity method	15,709	0	0	15,709
Total segment assets	**5,856,901**	**4,691**	**-4,961**	**5,856,631**
Non-current assets held for sale	—	—	—	—
Segment liabilities	**4,276,965**	**4,997**	**-4,961**	**4,277,001**
Segment investments	**165,128**	**0**	**0**	**165,128**

Segment assets mainly comprise property, plant and equipment, investment properties and receivables due from third parties and the "Other" segment. Goodwill of EUR 169.439k (previous year: EUR 170.758k) is recognised in the rental segment. Please refer to the comments under 8.1, "Goodwill, intangible assets".

Segment liabilities mainly comprise financial liabilities, operating liabilities and liabilities due to the "Other" segment.

The intragroup balances between the reportable segment "Rental" and the "Other" column are eliminated in the "Consolidation" column.

Segment investments include additions to property, plant and equipment, intangible assets, investment properties, properties recognised under inventories (primarily at BCP) and investments in associated companies.

8. NOTES TO THE CONSOLIDATED BALANCE SHEET

8.1 Goodwill and intangible assets

In EUR ’000 2019	Goodwill	Other intangible assets
Carrying amounts 01.01.	**170,758**	**612**
Additions from acquisitions (+)	0	0
Additions (+)	0	199
Depreciation current year (-)	0	-227
Reclassification	**-1,319**	**0**
Carrying amounts 31.12.	**169,439**	**584**

In EUR ’000 2018	Goodwill	Other intangible assets
Carrying amounts 01.01.	**101,198**	**567**
Additions from acquisitions (+)	69,560	0
Additions (+)	0	214
Depreciation current year (-)	0	-169
Carrying amounts 31.12.	**170,758**	**612**

Goodwill of EUR 101,198k is attributable to the acquisition of WESTGRUND in June 2015 and of EUR 69,560k to the acquisition of BCP in April 2019. Allocation has been made to the regional business units (North, Middle, West, East) of the rental segment.

The allocation of the goodwill resulting from the BCP acquisition to groups of cash-generating units was completed in the reporting period and took due account of the sustainable synergies (financing, administrative and operating synergies) expected to result from the business combination.

At the end of September 2019, ADLER concluded a binding share deal for the sale of a 75 percent shareholding to a project development company in Dusseldorf via its subsidiary BCP. Goodwill of EUR 1,319k from the acquisition of BCP proportionally attributable to this project development company was reclassified to non-current assets held for sale and then fully amortised.

Mandatory annual impairment testing for goodwill of the rental segment was performed in the fourth quarter of the year under report. To determine the recoverable amounts of the business divisions, the respective values in use were first calculated by comparison with the measurement of investment properties (see comments in Note 8.3) on the basis of company planning adopted by the Management Board with a planning horizon of ten years. Perpetuity figures were computed on the basis of the cash inflows in the final year covered by the planning. The planning was determined by reference to factors which can be influenced and those which cannot.

The Management Board determined the cash flows budgeted for the detailed planning stage on the basis of the positive developments shown by the business model in the past and of expectations as to future market developments. For the regional business divisions within the rental segment, the key value drivers are the planned increase in rent per square metre (target rent) and the reduction in the vacancy rate.

Further major parameters used to determine the recoverable amounts include weighted average costs of capital (WACC) before taxes and the sustainable growth assumed for perpetuity. The WACC are derived from market-based costs of equity and debt capital weighted to account for the company’s capital structure. These were calculated using the capital asset pricing model (CAPM) as used in theory and practice. This involves accounting for a risk-free interest rate, a market-based risk premium (market risk premium and beta factor) and a risk premium from industrial bonds. The market risk premium used was raised to 7.50 percent in the year under review (previous year: 6.75 percent). The calculation was performed by reference to comparative peer group data. The sustainable growth rate presents the market development expected in the future. With regard to the regional business units, the figures have been based on developments in actual rents.

Cash-generating units as of 31.12.2019	North	Central	West	East	Total
Goodwill in EUR ’000	32,223	22,894	62,526	51,796	**169,439**
WACC before tax in %	2.7	2.7	2.7	2.7	—
Sustainable growth rate in %	1.0	1.0	1.0	1.0	—

8. NOTES TO THE CONSOLIDATED BALANCE SHEET (continued)

8.1 Goodwill and intangible assets (continued)

Cash-generating units as of 31.12.2018	North	Central	West	East	Total
Goodwill in EUR ’000	21,333	14,801	27,428	37,636	**101,198**
WACC before tax in %	4.3	4.3	4.3	4.3	—
Sustainable growth rate in %	1.5	1.5	1.5	1.5	—

The impairment test performed in the fourth quarter of the year identified significant surplus cover of the carrying amounts in all business divisions. The recoverability of goodwill was confirmed. Sensitivity analyses were performed to test the impact of changes in key parameters while retaining the other assumptions.

In the year under review, a 1.0 percentage point decrease in the target rent (in EUR/square metre rental space) for the business units would not lead to an impairment of the respective book value. An increase in the vacancy rate (as a percentage of the target rent) by 1.0 percentage point would not lead to an impairment of the book value for any of the divisions. A 0.5 percentage point increase in the weighted average cost of capital (WACC) or a 0.5 percentage point decrease in the sustainable growth rate would have no impact on the recoverability of the book values of the business units.

In the previous year, a reduction in the target rent (in EUR/square metre of rental area) by 1.0 percentage point would not have led to an impairment of the book values of any of the regional business units An increase in the vacancy rate (as a percentage of the target rent) by 1.0 percentage point would not lead to an impairment of the book value of any divisions. A 0.5 percentage point increase in the weighted average cost of capital (WACC) or a 0.5 percentage point decrease in the sustainable growth rate would have had no impact on the recoverability of the book values of the regional business units.

8.2 Property, plant and equipment

In EUR ’000	2019	2018
Carrying amounts 01.01.	**7,578**	**4,948**
Additions from the first-time application of IFRS 16 (+)	**6,694**	—
Additions from acquisitions (+)	**392**	270
Additions (+)	**9,459**	3,815
Depreciation current year (-)	**-4,167**	-1,431
Disposals (-)	**-608**	-24
Carrying amounts 31.12.	**19,348**	**7,578**

The disclosures according to IFRS 16 on the rights of use to assets in the context of leases are presented in section 12 of the notes to the consolidated financial statements.

8.3 Investment properties

In EUR ’000	Let investment properties	Project development properties	Total 2019
Carrying amounts 01.01.	**4,382,884**	**606,170**	**4,989,054**
Additions through acquisitions IFRS 3 (+)	3,306	0	**3,306**
Additions through investment properties/property companies (+)	0	107,276	**107,276**
Other additions (+)	81,650	84,271	**165,921**
Fair value increase (+)	163,038	246,231	**409,269**
Fair value decrease (-)	-26,437	-20,194	**-46,631**
Reclassifications IFRS 5 (+/-)	-313,786	-375,000	**-688,786**
Reclassifications (+/-)	363,312	-363,312	**0**
Disposals (-)	-19,400	0	**-19,400**
Carrying amounts 31.12.	**4,634,567**	**285,441**	**4,920,008**

8. NOTES TO THE CONSOLIDATED BALANCE SHEET (continued)

8.3 Investment properties (continued)

In EUR '000	Let investment properties	Project development properties	Total 2018
Carrying amounts 01.01.	**2,825,518**	**193,000**	**3,018,518**
Additions through acquisitions IFRS 3 (+)	1,331,482	274,070	**1,605,552**
Additions through investment properties/property companies (+)	8,604	15,566	**24,171**
Other additions (+)	56,200	84,757	**140,957**
Fair value increase (+)	371,782	112,206	**483,988**
Fair value decrease (-)	-17,874	-985	**-18,859**
Reclassifications (+/-)	-192,828	-72,444	**-265,272**
Carrying amounts 31.12.	**4,382,884**	**606,170**	**4,989,054**

Investment properties are encumbered with land charges provided as security for liabilities to banks.

The additions were due to EUR 84,271k for investments in project development properties under construction, EUR 93,130k for the acquisition of project development companies, EUR 81,650k for capitalisable modernisation measures, EUR 14,146k for the acquisition of an undeveloped site for project development and EUR 3,306k for the first-time application of leaseholds in accordance with IFRS 16.

Valuation gains of EUR 409.269k (previous year: EUR 483.988k) and valuation losses of EUR 46.631k (previous year: EUR 18,859k) were recognised in the 2019 financial year. Due to these gains and losses, net income from fair value adjustments of investment properties came to EUR 362.638k (previous year: EUR 465,129k). The reclassifications amounting to EUR 688.786k relate to investment properties classified in accordance with IFRS 5 as non-current assets held for sale. The departures result from the sale of sub-portfolios and individual units. Project properties were included in the financial year, a value of EUR 363,312k was completed and the rental was taken over.

The statement of comprehensive income includes the following material amounts for investment properties:

In EUR '000	2019	2018
Income from property management	**370,362**	349,595
Expenses from property management	**-151,044**	-145,908
Earnings from property management	**219,318**	**203,687**

The fair value of individual properties/individual property portfolios (level 3 of the fair value measurement hierarchy) has been determined on the basis of discounted future cash flows using the DCF method. For properties under construction (project development/project properties), which will be held in the long term to generate gross rental income and capital appreciation after completion, the residual value method is applied to determine the fair value (level 3 of the fair value measurement on the basis of measurement models).

The Management Board is responsible for determining the measurement methods and processes used at the Group and for coordinating the relevant processes. Properties are measured by external surveyors based on the data as at the measurement date, much of which is provided by ADLER's Asset Management department. This way, it is ensured that the properties are measured in line with market conditions and as at the reporting date. The year-on-year changes in fair values are subject to plausibility reviews by the Group Accounting and Asset Management departments. The results of the measurement process are then discussed with the Management Board.

Let investment Properties – DCF method

The DCF method involves discounting the cash flows expected to be generated by a property to the measurement date. To this end, the cash flows from the respective properties are determined for a detailed planning period (ten years). These involve the net balance of expected inflows and outflows of cash. While inflows generally relate to

8. NOTES TO THE CONSOLIDATED BALANCE SHEET (continued)

8.3 Investment properties (continued)

net rents, the (gross) outgoing payments particularly involve the operating costs borne by the owner. The net cash flows for each period are then discounted to the balance sheet date as at 31 December 2019 by application of a market-based, property-specific discount rate.

This results in the capitalised value of the net cash flows for the respective period. A potential discounted disposal value (terminal value) is forecast for the property at the end of the detailed planning period. This reflects the price most likely to be achievable at the end of the detailed planning period. This involves capitalising the discounted net cash flows as perpetuity figures by application of the capitalisation rate of the respective property (exit rate). The sum of the discounted cash flows and the discounted potential disposal value provides the gross value of the property to be assessed. Market-specific transaction costs incurred by any potential buyer and quantified at 3.5 percent to 11.0 percent are then deducted from this gross value (previous year: 4.5 percent to 11.0 percent), following which the properties are recognised at net value.

The following overview presents the significant assumptions and results used to determine the fair values of investment properties when measuring them using the DCF method:

Valuation parameters	Unit	Average	Range
Discount rate	%	4.40	3.00 – 6.25
Capitalisation rate	%	4.76	2.90 – 6.85
Maintenance costs	EUR/sqm	8.14	6.00 – 11.00
Administrative expenses	EUR/per rental unit/ year	228.08	200.00 – 307.00
Stabilised vacancy rate	%	3.90	0.00 – 15.00
Valuation results			
Actual rent multiplier		19.50	12.47 – 36.40
Market value per sqm	EUR/sqm	1,278.08	628,28 – 7,708.56

The stabilised vacancy rate comprises temporary vacancies that are not considered to be marketable as well as fluctuation-related vacancies. In the previous year, fluctuation-related vacancies were taken into account in the interest rates applied.

In the previous year, measurement was based on the following parameters:

Valuation parameters	Unit	Average	Range
Discount rate	%	4.48	3.25 – 6.00
Capitalisation rate	%	5.09	3.50 – 6.50
Maintenance costs	EUR/sqm	8.02	5.80 – 11.70
Administrative expenses	EUR/per rental unit/ year	229.62	200.00 – 310.00
Stabilised vacancy rate	%	4.17	0.00 – 4.70
Valuation results			
Actual rent multiplier		18.09	10.95 – 30.14
Market value per sqm	EUR/sqm	1,190.15	660.00 – 2,460.00

Various parameters were used when determining the discount rate. The discount rate comprises the base rate and a risk premium. The risk premium represents an interest rate suitable to the specific sub-segment, the type of use and the quality of the property. These assessments were made by reference to current market data and official documents, as well as to information from the valuation committee. The risk premium therefore varies from property to property.

The valuation parameters stated above represent averages weighted by market value. None of the margins stated account for exceptional individual cases. The assumptions used to value existing properties were made by an independent surveyor based on his longstanding professional experience. The surveys commissioned by the Group are governed by the requirements of the Royal Institution of Chartered Surveyors (RICS).

8. NOTES TO THE CONSOLIDATED BALANCE SHEET (continued)

8.3 Investment properties (continued)

The chosen interest rate, underlying market rents and stabilised occupancy rates were identified as the main value drivers influenced by the market. The effects of potential fluctuations in these parameters are presented separately in the table below. Interaction between these parameters is possible. Given the complexity of the relationships involved, however, the effects of such interaction are not quantifiable.

	Capitalisation rate		Market rent		Vacancy rate	
	-0.5 PP	+0.5 PP	-10.0%	+10.0%	-1.0 PP	+1.0 PP
Change in value						
In EUR ’000	196,584	-192,190	-524,861	521,502	58,064	-56,446
in %	4.26	-4.16	-11.37	11.30	1.29	-1.26

In the previous year, the following effects resulted from possible fluctuations of the respective measurement parameters:

	Capitalisation rate		Market rent		Vacancy rate	
	-0.5 PP	+0.5 PP	-10.0%	+10.0%	-1.0 PP	+1.0 PP
Change in value						
In EUR ’000	199,817	-187,909	-505,363	517,465	59,034	-58,322
in %	4.56	-4.29	-11.54	11.82	1.35	-1.33

The following overview presents the geographical distribution of the property portfolios broken down by rental area, market values and the main parameters used in the valuation methods outlined above:

	Total rental area in sqm	Discount rate in %	Capitalisation rate in %	Actual rent multiplier	Stabilised vacancy rate in %	Market value 2019 in EUR ’000
Lower Saxony	1,122,439	4.59	5.12	17.88	4.29	**1,251,613**
North Rhine-Westphalia	887,238	4.57	4.90	17.57	3.70	**1,021,627**
Saxony	560,141	4.59	4.74	20.67	4.03	**666,728**
Saxony-Anhalt	221,942	4.72	5.19	17.43	4.34	**197,212**
Brandenburg	213,368	4.79	4.78	16.30	4.51	**202,488**
Berlin	158,874	3.34	3.24	33.40	3.33	**628,595**
Other	429,451	4.37	5.06	18.93	3.83	**666,304**
Total	**3,593,453**	**4.40**	**4.76**	**19.50**	**3.94**	**4,634,567**

In the previous year, the geographical distribution of the property portfolios was as follows:

	Total rental area in sqm	Discount rate in %	Capitalisation rate in %	Actual rent multiplier	Stabilised vacancy rate in %	Market value 2018 in EUR ’000
Lower Saxony	1,168,056	4.62	5.22	17.44	4.03	**1,242,733**
North Rhine-Westphalia	969,570	4.70	5.06	16.51	3.45	**1,065,067**
Saxony	575,205	4.52	5.03	19.55	3.44	**629,125**
Saxony-Anhalt	221,871	4.77	5.37	17.04	5.14	**187,863**
Brandenburg	221,848	4.67	5.49	15.44	7.12	**195,233**
Other	728,964	4.25	4.90	20.25	4.79	**1,062,863**
Total	**3,885,514**	**4.48**	**5.09**	**18.09**	**4.17**	**4,382,884**

Project development properties – Residual value method

The determination of the fair value of properties under construction – which are held in the long term for the purpose of generating gross rental income and capital appreciation after completion – takes place using the residual value method, since the value of these properties is primarily determined by the value of the specific

8. NOTES TO THE CONSOLIDATED BALANCE SHEET (continued)

8.3 Investment properties (continued)

development concept. In the case of the residual value method, an indicative market value of the finished and leased object is initially determined on the basis of the future expected annual net income using the DCF method. All remaining costs that are incurred in connection with the preparation of the project are deducted from this value. These possible costs include all construction costs, building ancillary costs, fees, financing costs, marketing costs and incidental acquisition costs. There is also a risk deduction for risk and profit.

The following overview presents the significant assumptions used to determine the fair values of investment properties when measuring them using the DCF method:

Valuation parameters	Unit	Average	Range
Capitalisation rate	%	2.73	1.88–3.52
Calculated construction costs of the net rentable area	in EUR/sqm	3,782.73	2,214.31–5,928.00
Risk deduction for risk and profit	%	10.00	10.00–10.00
Multiplier gross annual profit		28.25	24.23–31.51

In the previous year, the valuations were based on the following parameters:

Valuation parameters	Unit	Average	Range
Capitalisation rate	%	2.87	2.65–4.10
Calculated construction costs of the net rentable area	in EUR/sqm	2,960.04	1,506.00–3,821.00
Risk deduction for risk and profit	%	16.46	3.91–35.04
Multiplier gross annual profit		16.00	6.67–27.04

The risk deduction for risk and profit relates to the yet-to-be-generated added value of the respective project. The chosen interest rate, underlying market rents and calculated construction costs were identified as the main value drivers influenced by the market. The effects of potential fluctuations in these parameters are presented separately in the table below:

	Discount rate		Market rent		Calculated building costs[1)]	
	-0.5 PP	+0.5 PP	-10%	+10%	-10%	+10%
Change in value						
In EUR ’000	89,315	-57,590	-51,402	51,289	30,056	-30,980
in %	59.58	-38.42	-26.15	26.09	15.29	-15.76

1) Without consideration of potential project guarantees

In the previous year, the following effects resulted from possible fluctuations of the respective measurement parameters:

	Discount rate		Market rent		Calculated building costs[1)]	
	-0.5 PP	+0.5 PP	-10%	+10%	-10%	+10%
Change in value						
In EUR ’000	253,361	-180,023	-115,641	150,882	82,372	-82,257
in %	47.23	-33.56	-21.56	28.13	14.12	-14.10

1) Without consideration of potential project guarantees

Project development properties – DCF-Method

For projects that are already very advanced, the DCF method used for existing properties was applied. The outstanding construction costs were recognised as cash in the first year. The fair value of these projects amounts to TEUR 66,590 and thus 23.3 percent of the fair value of the project development properties. The outstanding expenses taken into account in the following year amount to TEUR 5,565.

8. NOTES TO THE CONSOLIDATED BALANCE SHEET (continued)

8.3 Investment properties (continued)

The following overview shows the main assumptions used in determining the fair value of these projects in the context of the valuation using the DCF method.

Valuation parameters	Unit	Average	Range
Discount rate	%	2.68	2.40–2.93
Capitalisation rate	%	2.64	2.36–3.50
Maintenance costs	EUR/sqm	8.67	7.81–14.25
Administrative expenses	EUR/unit/year	235.88	203.77–249.00
Valuation results			
Actual rent multiplier		28.7	22.9–33.1
Market value per sqm	EUR/sqm	3,498.84	2,803.36–4,133.06

The selected interest rate and the underlying market rents were identified as significant value drivers influenced by the market. The effects of possible fluctuations in these parameters are shown below in isolation from each other. Interactions between the parameters are possible, but cannot be quantified due to the complexity of the relationships.

	Discount rate		Market Rent/Cost Rent	
	-0,5 PP	+0,5 PP	-10,0%	+10,0 %
Change in value				
In EUR ’000	3,240	-3,150	-7,630	7,800
In %	4.87	-4.73	-11.46	11.71

No project development properties were valued using the DCF method in the previous year.

8.4 Receivables and loans to associated companies

The increase in the carrying amount of receivables and loans to associated companies to EUR 79,524k (31 December 2018: EUR 7,667k) is due to EUR 71,855k for the disposal of the non-core portfolio of approximately 3,700 rental units, which ADLER disposed of in two separate transactions in December 2018.

On 17 December 2018, ADLER entered into a binding agreement with an investor, which plans to sell around 1,400 rental units to Caesar JV Immobilienbesitz und Verwaltungs GmbH, Berlin, in which ADLER holds a 25 percent interest. ADLER will continue to undertake asset management for these portfolios. The properties had a carrying amount of approximately EUR 61,500k. On 27 December 2018, ADLER also entered into a binding agreement with Benson Elliot Capital Management LLP, which plans to sell around 2,300 rental units to a joint venture, AB Immobilien B.V., Amsterdam, Netherlands, in which ADLER likewise holds a 25 percent interest. ADLER remains responsible for asset, property and facility management until the properties are sold to third parties. ADLER will profit from the potential upside of the final sale by the joint venture. The properties were worth approximately EUR 117,700k. In light of these two agreements, investment properties of EUR 179,200k were recognised as non-current assets held for sale as at 31 December 2018 and reclassified accordingly. Control over the rental units in both cases was transferred in the first quarter of 2019.

The remaining receivables from the sale of approximately 1,400 rental units to Caesar JV Immobilienbesitz und Verwaltungs GmbH are deferred and are due to be paid by 1 December 2022 at the latest, subject to customary interest and collateral. A partial payment of EUR 16,000k must be made by 1 December 2020 at the latest. As at the balance sheet date, ADLER recognises non-current receivables including interest claims against Caesar JV Immobilienbesitz und Verwaltungs GmbH of EUR 26,361k. An amount of EUR 16,000k is recognised under other current assets.

The agreement for the sale of around 2,300 rental units to AB Immobilien B.V. does not provide for a significant financing component as the remaining consideration is variable after the partial payment has been made. The amount and date of the consideration depend on the resale of properties to third parties over which ADLER has no material influence. However, payment is intended by no later than 31 December 2028. As at the balance sheet date, ADLER recognises receivables from AB Immobilien B.V. of EUR 45,494k.

8. NOTES TO THE CONSOLIDATED BALANCE SHEET (continued)

8.4 Receivables and loans to associated companies (continued)

Other loans to associated companies are presented in Note 13.3, "Related party disclosures". The Group's default risks and impairment losses of financial assets are presented in Section 11 of the notes to the consolidated financial statements.

8.5 Investments in associates and joint ventures

Six companies were included in the consolidated financial statements using the equity method as at the balance sheet date (previous year: seven companies). Two associates (previous year: two) have not been included at equity due to materiality considerations.

In EUR '000	2019	2018
Carrying amounts 01.01.[1]	**15,709**	**12,664**
Additions through acquisitions IFRS 3	**0**	166
Other additions	**9,300**	14
Other disposals	**-2**	0
Share of gains and losses (at-equity result)[1]	**-1,327**	3,425
Other results attributable to the Group	**0**	0
Dividends received [1]	**-248**	-560
Carrying amounts 31.12.	**23,432**	**15,709**

1) Reporting, including the previous year, of the remaining shares in ACCENTRO adjusted in accordance with IFRS 5.26 et seq.

The main investments in associated companies are ACCENTRO, AB Immobilien B.V. and Caesar JV Immobilienbesitz und Verwaltungs GmbH.

The remaining interest in ACCENTRO (share of 4.78 percent after dilution) will continue to be recognised as an associate in the consolidated financial statements due to its ability to exercise significant influence through a member of the Supervisory Board. They were reported initially under non-current assets held for sale. But the decision to dispose of the remaining interest in ACCENTRO was reversed at the end of the reporting year, with the result that it was reclassified to investments in associated companies. The amount reported in the same period of the previous year was restated accordingly in the consolidated balance sheet, the consolidated statement of comprehensive income, the consolidated statement of cash flows, the notes to the consolidated financial statements and the Group management report. An amendment in profit or loss for prior periods since classification as held for sale was dispensed with on the grounds of materiality. The effect on profit or loss (EUR 1,122k) from the amendment was remedied in the fourth quarter of 2019 and recognised in net income from at-equity valued investment associates.

ACCENTRO is a listed public limited company that primarily manages (buying and selling) residential property and individual apartments as well as the brokerage business associated with residential privatisation.

The investment in ACCENTRO developed as follows:

In EUR '000	2019	2018
Carrying amounts 01.01.[1]	**12,639**	**12,639**
Share of gains and losses (at equity result)[1]	**-1,105**[2]	263
Other result attributable to the Group	**0**	0
Dividends received[1]	**-248**	-263
Carrying amounts 31.12.	**11,286**	**12,639**

1) Reporting, including the previous year, of the remaining shares in ACCENTRO adjusted in accordance with IFRS 5.26 et seq.

2) Taking into account the update of the hidden reserves / burdens uncovered and the dilution of the shares

8. NOTES TO THE CONSOLIDATED BALANCE SHEET (continued)

8.5 Investments in associates and joint ventures (continued)

The tables below contain the combined financial information of ACCENTRO based on the last published IFRS consolidated financial statements:

In EUR '000	31.12.2019	31.12.2018
Assets		
Non-current assets	**102,508**	81,109
of which goodwill	**17,776**	17,776
Current assets	**478,250**	393,096
of which inventories	**416,573**	345,241
of which cash and cash equivalents	**24,167**	15,464
Equity and liabilities		
Equity	**220,811**	199,104
Non-current liabilities	**215,919**	176,431
of which financial liabilities to banks	**114,474**	76,773
of which liabilities from bonds	**99,235**	98,561
Current liabilities	**144,028**	98,669
of which financial liabilities to banks	**102,368**	54,357
of which liabilities from bonds	**1,563**	1,563

In EUR '000	2019	2018
Earnings from sale of inventories	**29,841**	33,085
Earnings from property lettings	**6,518**	6,130
Earnings from services	**2,363**	2,282
EBIT	**39,804**	32,864
EBT	**32,488**	23,975
Consolidated net profit	**26,299**	18,301

In EUR '000	2019	2018
Cash flow from operating activities	**-75,665**	-48,346
Cash flow from investing activities	**2,411**	-51,290
Cash flow from financing activities	**81,017**	111,410
Change in cash and cash equivalents	**7,763**	11,774

AB Immobilien B.V. is a property company that pursues the objective of selling its assets at a profit. The interest (25 percent) was still classified as immaterial in the previous year and developed as follows:

In EUR '000	2019	2018
Carrying amounts 01.01.	**7**	**0**
Other additions	**5,300**	7
Share in gains and losses (at equity result)	**62**	0
Carrying amounts 31.12.	**5,369**	**7**

The tables below contain the combined financial information of AB Immobilien B.V.:

In EUR '000	31.12.2019	31.12.2018
Assets		
Non-current assets	**6**	0
Current assets	**133,319**	30
Equity and liabiities		
Equity	**5,577**	30
Non-current liabilities	**79,309**	0
Current liabilities	**48,439**	0

8. NOTES TO THE CONSOLIDATED BALANCE SHEET (continued)

8.5 Investments in associates and joint ventures (continued)

In EUR '000	2019	2018
Earnings form property lettings	**2,688**	—
Earnings from the sale of properties	**0**	—
EBIT (Earnings before interest and taxes)	**2,573**	—
Net profit	**247**	—

Caesar JV Immobilienbesitz und Verwaltungs GmbH is a property company whose objective is to generate income from letting and, where applicable, also selling its properties. The interest (25 percent) was still classified as immaterial in the previous year and developed as follows:

In EUR '000	2019	2018
Carrying amounts 01.01.	**6**	**0**
Other additions	**4,000**	6
Share in gains and losses (at equity result)	**-283**	0
Carrying amounts 31.12.	**3,723**	**6**

The tables below contain the combined financial information of Caesar JV Immobilienbesitz und Verwaltungs GmbH:

In EUR '000	31.12.2019	31.12.2018
Assets		
Non-current assets	**70,867**	23,005
Current assets	**6,093**	4,343
Equity and liabiities		
Equity	**2,826**	-42
Non-current liabilities	**51,366**	27,290
Current liabilities	**22,768**	100

In EUR '000	2019	2018
Earnings form property lettings	**1,460**	—
Earnings from the sale of properties	**0**	—
EBIT (Earnings before interest and taxes)	**999**	-22
Net profit	**-1,132**	-66

The Group still holds investments in three (previous year four) other associates and joint ventures that are not of material significance. The carrying amounts and the share of profit and other comprehensive income of these associates are presented in aggregated form in the table below:

In EUR '000	2019	2018
Carrying amount of shares on not-vital-at-equity consolidated companies	**3,054**	**3,056**
Group‘s share in the result of non-vital-at-equity companies:		
– Profit from continuing operations	**0**	3,162
– Other results	**0**	0
Total result	**0**	**3,162**

The prorated share of profit and loss at the companies included using the equity method has been recognised in full in 2019. There are no accumulated unrecognised losses.

8.6 Other financial investments and other non-current assets

In the 2018 financial year, ADLER acquired 4,870,891 (3.6 percent) of the shares in a project development company based in Germany through its subsidiary BCP. The shares were classified as financial assets at fair

8. NOTES TO THE CONSOLIDATED BALANCE SHEET (continued)

8.6 Other financial investments and other non-current assets (continued)

value through profit or loss and recognised under other financial assets. As at 31 December 2019, based on the stock market price, the fair value amounted to EUR 35,655k (31 December 2018: EUR 37,019k). The change in value year on year of EUR 1,364k is recognised under financial expenses.

Also reported under other financial assets as at the balance sheet date are bonds that are held as part of a business model whose aim is both to hold financial assets for the collection of contractual cash flows and to sell financial assets if necessary. Debt instruments are therefore measured at fair value with changes in other comprehensive income. As at 31 December 2019, based on the stock market price, the fair value amounted to EUR 14,454k. The bonds were still recognised at EUR 14,571k under other current assets in the previous year because a subsequent sale was intended in the near future.

Furthermore, as part of the sale of three commercial units, the remaining shares (in each case 10.1 percent) in the property companies of BCP in the amount of EUR 6,494k are recognised under other financial assets. They are measured at fair value through profit or loss.

Other non-current assets mainly include advance payments in connection with the expansion of existing residential estates in Göttingen and Wolfsburg and the acquisition of land for project development and project development companies.

8.7 Deferred taxes

Deferred tax assets (+) and liabilities (-) are composed as follows:

In EUR ’000	2019	2018
Tax loss carryforwards (deferred tax assets)	**78,059**	87,527
Valuation of other liabilities (deferred tax assets)	**1,961**	5,315
Valuation of pension provisions (deferred tax assets)	**667**	557
Valuation of (convertible) bonds (deferred tax assets)	**58**	2,183
Valuation of financial liabilities (deferred tax assets)	**9,978**	10,747
Valuation of rights of use leasing liabilities (deferred tax assets)	**8**	0
Valuation of investment properties/inventories (deferred tax liabilities)	**-517,076**	-465,102
Valuation of (convertible) bonds (deferred tax liabilities)	**-8,599**	-9,505
Accrual of financing costs (deferred tax liabilities)	**-2,702**	-2,273
Other	**-255**	-7,709
Total deferred tax assets	**90,731**	98,621
Total deferred tax liabilities	**-528,632**	-476,881
	-88,776	-96,086
Offsetting	**88,776**	96,086
Reported deferred tax assets	**1,955**	**2,535**
Reported deferred tax liabilities	**-439,856**	**-380,794**

In the first quarter of 2019, ADLER decided to use the extended property reduction for trade tax purposes for selected companies in the scope of consolidation that exclusively own and manage property holdings. In this context, deferred tax liabilities of EUR 13,652k were reversed through profit or loss.

Deferred tax assets for tax loss carryforwards are recognised at the amount at which the corresponding tax benefits are likely to be realised through future taxable income (recognised at no less than the value of deferred tax liabilities). The loss carryforwards relate exclusively to Germany and are therefore not expected to expire. As a result, the maturity structures of those loss carryforwards which have not been capitalised have not been disclosed.

No deferred tax assets were recognised for corporate tax loss carryforwards of around EUR 179.5 million (previous year: around EUR 353.8 million) and trade tax loss carryforwards of around EUR 146.7 million (previous year: around EUR 250.8 million) as their realisation is not sufficiently certain. No deferred tax assets

8. NOTES TO THE CONSOLIDATED BALANCE SHEET (continued)

8.7 Deferred taxes (continued)

were recognised for corporate tax loss carryforwards of around EUR 289.8 million and trade tax loss carryforwards of around EUR 188.2 million as they are expected to be eliminated as a result of ADLER AG's majority takeover by ADO Properties S.A. in the first half of 2020.

No deferred tax liabilities have been recognised on amounts totalling EUR 56.8 million (previous year: EUR 36.0 million) in connection with shareholdings in group companies. This is due to the Group's ability to control their reversal, which is not expected to be the case in the foreseeable future.

8.8 Inventories

Inventories include an amount of EUR 87.289k for properties acquired for sale (previous year: EUR 88,071k) and an amount of EUR 20k for other inventories (previous year: EUR 25k). The portfolio of inventory properties or properties from project developments (newly built apartments) acquired for sale developed as follows:

In EUR '000	2019	2018
Carrying amounts 01.01.	**88,071**	**2,941**
Additions through acquisition (+)	**0**	24,466
Additions (+)	**58,183**	24,805
Disposals (-)	**-58,964**	-36,663
Reclassifications (+/-)	**0**	72,522
Carrying amounts 31.12.	**87,289**	**88,071**

No material write-ups or write-downs were recognised on properties recognised under inventories in the financial year under report.

The carrying amount of inventories pledged as securities for liabilities amounts to EUR 73.644k (previous year: EUR 87,234k). Inventory properties with total carrying amounts of EUR 57.118k (previous year: EUR 74,600k) are only expected to be sold after more than 12 months.

8.9 Trade receivables, income tax claims and other current assets

Current trade receivables comprise the following items:

In EUR '000	2019	2018
Rent receivables	**11,792**	13,542
Contractual assets from operating costs	**5,805**	155
Contractual assets from project developments	**7,464**	4,474
Receivables from sale of investment properties	**131**	171
Other	**6,796**	7,557
Total	**31,987**	**25,898**

The disclosures in accordance with IFRS 15 to the balances related to contracts with customers are presented in Section 10 of the notes to the consolidated financial statements.

Other trade receivables primarily include balances with suppliers and service providers associated with the letting business.

8. NOTES TO THE CONSOLIDATED BALANCE SHEET (continued)

8.9 Trade receivables, income tax claims and other current assets (continued)

Other current assets break down as follows:

In EUR '000	2019	2018
Purchase price receivable ACCENTRO including interest claims	**56,261**	149,878
Current securities	**294**	14,571
Earmarked financial assets	**82,125**	46,502
Short-term loans to third parties	**20,953**	17,648
Short-term loans to associated companies	**16,000**	0
Sales tax receivables	**1,784**	1,375
Advance payment of financing costs	**1,142**	1,723
Derivates current	**1,637**	139
Receivables reductions in purchase price	**3,123**	190
Other current assets	**9,682**	8,454
Total	**193,002**	**240,480**

The ACCENTRO purchase price receivable results from the sale of ACCENTRO in the fourth quarter of 2017. EUR 97.937k (previous year: EUR 17,370k) was repaid on the purchase price receivable in the 2019 financial year. By contrast, interest income on the receivable of EUR 4.319k (previous year: EUR 5,520k) was recognised. The remaining and secured purchase price receivable is to be paid during the financial year 2020 after a further extension of the due date granted.

The bonds that were recognised under current securities in the previous year were reclassified to other financial assets.

Restricted financial assets comprise bank balances with specific use restrictions that should only be used for the repayment of certain financial liabilities, as security for specific obligations or for particular maintenance measures. ADLER cannot decide on their disposal.

The item current loans to associated companies includes a portion of the deferred claim for payment against Caesar JV Immobilienbesitz und Verwaltungs GmbH from the sale of properties, which will be due by 1 December 2020 at the latest.

All items within other current assets are of a short-term nature as they mainly result from contractual arrangements due to be settled within one year.

The Group's default risk, impairment losses of financial assets and the disclosures on the derivatives are presented in Section 11 of the notes to the consolidated financial statements.

8.10 Cash and cash equivalents

Cash and cash equivalents include cash on hand and credit balances at banks.

Cash and cash equivalents amounted to EUR 237,415k (previous year: EUR 77,655k) as at the balance sheet date, of which an amount of EUR 15.753k (previous year: EUR 44,262k) was subject to restrictions on disposal. ADLER can dispose of these resources, but they are intended for a special use. In particular, these are credit accounts on which funds are accumulated, which are then used for interest payment and repayment.

Due to the specific restrictions on disposal, bank credit balances of EUR 82,125k (previous year: EUR 46,502k) have been reported for the year under report under other current assets.

8.11 Non-current assets and liabilities held for sale

Non-current assets and liabilities held for sale particularly include the assets and liabilities of ADO Properties after consolidation of transactions within the Group. As ADLER is expected to lose control over ADO Properties again in the first half of 2020, it constitutes a discontinued operation in accordance with IFRS 5.

8. NOTES TO THE CONSOLIDATED BALANCE SHEET (continued)

8.11 Non-current assets and liabilities held for sale (continued)

Following the acquisition of ADO Properties as at 10 December 2019, ADO Properties concluded a share purchase agreement with several shareholders of Consus Real Estate AG (Consus) for the acquisition of 22.2 percent of Consus' outstanding shares in total. By 31 December 2019, the company acquired 18.6 percent of the shares of Consus at a purchase price of EUR 254,185k. The shares were classified as assets measured at fair value through comprehensive income and are reported under other financial assets in the table below. As at 31 December 2019, based on the stock market price, the fair value of these assets amounted to EUR 186,158k. The change in value is reported in other comprehensive income (OCI), taking into account deferred taxes. The remaining shares of 3.6 percent were acquired in January 2020.

In addition, ADO Properties has concluded an option agreement with Consus' major shareholder, Aggregate Holdings S.A. (Aggregate), Luxembourg, which stipulates that ADO Properties will receive a call option from Aggregate allowing ADO Properties to acquire Consus shares, which currently make up 50.97 percent of Consus' total share capital, in exchange for ADO Properties shares. The option is exercisable from the closing date of 15 December 2019 until 16 June 2021.

Under the option agreement, ADO Properties also undertakes to make a voluntary takeover bid to acquire the remaining Consus shares, provided that ADO Properties has exercised the option. As consideration per Consus share, Consus shareholders are to receive 0.2390 newly-created ADO Properties shares each, whereby the exchange ratio is to be adjusted in the event of dividends and raising equity by ADO Properties or Consus. Under the same agreement, Aggregate receives an option to sell its Consus shares in the event of a change of control of ADO Properties. When exercising this option to sell, ADO Properties is obliged to acquire the Consus shares held by Aggregate. The consideration per Consus share consists of either a cash payment of EUR 8.35 or the issue of 0.2390 ADO Properties shares at the choice of ADO Properties, whereby the latter exchange ratio is to be adjusted in the event of dividends and raising equity by ADO Properties or Consus. The option was measured using the Monte Carlo simulation and classified as financial assets at fair value through profit or loss. The option is shown under other financial assets in the table below. As at 31 December 2019, the fair value of the option amounted to EUR 92.009k.

The option was assessed as non-substantial with regard to further potential voting rights which, together with the existing voting rights, could convey control. The main reason for this assessment was that a current exercise can be ruled out based on the objective and structure of the option and taking into account the specific exercise conditions. On the one hand, the exercise of the call option requires the approval of the antitrust authorities. On the other hand, the exercise of the call option is simultaneously linked to an obligation to make a voluntary takeover bid to the remaining shareholders, the completion of which – prior to the successful completion of the planned business combination between ADLER and ADO Properties – is currently economically impossible. A possible exercise of the option as at 31 December 2019 and prior to the completion of the takeover bid of ADO Properties would have had a negative impact on the company's rating. After a qualitative assessment of all circumstances and facts, no significant influence on the company could be derived from the additional acquisition of around 18.6 percent – in addition to the previous 3.6 percent that the Group indirectly holds via BCP. This is mainly due to the lack of presence in the representative bodies (Management Board and Supervisory Board) of the company, of which around 51 percent is controlled by a major shareholder. There were also no management staff exchanged with Consus. There have been no significant business transactions with Consus to date. No significant technical information has been provided to Consus. Accordingly, no other indicators of significant influence have been identified. The company was therefore not included in the consolidated financial statements as an associated company.

8. NOTES TO THE CONSOLIDATED BALANCE SHEET (continued)

8.11 Non-current assets and liabilities held for sale (continued)

Assets and liabilities of ADO Properties at the balance sheet day are as follows:

In EUR '000	31.12.2019
Property, plant and equipment	**10,965**
Investment Properties	**3,624,453**
Other financial investments	**285,029**
Other non-current assets	**6,300**
Inventories	**39,270**
Trade receivables	**13,987**
Income tax receivables	**160**
Other current assets	**41,376**
Cash and cash equivalents	**387,558**
Total assets	**4,406,098**

In EUR '000	31.12.2019
Income tax liabilities	**334,305**
Liabilities from convertible bonds, non-current	**93,602**
Liabilities from bonds, non-current	**402,008**
Financial liabilities to banks, non-current	**729,698**
Other non-current liabilities	**30,198**
Income tax liabilities	**3,109**
Financial liabilities to banks, current	**40,528**
Trade liabilities	**22,082**
Other current liabilities	**44,314**
Total liabilities	**1,699,844**

Other non-current assets held for sale primarily include properties recognised at a value of EUR 429,548k (31 December 2018: EUR 185,543k), for which notarial purchase contracts were available at the balance sheet date. The disposal of non-current assets held for sale in the previous year did not have any material impact on earnings, as the assets were already measured at fair value. This corresponded to the sale price for the properties less related expenses. Other non-current liabilities held for sale of EUR 127,574k are transferred on disposal of the assets.

In detail, the following developments occurred in relation to other non-current assets and liabilities held for sale:

Control over the rental units of the non-core portfolio was transferred in the first quarter of 2019, thus the properties held for sale as at 31 December 2018 with a value of EUR 179,200k were disposed of.

Through its subsidiary BCP, ADLER signed a binding sale and purchase agreement with an established London-based private equity company specialising in real estate on 25 March 2019. The agreement concerns the sale of three commercial units in Rostock, Celle and Castrop-Rauxel. Due to the sale of the commercial units, investment properties of EUR 181,862k, other current assets of EUR 1,840k, financial liabilities to banks of EUR 105,484k, deferred tax liabilities of EUR 12,564k and trade payables/other liabilities of EUR 7,592k were classified as non-current assets or liabilities held for sale and reclassified accordingly. In the second quarter, following the transfer of control, these assets and liabilities were disposed of in corresponding amounts.

At the end of June 2019, ADLER concluded a binding purchase agreement with the Redos Group, Hamburg, as a representative of Union Investment Real Estate GmbH, Hamburg, via its subsidiary BCP. The object of the agreement is the sale of eleven commercial units in Bad Aibling, Vilshofen, Dreieich, Kassel, Laatzen, Leverkusen, Dusseldorf, Cologne, Bad Segeberg, Emden and Witten. Due to the sale of the commercial units, investment properties of EUR 128,641k were classified as non-current assets held for sale and reclassified accordingly. On 31 December 2019, control of a portion of these assets was transferred, such that a reduced amount of EUR 54,155k was reported as held for sale.

8. NOTES TO THE CONSOLIDATED BALANCE SHEET (continued)

8.11 Non-current assets and liabilities held for sale (continued)

At the end of September 2019, ADLER concluded a binding share deal for the sale of a 75 percent shareholding to a project development company in Dusseldorf via its subsidiary BCP. The sale meant that investment properties of EUR 375,000k and financial liabilities to banks of EUR 127,512k were classified as non-current assets held for sale or liabilities held for sale and reclassified accordingly. Goodwill of EUR 1,319k from the acquisition of BCP proportionally attributable to this project development company was also reclassified to non-current assets held for sale and then fully amortised.

8.12 Capital stock

The fully paid up share capital at ADLER amounted to EUR 71,064k as at 31 December 2019 (previous year: EUR 71,064k) and was divided into 71,063,743 (previous year: 71,063,622) no-par bearer shares with equal voting rights. Due to the exercising of conversion rights, capital stock increased marginally. The number of outstanding shares is as follows:

Amount	2019	2018
As at 01.01.	**71,063,622**	57,547,740
Conversion of convertible bonds	**121**	13,515,882
As at 31.12.	**71,063,743**	**71,063,622**

The Ordinary General Meeting of the company held on 11 June 2019 replaced the Management Board authorisation resolved on 15 October 2015 to acquire and dispose of treasury stock with a new authorisation to acquire and dispose of treasury stock for a limited period until 10 June 2024.

Authorisation to acquire treasury stock

The Management Board is authorised until 10 June 2024 to acquire treasury stock of the company up to a total of 10 percent of the existing share capital of the company while observing the principle of equal treatment (Section 53a AktG). At no time may the shares acquired on the basis of this authorisation, together with other shares of the company that the company has already acquired or still holds or which are attributable to the company pursuant to Sections 71d and 71e AktG, account for more than 10 percent of the company's respective share capital. The authorisation may be exercised in whole or in part, once or several times. The acquisition may also be carried out by Group companies dependent on the company or by third parties for its or their account. Treasury shares may be acquired only to the extent that the company could form a reserve in the amount of the expenses for the acquisition without reducing the share capital or a reserve to be formed in accordance with the law or the Articles of Association, which may not be used for payments to the shareholders.

The Management Board is authorised, subject to compliance with the principle of equal treatment within the meaning of Section 53a AktG, to resell on the stock exchange any treasury stock acquired by virtue of the aforementioned authorisation or any prior authorisations, or to offer them to the shareholders by way of an offer to all shareholders by maintaining the shareholders' subscription rights. Trading in treasury stock is not permitted.

On 16 June 2017, ADLER AG began a share buyback programme, which has been supplemented twice. The share buyback programme expired in March 2018. A total of 2,583,232 no-par bearer shares were acquired up to 31 December 2018. The nominal amount of the treasury stock thereby acquired has been deducted from share capital, while the acquisition costs in excess of the nominal amount have been deducted from net retained profit. In the 2019 financial year, the purchase price for the acquisition of property companies was paid partly through the transfer of 980,000 treasury shares, valued at EUR 14.50 per share. The deduction from share capital of EUR 980k was reversed up to the nominal amount of the transferred treasury shares. The difference between the nominal amount and the transfer amount was reallocated to net retained profit up to the amount of EUR 12,279k that was offset. The remaining difference of EUR 951k was allocated to the capital reserve.

8. NOTES TO THE CONSOLIDATED BALANCE SHEET (continued)

8.12 Capital stock (continued)

Authorised Capital 2017/I

The Ordinary General Meeting of the company resolved on 7 June 2017 to create additional authorised capital. By entry of Authorised Capital 2017/1 in the Commercial Register on 27 June 2017, the Management Board is authorised until 9 May 2022, subject to the approval of the Supervisory Board, to increase the company's capital stock on one or several occasions by a total of up to EUR 12,500k by issuing new no-par bearer shares in return for cash contributions or contributions in kind, excluding shareholders' subscription rights.

Authorised Capital 2019/I

The Ordinary General Meeting of the company resolved on 11 June 2019 to create additional authorised capital. By entry of Authorised Capital 2019/1 in the Commercial Register on 17 June 2019, the Management Board is authorised until 10 June 2024, subject to the approval of the Supervisory Board, to increase the company's capital stock on one or several occasions by a total of up to EUR 23,000k by issuing new no-par bearer shares in return for cash contributions or contributions in kind, excluding shareholders' subscription rights.

Contingent Capital 2015/I

The company has Contingent Capital 2015/I of EUR 12,000k based on the resolution by the Annual General Meeting held on 22 May 2015, last amended by resolution by the Ordinary General Meeting held on 30 May 2018. The resolution by the Annual General Meeting held on 30 May 2018 regarding the increase in Contingent Capital 2015/I was entered in the Commercial Register on 18 June 2018.

The contingent capital increase exclusively serves to issue shares to the bearers of warrant or convertible bonds issued until 21 May 2020 on the basis of the authorisation granted by the Annual General Meeting on 22 May 2015. In accordance with the terms and conditions of the warrant and convertible bonds, the contingent capital increase also serves to issue shares to the bearers of warrant or convertible bonds furnished with option or conversion obligations. The contingent capital increase is only executed to the extent that the bearers of warrant and/or convertible bonds exercise their option and conversion rights, or that the bearers of warrant or convertible bonds obliged to exercise their options or convert their bonds meet such obligations to exercise their options or convert their bonds, to the extent that the option or conversion rights are not satisfied by issuing treasury stock or that other forms of settlement are not drawn on to satisfy the respective claims. The new shares enjoy dividend entitlements from the beginning of the financial year in which they are issued, for all financial years for which the Annual General Meeting has not yet adopted any resolutions in respect of the appropriation of profit.

Following the exercising of conversion rights in connection with the EUR 137.9 million, 2.5 percent 2016/2021 convertible bond, Contingent Capital 2015 still amounted to EUR 11,388k as at 31 December 2019.

Contingent Capital 2019/I

The company has Contingent Capital 2019/I of EUR 22,000k based on the resolution by the Ordinary General Meeting held on 11 June 2019. The resolution by the Annual General Meeting held on 11 June 2019 regarding the increase in Contingent Capital 2019/I was entered in the Commercial Register on 17 June 2019.

The contingent capital increase exclusively serves to issue shares to the bearers of warrant or convertible bonds issued until 10 June 2024 on the basis of the authorisation granted by the Annual General Meeting on 11 June 2019. In accordance with the terms and conditions of the warrant and convertible bonds, the contingent capital increase also serves to issue shares to the bearers of warrant or convertible bonds furnished with option or conversion obligations. The contingent capital increase is only executed to the extent that the bearers of warrant and/or convertible bonds exercise their option and conversion rights, or that the bearers of warrant or convertible bonds obliged to exercise their options or convert their bonds meet such obligations to exercise their options or convert their bonds, to the extent that the option or conversion rights are not satisfied by issuing treasury stock or that other forms of settlement are not drawn on to satisfy the respective claims. The new shares enjoy dividend entitlements from the beginning of the financial year in which they are issued, for all financial years for which the Annual General Meeting has not yet adopted any resolutions in respect of the appropriation of profit.

8. NOTES TO THE CONSOLIDATED BALANCE SHEET (continued)

8.13 Capital reserve

The capital reserve mainly relates to the premiums paid on capital increased in previous years offset against the costs of the respective capital increases. Furthermore, the capital reserve includes the equity component of the convertible bonds issued net of allocable transaction costs and income tax effects. Moreover, differential amounts arising from acquisitions of shares not leading to a change of status are also recognised in the capital reserve.

Due to the exercising of conversion rights, the capital reserve increased by EUR 1k. At the beginning of the third quarter, non-controlling interests amounting to EUR 89,865k were acquired in several subsidiaries of BCP. The consideration for the transaction amounted to EUR 90,837k. As this was a share purchase with no change in status, the difference was offset against the capital reserve.

Further details can be found in the consolidated statement of changes in equity.

8.14 Retained earnings

Retained earnings include adjustments in the opening balance sheet due to the conversion of accounting from the German Commercial Code (HGB) to International Financial Reporting Standards (IFRS) implemented in the 2005 financial year (first-time adoption), items resulting from changes to accounting policies pursuant to IAS 8 and current items resulting from the re-measurement of pension provisions. In addition, changes in the fair value of financial assets measured at fair value through other comprehensive income and shares in other comprehensive income and companies accounted for using the equity method are recognised.

In the financial year, profits and losses from the re-measurement of pension provisions amounting to EUR -350k (previous year: EUR -48k) and changes in the fair value of financial assets measured at fair value through other comprehensive income amounting to EUR -22,824k (previous year: EUR -802k) after netting with the related taxes were transferred to retained earnings.

Further details can be found in the consolidated statement of changes in equity.

8.15 Currency translation reserve

The currency translation reserve includes in previous year the accumulated exchange rate difference from the initial and subsequent consolidations of Adler McKinney LLC on the reporting dates in the consolidated balance sheet. This amount is directly recognised in equity in the currency translation reserve. The change in the currency translation reserve by EUR -88k (EUR 2k) is attributable to the liquidation of Adler McKinney LLC.

8.16 Minority interests

The item comprises the share of equity and annual earnings of consolidated subsidiaries. The consolidated net income attributable to shareholders in the parent company corresponds to the difference between the consolidated net income before non-controlling interests and the non-controlling interests reported in the income statement.

Non-controlling interests breaked down as follows:

in EUR '000	2019	2018
Subsidiary ADO Properties	**1,758,659**	0
Subsidiary WESTGRUND	**57,102**	51,477
Subsidiary BCP	**232,503**	264,841
Subsidiary JADE	**11,618**	10,980
WBR Wohnungsbau Rheinhausen GmbH	**10,535**	9,891
Other	**31,575**	25,016
Carrying amounts 31.12.	**2,101,992**	**362,205**

The development in non-controlling interests is presented separately in the statement of changes in equity.

8. NOTES TO THE CONSOLIDATED BALANCE SHEET (continued)

8.16 Minority interests (continued)

As a result of the acquisition of ADO Properties, the shares of non-controlling interests increased by EUR 1,742,651k. In the course of the acquisition of property and project development companies, the shares of non-controlling interests increased by a further EUR 3,853k. In the reporting year, non-controlling interests amounting to EUR 89,865k were acquired in several subsidiaries of BCP.

Further details can be found in the consolidated statement of changes in equity.

The key financials of those subsidiaries with non-controlling interests which are of material relevance to the Group are presented in the following tables. The amounts are presented prior to consolidation. Due to the acquisition of ADO Properties in the financial year 2019 no financial information for the 2018 financial year is disclosed.

Combined consolidated balance sheets IFRS	Subsidiary ADO Properties		Subsidiary WESTGRUND		Subsidiary BCP	
Headquarters	**Berlin**	**Berlin**	**Berlin**	**Berlin**	**Amsterdam**	**Amsterdam**
Minority interest %	**66.75**	**—**	**3.12**	**3.23**	**30.19**	**30.19**
in EUR '000	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Current assets[1]	**464,324**	—	**50,217**	77,529	**349,471**	80,294
Current liabiliets[1]	**111,714**	—	**70,386**	40,751	**262,119**	151,556
Net current assets	**352,610**	**—**	**-20,169**	**36,778**	**87,352**	**-71,262**
Investment properties	**3,624,453**	—	**1,331,089**	1,243,944	**1,123,350**	1,410,282
Other non-current assets	**307,688**	—	**18,963**	3,783	**190,363**	332,499
Non-current liabilities	**1,586,306**	—	**499,647**	534,446	**647,628**	871,059
Net fixed assets	**2,345,835**	**—**	**850,405**	**713,281**	**666,085**	**871,722**
Equity	**2,698,445**	**—**	**830,236**	**750,059**	**753,437**	**800,460**

[1] Includes non-current assets and liabilities held for sale

Combined statement of comprehensive income IFRS	Subsidiary ADO Properties		Subsidiary WESTGRUND		Subsidiary BCP	
in EUR '000	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Revenue	**156,520**	—	**102,221**	99,744	**99,675**	106,148
Annual result	**606,924**	**—**	**79,953**	**144,753**	**19,311**	**119,043**
Other comprehensive income	**-67,502**	—	**225**	456	**0**	0
Net result	**539,422**	**—**	**80,178**	**145,209**	**19,311**	**119,043**
Profit or loss attributable to non-controlling interests	**5,050**	—	**3,922**	7,178	**-555**	18,124

Combined cash flow statement	Subsidiary ADO Properties		Subsidiary WESTGRUND		Subsidiary BCP	
In EUR '000	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Cash flow from operating activities	**88,764**	—	**26,843**	23,045	**37,508**	-68,059
Cash flow from investing activities	**269,061**	—	**-10,628**	-9,335	**89,948**	-56,394
Cash flow from financing activities	**1,767**	—	**-16,877**	-51,452	**-110,185**	38,462
Change in cash and cash equivalents	**359,592**	**—**	**-662**	**-37,742**	**17,271**	**-85,991**

8.17 Pension provisions

The projected unit credit method was used for the recognition and measurement of pension provisions as at 31 December 2019. This takes account of both the pensions and known pension entitlements at the balance sheet date and any increases in pension and salaries expected in the future.

8. NOTES TO THE CONSOLIDATED BALANCE SHEET (continued)

8.17 Pension provisions (continued)

The calculation was based on the following material actuarial assumptions:

In EUR '000	31.12.2019	31.12.2018
Discount rate	**1.00%**	1.80%
Future salary increases	**0.00% to 2.35%**	0.00% to 2.50%
Future pension increases	**1.5% to 1.6%**	1.5% to 1.75%
Best-estimate actuarial assumptions	**Mortality tables 2018 G by Dr. Klaus Heubeck**	Mortality tables 2018 G by Dr. Klaus Heubeck

As the pension provisions at ADLER Real Estate Service GmbH solely comprise historic commitments to employees who have left the company (vested claims and current benefits), the personnel turnover rate is 0 percent (previous year: 0 percent). A customary personnel turnover rate was used to measure the pension provision at Adler Wohnen Service GmbH.

After offsetting against plan assets, the pension provisions amounted to EUR 4,092k as at the balance sheet date (previous year: EUR 3,714k). Plan assets were taken into account at EUR 1,094k (previous year: EUR 1,069k).

Actuarial losses of EUR 502k (excluding deferred taxes) were recognised in other comprehensive income in 2019 (previous year: EUR 68k).

Sensitivity analysis: if all other assumptions remain unchanged, an increase or decrease in material actuarial assumptions would have had the following impact on the DBO as of 31 December 2019:

In EUR '000		2019	2018
Actuarial interest	Increase of 0.5 PP	**-308**	-273
	Decrease of 0.5 PP	**346**	307
Pension increase	Increase of 0.25 PP	**42**	42
	Decrease of 0.25 PP	**-41**	-40
Income trend	Increase of 0.25 PP	**1**	1
	Decrease of 0.25 PP	**-1**	-1

Of pension provisions, an amount of EUR 206k is due to mature within one year (previous year: EUR 255k). This amount has been uniformly reported together with the other pension obligations under non-current liabilities. As the commitments mainly relate to employees who have left the company and no new commitments are being made, an annual disbursement of around EUR 206k is expected in future years as well.

8.18 Other provisions

A contingent liability of EUR 2,954k (previous year: EUR 3,454k) was recognised on the acquisition of BCP for a pending lawsuit in which the entity is a defendant. The claim has arisen from a general contractor demanding payment for services performed for a development project.

Other non-current provisions include amounts of EUR 124k (previous year: EUR 250k) in provisions from the SAR programme, EUR 18k (previous year: EUR 56k) for early retirement commitments and EUR 52k (previous year: EUR 54k) for anniversary provisions.

8.19 Liabilities from convertible bonds

In EUR '000	31.12.2019	31.12.2018
Convertible bond 2016/2021	**124,196**	119,272
Total	**124,196**	**119,272**
– of which non-current	**122,249**	117,516
– of which current	**1,947**	1,756

8. NOTES TO THE CONSOLIDATED BALANCE SHEET (continued)

8.19 Liabilities from convertible bonds (continued)

The 2016/2021 convertible bond with a total number of 10,000,000 bonds with a nominal value of EUR 13.79 per bond was issued in June 2016. The convertible bond totals EUR 137,900k, has an interest rate of 2.5 percent and matures in July 2021. ADLER grants each bondholder the right, within the exercise period, to convert each bond into no-par bearer shares in ADLER each representing a nominal value of EUR 1.00 of the share capital as at the issue date. The conversion price at issuance was EUR 13.79. The conversion price was adjusted to EUR 12.5364 as at 7 June 2017 and then to EUR 12.5039 as at 31 August 2018 as a result of the issuing of bonus shares. A total of 611,882 bonds were converted up to 31 December 2019, which means that there are now only 11,388,118 convertible bonds in issue.

The non-current liabilities relate to the debt capital component of the convertible bonds after deducting proportionate transaction costs if the remaining term is longer than one year and providing that no change has been made as at the balance sheet date. The current liabilities from convertible bonds include the interest claims of the bondholders as at the balance sheet date.

8.20 Liabilities from bonds

These liabilities were structured as follows as at the balance sheet date:

In EUR '000	31.12.2019	31.12.2018
Bond 2015/2020	**0**	299,052
Bond 2017/2021	**495,020**	492,278
Bond 2017/2024	**300,692**	300,630
Bond 2018/2023	**497,759**	495,317
Bond 2018/2026	**298,930**	297,946
Bond 2019/2022	**399,920**	0
Bond BCP 2011/2020 (A)	**15,828**	29,188
Bond BCP 2013/2024 (B)	**49,816**	48,636
Bond BCP 2014/2026 (C)	**40,590**	38,324
Bond ADO Group 2015/2023 (G)	**173,820**	0
Bond ADO Group 2017/2025 (H)	**157,083**	0
Total	**2,429,458**	**2,001,371**
– of which non-current	**2,327,846**	1,961,112
– of which current	**101,612**	40,259

In December 2017, ADLER issued a corporate bond of EUR 800,000k in two tranches. The first tranche (2017/2021) with a coupon of 1.50 percent and a volume of EUR 500,000k runs until December 2021 and was issued at 99.52 percent. The second tranche (2017/2024) with a coupon of 2.13 percent and a volume of EUR 300,000k expires in February 2024 and was issued at 99.28 percent. On average, the interest on the bonds overall is 1.73 percent.

In April 2018, ADLER successfully placed corporate bonds of EUR 800,000k in two tranches again with institutional investors in Europe. The first tranche has a volume of EUR 500,000k, a coupon of 1.88 percent and a term until April 2023; the second tranche has a volume of EUR 300,000k, a coupon of 3.0 percent and a term until April 2026. On average, the interest on the bonds overall is 2.30 percent. The net proceeds were largely used to refinance the bridging loan which ADLER had raised in connection with the acquisition of BCP.

In April 2019, ADLER successfully placed a corporate bond of EUR 400,000k with a coupon of 1.5 percent with institutional investors in Europe. The bond has a three-year term and matures in April 2022. The net issue proceeds serve exclusively to refinance existing liabilities. In this context, in mid-April, the 2015/2020 corporate bond which still had a volume of EUR 300 million was terminated early. It was repaid in June 2019 at nominal value.

As part of the acquisition of BCP, ADLER has acquired liabilities for bonds in three tranches with an original volume of NIS 700 million. At the balance sheet date, the amortised cost amounted to EUR 106,234k in total

8. NOTES TO THE CONSOLIDATED BALANCE SHEET (continued)

8.20 Liabilities from bonds (continued)

(previous year EUR 116,148k). Tranche A (originally NIS 400 million) has a term up to July 2020 and has 4.80 percent interest rate. Tranche B (originally NIS 175 million) has a term up to December 2024 and has a 3.29 percent interest rate. Tranche C (originally NIS 125 million) has a term up to 2026 and has a 3.30 percent interest rate. Annual principal payments are made until the end of the respective term. The interest rate and the repayment of the three tranches is also linked to the development of the Israeli Consumer Price Index.

Interests in the subsidiary Brack German Properties B.V., Amsterdam/Netherlands, have been pledged as collateral for the fulfilment of the obligations arising from these bonds.

As part of the acquisition of the ADO Group, ADLER has acquired liabilities for bonds in two tranches with an original volume of NIS 1,147 million. As at the balance sheet date, the amortised cost amounted to EUR 330,903k in total. Tranche G (originally NIS 608 million) has a term up to January 2023 and a 4.05 percent interest rate. Tranche H (originally NIS 539 million) has a term up to June 2025 and a 2.50 percent interest rate. The interest rate and the repayment of the two tranches are also linked to the development of the Israeli Consumer Price Index. Interests in ADO Properties have been pledged as collateral for the fulfilment of the obligations arising from these bonds.

Nominal bond amounts have been recognised under non-current liabilities less transaction costs, which are expensed on a time-apportioned basis using the effective interest method if the remaining term is longer than one year. Bondholders’ interest claims as at the balance sheet date have been recognised under current liabilities.

8.21 Financial liabilities

Non-current liabilities to banks include liabilities relating to the acquisition and financing of investment properties. The liabilities to finance investment properties have terms that are in most cases medium to long term and mostly also have fixed interest rates. Non-current loans with floating interest rates are largely hedged with interest swaps.

Non-current financial liabilities to banks amounted to EUR 2,002,136k as at the balance sheet date (previous year: EUR 1,476,187k). The increase compared to the previous year is mainly due to the raising of a bridge loan to finance the acquisition of shares in ADO Group (EUR 700,172k) and the initial consolidation of ADO Group (EUR 27,617k). This was offset by the disposal in the context of the sale of BCP commercial units and the reclassification to current financial liabilities due to repayments, in particular in connection with the sale of the second tranche of BCP’s commercial portfolio. Financial liabilities were also reclassified to liabilities held for sale in connection with the sale of a BCP project development company.

Current financial liabilities to banks amounted to EUR 157,708k as at the balance sheet date (31 December 2018: EUR 142,408k). Current financial liabilities also include the repayments and interest liabilities of the non-current financial liabilities due within one year.

Liabilities to banks are largely secured with land charges. Further security includes the assignment of gross rental income, the pledging of bank credit balances and shareholdings and letters of subordination.

When taking up borrowing facilities or taking over loan agreements upon company acquisitions, the company has in some cases provided the financing banks with specific financial covenants. These include requirements typical to the industry in terms of loan-to-mortgage lending value, interest and capital coverage, overall debt-to-equity ratio, minimum total rental income and minimum investment amounts. Failure to comply with these covenants may result in the termination of the respective facilities or the mandatory deposit of additional security.

Financial liabilities are secured by assets as follows:

In EUR ’000	2019	2018
Investment properties	**1,438,791**	2,500,953
Properties in inventories	**73,644**	87,234
Deposits with banks	**59,737**	49,478
Rent receivables	**8,104**	9,586

8. NOTES TO THE CONSOLIDATED BALANCE SHEET (continued)

8.22 Other non-current liabilities

Other non-current liabilities mainly include non-current lease liabilities at EUR 20,525k (previous year: EUR 12,054k), the negative fair values of long-term interest hedges at EUR 5,973k (previous year: EUR 5,888k) – further information about these can be found in Note 11.3, "Derivative financial instruments and hedge accounting" and Note 12 "Information on leases in accordance with IFRS 16" .

The liability to the Federal and State Government Employees Retirement Fund (VBL) at EUR 8,608k (previous year: EUR 7,774k) were transferred to other current liabilities in the reporting year. Distribution claims on the part of non-controlling interests have been recognised at EUR 2,660k (previous year: EUR 3,040k).

8.23 Trade payables, income tax liabilities and other current liabilities

All the trade payables of EUR 37,380k (previous year: EUR 47,440k) are current and owed to third parties. These items mainly relate to letting liabilities but also include unbilled maintenance measures and advisory services.

The income tax liabilities of EUR 15,960k (previous year: EUR 12.921k) involve corporate income and trade tax obligations for the current and previous financial years.

Other current liabilities comprise the following items:

In EUR '000	2019	2018
Purchase price liabilities	**17,690**	18,371
Payments received – Investment Properties	**220**	23,198
Deferred rental income	**3,655**	4,427
Payment received – Project Development	**1,143**	841
Selling costs commercial real estate	**8,363**	0
Security deposits received	**8,699**	8,060
Liability to Federal and State Goverment Employees Retirement Fund (VBL)	**8,608**	0
Personnel obligations	**7,545**	2,800
Derivates current	**393**	583
Current lease liabilities	**2,701**	46
Real estate transfer tax	**1,667**	0
Other current liabilities	**2,613**	1,391
Total	**63,297**	**59,717**

The short-term purchase price liabilities relate to the acquisition of the Wasserstadt Mitte property project development.

Advance payments received for sales of investment properties (contract liabilities) relate to disposals for which the benefits and obligations had not yet been transferred and control had not yet been transferred in the reporting year.

Deferred rental income mainly comprises rent payments from social security authorities for the January of the following financial year.

Payments received for sales of project development properties (contract liabilities) are recognised if it is not possible to offset against the contract assets concerned.

The additional disclosures in accordance with IFRS 15 to the balances related to contracts with customers are presented in Section 10 of the notes to the consolidated financial statements.

Liabilities from costs of disposal are attributable to expenses in connection with the disposal of the BCP commercial units.

The received deposits shown are attributable to BCP.

8. NOTES TO THE CONSOLIDATED BALANCE SHEET (continued)

8.23 Trade payables, income tax liabilities and other current liabilities (continued)

The obligation to the VBL results from the acquisition of JADE and was measured at fair value as at the balance sheet date.

The additional disclosures in accordance with IFRS 16 on lease liabilities are presented in Section 12 of the notes to the consolidated financial statements.

9. NOTES TO THE STATEMENT OF INCOME AND ACCUMULATED EARNINGS

9.1 Gross rental income

Gross rental income is structured as follows:

In EUR ’000	2019	2018
Net income	**248,735**	238,412
Income from charged operating costs	**114,961**	107,649
Other income from property management	**6,666**	3,534
Total	**370,362**	**349,595**

Net rental income in an amount of EUR 73,771k (previous year: EUR 59,406k), income from charged operating costs in an amount of EUR 25,904k (previous year: EUR 20,406k) and other income from property management in an amount of EUR 0k (previous year: EUR 0k) are attributable to the business of BCP.

9.2 Expenses from property lettings

Expenses from property lettings are broken down as follows:

In EUR ’000	2019	2018
Apportionable and non-apportionable operating costs	**124,279**	122,458
Maintenance	**26,293**	22,763
Other property management expenses	**472**	687
Total	**151,044**	**145,908**

The operating costs amounted to EUR 29,524k (previous year: EUR 24,358k), the maintenance expenses to EUR 4,878k (previous year: EUR 2,839k) and the other property management expenses to EUR 0k (previous year: EUR 0k) from the business of BCP.

9.3 Income from the sale of properties

Income from the sale of properties is structured as follows:

In EUR ’000	2019	2018
Income from the disposal of project development inventory properties	**70,029**	44,178
Income from the disposal of other inventory properties	**81**	0
Income from the disposal of investment properties	**463,713**	30,890
Total	**533,823**	**75,068**

The income from the sale of project developments is fully attributable to BCP in the period under report, the income from the sale of investment properties in the amount of EUR 275,060k (previous year: EUR 12,124k). The income from the sale of investment properties is attributable to the sale of the rental units in the non-core portfolio and the BCP commercial units.

9. NOTES TO THE STATEMENT OF INCOME AND ACCUMULATED EARNINGS (continued)

9.4 Expenses from the sale of properties

Expenses from the sale of properties are structured as follows:

In EUR '000	2019	2018
Carrying amount of disposed project development inventory properties	**58,894**	36,663
Carrying amount of disposed other inventory properties	**70**	0
Carrying amount of disposed investment properties	**463,618**	29,946
Costs of disposal	**10,747**	354
Total	**533,329**	**66,963**

As in the previous year, the retirements of inventory properties are fully attributable to the project development of BCP in the period under report, while the retirements of investment properties amount to EUR 275,059k (previous year: EUR 11,900k).

The carrying amount disposals from the sale of investment properties are attributable to the sale of the rental units in the non-core portfolio and the BCP commercial units.

The costs of disposal amounting to EUR 10,511k (previous year: EUR 0k) are attributable to expenses in connection with the disposal of the BCP commercial units.

9.5 Personnel expenses

Personnel expenses include the following items:

In EUR '000	2019	2018
Wages, salaries and other benefits	**41,095**	29,389
Social security contributions	**5,025**	5,142
Old-age pension expenses	**1,010**	607
Total	**47,130**	**35,138**

Personnel expenses in the amount of EUR 9,573k (in previous year: EUR 6,254k) are attributable to BCP in the year under review.

In the year under review, an addition of the VBL obligations amounting to EUR 951k (in previous year: EUR 239k) is recognised in old-age pension expenses.

Stock appreciation right programme

ADLER introduced a stock appreciation right programme (SAR programme) in the 2015 financial year, which aims to retain the beneficiaries at the company and enable them to participate in the company's value growth. Based on a resolution adopted by the Supervisory Board, the rules of the scheme provide for a total volume of 599,178 stock appreciation rights. These rights entitle their beneficiaries to compensation whose amount is dependent on ADLER's share price performance. In all cases, rights are granted by concluding individual agreements between the company and the beneficiary or a framework decision of the Supervisory Board. These agreements provide for a cash settlement.

The exercising of the rights granted by the stock appreciation programme is dependent on the beneficiary completing a specific period of service. Should the beneficiary resign from employment at ADLER prematurely for whatever reason, then their entitlement to as-yet unvested SAR rights is forfeited without replacement. For the beneficiary, one-third of the stock appreciation rights granted become vested for the first time and in full at the end of one year. The remaining two-thirds of the stock appreciation rights granted become vested on a quarterly basis at an amount of one-twelfth per quarter through to the end of a three-year period.

9. NOTES TO THE STATEMENT OF INCOME AND ACCUMULATED EARNINGS (continued)

9.5 Personnel expenses (continued)

The details of this share-based compensation scheme are as follows:

Valuation as at 31.12.2019	Total	of which Board
Number of fully-earned SAR	83,590	83,590
Proportional recorded number of SAR in expenses	105,739	105,739
Fair value per SAR in EUR	1,17	1,17
Expenses in the reporting period in EUR’000	65	33
Provision for due date in EUR’000	**124**	**124**
of which intrinsic value for the earned SAR in EUR’000	20	20

Valuation as at 31.12.2018	Total	of which Board
Number of fully-earned SAR	176,757	146,507
Proportional recorded number of SAR in expenses	231,695	198,776
Fair value per SAR in EUR	1.08	1.01
Expenses in the reporting period in EUR’000	311	105
Provision for due date in EUR’000	**250**	**201**
of which intrinsic value for the earned SAR in EUR’000	127	82

9. NOTES TO THE STATEMENT OF INCOME AND ACCUMULATED EARNINGS (continued)

9.5 Personnel expenses (continued)

The structure of share-based compensation, including the parameters used for measurement purposes, is presented in the following table:

Structure/valuation parameter 2019	Total	of which Board
Maximum amount of granted SARs	**599,178**	**113,000**
Balance/Payment	**in cash**	**in cash**
Structure		
SARs granted at the beginning of reporting period		
Total number	267,000	234,000
Weighted basis price	13.75	13.75
SARs granted in the reporting period		
Total number	0	0
Weighted basis price	—	—
SARs contractually vested in the reporting period		
Total number	44,338	44,338
Weighted basis price	13.83	13.83
SARs forfeited in the reporting period		
Total number	0	0
Weighted basis price	—	—
SARs exercised in the reporting period		
Total number	154,000	121,000
Weighted basis price	12.10	12.25
Weighted average share price upon excercise	13.34	14.30
Exercise date	9 June 2019	9 June 2019
SARs outstanding at the end of reporting period		
Total number	113,000	113,000
Weighted basis prices	13.75	13.75
Min basis price	12.93	12.93
Max basis price	14.26	14.26
Weighted average remaining term in years	0.69	0.69
SARs exercisable		
Total number	0	0
Weighted basis price	—	—
Value determination		
Weighted average fair value of the option	1.19	1.19
Applied pricing model	Binomial model	Binomial model
Weighted average share price	13.60	13.60
Weighted average basis price	13.75	13.75
Anticipated yearly volatility	30.18%	30.18%
Anticipated dividend	0%	0%
Risk-free yearly interest rate	-0.76%	-0.76%

9. NOTES TO THE STATEMENT OF INCOME AND ACCUMULATED EARNINGS (continued)

9.5 Personnel expenses (continued)

Expected volatility has been estimated in reference to the historic volatility of the logarithmised daily equity return over periods of six months, one year, one and a half years, two years and two and a half years, depending on the remaining period of stock appreciation rights.

Structure/valuation parameter 2018	Total	of which Board
Maximum amount of granted SARs	**559,178**	**234,000**
Balance/Payment	**in cash**	**in cash**
Structure		
SARs granted at the beginning of reporting period		
Total number	403,000	271,000
Weighted basis price	12.80	12.98
SARs granted in the reporting period		
Total number	40,000	40,000
Weighted basis price	14.26	14.26
SARs contractually vested in the reporting period		
Total number	90,588	79,588
Weighted basis price	12.68	12.84
SARs forfeited in the reporting period		
Total number	0	0
Weighted basis price	—	—
SARs exercised in the reporting period		
Total number	176,000	77,000
Weighted basis price	7.48	8.40
Weighted average share price upon excercise	15.09	15.09
Exercise date	9 December 2018	9 December 2018
SARs outstanding at the end of reporting period		
Total number	267,000	234,000
Weighted basis prices	12.80	12.98
Min basis price	11.52	11.58
Max basis price	14.26	14.26
Weighted average remaining term in years	0.80	0.90
SARs exercisable		
Total number	0	0
Weighted basis price	—	—
Value determination		
Weighted average fair value of the option	1.09	1.04
Applied pricing model	Binomial model	Binomial model
Weighted average share price	13.02	13.02
Weighted average basis price	12.80	12.98
Anticipated yearly volatility	20.16%	20.16%
Anticipated dividend	0.28%	0.28%
Risk-free yearly interest rate	-0.68%	-0.68%

Expected volatility has been estimated in reference to the historic volatility of logarithmised daily equity return over periods of six months, one, and one and a half years – depending on the remaining period of stock appreciation rights.

9. NOTES TO THE STATEMENT OF INCOME AND ACCUMULATED EARNINGS (continued)

9.6 Other operating income

Other operating income is structured as follows:

In EUR '000	2019	2018
Reversal of provisions and of provision-like liabilities	**1,702**	3,258
Insurance claims	**1,660**	1,719
Other	**5,003**	3,937
Total	**8,364**	**8,914**

Other operating income in the amount of EUR 500k is attributable to BCP in the year under review (previous year: EUR 0k).

9.7 Other operating expenses

Other operating expenses break down as follows:

In EUR '000	2019	2018
Legal and consulting expenses	**24,091**	28,657
Impairment and write-downs of receivables	**10,962**	10,655
General and administrative expenses	**1,136**	1,359
Purchased services	**4,440**	2,975
Office and IT expenses	**7,997**	5,983
Cost of premises	**3,240**	3,122
Public relations	**924**	1,478
Miscellaneous other expenses	**16,174**	12,039
Total	**68,964**	**66,268**

Other operating expenses in the amount of EUR 13,938k are attributable to BCP in the year under review (previous year: EUR 8,164k).

Legal and consulting expenses mainly comprise consulting expenses relating to transactions and strategic and management consulting services.

Impairment and write-downs of receivables mainly result from impairment of trade receivables. The Group's default risks and impairment losses of financial assets are presented in Section 11 of the notes to the consolidated financial statements.

9.8 Income from fair value adjustments of investment properties

These items include gains and losses on the fair value measurement of investment properties as at the balance sheet date. Further information can be found in Note 8.3.

9.9 Depreciation and amortisation

This item includes the amortisation of intangible assets and depreciation of property, plant and equipment at an amount of EUR 5,712k (previous year: EUR1,601k).

9. NOTES TO THE STATEMENT OF INCOME AND ACCUMULATED EARNINGS (continued)

9.10 Financial income

Financial income is structured as follows:

In EUR '000	2019	2018
Interest income – financial assets measured at amortised cost	**6,598**	6,477
Interest income – financial assets at fair value through other comprehensive income	**836**	897
Net change in fair value of derivatives	**2,418**	6,034
Net change in fair value of other financial instruments at fair value through profit or loss	**0**	2,019
Reversal of impairment of financial assets measured at amortised cost – loans, restricted funds and deposits at banks	**254**	864
Other financial income	**84**	4
Total	**10,190**	**16,295**

Financial income in the amount of EUR 2,423k is attributable to BCP in the year under review (previous year: EUR 7,566k).

9.11 Financial expenses

Financial expenses are structured as follows:

In EUR '000	2019	2018
Interest expenses – financial liabilities measured at amortised cost		
Interest expenses – bank loans	**42,157**	87,290
Interest expenses – bonds	**55,243**	49,160
Interest expenses – convertible bonds	**8,186**	8,270
Interest expenses – leasing	**1,179**	0
Interest expenses – other	**347**	792
Net change in fair value of derivatives	**613**	349
Net change in fair value of other financial instruments at fair value through profit or loss	**1,364**	0
Impairment of financial assets measured at amortised cost (loans, restricted funds, deposits at banks)	**820**	438
Impairment of financial assets measured at fair value with changes in other comprehensive income	**6**	0
Net foreign exchange losses	**10,869**	987
Accrued interest on provisions	**65**	71
Other financial expenses	**36**	166
Total	**120,885**	**147,523**

Financial expenses in the amount of EUR 36,893k are attributable to BCP in the year under review (previous year: EUR 10,427k).

The interest expenses for bank loans include prepayment penalties and transaction costs that required immediate recognition as expenses due to the early repayment of financial liabilities to banks and other expenses related to the refinancing of EUR 10,947k (previous year: EUR 37,487k) in total.

The interest expenses for bonds include prepayment penalties and transaction costs of EUR 2,900k (EUR 7,003k) that were recognised immediately as expenses due to the early repayment of the bonds.

9. NOTES TO THE STATEMENT OF INCOME AND ACCUMULATED EARNINGS (continued)

9.12 Income from at-equity valued investment associates

Further information can be found in Note 8.5.

9.13 Income taxes

Taxes on income are broken down as follows:

In EUR '000	2019	2018
Current income tax expense	**16,227**	13,240
Income tax expense (income) from other accounting periods	**1,536**	-869
Actual income tax expense	**17,763**	**12,371**
Deferred tax expense (income), loss carry forwards	**9,467**	-13,380
Deferred tax expense (income), temporary differences	**54,001**	123,585
Deferred taxes	**63,468**	**110,205**
Total	**81,231**	**122,576**

Tax expenses in the amount of EUR 42,518k are attributable to BCP in the year under review (previous year: EUR 24,034k). Current tax expense is calculated on the basis of the taxable income for the financial year. For the 2019 financial year, the tax rate for domestic companies, which combines corporate income tax and the solidarity surcharge, amounts to 15.8 percent (previous year: 15.8 percent). Including the trade tax rate of around 14.4 percent (previous year: 14.4 percent), the group tax rate therefore amounts to 30.2 percent (previous year: 30.2 percent). When measuring deferred taxes, account is taken of the expected implications of the extended trade tax reduction for the domestic trade tax charges. The tax on the Group's pre-tax profit deviates from the theoretical tax rate that would result from applying the group tax rate of 30.2 percent (previous year: 30.2 percent) as follows:

In EUR '000	2019	2018
Earnings before taxes	**356,987**	454,762
Expected income tax 30.175% (previous year: 30.175%)	**107,721**	137,225
Reconciliation due to tax effects:		
Income taxes, previous years	**1,536**	-869
Derecognition of deferred tax assets, previous years	**14,052**	2,557
Sales proceeds exempt from taxes	**-1,355**	-250
Different tax rates	**-57,880**	-41,687
Utilisation of loss carryforwards not capitalised as deferred taxes	**-3,768**	-3,835
Non-deductible expenses	**9,178**	94
Unrecognised deferred tax assets on losses	**7,746**	22,450
Deferred taxes on loss carryforwards acquired	**0**	0
Trade tax effects	**2,896**	6,424
Deferred taxes, previous years	**0**	0
Other	**1,105**	467
Total	**81,231**	**122,576**

9. NOTES TO THE STATEMENT OF INCOME AND ACCUMULATED EARNINGS (continued)

9.14 Earnings after taxes and total comprehensive income from discontinued operations

In EUR '000	2019	2018
Income from property lettings	**0**	0
Expenses from property lettings	**0**	0
Earnings from property lettings	**0**	**0**
Income from the sale of properties	**0**	0
Expenses from the sale of properties	**0**	0
Earnings from the sale of properties	**0**	**0**
Personnel expenses	**0**	0
Other operating income	**0**	0
Other operating expenses	**0**	0
Income from fair value adjustments of investment properties	**0**	0
Depreciation and amortisation	**0**	0
Earnings before interest and taxes (EBIT)	**0**	**0**
Financial income [1)]	**92,009**	0
Financial expenses [1)]	**0**	0
Income from at-equity valued investment associates [1)]	**0**	0
Earnings before taxes (EBT) [1)]	**92,009**	**0**
Income taxes	**0**	0
Earnings after tax from discontinued operations [1)]	**92,009**	**0**
Change in value of equity instruments measured at fair value through OCI	**-68,027**	0
Total comprehensive income of discontinued operations	**23,982**	**0**

1) Reporting, including the previous year, adjusted in accordance with IFRS 5.26 et seq., see Note 2.1 and 8.5

The financial income is based on the valuation of a call option for the acquisition of further shares in Consus by ADO Properties.

The changes in value of equity instruments measured at fair value through OCI result from the valuation of the shares in Consus that have already been acquired by ADO Properties.

9.15 Earnings per share

Earnings per share reflects the amount of earnings generated in a given period that are attributable to each share. This involves dividing consolidated net income by the weighted number of shares outstanding. This key figure is diluted by what are known as "potential shares" (e.g. from convertible bonds).

9. NOTES TO THE STATEMENT OF INCOME AND ACCUMULATED EARNINGS (continued)

9.15 Earnings per share (continued)

Earnings per share are structured as follows:

	2019 Continuing operations	2019 Discontinued operations	2019 Total
Consolidated net earnings (in EUR '000)	275,755	92,009	367,764
Consolidated net earnings without non-controlling interests	207,745	30,593	238,338
Expenses incl. deferred taxes on convertibles	5,716	0	5,716
Consolidated net earnings without non-controlling interests (diluted)	213,461	30,593	244,054
Number of shares (in thousands)			
Weighted number of subscribed shares	68,922	68,922	68,922
Effect of conversion of convertibles	10,419	10,419	10,419
Weighted number of shares (diluted)	79,340	79,340	79,340
Earnings per share (in EUR)			
Basic earnings per share	3.01	0.44	3.46
Diluted earnings per share	2.69	0.39	3.08

	2018 Continuing operations	2018 Discontinued operations	2018 Total
Consolidated net earnings (in EUR '000) [1]	332,449	0	332,449
Consolidated net earnings without non-controlling interests [1]	265,556	0	265,556
Expenses incl. deferred taxes on convertibles	5,621	0	5,621
Consolidated net earnings without non-controlling interests (diluted) [1]	271,177	0	271,177
Number of shares (in thousands)			
Weighted number of subscribed shares	66,998	66,998	66,998
Effect of conversion of convertibles	10,419	10,419	10,419
Weighted number of shares (diluted)	77,417	77,417	77,417
Earnings per share (in EUR)			
Basic earnings per share	3.96	0.00	3.96
Diluted earnings per share	3.50	0.00	3.50

[1] Reporting, including the previous year, adjusted in accordance with IFRS 5.26 et seq., see Note 2.1 and 8.5

10. DISCLOSURES ON REVENUES FROM CONTRACTS WITH CUSTOMERS (IFRS 15)

The table below shows the sources of income related to property management and the sale of properties and the respective date of revenue recognition. The classified income is reconciled to the Group's reportable segments (see Note 7, "Segment reporting").

In EUR '000	Notes	Segments				Group	
		Rental		Other			
		2019	2018	2019	2018	2019	2018
Revenues from leases (IFRS 16; 2018 IAS 17)		**265,610**	**238,207**	**208**	**205**	**265,818**	**238,412**
Net rental income	9.1	**248,527**	238,207	**208**	205	**248,735**	238,412
Income from charging of expenses for property tax and building insurance	12	**17,083**	—	**0**	—	**17,083**	—
Revenues from contracts with customers (IFRS 15)		**638,367**	**186,251**	**0**	**0**	**638,367**	**186,251**
Income from charged operating costs	9.1	**97,878**	107,650	**0**	0	**97,878**	107,650
Other income from property management	9.1	**6,666**	3,533	**0**	0	**6,666**	3,533
Income from the disposal of project developments	9.3	**70,029**	44,178	**0**	0	**70,029**	44,178
Income from the disposal of other inventory properties	9.3	**81**	0	**0**	0	**81**	0
Income from the sale of investment properties	9.3	**463,713**	30,890	**0**	0	**463,713**	30,890
Date of revenue recognition							
Revenue recognition over a period of time		**440,183**	393,568	**208**	205	**440,391**	393,773
Revenue recognition based on a point in time		**463,794**	30,890	**0**	0	**463,794**	30,890
Income from property lettings		**370,154**	**349,390**	**208**	**205**	**370,362**	**349,595**
Income from the sale of properties		**533,823**	**75,068**	**0**	**0**	**533,823**	**75,068**

The table below provides information on receivables, contractual assets and contract liabilities from contracts with customers.

in EUR '000	Notes	31.12.19	31.12.2018
Contractual assets operating expenses	8.9	5,805	155
Receivables from sale of investment properties	8.9	131	171
Prepayments received from investment properties	8.23	220	23,198
Contractual assets project developments	8.9	7,464	4,474
Prepayments received project developments	8.23	1,143	841

Liabilities from the services that have not yet been invoiced related to operating costs are reported net with the advance payments of operating costs, while the net amount is recognised under trade payables as contract assets operating costs or liabilities from advance payments of operating costs. Liabilities from advance payments of operating costs are paid to the respective tenants after settlement.

Payments received for sales of investment properties are recognised under other liabilities if control has not yet been transferred. Receivables from the sale of investment properties are offset when control has been transferred. The payments received as at 31 December 2019 in the amount of EUR 23,000k relate to the sale of around 1,400 rental units from the non-core-portfolio. On 17 December 2018, a binding sale and purchase agreement was signed. Control over the properties is transferred to the buyer at the beginning of the financial year 2019.

Receivables from the services which have not yet been invoiced for project developments are recognised under trade receivables as contract assets project development. Payments received for sales of project development properties are recognised under other liabilities if it is not possible to offset against the contract assets.

As permitted under IFRS 15, no information is provided on the remaining performance obligations as at 31 December 2019, which have an expected original maturity of one year or less.

11. DISCLOSURES ON FINANCIAL INSTRUMENTS AND FAIR VALUES DISCLOSURES

11.1 General information on financial instruments

(A) Classification

The ADLER Group bases its classification of financial instruments as required by IFRS 7 on the respective balance sheet items. The table below shows the reconciliation of the carrying amounts for each IFRS 7 category (balance sheet item) and the IFRS 9 measurement categories as at the individual balance sheet dates.

31.12.2019 In EUR '000	Category according to IFRS 9	Total carrying amount	Carrying amount of financial instruments	Amortised cost	Fair value directly to equity	Fair value through profit or loss	Fair value for comparative purposes	Impairment losses IFRS 9
Assets								
Loans to associated companies	aac	79,524	79,524	79,524	0	0	79,524	-4,546
Other financial investments	aafv, aafvoci	56,603	56,603	0	14,454	42,149	56,603	-188
Trade receivables	aac	31,987	31,987	31,987	0	0	31,987	-37,619
Other current assets	aac, aafv, aafvoci	193,002	185,088	183,156	294	1,637	185,088	-336
Cash and cash equivalents	aac	237,415	237,415	237,415	0	0	237,415	-148
Liabilities								
Financial liabilities to banks and (convertible) bonds	flac	4,841,072[1)]	4,841,072	4,841,072	0	0	4,923,804	0
Trade payables	flac	37,380	37,380	37,380	0	0	37,380	0
Other liabilities	flac, lafv	92,456	78,068	63,094	0	14,974	78,068	0
of which aggregated by IFRS 9 categories								
Financial assets measured at amortised costs	aac	—	532,082	532,082	0	0	532,082	-42,649
Financial assets at fair value through profit or loss	aafv	—	43,786	0	0	43,786	43,786	0
Financial assets at fair value through other comprehensive income	aafvoci	—	14,748	0	14,748	0	14,748	-188
Financial liabilities at fair value through profit or loss	lafv	—	14,974	0	0	14,974	14,974	0
Financial liabilities measured at amortised costs	flac	—	4,941,546	4,941,546	0	0	5,024,278	0

Abbreviation	Category
aac	Financial assets measured at amortised costs
aafv	Financial assets at fair value through profit or loss
aafvoci	Financial assets at fair value through other comprehensive income
flac	Financial liabilities measured at amortised costs
lafv	Financial liabilities at fair value through profit or loss

1) Including IFRS 5 Debts held for sale without discontinued ADO Properties

11. DISCLOSURES ON FINANCIAL INSTRUMENTS AND FAIR VALUES DISCLOSURES (continued)

11.1 General information on financial instruments (continued)

31.12.2018 In EUR '000	Category according to IFRS 9	Total carrying amount	Carrying amount of financial instruments	Amortised cost	Fair value directly to equity	Fair value through profit or loss	Fair value for comparative purposes	Impairment losses IFRS 9
Assets								
Loans to associated companies	aac	7,667	7,667	7,667	0	0	7,667	-3,776
Other financial investments	aafv	37,019	37,019	0	0	37,019	37,019	0
Trade receivables	aac	25,898	25,898	25,898	0	0	25,898	-66,795
Other current assets	aac, aafv, aafvoci	240,480	230,720	216,010	14,571	139	230,720	-525
Cash and cash equivalents	aac	77,655	77,655	77,655	0	0	77,655	-325
Liabilities								
Financial liabilities to banks and (convertible) bonds	flac	3,739,733	3,739,733	3,739,733	0	0	3,648,135	0
Trade payables	flac	47,440	47,440	47,440	0	0	47,440	0
Other liabilities	flac, lafv	88,473	57,064	42,819	0	14,245	57,064	0
of which aggregated by IFRS 9 categories								
Financial assets measured at amortised costs	aac	—	327,230	327,230	0	0	327,230	-71,239
Financial assets at fair value through profit or loss	aafv	—	37,158	0	0	37,158	37,158	0
Financial assets at fair value through other comprehensive income	aafvoci	—	14,571	0	14,571	0	14,571	-182
Financial liabilities at fair value through profit or loss	lafv	—	14,245	0	0	14,245	14,245	0
Financial liabilities measured at amortised costs	flac	—	3,829,992	3,829,992	0	0	3,738,394	0

Abbreviation	Category
aac	Financial assets measured at amortised costs
aafv	Financial assets at fair value through profit or loss
aafvoci	Financial assets at fair value through other comprehensive income
flac	Financial liabilities measured at amortised costs
lafv	Financial liabilities at fair value through profit or loss

11. DISCLOSURES ON FINANCIAL INSTRUMENTS AND FAIR VALUES DISCLOSURES (continued)

11.1 General information on financial instruments (continued)

In the financial year, liabilities from the payments of ancillary expenses amounting to EUR 79,662k (previous year: EUR 85.465k) were netted against an amount of EUR 85,466k (previous year: EUR 85,620k) for receivables from unbilled services, with the net amount being recognised as trade receivables.

(B) Fair value disclosures

Financial assets and liabilities measured at fair value can be classified and assigned to levels according to the significance of the factors and information used in their measurement. Assets and liabilities are classified based on the significance of the input factors for their overall measurement. This in turn is based on those input factors in the lowest level relevant or significant for overall measurement. The measurement levels are hierarchically structured in line with their input factors:

- Level 1: Prices quoted for identical assets or liabilities on active markets (adopted unchanged).
- Level 2: Inputs that are not quoted prices considered in Level 1, but are observable directly or indirectly for the asset or liability (i.e. derived from prices).
- Level 3: Factors not based on observable market data for the measurement of the asset or liability (unobservable inputs).

	Overview of the measurement levels used to determine fair values			
31.12.2019 In EUR '000	**Total carrying amount**	**of which Level 1**	**of which Level 2**	**of which Level 3**
Assets				
Investment properties	4,920,008	0	0	4,920,008
Other financial instruments:				
Equity instruments – aafv	42,149	42,149	0	0
Other current assets:				
Debt instruments – aafvoci	14,748	14,748	0	0
Other current assets:				
Derivatives – aafv	1,637	0	1,637	0
Non-current assets held for sale according to IFRS 5	429,280	429,280	0	0
Equity and liabilities				
Other liabilities:				
Derivatives – lafv	6,366	0	6,366	0
Other non-current liabilities:				
Liabilities VBL – lafv	8,608	0	0	8,608
Liabilities held for sale according to IFRS 5	127,574	0	0	127,574

11. DISCLOSURES ON FINANCIAL INSTRUMENTS AND FAIR VALUES DISCLOSURES (continued)

11.1 General information on financial instruments (continued)

31.12.2018 In EUR '000	Overview of the measurement levels used to determine fair values			
	Total carrying amount	of which Level 1	of which Level 2	of which Level 3
Assets				
Investment properties	4,989,054	0	0	4,989,054
Other financial instruments:				
Equity instruments – aafv	37,019	37,019	0	0
Other current assets:				
Debt instruments – aafvoci	14,571	14,571	0	0
Other current assets:				
Derivatives – aafv	139	0	139	0
Non-current assets held for sale according to IFRS 5	185.543[1)]	185.543	0	0
Equity and liabilities				
Other liabilities:				
Derivatives – lafv	6,471	0	6,471	0
Other non-current liabilities:				
Liabilities VBL – lafv	7,774	0	0	7,774
Liabilities held for sale according to IFRS 5	495	0	0	495

1) For information on the remeining shares in ACCENTRO, including the previous year, adjusted in accordance with IFRS 5.26 ff; see section 2.1 of the notes to the consolidated financial statements.

Trade receivables, other current assets and cash and cash equivalents have short remaining terms. Their carrying amounts as at the balance sheet date are therefore approximate to their fair values. The same applies for current liabilities to banks, trade payables and other current liabilities.

The fair value of non-current liabilities to banks and other non-current liabilities is determined by discounting future cash flows. Discounting is based on a market interest rate matching term and risk (Level 3). The fair values of bond and convertible bond liabilities are determined by reference to their market prices as at the balance sheet date (Level 1).

(C) Net result from financial instruments

The net result from financial instruments broken down into individual measurement categories is presented in the table below. Interest income and interest expenses from financial instruments represent a component of the net result. The gains and losses are due to impairments and reversals from the fair value measurement.

In EUR '000	Category IRFS 9	Net result 2019		
		Interest	Profit/loss	Total
Financial assets measured at amortised cost	aac	6,598	-11,202	-4,604
Financial assets at fair value through profit or loss	aafv	0	-1,370	-1,370
Financial assets measured at fair value through other comprehensive income	aafvoci	836	-205	631
Financial liabilities measured at fair value through profit or loss	lafv	0	1,805	1,805
Financial liabilities measured at amortised cost	flac	-107,112	-9,567	-116,680
Total		**-99,678**	**-20,539**	**-120,217**

11. DISCLOSURES ON FINANCIAL INSTRUMENTS AND FAIR VALUES DISCLOSURES (continued)

11.1 General information on financial instruments (continued)

In EUR '000	Category IRFS 9	Net result 2018 Interest	Profit/loss	Total
Financial assets measured at amortised cost	aac	6,477	-10,183	-3,706
Financial assets at fair value through profit or loss	aafv	0	2,019	2,019
Financial assets measured at fair value through other comprehensive income	aafvoci	897	-803	94
Financial liabilities measured at fair value through profit or loss	lafv	0	5,685	5,685
Financial liabilities measured at amortised cost	flac	-145,512	562	-144,950
Total		**-138,138**	**-2,719**	**-140,857**

Interest income and interest expenses are presented in financial income and financial expenses. Gains and losses relating to financial assets at amortised cost are recognised under trade receivables under other operating expenses (impairments/reversals) and also under financial income and finance costs. Gains and losses relating to financial assets or financial liabilities measured at fair value through profit or loss are recognised under financial income and financial expenses. Gains and losses relating to financial assets measured at fair value through other comprehensive income are generally recognised in other comprehensive income, but impairments are reclassified from other comprehensive income to financial expenses. Gains and losses relating to financial liabilities measured at amortised cost are recognised under other operating income or expenses in the case of trade payables and otherwise under financial income and financial expenses.

11.2 Financial risk management and IFRS 7 disclosures

The risk management system comprises all organisational requirements and activities necessary for the systematic, regular and Company-wide implementation of the processes needed for risk management. Each risk is assigned to a designated employee. Risk management coordination is incumbent on the Governance-Risk-Compliance department, which keeps the Management Board regularly informed about the Group's overall risk situation. Within the quarterly Supervisory Board meeting framework, the Management Board in turn then reports the findings to the Supervisory Board. The core function of the Group-wide risk management system is to recognise developments that pose a risk to its existence, to measure risk-bearing capacity and to assess the extent of the threat. The risk management system is itself described in a risk policy, which is updated each year and whenever a specific need arises. An extensive risk catalogue documents all material risks to which ADLER is exposed.

Financial risk management is part of the Group-wide risk management system. The material risks monitored and managed by the Group's financial risk management include interest rate, default, liquidity and financing risks and currency risk.

(A) Interest rate risk

Virtually all the interest rate risks to which the ADLER Group is exposed are in the euro area.

Interest rate risks arise upon the conclusion of credit facilities with floating interest rates, in the context of follow-up financing or in the event of any significant change in capital market conditions. To a limited extent, changes in interest rates may therefore lead to higher interest payments. However, ADLER predominantly finances its business with financial liabilities that have interest rates that are either fixed permanently or for longer periods of time. Thus the Group basically pursues a risk-averse financing policy.

The interest risk for all of the Group's current and non-current financial liabilities with floating interest rates is determined in a sensitivity analysis which also takes account of fixed-interest periods. By analogy with the interest rate scenarios used to determine the value of investment properties, two interest scenarios have been referred to for the sensitivity analysis of loans. Based on the financial liabilities outstanding as at 31 December,

11. DISCLOSURES ON FINANCIAL INSTRUMENTS AND FAIR VALUES DISCLOSURES (continued)

11.2 Financial risk management and IFRS 7 disclosures (continued)

any increase/decrease in the loan interest rate by 0.5 percent points would have led to the following increase/decrease in interest expense:

Interest rate risk sensitivity analysis	31.12.2019		31.12.2018	
Change in interest rate	**+ 50 bp**	**-50 bp**	+ 50 bp	-50 bp
Effect on interest expense in EUR '000	**823**	**-823**	1,250	-1,250

Given the low impact on the carrying amount and income and the currently favourable capital market conditions, the Group's interest rate risk, taking due account of existing interest rate sensitivities, is assessed as moderate.

To reduce its interest rate risk further, ADLER deploys interest rate hedging instruments in the form of swaps (see Note 11.3). Had the interest rate level as at 31 December 2019 been 100 basis points higher/lower, the fair values of derivatives (EUR 6,364k previous year: EUR 6,079k) would have changed by EUR +3,546k (previous year: EUR +5,122k) or EUR -3,513k (previous year: EUR -2,740k).

(B) Credit risk

Default risk results from the risk of contractual partners failing to meet their contractually-agreed payment obligations. The maximum default risk corresponds to the carrying amounts of financial assets.

In EUR '000	Category according to IFRS 9	2019
Impairment loss trade receivables	aac	**13,240**
Impairment loss loans to associated companies	aac	**157**
Impairment loss other current assets – loans, restricted funds and cash and cash equivalents – deposits at banks	aac	**663**
Total		**14,060**

In EUR '000	Category according to IFRS 9	2018
Impairment loss trade receivables	aac	**12,476**
Impairment loss loans to associated companies	aac	**173**
Impairment loss other current assets – loans, restricted funds and cash and cash equivalents – deposits at banks	aac	**265**
Total		**12,914**

Trade receivables

Trade receivables mainly relate to a large number of customers (tenants and buyers of investment properties or apartments as part of project developments). The credit risk is managed on a portfolio level. ADLER has introduced a receivables management system with which new customers are initially analysed on an individual basis with regard to their credit rating. In the tenant selection process, priority is accorded to those with a pre-existing sound credit rating. Dunning procedures are initiated for all past due receivables and, upon completion, enforcement measures. The Group does not have any significant clusters of potential credit risks.

There were no significant default risks for contractual assets from the transfer of operating expenses, receivables from sales of investment properties and contract assets in connection with project developments, meaning that generally no expected credit losses are taken into account. Services which have not yet been invoiced in connection with operating costs are usually offset by advance payments received from the tenants in the corresponding amount. Purchase prices for investment properties are usually lodged to notary accounts and paid to ADLER when control has been transferred. No expected credit losses are recognised for contractual assets in connection with project developments, as the apartments are handed over to the purchasers only after the full purchase price has been paid.

11. DISCLOSURES ON FINANCIAL INSTRUMENTS AND FAIR VALUES DISCLOSURES (continued)

11.2 Financial risk management and IFRS 7 disclosures (continued)

For rental receivables, the simplified IFRS 9 impairment model is used. Deposits are not taken into account when measuring expected credit losses.

The following overview shows a summary of the default risk for trade receivables:

In EUR '000	2019		
	not impaired	impaired	
		credit rating not impaired	credit rating impaired
Rent receivables	8,017	2,063	39,330
Contractual assets from operating costs	5,805	0	0
Receivables from the sale of investment properties	131	0	0
Contract assets project development	7,464	0	0
Other	6,795	0	0
Gross total carrying amount	28,212	2,063	39,330
Accumulated impairment losses	0	413	37,206
Net total carrying amount	28,212	1,650	2,124

In EUR '000	2018		
	not impaired	impaired	
		credit rating not impaired	credit rating impaired
Rent receivables	10,411	1,986	67,939
Contractual assets from operating costs	155	0	0
Receivables from the sale of investment properties	171	0	0
Contract assets project development	4,474	0	0
Other	7,558	0	0
Gross total carrying amount	22,769	1,986	67,939
Accumulated impairment losses	0	397	66,399
Net total carrying amount	22,769	1,589	1,540

Assessment of expected credit losses:

ADLER uses an impairment matrix to measure the expected credit losses of its receivables due from tenants of apartments, which comprise a very large number of small balances.

31.12.19 In EUR '000	Loss rate	Gross carrying amount	Impairment	Impaired credit rating
Not past due	0%	202	0	no
1 to 30 days past due	0%	7,815	0	no
31 to 90 days past due	20%	2,063	413	no
91 to 180 days past due	50%	4,247	2,124	yes
more than 180 days past due	100%	35,082	35,082	yes

31.12.18 In EUR '000	Loss rate	Gross carrying amount	Impairment	Impaired credit rating
Not past due	0%	0	0	no
1 to 30 days past due	0%	10,411	0	no
31 to 90 days past due	20%	1,986	397	no
91 to 180 days past due	50%	3,083	1,542	yes
more than 180 days past due	100%	64,856	64,856	yes

11. DISCLOSURES ON FINANCIAL INSTRUMENTS AND FAIR VALUES DISCLOSURES (continued)

11.2 Financial risk management and IFRS 7 disclosures (continued)

Impairments of trade receivables have developed as follows:

In EUR '000	2019	2018
As at 01.01 according to IAS 39	**—**	**61,551**
Adjustments arising from the first-time application of IFRS 9	**—**	44
As at 01.01 according to IFRS 9	**66,795**	61,595
Change in the scope of consolidation	**0**	4,549
Additions (impairment)	**13,240**	12,476
Utilisation/reversals	**-42,416**	-11,825
As at 31 December	**37,619**	**66,795**

The changes in value adjustment on trade receivables result mainly from the derecognition of receivables that have been written down in full.

Other financial assets

The default risk on borrowings, loans, bonds and credit balances at banks is managed at Group level. There are trading rules to ensure that transactions are only made with business partners if they have shown adequate payment behaviour in the past. In the borrower selection process, care is taken to ensure that they have at least a satisfactory credit rating. The analysis of credit includes external ratings, where available, as well as annual financial statements, information from credit agencies, industry information and, in some cases, bank information. ADLER monitors changes in credit risk by tracking the published information mentioned above.

The general impairment model pursuant to IFRS 9 is used. The risks of a default for a 12-month period and over the entire term are based on historical information provided by various rating agencies for each credit rating or classification and aggregated using the rating map or rating matrix (Creditreform or Stuttgart Stock Exchange).

As at the balance sheet date, the default risk for the other financial assets is as follows:

In EUR '000	Category in accordance with IFRS 9	Net carrying amount 2019	Net carrying amount 2018
Loans to associated companies	aac	79,524	7,667
Other assets – bonds	aafvoci	14,454	0
Other current assets – purchase price receivable ACCENTRO	aac	56,261	149,878
Other current assets – restricted funds	aac	82,125	46,502
Other current assets – loans	aac	44,771	17,648
Other current assets – bonds	aafvoci	294	14,571
Cash and cash equivalents – deposits at banks	aac	237,380	77,630
Total		**514,809**	**313,896**

11. DISCLOSURES ON FINANCIAL INSTRUMENTS AND FAIR VALUES DISCLOSURES (continued)

11.2 Financial risk management and IFRS 7 disclosures (continued)

The table below shows an analysis of the credit rating of borrowers of other financial assets (aac and aafvoci). It shows whether a loss allowance has been recognised for an expected 12-month credit loss or for lifetime expected credit losses for those assets measured at amortised cost or fair value in other comprehensive income and whether – in the latter case – an impaired credit rating exists:

	2019					
	At fair value through other comprehensive income (aafvoci)			Measured at amortised cost (aac)		
In EUR '000	**Expected 12-month credit loss**	**Lifetime expected credit loss – credit rating not impaired**	**Lifetime expected credit loss – impaired credit rating**	**Expected 12-month credit loss**	**Lifetime expected credit loss – credit rating not impaired**	**Lifetime expected credit loss – impaired credit rating**
Very good to good credit rating (very low default risk)	—	—	—	—	—	—
Good to satisfactory credit rating (low default risk)	—	—	—	319,664	—	—
Satisfactory credit rating (average default risk)	16,910	—	—	74,639	—	—
Sufficient credit rating (increased default risk)	—	—	—	—	—	—
Poor credit rating (high default risk)	—	—	—	—	—	—
Insufficient credit rating (very high default risk)	—	—	—	—	—	3,933
Gross total carrying amount	**16,910**	**—**	**—**	**394,303**	**—**	**3,933**
Accumulated impairment losses	188	—	—	1,097	—	3,933
Other comprehensive income	1,974	—	—	—	—	—
Net total carrying amount	**14,748**	**—**	**—**	**393,206**	**—**	**0**

	2018					
	At fair value through other comprehensive income (aafvoci)			Measured at amortised cost (aac)		
In EUR '000	**Expected 12-month credit loss**	**Lifetime expected credit loss – credit rating not impaired**	**Lifetime expected credit loss – impaired credit rating**	**Expected 12-month credit loss**	**Lifetime expected credit loss – credit rating not impaired**	**Lifetime expected credit loss – impaired credit rating**
Very good to good credit rating (very low default risk)	—	—	—	—	—	—
Good to satisfactory credit rating (low default risk)	—	—	—	124,546	—	—
Satisfactory credit rating (average default risk)	16,522	—	—	25,600	—	—
Sufficient credit rating (increased default risk)	—	—	—	—	—	—
Poor credit rating (high default risk)	—	—	—	—	—	—
Insufficient credit rating (very high default risk)	—	—	—	—	—	3,776
Gross total carrying amount	**16,522**	**—**	**—**	**150,146**	**—**	**3,776**
Accumulated impairment losses	182	—	—	668	—	3,776
Other comprehensive income	1,769	—	—	—	—	—
Net total carrying amount	**14,571**	**—**	**—**	**149,478**	**—**	**0**

11. DISCLOSURES ON FINANCIAL INSTRUMENTS AND FAIR VALUES DISCLOSURES (continued)

11.2 Financial risk management and IFRS 7 disclosures (continued)

Due to existing collateral, no expected credit loss is taken into account for the deferred ACCENTRO purchase price receivable. The same applies for the deferred remaining receivables from the sale of 1,400 rental units to Caesar JV Immobilienbesitz und Verwaltungs GmbH.

Cash and cash equivalents are deposited at banks that predominantly have a good to satisfactory credit rating. The loans are partly due to associates that have no active operating activities.

Impairment losses on financial assets measured at amortised cost developed as follows over the course of the year:

In EUR '000	2019 Expected 12-month credit loss	Lifetime expected credit loss – credit rating not impaired	Lifetime expected credit loss – impaired credit rating	Total
As at 01.01 according to IFRS 9	**668**	**—**	**3,776**	**4,444**
Net remeasurement of impairment losses	—	—	—	—
Reclassified as lifetime expected credit losses – credit rating not impaired	—	—	—	—
Reclassified as lifetime credit losses – impaired credit rating	—	—	—	—
Repaid financial assets	-254	—	—	-254
Newly acquired financial assets	663	—	157	820
As at 31.12	**1,076**	**—**	**3,933**	**5,009**

In EUR '000	2018 Expected 12-month credit loss	Lifetime expected credit loss – credit rating not impaired	Lifetime expected credit loss – impaired credit rating	Total
As at 01.01 according to IAS 39	**—**	**—**	**—**	**3,661**
Adjustments arising from the first-time application of IFRS 9	—	—	—	1,209
As at 01.01 according to IFRS 9	**1,267**	**—**	**3,603**	**4,870**
Net remeasurement of impairment losses	—	—	—	—
Reclassified as lifetime expected credit losses – credit rating not impaired	—	—	—	—
Reclassified as lifetime credit losses – impaired credit rating	—	—	—	—
Repaid financial assets	-864	—	—	-864
Newly acquired financial assets	265	—	173	438
As at 31.12	**668**	**—**	**3,776**	**4,444**

11. DISCLOSURES ON FINANCIAL INSTRUMENTS AND FAIR VALUES DISCLOSURES (continued)

11.2 Financial risk management and IFRS 7 disclosures (continued)

Impairment losses on financial assets measured at fair value through comprehensive income developed as follows over the course of the year:

In EUR '000	2019 Expected 12-month credit loss	Lifetime expected credit loss – credit rating not impaired	Lifetime expected credit loss – impaired credit rating	Total
As at 01.01 according to IFRS 9	**182**	**—**	**—**	**182**
Net remeasurement of impairment losses	—	—	—	
Reclassified as lifetime expected credit losses – credit rating not impaired	—	—	—	—
Reclassified as lifetime credit losses – impaired credit rating	—	—	—	—
Repaid financial assets	—	—	—	—
Newly acquired financial assets	6	—	—	6
As at 31.12	**188**	**—**	**—**	**188**

In EUR '000	2018 Expected 12-month credit loss	Lifetime expected credit loss – credit rating not impaired	Lifetime expected credit loss – impaired credit rating	Total
As at 01.01 according to IAS 39	**—**	**—**	**—**	**—**
Adjustments arising from the first-time application of IFRS 9	—	—	—	210
As at 01.01 according to IFRS 9	**210**	**—**	**—**	**210**
Net remeasurement of impairment losses	—	—	—	
Reclassified as lifetime expected credit losses – credit rating not impaired	—	—	—	—
Reclassified as lifetime credit losses – impaired credit rating	—	—	—	—
Repaid financial assets	-28	—	—	-28
Newly acquired financial assets	—	—	—	—
As at 31.12	**182**	**—**	**—**	**182**

(C) Liquidity risk

Responsibility for liquidity risk management rests with the Management Board, which has developed a suitable concept for managing the Company's short-, medium- and long-term financing and liquidity requirements. The Group manages liquidity risks by continually monitoring its expected and actual cash flows and aligning the maturity profiles of financial assets and liabilities. Liquidity management aims to ensure that the Group is always able to meet its payment obligations by maintaining adequate liquidity reserves and optimising group-internal liquidity flows.

In credit agreements assumed in the context of acquisitions, the Group has in some cases undertaken to comply with contractually-agreed financial covenants. Among other aspects, these relate to the generation of cash flows on a property company level. Asset management for these portfolios is geared to ensure compliance with these financial covenants.

Similarly, credit terms have also been agreed for the bonds issued. Any failure to comply with these terms could also lead to a liquidity risk. Infringement of the credit terms, such as a change of control, may result in the premature termination

and repayment of these bonds and convertible bonds. We refer to the presentation in section 14.7 Events after the balance sheet date.

11. DISCLOSURES ON FINANCIAL INSTRUMENTS AND FAIR VALUES DISCLOSURES (continued)

11.2 Financial risk management and IFRS 7 disclosures (continued)

The ADLER Group had cash and cash equivalents of EUR 237,415k at the balance sheet date (previous year: EUR 77,655k). In addition, restricted cash and cash equivalents of EUR 82,125k are subject to restrictions on disposal and have been recognised under other current assets (previous year: EUR 46,502k).

The following liquidity analyses present the contractually agreed (undiscounted) cash flows for primary financial liabilities and derivative financial instruments, including interest payments, as at the respective balance sheet date. The analyses include all financial instruments held on the respective reporting date. Budget figures for future new liabilities are not included. Floating-rate interest payments were calculated by reference to the relevant spot rates on the respective balance sheet dates. With regard to outflows of cash for convertible bonds, it has been assumed that these will not be converted.

31.12.2019	Cash outflows					
In EUR '000	2020	2021	2022	2023	2024	> 2024
Liabilities to banks	**337,990**[1)]	1,126,493	214,689	82,068	94,520	590,954
Liabilities from bonds	**130,260**	611,397	495,653	589,315	379,235	401,379
Liabilities from convertible bonds	**3,256**	133,503	0	0	0	0
Trade payables	**37,380**	0	0	0	0	0
Other liabilities	**46,338**	380	380	380	380	760
Total	**555,224**	**1,871,773**	**710,722**	**671,763**	**474,135**	**993,093**

1) Including liabilities to banks (IFRS 5)

31.12.2018	Cash outflows					
In EUR '000	2019	2020	2021	2022	2023	> 2023
Liabilities to banks	**164,146**	141,109	638,895	226,735	302,676	253,279
Liabilities from bonds	**67,674**	365,947	543,751	35,946	535,037	669,859
Liabilities from convertible bonds	**3,256**	3,256	133,503	0	0	0
Trade payables	**47,440**	0	0	0	0	0
Other liabilities	**20,940**	380	380	380	380	16,876
Total	**303,456**	**510,692**	**1,316,529**	**263,061**	**838,092**	**940,013**

Further information about outflows of cash for lease liabilities can be found in chapter 12.

(D) Financing risk

In making further acquisitions, the Group depends on the granting of loans or capital increases. Expiring loans also have to be extended or refinanced. In all cases, there is the risk that such facilities cannot be extended, or only on different terms. Furthermore, within the scope of consolidation there are loan agreements with a total carrying amount of around EUR 1,739 million on which the banks have imposed requirements in the form of financial covenants (previous year: EUR 1,063 million). Depending on the property to which such agreements apply, the Group must achieve a debt service coverage ratio (DSCR) of between 107 percent and 160 percent (previous year: between 105 percent and 175 percent), an interest coverage ratio (ICR) of 1.26 to 2.10 (previous year: 1.26 to 2.10), a loan-to-value (LTV) ratio of between 60 percent and 80 percent (previous year: between 65 percent and 82 percent) or a loan-to-mortgage-lending-value (LTMLV) ratio of no more than 74 percent (previous year: no more than 82 percent). Individual credit agreements require a minimum amount of maintenance work or rental income. Should the maintenance measures agreed in the loan agreement not be carried out, the Company must maintain a cash reserve of the same amount on restricted accounts. Failure to comply with such covenants entitles the lenders to impose various sanctions, which may also include terminating the respective facility.

Similarly, credit terms have also been agreed for the convertible and corporate bonds issued. Failure to comply with such terms may result in a liquidity risk. In some cases, failure to comply with the terms may lead to the termination and premature repayment of these convertible bonds and corporate bonds.

11. DISCLOSURES ON FINANCIAL INSTRUMENTS AND FAIR VALUES DISCLOSURES (continued)

11.2 Financial risk management and IFRS 7 disclosures (continued)

(E) Currency risk

In the course of the acquisition of the ADO Group and BCP, ADLER took over in total five bonds. All five bonds were issued in New Israeli Shekels (NIS) and linked to the Consumer Price Index (CPI) for Israel. As there are no matching assets with such characteristics in the ADLER Group, ADLER is exposed to the foreign exchange risk for the currency pair EUR/NIS as well as to a fluctuation in the CPI. The changes in these factors can lead to an increase in interest payments and principal repayments of the bonds.

Had the exchange rate (EUR/NIS) as at 31 December 2019 been 5 percent higher/lower, the fair value of the bonds would have changed by EUR 20,584k (previous year EUR 5,212k) or EUR -20,584k (previous year EUR -5,760k). If the CPI had increased/reduced by 3 percent the fair value of the bonds would have changed by EUR -12,527k (previous year EUR -884k) or EUR 10,572k (previous year EUR 312k).

To reduce its foreign exchange risk (EUR/USD), BCP deploys foreign currency derivatives (see Note 11.3) Had the exchange rate as at 31 December 2019 been 5 percent higher/lower, the fair values of derivatives (EUR 1,635k, previous year EUR -253k) would have changed by EUR 1,500k (previous year EUR 2,750k) or EUR -1,500k (previous year EUR -2,750k).

11.3 Derivative financial instruments

Derivative financial instruments are used at the Group to hedge interest rate risks for floating-rate loan agreements in particular. No material rating risk is involved, as the interest hedges are concluded with the financing banks. In addition, foreign currency derivatives are also used by BCP.

The fair values of the interest hedge contracts amounted to EUR -6,364k as at the balance sheet date (previous year: EUR -6,079k). The fair values and nominal values of the interest hedge contracts broken down by maturity are presented below:

	Fair Values		Nominal	
In EUR '000	**2019**	**2018**	**2019**	**2018**
Up to 1 year	**-393**	-386	**2,613**	6,406
Due between 1 and 5 years	**-5,702**	-2,103	**184,472**	123,154
Due between 5 and 10 years	**-269**	-3,590	**7,651**	55,387
Total	**-6,364**	**-6,079**	**194,735**	**184,946**

The fair values of the foreign currency derivatives amounted to EUR 1,635k as at the balance sheet date (previous year: EUR -253k). The fair values and nominal values of the interest hedge contracts broken down by maturity are presented below:

	Fair Values		Nominal	
In EUR '000	**2019**	**2018**	**2019**	**2018**
Up to 1 year	**1,635**	-196	**30,000**	42,706
Due between 1 and 5 years	**0**	-57	**0**	12,294
Due between 5 and 10 years	**0**	—	**0**	0
Total	**1,635**	**-253**	**30,000**	**55,000**

The derivative financial instruments are initially measured at fair value, which is attributable to them on the day the contract is concluded. Subsequent measurement is based on the fair value of the respective balance sheet.

11. DISCLOSURES ON FINANCIAL INSTRUMENTS AND FAIR VALUES DISCLOSURES (continued)

11.2 Financial risk management and IFRS 7 disclosures (continued)

The fair value of derivates broken down by balance sheet item are presented below:

Balance sheet item **In EUR '000**	**Hedging relationship under IFRS 9**	**31.12.2019**	**31.12.2018**
Other current asset (measured at fair value though profit or loss)	no	**1,637**	139
Other current liabilities (measured at fair value through profit or loss)	no	**-393**	-583
Other non-current liabilities (measured at fair value through profit or loss)	no	**-5,973**	-5,888
Total		**-4,729**	**-6,332**

A valuation result of EUR 1,805k was recognised for derivatives in the financial year (previous year: EUR 5,685k).

12. DISCLOSURES ON LEASES IN ACCORDANCE WITH IFRS 16

The effect of the adoption of IFRS 16 on the Group's leases is described in Note 2.2. Due to the modified retrospective method used by ADLER for IFRS 16, the comparative information from the previous year was not restated in line with the new regulations.

Leases as a lessee

In particular, ADLER enters into leases for the following assets:

- Leasehold contracts for land (leaseholds)
- Leases for office space, garages and storage space (property)
- Leases for cars and commercial vehicles (vehicles)
- Leases for hardware and heating equipment (hardware and contracting)

Leasehold contracts have terms of up to 200 years and sometimes provide for preferential rights of renewal in the event of a renewed leasehold following the expiry of the contract or for the right of first refusal in the event of the land being sold. The lessee has no renewal or purchase options. Some of the leasehold payments are index-linked. The future cash flows are discounted using interest rates for specific properties or market-based discount rates ranging from 4.0 percent to 7.8 percent. Most of the leasehold contracts were already classified as finance leases in accordance with IAS 17.

ADLER leases office space, garages and storage space. These leases typically do not have a fixed term and can be terminated by the contracting parties observing a defined notice period. In assessing the term of such leases, ADLER assumed that the respective leases will remain in effect for five years, unless there were specific indications of shorter use. Some leases provide for additional lease payments based on changes in local price indexes. These leases were previously classified as operating leases in accordance with IAS 17.

The terms for leases for cars and commercial vehicles are typically between three and four years. Typically there are no renewal or purchase options, or such options are not exercised. These leases were also previously classified as operating leases in accordance with IAS 17.

ADLER leases hardware and heating equipment (contracting). The terms for leases for hardware are typically between four and five years. Typically there are no renewal or purchase options, or such options are not exercised. In the context of contracting agreements, the leases for heating equipment will gradually expire by 2031 at the latest and will not be renewed.

12. DISCLOSURES ON LEASES IN ACCORDANCE WITH IFRS 16 (continued)

Lease obligations not resulting from leaseholds are discounted using the incremental borrowing rate. Discount rates of between 2.05 percent and 3.00 percent were applied in the reporting year.

ADLER reports right-of-use assets that do not meet the definition of investment property in its statement of financial position under property, plant and equipment and lease liabilities in other liabilities. Right-of-use assets to investment property (leaseholds) measured at fair value in accordance with IAS 40 are likewise measured at fair value and reported under investment properties.

The following table shows the right-of-use assets that do not meet the definition of investment property.

in EUR '000 2019	Property	Vehicles	Hardware/ Contracting	Total
Carrying amounts 01.01.	**0**	**0**	**0**	**0**
Addition from the first-time application of IFRS 16 (+)	4,578	1,781	335	6,694
Additions from acquisitions (+)	365	0	0	365
Addition in current year (+)	259	1,201	968	2,427
Depreciation and amortisation (–)	-1,299	-889	-288	-2,476
Disposals (–)	0	-55	-20	-75
Carrying amounts 31.12.	**3,903**	**2,038**	**995**	**6,936**

The following table shows the amounts recognised in the consolidated statement of comprehensive income in connection with leases (including leaseholds):

in EUR '000 2019	2019
Interest expenses for lease liabilities	1,179
Expenses for short-term leases	137
Expenses for low-value leases	1,928
Total	**3,244**

The expenses for low-value leases essentially relate to payments for emergency call devices in lifts, smoke alarms, heating and water meters.

The carrying amounts of lease liabilities and the cumulative lease payments over the lease term (including leaseholds) break down as follows by maturity:

in EUR '000	Carrying amount 2019	Lease payments in 2019	Carrying amount 2018	Lease payments 2018
Up to 1 year	2,701	3,798	46	746
1 to 5 years	4,258	8,205	1.147	2.985
More than 5 years	16,267	88,998	10.906	81.167
	23,226	**101,001**	**12.099**	**84.898**
Less future interest costs		-77,775		-72.799
Total	**23,226**	**23,226**	**12.099**	**12.099**

The carrying amounts and lease payments related to leaseholds classified as finance leases in the 2018 financial year.

Leases as a lessor

ADLER leases its investment property. A lessor classifies these leases as operating leases as the lessee does not receive substantially all of the risks and rewards incidental to ownership.

Thus, revenue from the charge of property tax and building insurance expenses of EUR 17,083k are included in the scope of IFRS 16 from the 2019 financial year.

12. DISCLOSURES ON LEASES IN ACCORDANCE WITH IFRS 16 (continued)

The claims to lease payments from long-term operating leases generally result from the letting of commercial properties. In the residential property segment, leases are generally subject to the three-month statutory term of notice. There are no further claims to lease payments. The lease payments shown in the following tables include the net rental income only.

2019 Disclosures on operating leases in accordance with IFRS 16.97 in EUR '000	2019	2020	2021 to 2024	From 2025
		Up to 1 year	1 to5 years	More than 5 years
Total future lease payments under non-cancellable operating leases as a lessor	248,734	66,936	31,291	21,375

2018 Disclosures on operating leases in accordance with IAS 17.56 in EUR '000	2018	2019	2020 to 2023	From 2024
		Up to 1 year	1 to5 years	More than 5 years
Total future lease payments under non-cancellable operating leases as a lessor	238,207	85,736	78,320	86,485

13. CAPITAL RISK MANAGEMENT

The Group manages its capital with the objective of maximising the earnings of shareholders by optimising the ratio of equity to debt. This ensures that all group companies can continue to operate as going concerns. Consolidated equity as posted in the balance sheet is used as an important key figure for capital management.

As a stock corporation, the Company is subject to the minimum capital requirements set out in the German Stock Corporation Act (AktG). Furthermore, the Group is subject to both standard and industry-specific minimum capital requirements imposed by lenders, especially for financing specific property projects. These minimum capital requirements are continually monitored and were met in the year under report and the previous year.

Risk management reviews the Group's capital structure on a quarterly basis. Accounting ratios are identified and projected in order to ensure compliance with external capital requirements and the financial covenants applicable to numerous credit agreements. These also include property-specific debt service ratios, loan-to-value figures and contractually-defined balance sheet and income ratios.

The year-end equity ratio was determined as follows:

In EUR '000	31.12.2019	31.12.2018
Equity (incl. non-controlling interest)	**3,547,857**	1,579,631
Total assets	**10,681,677**	5,856,631
Equity ratio in %	**33.2**	**27,0**

Excluding convertible bonds, the ratio of net financial liabilities to assets net of cash (LTV) amounted to 49.4 percent (previous year: 61.4 percent). Further details can be found in the disclosures on the asset position in the combined management report.

14. OTHER DISCLOSURES

14.1 Other financial obligations and contingent liabilities

(A) Other financial obligations

The Group had the following significant financial obligations at the balance sheet date:

In EUR '000	2019	2018
Rental and lease obligations		
Due within 1 year	**6,647**	6,537
Due between 1 and 5 years	**17,706**	17,644
Due in more than 5 years	**11,995**	12,654
	36,348	36,835
Management contracts, support agreements		
Due within 1 year	**20,310**	15,067
Due between 1 and 5 years	**6,017**	8,777
Due in more than 5 years	**2,605**	288
	28,931	24,132
Obligations from acquisitions/project developments		
Unpaid construction expenses	**269,061**	513,062
Total	**572,852**	**574,029**

Rental and lease obligations primarily result from leasing relationships of minor value or from short-term leases within the meaning of IFRS 16 as well as from contracts that do not entitle the holder to control the use of an identified asset for a specified period of time.

Outstanding construction costs result from property development projects that have already been started. The outstanding construction costs are taken from the residual value appraisals for these projects (see Note 8.3) and thus represent an estimate of the costs incurred until the completion of the respective project.

(B) Contingent liabilities

In connection with the divested stake in conwert Immobilien Invest SE, the Austrian Takeover Board has determined in review proceedings pursuant to § 33 Übernahmegesetz (ÜbG – Takeover Act), which are now legally binding, that the Company achieved a controlling stake in conwert by mutual agreement with other persons within the meaning of § 1 clause 6 ÜbG and then failed to make a mandatory bid as required pursuant to § 33 (1) clause 2 ÜbG. The Company could therefore be confronted in future with restitution proceedings and administrative penalties. As far as can be seen, proceedings of this nature have not been conducted in Austria in the past. From a current perspective, neither the number nor the specific structure of such cases can be determined. In connection with this, ADLER is engaged in three litigation proceedings against companies that are seeking to claim compensation from ADLER. The total litigation value is roughly EUR 1.2 million. The claims brought in the first litigation proceeding have already been dismissed by two courts. The two other litigation proceedings are still in the initial stages. ADLER continues to reject the determinations of the Takeover Commission as ascertained in its review but unverifiable by any second instance as inaccurate and erroneous.

In connection with the acquisition of shares in BCP, a minority shareholder filed a lawsuit at the Tel Aviv District Court, Tel Aviv, Israel. The complaint alleges a disadvantage whereby the majority shareholders, Red-zone Empire Holding Limited, Cyprus, and the three members of senior management, sold their shares in full to ADLER, while the remaining minority shareholders in BCP transferred their shares in the context of the STO only to a limited extent. As part of the lawsuit, a litigation value of NIS 78 to 116 million (equivalent to EUR 18 to 27 million as at the balance sheet date), the total value of the minority interests concerned, was asserted. At the current moment in time, the prospects for a successful outcome cannot yet be assessed. However, the Company assesses the risk as very low. This is because comprehensive legal advice was obtained during the entire acquisition process, so that from the ADLER perspective there is no need to create provisions.

14. OTHER DISCLOSURES (continued)

14.1 Other financial obligations and contingent liabilities (continued)

As part of the financing of a project development in Dusseldorf, BCP issued guarantees of EUR 12.4 million in total (previous year EUR 9.0 million). The risk of utilisation is currently estimated to be low, as all financing obligations have so far been met.

14.2 Related-party disclosures

Pursuant to IAS 24 "Related-Party Disclosures", related parties are defined as closely related companies and persons, including parent companies and subsidiaries, subsidiaries of a common parent company, associates, legal entities influenced by the management, as well as the Company's own management. Transactions between ADLER and its subsidiaries are eliminated through consolidation and are therefore not disclosed in the notes.

As of the balance sheet date, the Group had the following significant loan receivables including interest receivables from non-consolidated companies, associated companies and joint ventures:

In EUR '000	2019	2018
MRT (Mountleigh Roland Ernst) B.V.	2,694	2,658
Stovago B.V.	1,239	1,118
Brack Capital (Chemnitz) B.V.	4,000	4,000
Tuchmacherviertel GmbH & Co. KG	3,775	3,667
AB Immbilien B.V.	46,000	0
Caesar Immobilienbesitz und Verwaltungs GmbH	42,361	0
Total nominal value	**100,069**	**11,443**
Accumulated impairment losses	-4,546	-3,776
Total	**95,523**	**7,667**

The Group's other business relationships with unconsolidated companies, associates and joint ventures are of subordinate overall significance.

The Supervisory Board and Management Board hold the key management positions at ADLER AG. The compensation paid to these persons is structured as follows:

In EUR '000	2019	2018
Supervisory Board remuneration	261	229
Management Board remuneration	2,069	3,362

The current remuneration of the Management Board includes payments of EUR 59k (previous year: EUR 515k) from exercised SARs. In addition to the current remuneration, the Management Board received a total of 44,338 SARs under the SAR program in fiscal year 2019, with an average fair value of EUR 1.17 per SAR. With the exception of the right of the Company to use stock appreciation rights instead of replacing cash compensation with shares of the Company, there are no stock options in favor of the Management Board members.

A member of ADLER's Management Board is the Managing Director and a shareholder in Consortium Finance Limited, London. In the year under review, payments totalling EUR 1,677k (previous year: EUR 2,071k including payments from exercised SARs) were made to the Consortium Finance Limited. In addition to the remuneration of this Management Board member, these payments include non-deductible input tax, the rent for the business premises in London, reimbursed travel expenses and other administrative costs of this company. These expenses are reported under other operating expenses in the amount of EUR 1,677k (previous year: EUR 1,613k). No liabilities are outstanding in this respect. ADLER also granted the Consortium Finance Limited an interest-bearing loan (interest rate 1 percent) of EUR 400k, which was due for repayment on 31 December 2020.

Individualised disclosure of Management Board compensation pursuant to § 314 (1) No. 6a, Sentences 5 to 9 of the German Commercial Code (HGB) has been waived as the 2016 Annual General Meeting passed a resolution valid for a period of five years.

14. OTHER DISCLOSURES (continued)

14.3 Auditor's fee

The total fee invoiced by the auditor for the financial year is structured as follows:

In EUR '000	2019	2018
Audit of financial statements	735	671
Other assurance services	137	87
Other services	26	60
Total	**898**	**818**

Of financial statement audit fees, an amount of EUR 14k relates to the previous year (previous year: EUR -32k). Other assurance services include services provided in the context of capital market transactions (issuing of comfort letters and examination of profit forecasts). Other services include support for selected accounting issues. In addition, the audit firm only carried out audits of financial statements of controlled companies.

14.4 Employees

The average number of employees was as follows:

Number	2019	2018
Board members	3	3
Full-time employees	888	790
Total	**891**	**793**

14.5 Notes to the consolidated cash flow statement

Financial funds generaly correspond to cash and cash equivalents of EUR 237,415k (previous year: EUR 77,655k). In the year under review, financial funds also included cash and cash equivalents from discontinued operations amounting to EUR 387,558k (previous year EUR 0k). It increased by a total of EUR 547,318k (previous year: increased by EUR 290,578k). The Group was able to meet its payment obligations at all times.

Furthermore, restricted liquid funds of EUR 82,125k (previous year: EUR 46,502k) with limitations on disposability were recognised under other assets.

Cash flows are subdivided into cash flows from operating, (divesting) investing and financing activities. The indirect method has been used to present cash flow from operating activities.

Net of non-cash income and expenses and including changes in working capital and investments in inventory properties (trading portfolio), the ADLER Group generated a net inflow of funds of EUR 94,359k from operating activities (previous year: EUR 130,999k).

Net cash outflow from investing activities came to EUR 146,929k (previous year: net cash outflow EUR 609,077k). A net cash outflow of EUR 254,185k resulted mainly due to the acquisition of financial assets by ADO Properties (investment in Consus) and EUR 200,691k from investments in existing holdings (investment properties). This was offset by the acquisition of ADO Group including ADO Properties (the net cash acquired exceeded the purchase price) in the amount of EUR 67,033k, the sale of the non-core portfolio and the commercial properties of BCP in the amount of EUR 170,705k and the receipt of a further purchase price payment for the shares in ACCENTRO in the amount of EUR 97,937k.

Net cash inflow from financing activities amounts to EUR 600,036k (previous year: net cash inflow of EUR 187,825k) and is mainly due to the issuing of the 2019/2022 corporate bond in the amount of EUR 400,000k (nominal) and the taking up of the bridging loan to finance the acquisition of the shares in the ADO Group. This was offset, in particular, by BCP's acquisition of non-controlling interests in several subsidiaries for EUR 90,807k and the premature call of the 2015/2020 corporate bond, which yielded EUR 300,000k (nominal).

14. OTHER DISCLOSURES (continued)

14.5 Notes to the consolidated cash flow statement (continued)

Changes from financing cash flows, changes arising from obtaining or losing control of subsidiaries or other businesses, changes due to accrued interest, changes due to the effective interest method, changes from exercising conversion rights and changes due to reclassifications in a reconciliation statement between the opening and closing balances in the statement are presented in the following. There were no material implications from changes in foreign exchange rates.

		Cash effective	Not cash effective								
In EUR '000	**31.12. 2018**		**First time adoption IFRS 16**	**Acquisitions/ sale**	**Index and exchange rate effects**	**Interest liabilities**	**Amortisation effective interest method**	**Conversions**	**Regroupings**	**Regroupings IFRS 5**	**31.12. 2019**
Non-current liabilities											
Liabilities from convertibles	**117,516**	0	0	0	0	0	4,734	-2	0	0	**122,249**
Liabilities from bonds	**1,961,111**	75,725	0	278,323	9,263	0	11,105	0	-7,681	0	**2,327,846**
Liabilities to banks	**1,476,187**	1,304,841	0	-59,623	0	0	2,865	0	-722,134	0	**2,002,136**
Leasing liabilities	**0**	0	19,963	3,010	0	0	0	0	-2,448	0	**20,525**
Current liabilities											
Liabilities from convertibles	**1,756**	-3,256	0	0	0	3,448	0	0	0	0	**1,947**
Liabilities from bonds	**40,260**	-42,754	0	52,580	1,606	42,638	-399	0	7,681	0	**101,612**
Liabilities to banks	**142,408**	-610,662	0	28,040	0	7,933	-4,584	0	722,134	-127,562	**157,708**
Leasing liabilities	**0**	-2,501	2,026	728	0	0	0	0	2,448	0	**2,700**
Total liabilities from financing	**3,739,238**	**721,393**	**21,989**	**303,058**	**10,869**	**54,019**	**13,721**	**-2**	**0**	**-127,562**	**4,736,723**

In the previous year, the reconciliation statement was as follows:

		Cash effective	Not cash effective					
In EUR '000	**31.12. 2017**		**Acquisitions/ sale**	**Interest liabilities**	**Amortisation effective interest method**	**Conversions**	**Regroupings**	**31.12. 2018**
Non-current liabilities								
Liabilities from convertibles	**119,731**	0	0	0	5,437	-7,652	0	**117,516**
Liabilities from bonds	**1,277,640**	553,055	116,995	0	13,421	0	0	**1,961,111**
Liabilities to banks	**749,188**	121,030	629,681	417	8,785	0	-32,914	**1,476,187**
Current liabilities								
Liabilities from convertibles	**6,505**	-4,368	0	4,289	-573	-4,097	0	**1,756**
Liabilities from bonds	**42,679**	-64,396	18,317	45,334	-1,674	0	0	**40,260**
Liabilities to banks	**278,676**	-390,352	146,760	73,657	753	0	32,914	**142,408**
Total liabilities from financing	**2,474,419**	**214,969**	**911,753**	**123,697**	**26,149**	**-11,749**	**0**	**3,739,238**

14. OTHER DISCLOSURES (continued)

14.6 Management Board and Supervisory Board

The Management Board of ADLER comprises the members Tomas de Vargas Machuca, Master of Science in Economics; Maximilian Rienecker, Master of Science in Management and Sven-Christian Frank, lawyer. Mr Frank has been COO of the Management Board since 9 June 2016, while Mr Vargas Machuca and Mr Rienecker were appointed as co-CEOs on 22 December 2017.

The Supervisory Board of ADLER Real Estate AG consists of the following members:

- Martin Billhardt, Pfäffikon/Switzerland, lawyer, Chairman, since March 20, 2020
- Dr Dirk Hoffmann, Lagos/Portugal, lawyer and banker, Chairman, until February 29, 2020
- Thilo Schmid, Blotzheim/France, project controller, Deputy Chairman
- Claus Jørgensen, London/UK, businessman

The following members of the Supervisory Board of ADLER Real Estate Aktiengesellschaft, Berlin, held the following further positions on supervisory boards and other supervisory bodies as defined in § 125 (1) Sentence 5 of the German Stock Corporation Act (AktG):

- Martin Billhardt

  Deutsche Rohstoff AG, Heidelberg (Supervisory Board Chairman)

  Cub Greek Energy LLC, Highlands Ranch/USA (Non-executive Board Member)

  Elster & Oil Gas LLC, Highlands Ranch/USA (Non-executive Board Member)

  Bright Rock Energy LLC, Denver/USA (Non-executive Board Member)
- Dr Dirk Hoffmann

  WESTGRUND AG, Berlin (Supervisory Board Chairman)

  DTH S.à r.l., Luxembourg (Non-executive director)

  ACCENTRO Real Estate AG, Berlin (Deputy Supervisory Board Chairman)
- Thilo Schmid

  Jedox AG, Freiburg (Advisory Board member)

  DTH S.A., Luxembourg (Member of the Board)

  Mindlab Solutions GmbH, Stuttgart (Advisory Board member)

  cynora GmbH, Bruchsal (Advisory Board member)
- Claus Jørgensen

  Brack Capital Properties N.V., Amsterdam/NL (Member of the Directors´ Board)

14.7 Events after the balance sheet date

In December 2019, ADO Properties signed a business combination agreement with ADLER and announced a voluntary tender offer for all ADLER shares. On 7 February 2020, ADO Properties announced that the acceptance period for the voluntary tender offer to ADLER shareholders had begun following approval by the German Federal Financial Supervisory Authority (BaFin). The offer documents state that the first offer period ran until 6 March 2020. ADO Properties is offering 0.4164 shares in ADO Properties for every ADLER share. On 20 February 2020, the Management Board and the Supervisory Board advised ADLER shareholders to accept the offer from ADO Properties. The recommendation, including the statement of reasons, is available on the ADLER website. At the end of the first acceptance period, a notification by ADO Properties indicated that around 83 percent of ADLER shareholders had accepted the offer. The additional acceptance period began on 12 March 2020 and ended on 25 March 2020. At the end of the additional acceptance period, a notification by ADO Properties indicated that nearly 92 percent of ADLER shareholders had accepted the offer.

14. OTHER DISCLOSURES (continued)

14.7 Events after the balance sheet date (continued)

Pursuant to the terms and conditions of the 2016/2021 convertible bond, there was a change of control on 11 February 2020 as, on that date, over 50 percent of the shareholders of ADLER (the obligor) had accepted the takeover offer (exchange offer) by ADO Properties to the obligor's shareholders that was published on 7 February 2020. Each bondholder is thereby entitled, by submitting a notice of redemption, to demand from ADLER as at 27 February 2020 (the effective date) the redemption of some or all of their bonds for which the conversion right was not exercised and which were not declared due for early repayment, at their principal amount plus interest accrued up to the effective date (exclusively). None of the bondholders has exercised this right.

With regard to the other bond liabilities and financial liabilities to ADLER banks, bondholders have chosen already by 11 March 2020 to waive their change of control clauses in the amount of approximately EUR 3.135 billion of around EUR 3.5 billion in total. On the basis of discussions held, ADLER expects that this amount will continue to grow.

The bond liabilities of the ADO Group were repaid early on 17 February 2020 at nominal value plus interest accrued. Bonds that were repaid early include the 2015/2023 bonds, which have a coupon of 4.05 percent, a term until 1 January 2023 and an outstanding amount of NIS 614.4 million (approximately EUR 163.4 million at the current exchange rate), and the 2017/2025 bonds with a coupon of 2.5 percent, a term until 30 June 2025 and an outstanding amount of NIS 550.8 million (approximately EUR 146.5 million at the current exchange rate). For the purpose of the refinancing, ADLER increased the bridging loan, which it had taken out to acquire the shares in the ADO Group, by EUR 175 million. The remaining amount was covered by the available cash and cash equivalents of the ADO Group.

On 17 February 2020, the Chairman of the Supervisory Board of ADLER, Dr Dirk Hoffmann, resigned from office as a member and the Chairman of the Supervisory Board of his own accord. His resignation will take effect from 29 February 2020. Dr Hoffmann is expected to stay on to support the new ADLER Group in an advisory capacity. On March 20, 2020, Martin Billhardt was legally appointed as a new member of ADLER's Supervisory Board.

On March 25, 2020 ADO Properties announced a voluntary public takeover offer in cash for all outstanding shares of WESTGRUND as a subsidiary of ADLER.

With regard to the effects of the corona virus, we refer to our comments in the risk and forecast report of the combined management report.

No further events with the potential to significantly influence the earnings, assets and financial position of ADLER occurred between the end of the period under report and the editorial deadline for this report. The Company's business performance up to the reporting date confirms the statements made in its report on expected developments.

14. OTHER DISCLOSURES (continued)

14.8 Declaration of Conformity with the German Corporate Governance Code

The Declaration of Conformity of ADLER was most recently submitted by the Management Board in December 2019. It is permanently available to shareholders at:

http://adler-ag.com/investor-relations/corporate-governance/entsprechenserklaerung

The Declaration of Conformity of WESTGRUND was most recently submitted by that company's Management Board in December 2019. It is permanently available to shareholders at:

http://www.westgrund.de/investor-relations/corporate-governance/entsprechenserklaerung

Berlin, 25 March 2020

Tomas de Vargas Machuca Co-CEO	Maximilian Rienecker Co-CEO	Sven-Christian Frank COO

14. OTHER DISCLOSURES (continued)

14.8 Declaration of Conformity with the German Corporate Governance Code (continued)

No.	Company	Headquarters	Equity interest in %	Held by No.	Business activity
	Subsidiaries fully consolidated				
1	ADLER Real Estate AG (Muttergesellschaft)	Berlin			Holding
2	ADLER Real Estate Service GmbH	Hamburg	100.0	1	Service company
3	Verwaltungsgesellschaft ADLER Real Estate mbH	Hamburg	100.0	1	General Partner
4	Achte ADLER Real Estate GmbH & Co. KG	Hamburg [1)]	100.0	1	Project development
5	MÜBAU Real Estate GmbH	Hamburg	100.0	1	None
6	ADLER Lux S.à.r.l.	Luxembourg// Grand Duchy of Luxembourg	100.0	1	None
7	Münchener Baugesellschaft mbH	Hamburg	99.95	1	Intermediate holding company
8	ADLER Wohnen Service GmbH	Hamburg	83.3	7	Service company
			16.7	1	
9	MBG Beteiligungsgesellschaft mbH & Co. KG	Hamburg [1)]	94.9	7	Intermediate holding company
10	MBG Dallgow GmbH & Co. KG	Hamburg [1)]	100.0	7	Project development
11	MBG Großbeeren GmbH & Co. KG	Hamburg [1)]	100.0	7	Project development
12	MBG Trachau GmbH & Co. KG	Hamburg [1)]	100.0	7	Project development
13	MBG Wohnbau Verwaltungsgesellschaft mbH	Hamburg	100.0	7	Intermediate holding company
14	MBG Erste Vermögensverwaltungs GmbH	Hamburg	100.0	7	Intermediate holding company
15	Magnus zweite Immobilienbesitz und Verwaltungs GmbH	Hamburg	100.0	7	Intermediate holding company
16	Energy AcquiCo I GmbH	Frankfurt am Main	100.0	15	Intermediate holding company
17	Magnus Dritte Immobilienbesitz und Verwaltungs GmbH	Hamburg	100.0	7	Intermediate holding company
18	Magnus Fünfte Immobilienbesitz und Verwaltungs GmbH	Hamburg	100.0	7	Intermediate holding company
19	WBG GmbH	Helmstedt	94.0	16	Portfolio management
20	WER 1. Wohnungsgesellschaft Erfurt Rieth mbH	Berlin	94.9	7	Portfolio management
21	WER 2. Wohnungsgesellschaft Erfurt Rieth mbH	Berlin	94.9	7	Portfolio management
22	ESTAVIS 6. Wohnen GmbH	Berlin	94.9	32	Portfolio management
23	ESTAVIS 7. Wohnen GmbH	Berlin	94.9	32	Portfolio management
24	ESTAVIS 8. Wohnen GmbH	Berlin	94.9	32	Portfolio management
25	ESTAVIS 9. Wohnen GmbH	Berlin	94.9	32	Portfolio management
26	RELDA 36. Wohnen GmbH	Berlin	94.9	32	Portfolio management
27	RELDA 38. Wohnen GmbH	Berlin	94.9	32	Portfolio management
28	RELDA 39. Wohnen GmbH	Berlin	94.9	32	Portfolio management
29	RELDA 45. Wohnen GmbH	Berlin	94.9	32	Portfolio management
30	RELDA Bernau Wohnen Verwaltungs GmbH	Berlin	94.0	32	Portfolio management
31	MBG Sachsen GmbH	Aue	94.9	7	Portfolio management
32	Magnus-Relda Holding Vier GmbH	Berlin	98.1	7	Intermediate holding company
33	Cato Immobilienbesitz und -verwaltungs GmbH	Hamburg	94.9	15	Portfolio management
34	Magnus Immobilienbesitz und Verwaltungs GmbH	Hamburg	100.0	7	Intermediate holding company
35	WBR Wohnungsbau Rheinhausen GmbH	Hamburg	94.9	34	Portfolio management
36	S.I.G. RE GmbH	Hamburg	100.0	14	Intermediate holding company
37	Resident Baltic GmbH	Berlin	94.8	36	Portfolio management
38	Resident Sachsen P&K GmbH	Berlin	94.8	36	Portfolio management
39	Resident West GmbH	Hamburg	94.8	36	Portfolio management
40	MBG Schwelm GmbH	Hamburg	94.9	15	Portfolio management
41	MBG Lüdenscheid GmbH	Hamburg	94.9	7	Portfolio management
			5.1	9	
42	MBG Dorsten GmbH & Co. KG	Hamburg [1)]	94.0	15	Portfolio management
			6.0	7	

14. OTHER DISCLOSURES (continued)

14.8 Declaration of Conformity with the German Corporate Governance Code (continued)

No.	Company	Headquarters	Equity interest in %	Held by No.	Business activity
	Subsidiaries fully consolidated				
43	Alana Properties GmbH	Hamburg	94.4	17	Portfolio management
44	Aramis Properties GmbH	Hamburg	94.8	17	Portfolio management
45	REO-Real Estate Opportunities GmbH	Frankfurt am Main	94.81	17	Portfolio management
46	ROSLYN Properties GmbH	Hamburg	94.8	17	Portfolio management
47	Rostock Verwaltungs GmbH	Hamburg	94.0	17	Portfolio management
48	SEPAT PROPERTIES GmbH	Hamburg	94.8	17	Portfolio management
49	Wallace Properties GmbH	Hamburg	94.8	17	Portfolio management
50	Zweite REO-Real Estate Opportunities GmbH	Frankfurt am Main	94.9	17	Portfolio management
51	ADLER ImmoProjekt Erste GmbH	Hamburg	100.0	1	Project development
52	ADLER Energie Service GmbH	Berlin	100.0	1	Service company
53	MountainPeak Trading Limited	Nicosia/Cyprus	100.0	1	Intermediate holding company
54	Magnus Achte Immobilienbesitz und Verwaltungs GmbH	Hamburg	100.0	7	Portfolio management
55	Magnus Neunte Immobilienbesitz und Verwaltungs GmbH	Hamburg	100.0	7	Intermediate holding company
56	ADLER Immo Invest GmbH	Hamburg	100.0	1	None
57	Wohnungsbaugesellschaft JADE mbH	Wilhelmshaven	94.9	18	Portfolio management
58	JADE Immobilien Management GmbH	Wilhelmshaven	100.0	57	Service company
59	ADLER Gebäude Service GmbH	Berlin	100.0	7	Service company
60	Westgrund Aktiengesellschaft	Berlin	96.88	1	Holding
61	Westgrund Immobilien GmbH	Berlin	94.9	60	Portfolio management
62	Westgrund Immobilien II. GmbH	Berlin	94.9	60	Portfolio management
63	Westconcept GmbH	Berlin	100.0	60	Service company
64	IMMOLETO Gesellschaft mit beschränkter Haftung	Berlin	100.0	60	Intermediate holding company
65	ICR Idee Concept und Realisation von Immobilienvorhaben GmbH	Berlin	94.9	64	Portfolio management
66	HKA Grundstücksverwaltungsgesellschaft mbH & Co. Kommanditgesellschaft	Berlin	100.0	65	Portfolio management
67	HKA Verwaltungsgesellschaft mbH	Berlin	100.0	65	General Partner
68	Westgrund Immobilien Beteiligung GmbH	Berlin	100.0	60	None
69	Westgrund Immobilien Beteiligung II. GmbH	Berlin	100.0	60	None
70	Westgrund Immobilien Beteiligung III. GmbH	Berlin	94.9	60	Portfolio management
71	Westgrund Westfalen GmbH & Co. KG	Berlin	94.9	65	Portfolio management
72	WESTGRUND Immobilien IV. GmbH	Berlin	94.9	60	Portfolio management
73	WESTGRUND Immobilien V. GmbH	Berlin	94.0	60	Portfolio management
74	WESTGRUND Immobilien VI. GmbH	Berlin	94.9	60	Portfolio management
75	Wiederaufbau-Gesellschaft mit beschränkter Haftung	Ludwigshafen am Rhein	94.8	60	Portfolio management
76	TREUHAUS Hausbetreuungs-GmbH	Ludwigshafen am Rhein	100.0	63	Service company
77	WAB Hausverwaltungsgesellschaft mbH	Ludwigshafen am Rhein	100.0	75	None
78	Westgrund Wolfsburg GmbH	Berlin	94.9	60	Portfolio management
79	Westgrund Niedersachsen Süd GmbH	Berlin	94.9	60	Portfolio management
80	Westgrund Niedersachsen Nord GmbH	Berlin	94.9	60	Portfolio management
81	Westgrund Brandenburg GmbH	Berlin	94.9	60	Portfolio management
82	Westgrund VII. GmbH	Berlin	94.9	60	Portfolio management
83	Westgrund I. Halle GmbH	Berlin	94.9	60	Portfolio management
84	Westgrund Halle Immobilienverwaltung GmbH	Berlin	100.0	83	General Partner
85	Westgrund Immobilien II. Halle GmbH & Co. KG	Berlin	100.0	83	Portfolio management
86	Westgrund VIII. GmbH	Berlin	94.9	60	Portfolio management
87	RESSAP - Real Estate Service Solution Applications -GmbH	Berlin	100.0	7	None

14. OTHER DISCLOSURES (continued)

14.8 Declaration of Conformity with the German Corporate Governance Code (continued)

No.	Company	Headquarters	Equity interest in %	Held by No.	Business activity
	Subsidiaries fully consolidated				
88	Xammit GmbH	Berlin	100.0	60	None
89	Magnus Zehnte Immobilienbesitz und Verwaltungs GmbH	Hamburg	100.0	7	Intermediate holding company
90	Magnus Elfte Immobilienbesitz und Verwaltungs GmbH	Hamburg	100.0	7	Intermediate holding company
91	Zweite CM Real Estate GmbH	Berlin	94.9	55	Portfolio management
92	Dritte CM Real Estate GmbH	Berlin	94.9	55	Portfolio management
93	Vierte CM Real Estate GmbH	Berlin	94.9	55	Portfolio management
94	TGA Immobilien Erwerb 3 GmbH	Berlin	94.9	17	Portfolio management
95	ADP Germany GmbH	Hamburg	94.9	90	Portfolio management
96	AFP II Germany GmbH	Hamburg	94.9	90	Portfolio management
97	AFP III Germany GmbH	Hamburg	94.9	90	Portfolio management
98	RIV Harbour West MI 1 GmbH	Berlin	94.9	89	Portfolio management
99	RIV Harbour East WA 1 GmbH	Berlin	94.9	89	Portfolio management
100	RIV Total MI 2 GmbH	Berlin	94.9	89	Project developement
101	RIV Central WA 2 GmbH	Berlin	94.9	89	Portfolio management
102	RIV Square West MI 3 GmbH	Berlin	94.9	89	Portfolio management
103	RIV Square East WA 3 GmbH	Berlin	94.9	89	Portfolio management
104	RIV Channel MI 4 GmbH	Berlin	94.9	89	Portfolio management
105	RIV Kornspreicher GmbH	Berlin	94.9	89	Project developement
106	Magnus Zwölfte Immobilienbesitz und Verwaltungs GmbH	Berlin	100.0	7	Intermediate holding company
107	Magnus Dreizehnte Immobilienbesitz und Verwaltungs GmbH	Berlin	100.0	7	Project developement
108	TGA Immobilien Erwerb 10 GmbH	Berlin	94.9	106	Portfolio management
109	Brack Capital Properties N.V. (BCP)	Amsterdam/The Netherlands	69.81	1	Holding
110	Magnus Fünfzehnte Immobilienbesitz und Verwaltungs GmbH	Berlin	100.0	7	Project developement
111	Magnus Sechszehnte Immobilienbesitz und Verwaltungs GmbH	Berlin	100.0	7	Project developement
112	Brack German Properties B.V.	Amsterdam/ Netherlands	100.0	109	Intermediate holding company
113	Brack European Ingatlankezelö KFT	Budapest/Hungary	100.0	109	Service company
114	Brack Capital (Düsseldorf-Rossstrasse) B.V.	Amsterdam/ Netherlands	100.0	112	Portfolio management
115	Brack Capital (Düsseldorf-Schanzenstraße) B.V.	Amsterdam/ Netherlands	100.0	112	Portfolio management
116	Brack Capital (Bad Kreuznach) B.V.	Amsterdam/ Netherlands	100.0	112	Portfolio management
117	Brack Capital (Gelsenkirchen) B.V.	Amsterdam/ Netherlands	100.0	112	Portfolio management
118	Brack Capital (Neubrandenburg) B.V.	Amsterdam/ Netherlands	100.0	112	Portfolio management
119	Brack Capital (Ludwigsfelde) B.V.	Amsterdam/ Netherlands	100.0	112	Portfolio management
120	Brack Capital (Remscheid) B.V.	Amsterdam/ Netherlands	100.0	112	Portfolio management
121	Brack Capital Theta B.V.	Amsterdam/ Netherlands	100.0	112	Intermediate holding company
122	Graniak Leipzig Real Estate GmbH & Co KG	Frankfurt am Main	100.0	121	Portfolio management
123	BCRE Leipzig Residenz am Zoo GmbH	Frankfurt am Main	94.9	121	General Partner
124	Brack Capital Epsilon B.V.	Amsterdam/ Netherlands	100.0	112	Portfolio management

14. OTHER DISCLOSURES (continued)

14.8 Declaration of Conformity with the German Corporate Governance Code (continued)

No.	Company	Headquarters	Equity interest in %	Held by No.	Business activity
	Subsidiaries fully consolidated				
125	Brack Capital Delta B.V.	Amsterdam/ Netherlands	52.29	112	Portfolio management
			37.28	109	
			10.43	7	
126	Brack Capital Alfa B.V.	Amsterdam/ Netherlands	52.29	112	Portfolio management
			37.28	109	
			10.43	7	
127	Brack Capital (Hamburg) B.V.	Amsterdam/ Netherlands	100.0	112	None
128	BCP Leipzig B.V.	Amsterdam/ Netherlands	100.0	112	Intermediate holding company
129	BCRE Leipzig Wohnen Nord B.V.	Amsterdam/ Netherlands	100.0	128	Portfolio management
130	BCRE Leipzig Wohnen Ost B.V.	Amsterdam/ Netherlands	100.0	128	Portfolio management
131	BCRE Leipzig Wohnen West B.V.	Amsterdam/ Netherlands	100.0	128	Portfolio management
132	Brack Capital Germany (Netherlands) XVIII B.V.	Amsterdam/ Netherlands	100.0	112	Portfolio management
133	Brack Capital Germany (Netherlands) XXII B. V.	Amsterdam/ Netherlands	100.0	112	Intermediate holding company
134	BCRE Essen Wohnen B.V.	Amsterdam/ Netherlands	100.0	133	Portfolio management
135	BCRE Duisburg Wohnen B.V.	Amsterdam/ Netherlands	100.0	133	Portfolio management
136	BCRE Dortmund Wohnen B.V.	Amsterdam/ Netherlands	100.0	133	Portfolio management
137	Brack Capital Germany (Netherlands) XVII B.V.	Amsterdam/ Netherlands	100.0	112	Portfolio management
138	Brack Capital Germany (Netherlands) Hedging B.V.	Amsterdam/ Netherlands	100.0	112	None
139	Brack Capital Germany (Netherlands) XLV B.V.	Amsterdam/ Netherlands	100.0	112	Service company
140	S.I.B. Capital Future Markets Ltd.	Tel Aviv/Israel	100.0	139	Service company
141	Brack Capital Labda B.V.	Amsterdam/ Netherlands	100.0	112	Intermediate holding company
142	LBHQ Investments B.V.	Amsterdam/ Netherlands	100.0	112	Portfolio management
143	RealProb (Rodelheim) C.V.	Amsterdam/ Netherlands	99.0	142	Portfolio management
			1.0	149	
144	RealProb Investment Germany (Netherlands) III B.V.	Amsterdam/ Netherlands	100.0	112	Portfolio management
145	Brack Capital Germany (Netherlands) XLVII B.V.	Amsterdam/ Netherlands	100.0	112	Portfolio management
146	Brack Capital Germany (Netherlands) L B.V.	Amsterdam/ Netherlands	100.0	112	Intermediate holding company

14. OTHER DISCLOSURES (continued)

14.8 Declaration of Conformity with the German Corporate Governance Code (continued)

No.	Company	Headquarters	Equity interest in %	Held by No.	Business activity
	Subsidiaries fully consolidated				
147	Brack Capital Germany (Netherlands) LI B.V.	Amsterdam/ Netherlands	100.0	112	Intermediate holding company
148	Brack Capital Germany (Netherlands) LIII B.V.	Amsterdam/ Netherlands	100.0	112	Portfolio management
149	Brack Capital Germany (Netherlands) LIV B.V.	Amsterdam/ Netherlands	100.0	112	None
150	Brack Capital Germany (Netherlands) XLVIII B.V.	Amsterdam/ Netherlands	100.0	112	Intermediate holding company
151	Glasmacherviertel GmbH & Co. KG	Dusseldorf	100.0	150	Portfolio management
152	Brack Capital Beta B.V.	Amsterdam/ Netherlands	84.98	112	Intermediate holding company
153	Grafental Mitte B.V.	Amsterdam/ Netherlands	100.0	152	Project development
154	Brack Capital Germany (Netherlands) XXVI B.V.	Amsterdam/ Netherlands	100.0	152	Project development
155	Grafental GmbH & Co. KG	Dusseldorf	100.0	154	Project development
156	Brack Capital Germany (Netherlands) XLIX B.V.	Amsterdam/ Netherlands	100.0	112	Portfolio management
157	Brack Capital Germany (Netherlands) XLVI B.V.	Amsterdam/ Netherlands	100.0	112	Portfolio management
158	Brack Capital (Witten GmbH & Co. Immobilien KG	Dusseldorf	100.0	157	Portfolio management
159	Brack Capital Witten GmbH (GP)	Dusseldorf	100.0	157	General Partner
160	Brack Capital Germany (Netherlands) XII B.V.	Amsterdam/ Netherlands	100.0	112	Intermediate holding company
161	Brack Capital Germany (Netherlands) XIX B.V.	Amsterdam/ Netherlands	100.0	112	Portfolio management
162	Brack Capital Germany (Netherlands) XXI B.V.	Amsterdam/ Netherlands	100.0	112	Portfolio management
163	Brack Capital Germany (Netherlands) XLI B.V.	Amsterdam/ Netherlands	100.0	112	Portfolio management
164	Brack Capital Germany (Netherlands) XXIII B.V.	Amsterdam/ Netherlands	100.0	112	Portfolio management
165	Brack Capital Germany (Netherlands) XLII B.V.	Amsterdam/ Netherlands	100.0	112	Portfolio management
166	Brack Capital Germany (Netherlands) XLIII B.V.	Amsterdam/ Netherlands	100.0	112	Portfolio management
167	Brack Capital Germany (Netherlands) XLIV B.V.	Amsterdam/ Netherlands	100.0	112	Portfolio management
168	Brack Capital Germany (Netherlands) XXX B.V.	Amsterdam/ Netherlands	100.0	112	Portfolio management

14. OTHER DISCLOSURES (continued)

14.8 Declaration of Conformity with the German Corporate Governance Code (continued)

No.	Company	Headquarters	Equity interest in %	Held by No.	Business activity
	Subsidiaries fully consolidated				
169	Brack Capital (Darmstadt Goebelstrasse) GmbH	Frankfurt am Main	100.0	164	None
170	Brack Capital Germany (Netherlands) XXXI B.V.	Amsterdam/ Netherlands	100.0	112	Portfolio management
171	Brack Capital Germany (Netherlands) XXXV B.V.	Amsterdam/ Netherlands	100.0	112	Portfolio management
172	Brack Capital Germany (Netherlands) XXXVI B.V.	Amsterdam/ Netherlands	100.0	112	Portfolio management
173	Brack Capital Germany (Netherlands) XXXVII B.V.	Amsterdam/ Netherlands	100.0	112	Portfolio management
174	Brack Capital Germany (Netherlands) XXXVIII B.V.	Amsterdam/ Netherlands	100.0	112	Project development
175	Brack Capital Germany (Netherlands) XXXIX B.V.	Amsterdam/ Netherlands	100.0	112	Portfolio management
176	Brack Capital Germany (Netherlands) XXV B.V.	Amsterdam/ Netherlands	100.0	112	Intermediate holding company
177	Brack Capital Wuppertal (Netherlands) B.V.	Amsterdam/ Netherlands	100.0	112	Portfolio management
178	Brack Capital (Wuppertal) GmbH	Frankfurt am Main	100.0	112	Portfolio management
179	Invest Partner GmbH	Frankfurt am Main	94.0	178	Portfolio management
180	Brack Capital Gelsenkirchen GmbH & Co. Immobilien KG	Frankfurt am Main	99.3	117	Intermediate holding company
181	Brack Capital (Oberhausen) GmbH	Frankfurt am Main	100.0	117	General Partner
182	Grafental Verwaltungs GmbH (phG)	Dusseldorf	100.0	160	General Partner
183	Brack Capital Kaufland Sarl	Luxembourg/ Grand Duchy of Luxembourg	100.0	112	Intermediate holding company
184	TPL Augsburg Sàrl	Luxembourg/ Grand Duchy of Luxembourg	92.0	183	Portfolio management
185	TPL Bad Aibling Sàrl	Luxembourg/ Grand Duchy of Luxembourg	92.0	183	Portfolio management
186	TPL Biberach Sàrl	Luxembourg/ Grand Duchy of Luxembourg	92.0	183	Portfolio management
187	TPL Borken Sàrl	Luxembourg/ Grand Duchy of Luxembourg	92.0	183	Portfolio management
188	TPL Geislingen Sàrl	Luxembourg/ Grand Duchy of Luxembourg	92.0	183	Portfolio management
189	TPL Erlangen Sàrl	Luxembourg/ Grand Duchy of Luxembourg	92.0	183	Portfolio management

14. OTHER DISCLOSURES (continued)

14.8 Declaration of Conformity with the German Corporate Governance Code (continued)

No.	Company	Headquarters	Equity interest in %	Held by No.	Business activity
	Subsidiaries fully consolidated				
190	TPL Neckersulm Sàrl	Luxembourg/ Grand Duchy of Luxembourg	92.0	183	Portfolio management
191	TPL Vilshofen Sàrl	Luxembourg/ Grand Duchy of Luxembourg	92.0	183	Portfolio management
192	TPL Ludwigsburg Sàrl	Luxembourg/ Grand Duchy of Luxembourg	92.0	183	Portfolio management
193	Brack Capital Eta B.V.	Amsterdam/ Netherlands	100.0	112	Intermediate holding company
194	Brack Capital Germany (Netherlands) XL B.V.	Amsterdam/ Netherlands	100.0	112	Intermediate holding company
195	Parkblick GmbH & Co. KG	Dusseldorf	100.0	194	Portfolio management
196	Grafental am Wald GmbH (PhG)	Dusseldorf	100.0	194	General Partner
197	Brack Capital Germany (Netherlands) LII B.V. “Holdco BV”	Amsterdam/ Netherlands	100.0	112	Intermediate holding company
198	Brack Capital Patros GmbH “Holdco GmbH”	Frankfurt am Main	100.0	197	Intermediate holding company
199	Brack Capital Magdeburg I GmbH	Berlin	94.9	198	Portfolio management
200	Brack Capital Magdeburg II GmbH	Berlin	94.9	198	Portfolio management
201	Brack Capital Magdeburg III GmbH	Berlin	94.9	198	Portfolio management
202	Brack Capital Magdeburg IV GmbH	Berlin	94.9	198	Portfolio management
203	Brack Capital Magdeburg V GmbH	Berlin	94.9	198	Portfolio management
204	Brack Capital Magdeburg VI GmbH	Berlin	94.9	198	Portfolio management
205	Brack Capital Halle I GmbH	Berlin	94.9	198	Portfolio management
206	Brack Capital Halle II GmbH	Berlin	94.9	198	Portfolio management
207	Brack Capital Halle III GmbH	Berlin	94.9	198	Portfolio management
208	Brack Capital Halle IV GmbH	Berlin	94.9	198	Portfolio management
209	Brack Capital Halle V GmbH	Berlin	94.9	198	Portfolio management
210	Brack Capital Leipzig I GmbH	Berlin	94.9	198	Portfolio management
211	Brack Capital Leipzig II GmbH	Berlin	94.9	198	Portfolio management
212	Brack Capital Leipzig III GmbH	Berlin	94.9	198	Portfolio management
213	Brack Capital Leipzig IV GmbH	Berlin	94.9	198	Portfolio management
214	Brack Capital Leipzig V GmbH	Berlin	94.9	198	Portfolio management
215	Brack Capital Leipzig VI GmbH	Berlin	94.9	198	Portfolio management
216	Brack Capital Germany (Netherlands) LV B.V.	Amsterdam/ Netherlands	100.0	112	Intermediate holding company
217	RT Facility Management GmbH & Co. KG	Dusseldorf	100.0	216	Service company
218	RT Facility Management (Germany) GmbH (GP)	Dusseldorf	100.0	217	General Partner
219	BCRE Kassel I B.V.	Amsterdam/ Netherlands	89.9	112	Intermediate holding company
			10.1	7	
220	Brack Objekt Kassel Hafenstrasse GmbH	Frankfurt am Main	94.9	219	General Partner
221	Brack Capital (Kassel) GmbH & Co. Immobilien KG	Frankfurt am Main	100.0	219	Portfolio management
222	RealProb Investment (Duisburg) B.V.	Amsterdam/ Netherlands	100.0	112	Portfolio management
223	Magnus Siebzehnte Immobilienbesitz- und Verwaltungs GmbH	Berlin	100.0	7	None
224	Wasserstadt Co-Living GmbH (formerly Magnus Achtzehnte Immobilienbesitz und Verwaltungs GmbH)	Berlin	100.0	7	Intermediate holding company

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

14. OTHER DISCLOSURES (continued)

14.8 Declaration of Conformity with the German Corporate Governance Code (continued)

No.	Company	Headquarters	Equity interest in %	Held by No.	Business activity
	Subsidiaries fully consolidated				
225	Magnus Neunzehnte Immobilienbesitz- und Verwaltungs GmbH	Berlin	100.0	7	None
226	Magnus Zwanzigste Immobilienbesitz- und Verwaltungs GmbH	Berlin	100.0	7	None
227	Spree Zweite Beteiligungs Ost GmbH	Zossen	94.9	1	Portfolio management
228	Spree Röbellweg 2-10 Verwaltungs GmbH	Berlin	94.9	1	Portfolio management
229	ADO GROUP LTD. (before Li Lorgen Ltd.)	Israel	100.0	1	Holding
230	BCP Invest Rostock B.V.	Amsterdam/ Netherlands	100.0	112	Intermediate holding company
231	BCP Invest Celle B.V.	Amsterdam/ Netherlands	100.0	112	Intermediate holding company
232	BCP Invest Castrop B.V.	Amsterdam/ Netherlands	100.0	112	Intermediate holding company
233	Eurohaus Frankfurt AG	Berlin	89.99	1	Portfolio management
234	ADO Properties S.A.	Senningerberg/ Grand Duchy of Luxembourg	33.25	229	Intermediate holding company
235	ADO SBI Holdings S.A. & Co. KG	Berlin	94.0	234	Intermediate holding company
236	ADO Lux Finance S.à.r.l.	Senningerberg/ Grand Duchy of Luxembourg	100.0	234	Finance Company
237	ADO FC Management Unlimited Company	Dublin/Irland	100.0	238	Finance Company
238	ADO Lux-EEME S.à.r.l.	Senningerberg/ Grand Duchy of Luxembourg	100.0	234	Finance Company
239	ADO Malta Limited	Valletta/Malta	100.0	237	Finance Company
240	Berale Grundstücks GmbH	Berlin 2)	94.0	234	Portfolio management
241	Tara Grundstücks GmbH	Berlin 2)	94.0	234	Portfolio management
242	Maya Grundstücks GmbH	Berlin 2)	94.0	234	Portfolio management
243	Pola Grundstücks GmbH	Berlin 2)	94.0	234	Portfolio management
244	Wernerwerkdamm 25 Berlin Grundstücks GmbH	Berlin 2)	94.0	234	Portfolio management
245	Drontheimer Straße 4 Grundstücks GmbH	Berlin 2)	94.0	234	Portfolio management
246	Adoa Grundstücks GmbH	Berlin 2)	94.0	234	Portfolio management
247	Tamuril Grundstücks GmbH	Berlin 2)	94.0	234	Portfolio management
248	Mezi Grundstücks GmbH	Berlin 2)	94.0	234	Portfolio management
249	Trusk Grundstücks GmbH	Berlin 2)	94.0	234	Portfolio management
250	Reshet Grundstücks GmbH	Berlin 2)	94.0	234	Portfolio management
251	Ahava Grundstücks GmbH	Berlin 2)	94.0	234	Portfolio management
252	Badolina Grundstücks GmbH	Berlin 2)	94.0	234	Portfolio management
253	Nehederet Grundstücks GmbH	Berlin 2)	94.0	234	Portfolio management
254	Papun Grundstücks GmbH	Berlin 2)	94.0	234	Portfolio management
255	Muse Grundstücks GmbH	Berlin 2)	94.0	234	Portfolio management
256	Gozal Grundstücks GmbH	Berlin 2)	94.0	234	Portfolio management
257	Sababa 18. Grundstücks GmbH	Berlin 2)	94.0	234	Portfolio management
258	Sababa 19. Grundstücks GmbH	Berlin 2)	94.0	234	Portfolio management
259	Sababa 20. Grundstücks GmbH	Berlin 2)	94.0	234	Portfolio management
260	Sababa 21. Grundstücks GmbH	Berlin 2)	94.0	234	Portfolio management
261	Sababa 22. Grundstücks GmbH	Berlin 2)	94.0	234	Portfolio management
262	Sababa 23. Grundstücks GmbH	Berlin 2)	94.0	234	Portfolio management
263	Sababa 24. Grundstücks GmbH	Berlin 2)	94.0	234	Portfolio management
264	Sababa 25. Grundstücks GmbH	Berlin 2)	94.0	234	Portfolio management
265	Sababa 26. Grundstücks GmbH	Berlin 2)	94.0	234	Portfolio management
266	Sababa 27. Grundstücks GmbH	Berlin 2)	94.0	234	Portfolio management
267	Sababa 28. Grundstücks GmbH	Berlin 2)	94.0	234	Portfolio management

14. OTHER DISCLOSURES (continued)

14.8 Declaration of Conformity with the German Corporate Governance Code (continued)

No.	Company	Headquarters	Equity interest in %	Held by No.	Business activity
	Subsidiaries fully consolidated				
268	Sababa 29. Grundstücks GmbH	Berlin 2)	94.0	234	Portfolio management
269	Sababa 30. Grundstücks GmbH	Berlin 2)	94.0	234	Portfolio management
270	Sababa 31. Grundstücks GmbH	Berlin 2)	94.0	234	Portfolio management
271	Sababa 32. Grundstücks GmbH	Berlin 2)	94.0	234	Portfolio management
272	Yarok Grundstücks GmbH	Berlin 2)	94.0	234	Portfolio management
273	Neshama Grundstücks GmbH	Berlin 2)	94.0	234	Portfolio management
274	Eldalote Grundstücks GmbH	Berlin 2)	94.0	234	Intermediate holding company
275	Osher Grundstücks GmbH	Berlin 2)	94.0	234	Intermediate holding company
276	Tehila Grundstücks GmbH	Berlin 2)	94.0	234	Portfolio management
277	Tehila 1 Grundstücks GmbH	Berlin 2)	94.0	234	Portfolio management
278	Tehila 2 Grundstücks GmbH	Berlin 2)	94.0	234	Portfolio management
279	Anafa Grundstücks GmbH	Berlin 2)	94.0	234	Portfolio management
280	Anafa 1 Grundstücks GmbH	Berlin 2)	94.0	234	Portfolio management
281	Anafa 2 Grundstücks GmbH	Berlin 2)	94.0	234	Portfolio management
282	Gamazi Grundstücks GmbH	Berlin 2)	94.0	234	Portfolio management
283	Geut Grundstücks GmbH	Berlin 2)	94.0	234	Portfolio management
284	Nuni Grundstücks GmbH	Berlin 2)	94.0	234	Portfolio management
285	Krembo Grundstücks GmbH	Berlin 2)	94.0	234	Portfolio management
286	Tussik Grundstücks GmbH	Berlin 2)	94.0	234	Portfolio management
287	Adest Grundstücks GmbH	Berlin 2)	94.0	234	Portfolio management
288	Lavlav Grundstücks GmbH	Berlin 2)	94.0	234	Portfolio management
289	Lavlav 1 Grundstücks GmbH	Berlin 2)	94.0	234	Portfolio management
290	Lavlav 2 Grundstücks GmbH	Berlin 2)	94.0	234	Portfolio management
291	Lavlav 3 Grundstücks GmbH	Berlin 2)	94.0	234	Portfolio management
292	ADO Immobilien Management GmbH	Berlin	100.0	234	Service company
293	Central Facility Management GmbH	Berlin	100.0	234	Service company
294	ADO Properties GmbH	Berlin	100.0	234	Service company
295	ADO Treasury GmbH	Berlin	100.0	234	Service company
296	CCM City Construction Management GmbH	Berlin	100.0	234	Service company
297	ADO Living GmbH	Berlin	100.0	234	Portfolio management
298	Yahel Grundstücks GmbH	Berlin 2)	94.0	234	Portfolio management
299	Bamba Grundstücks GmbH	Berlin 2)	94.0	234	Portfolio management
300	Mastik Grundstücks GmbH	Berlin 2)	94.0	234	Portfolio management
301	Zman Grundstücks GmbH	Berlin 2)	94.0	234	Portfolio management
302	Adom Grundstücks GmbH	Berlin 2)	94.0	234	Portfolio management
303	Adon Grundstücks GmbH	Berlin 2)	94.0	234	Portfolio management
304	Bombila Grundstücks GmbH	Berlin 2)	94.0	234	Portfolio management
305	Gamad Grundstücks GmbH	Berlin 2)	94.0	234	Portfolio management
306	Geshem Grundstücks GmbH	Berlin 2)	94.0	234	Portfolio management
307	Stav Grundstücks GmbH	Berlin 2)	94.0	234	Portfolio management
308	Yussifun Grundstücks GmbH	Berlin 2)	94.0	234	Portfolio management
309	Sheket Grundstücks GmbH	Berlin	100.0	234	Portfolio management
310	Seret Grundstücks GmbH	Berlin	100.0	234	Portfolio management
311	Melet Grundstücks GmbH	Berlin	100.0	234	Portfolio management
312	Yabeshet Grundstücks GmbH	Berlin	100.0	234	Portfolio management
313	YaditT Grundstücks GmbH	Berlin	100.0	234	Portfolio management
314	Zamir Grundstücks GmbH	Berlin	100.0	234	Portfolio management
315	Arafel Grundstücks GmbH	Berlin	100.0	234	Portfolio management
316	Sharav Grundstücks GmbH	Berlin	100.0	234	Portfolio management
317	Sipur Grundstücks GmbH	Berlin	100.0	234	Portfolio management
318	Matok Grundstücks GmbH	Berlin	100.0	234	Intermediate holding company
319	Barbur Grundstücks GmbH	Berlin	94.9	234	Portfolio management
320	Parpar Grundstücks GmbH	Berlin	100.0	234	Portfolio management
321	Matok Löwenberger Straße Grundstücks GmbH	Berlin	100.0	318	Portfolio management

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

14. OTHER DISCLOSURES (continued)

14.8 Declaration of Conformity with the German Corporate Governance Code (continued)

No.	Company	Headquarters	Equity interest in %	Held by No.	Business activity
	Subsidiaries fully consolidated				
322	JoySun1 B.V.	Amsterdam/ Netherlands	60.0	234	Intermediate holding company
323	JoySun2 B.V.	Amsterdam/ Netherlands	60.0	234	Intermediate holding company
324	Joysun Nestorstraße Grundstücks GmbH	Berlin 3)	94.0	322	Portfolio management
325	Joysun Florapromenade Grundstücks GmbH	Berlin 3)	94.0	322	Portfolio management
326	Joysun Cotheniusstraße Grundstücks GmbH	Berlin 3)	94.0	322	Portfolio management
327	Joysun Tauroggener Str. Grundstücks GmbH	Berlin 3)	94.0	322	Portfolio management
328	Joysun Kiehlufer Grundstücks GmbH	Berlin 3)	94.0	322	Portfolio management
329	Joysun Rubensstraße Grundstücks GmbH	Berlin 3)	94.0	322	Portfolio management
330	Ziporim Investment GmbH	Berlin	50.0	331	Intermediate holding company
			50.0	332	
331	Songbird 1 ApS	Kopenhagen/ Denmark	60.0	234	Intermediate holding company
332	Songbird 2 ApS	Kopenhagen/ Denmark	60.0	234	Intermediate holding company
333	Yona Investment GmbH & Co. KG	Berlin	100.0	331	Intermediate holding company
334	Yanshuf Investment GmbH & Co. KG	Berlin	100.0	332	Intermediate holding company
335	Yona Stettiner Straße Grundstücks GmbH	Berlin 4)	85.0	333	Portfolio management
336	Yona Schulstraße Grundstücks GmbH	Berlin 4)	85.0	333	Portfolio management
337	Yona Otawistraße Grundstücks GmbH	Berlin 4)	85.0	333	Portfolio management
338	Yona Stromstraße Grundstücks GmbH	Berlin 4)	85.0	333	Portfolio management
339	Yona Gutenbergstraße Grundstücks GmbH	Berlin 4)	85.0	333	Portfolio management
340	Yona Kameruner Straße Grundstücks GmbH	Berlin 4)	85.0	333	Portfolio management
341	Yona Schichauweg Grundstücks GmbH	Berlin 4)	85.0	333	Portfolio management
342	Yona Alt-Tempelhof Grundstücks GmbH	Berlin 4)	85.0	333	Portfolio management
343	Yona Gruberzeile Grundstücks GmbH	Berlin 4)	85.0	333	Portfolio management
344	Yona Schloßstraße Grundstücks GmbH	Berlin 4)	85.0	333	Portfolio management
345	Yona Lindauer Allee Grundstücks GmbH	Berlin 4)	85.0	333	Portfolio management
346	Yona Nogatstraße Grundstücks GmbH	Berlin 4)	85.0	333	Portfolio management
347	Yona Bötzowstraße 55 Grundstücks GmbH	Berlin 4)	85.0	333	Portfolio management
348	Yona Herbststraße Grundstücks GmbH	Berlin 4)	85.0	333	Portfolio management
349	Yona Danziger Straße Grundstücks GmbH	Berlin 4)	85.0	333	Portfolio management
350	Yona Schönstraße Grundstücks GmbH	Berlin 4)	85.0	333	Portfolio management
351	Yanshuf Kaiserstraße Grundstücks GmbH	Berlin 5)	85.0	334	Portfolio management
352	Yanshuf Binzstraße Grundstücks GmbH	Berlin 5)	85.0	334	Portfolio management
353	Yanshuf Antonienstraße Grundstücks GmbH	Berlin 5)	85.0	334	Portfolio management
354	Yanshuf Seestraße Grundstücks GmbH	Berlin 5)	85.0	334	Portfolio management
355	Yanshuf Hermannstraße Grundstücks GmbH	Berlin 5)	85.0	334	Portfolio management
356	Yanshuf Schmidt-Ott-Straße Grundstücks GmbH	Berlin 5)	85.0	334	Portfolio management
357	Hanpaka Holding GmbH	Berlin	100.0	234	Intermediate holding company
358	Hanpaka Immobilien GmbH	Berlin 6)	94.9	357	Portfolio management
359	Jessica Properties B.V.	Capelle aan den Ijssel/Netherlands	94.5	234	Portfolio management
360	Alexandra Properties B.V.	Capelle aan den Ijssel/Netherlands	94.4	234	Portfolio management
361	Marbien Properties B.V.	Capelle aan den Ijssel/Netherlands	94.9	234	Portfolio management
362	Meghan Properties B.V.	Capelle aan den Ijssel/Netherlands	94.4	234	Portfolio management
363	Dvash 1 Holding GmbH	Berlin	100.0	234	Intermediate holding company
364	Dvash 2 Holding GmbH	Berlin	100.0	234	Intermediate holding company
365	Dvash 3 B.V.	Capelle aan den Ijssel/Netherlands	100.0	234	None

14. OTHER DISCLOSURES (continued)

14.8 Declaration of Conformity with the German Corporate Governance Code (continued)

No.	Company	Headquarters	Equity interest in %	Held by No.	Business activity
	Subsidiaries fully consolidated				
366	Rimon Holding GmbH	Berlin	100.0	234	Intermediate holding company
367	Bosem Grundstücks GmbH	Berlin	100.0	234	Intermediate holding company
368	Rimon Grundstücks GmbH	Berlin 6)	94.9	366	Portfolio management
369	5. Ostdeutschland Invest GmbH	Berlin 6)	94.9	367	Portfolio management
370	8. Ostdeutschland Invest GmbH	Berlin 6)	94.9	367	Portfolio management
371	ADO Sonnensiedlung Sarl	Senningerberg/ Grand Duchy of Luxembourg 6)	94.9	234	Portfolio management
372	Dvash 21 Grundstücks GmbH	Berlin 6)	94.9	364	Portfolio management
373	Dvash 22 Grundstücks GmbH	Berlin 6)	94.9	364	Portfolio management
374	Dvash 23 Grundstücks GmbH	Berlin 6)	94.9	364	Portfolio management
375	Dvash 24 Grundstücks GmbH	Berlin 6)	94.9	364	Portfolio management
376	Dvash 11 Grundstücks GmbH	Berlin 6)	94.9	363	Portfolio management
377	Dvash 12 Grundstücks GmbH	Berlin 6)	94.9	363	Portfolio management
378	Dvash 13 Grundstücks GmbH	Berlin 6)	94.9	363	Portfolio management
379	Dvash 14 Grundstücks GmbH	Berlin 6)	94.9	363	Portfolio management
380	Horef Holding GmbH	Berlin	100.0	234	Intermediate holding company
381	HOREF Grundstücks GmbH	Berlin 6)	94.9	380	Portfolio management
382	ADO 9110 Holding GmbH	Berlin	100.0	234	Intermediate holding company
383	ADO 9160 Grundstücks GmbH	Berlin 6)	94.9	382	Portfolio management
384	Silan Grundstücks GmbH	Berlin	100.0	234	Intermediate holding company
385	Sprengelstraße 39 GmbH	Berlin 6)	94.0	248	Portfolio management
386	Scharnweberstraße 112 Verwaltungsgesellschaft mbH	Berlin 6)	94.9	248	Portfolio management
387	Kantstraße 62 Grundstücks GmbH	Berlin	100.0	309	Portfolio management
388	ADO 9200 Grundstücks GmbH	Berlin 6)	94.9	248	Portfolio management
389	ADO 9210 Grundstücks GmbH	Berlin 6)	94.9	248	Portfolio management
390	ADO 9220 Grundstücks GmbH	Berlin 6)	94.9	248	Portfolio management
391	ADO 9230 Grundstücks GmbH	Berlin 6)	94.9	248	Portfolio management
392	ADO 9240 Grundstücks GmbH	Berlin 6)	94.9	248	Portfolio management
393	ADO 9250 Grundstücks GmbH	Berlin 6)	94.0	248	Portfolio management
394	ADO 9260 Grundstücks GmbH	Berlin 6)	94.9	320	Portfolio management
395	ADO 9270 Grundstücks GmbH	Berlin 6)	94.8	320	Portfolio management
396	ADO 9280 Grundstücks GmbH	Berlin 6)	94.9	320	Portfolio management
397	ADO 9290 Grundstücks GmbH	Berlin 6)	94.9	320	Portfolio management
398	ADO 9300 Grundstücks GmbH	Berlin 6)	94.9	320	Portfolio management
399	ADO 9310 Grundstücks GmbH	Berlin 6)	94.9	320	Portfolio management
400	ADO 9320 Grundstücks GmbH	Berlin 6)	94.9	320	Portfolio management
401	ADO 9330 Grundstücks GmbH	Berlin [6)]	94.9	320	Portfolio management
402	ADO 9340 Grundstücks GmbH	Berlin [6)]	94.9	320	Portfolio management
403	ADO 9350 Grundstücks GmbH	Berlin [6)]	94.9	320	Portfolio management
404	ADO 9360 Holding GmbH	Berlin	100.0	234	Intermediate holding company
405	ADO 9370 Grundstücks GmbH	Berlin [6)]	94.9	404	Portfolio management
406	ADO 9380 Grundstücks GmbH	Berlin [6)]	94.9	366	Portfolio management
407	ADO 9390 Grundstücks GmbH	Berlin [6)]	94.9	366	Portfolio management
408	ADO 9400 Grundstücks GmbH	Berlin [6)]	94.9	366	Portfolio management
409	ADO 9410 Grundstücks GmbH	Berlin [6)]	94.9	366	Portfolio management
410	ADO 9420 Grundstücks GmbH	Berlin [6)]	94.9	366	Portfolio management
411	ADO 9430 Grundstücks GmbH	Berlin [6)]	94.9	366	Portfolio management
412	ADO 9440 Grundstücks GmbH	Berlin [6)]	94.9	366	Portfolio management
413	ADO 9450 Grundstücks GmbH	Berlin [6)]	94.9	366	Portfolio management
414	ADO 9460 Grundstücks GmbH	Berlin [6)]	94.9	366	Portfolio management
415	ADO 9470 Grundstücks GmbH	Berlin [6)]	94.9	357	Portfolio management
416	ADO 9480 Grundstücks GmbH	Berlin [6)]	94.9	366	Portfolio management
417	ADO 9490 Grundstücks GmbH	Berlin [6)]	94.9	357	Portfolio management

14. OTHER DISCLOSURES (continued)

14.8 Declaration of Conformity with the German Corporate Governance Code (continued)

No.	Company	Headquarters	Equity interest in %	Held by No.	Business activity
	Subsidiaries fully consolidated				
418	ADO 9500 Grundstücks GmbH	Berlin 6)	94.9	234	Portfolio management
419	ADO 9510 Grundstücks GmbH	Berlin 6)	94.9	357	Portfolio management
420	ADO 9520 Grundstücks GmbH	Berlin 6)	94.9	366	Portfolio management
421	ADO 9530 Grundstücks GmbH	Berlin 6)	94.9	366	Portfolio management
422	ADO 9540 Holding GmbH	Berlin	100.0	234	Intermediate holding company
423	ADO 9550 Grundstücks GmbH	Berlin 6)	94.9	422	Portfolio management
424	ADO 9560 Grundstücks GmbH	Berlin 6)	94.9	422	Portfolio management
425	ADO 9570 Grundstücks GmbH	Berlin 6)	94.9	422	Portfolio management
426	ADO 9580 Holding GmbH	Berlin	100.0	234	Intermediate holding company
427	RVB Angerburger Allee B.V.	Capelle aan den Ijssel/ Netherlands 6)	94.0	426	Portfolio management
428	ADO 9600 Grundstücks GmbH	Berlin 6)	94.9	422	Portfolio management
429	ADO 9610 Grundstücks GmbH	Berlin 6)	94.9	422	Portfolio management
430	ADO 9620 Grundstücks GmbH	Berlin 6)	94.9	422	Portfolio management
431	ADO 9630 Grundstücks GmbH	Berlin 6)	94.9	422	Portfolio management
432	ADO 9640 Grundstücks GmbH	Berlin 6)	94.9	422	Portfolio management
433	Glasmacherviertel Verwaltungs GmbH (phG)	Dusseldorf	100.0	150	General Partner
	Associated Companies or Joint Ventures included in the consolidated financial statements				
434	ACCENTRO REAL ESTATE AG	Berlin	6.2	1	Trade
435	ADLER Real Estate Assekuranzmakler GmbH & Co. KG	Dusseldorf	50.0	1	Insurance broker
436	Caesar JV Immobilienbesitz und Verwaltungs GmbH	Berlin	25.0	7	Portfolio management
437	AB Immobilien B.V.	Amsterdam/ Netherlands	25.0	7	Portfolio management
438	Tuchmacherviertel GmbH & Co. KG	Aachen	50.0	176	Portfolio management
439	Brack Capital (Chemnitz) B.V.	Amsterdam/ Netherlands	60.0	112	Portfolio management
	Companies not significant enough to be included at equity in the consolidated financial statements				
440	MRT (Mountleigh Roland Ernst) B.V.	Rotterdam/ Netherlands	50.0	1	None
441	Stovago B.V.	Rotterdam/ Netherlands	50.0	1	None

1) The Company intends to utilise the exemption option under § 264 b HGB with regard to disclosure requirements
2) The remaining share is held by ADO SIB Holdings S.A. & Co KG
3) The remaining share is held by JoySun 2 B.V.
4) The remaining share is held by Yanshuf Investment GmbH & Co. KG
5) The remaining share is held by Yona Investment GmbH & Co. KG
6) The remaining share is held by A.D.O. Group Ltd

AFFIRMATION BY THE LEGAL REPRESENTATIVES

"We hereby affirm to the best of our knowledge, pursuant to the applicable accounting principles for interim financial reporting, that the interim consolidated financial statements convey a true and fair view of the Group's financial, earnings and liquidity position, that the course of business, including the results of operations and the position of the Group, is represented in the combined management report in such a manner as to convey a true and fair view and that all essential opportunities and risks foreseeable for the Group in the remainder of the financial year are described.

Berlin, 25 March 2020

Tomas de Vargas Machuca Co-CEO	Maximilian Rienecker Co-CEO	Sven-Christian Frank COO

LEGAL REMARK

This report contains future-oriented statements that reflect the current management's views of ADLER Real Estate AG regarding future events. Every statement in this report that reflects intentions, assumptions, expectations or predictions, as well as the assumptions on which they are based, constitutes such a future-oriented statement. These statements are based on plans, estimates and forecasts currently available to the management of ADLER Real Estate AG. Therefore, they only apply to the day on which they are made. By their nature, future-oriented statements are subject to risks and uncertainty factors, and the actual developments can deviate considerably from the future-oriented statements or the events implicitly expressed in them. ADLER Real Estate AG is not obligated, nor does it intend, to update such statements in view of new information or future events.

AUDITOR'S REPORT

This is a convenience translation of the German original. Only the original text in German is authoritative.

To ADLER Real Estate Aktiengesellschaft, Berlin

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND THE COMBINED MANAGEMENT REPORT

Audit Opinions

We have audited the consolidated financial statements of ADLER Real Estate Aktiengesellschaft, Berlin and its subsidiaries (the Group), comprising the consolidated statement of financial position as at 31 December 2019, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the financial year from 1 January to 31 December 2019, and the notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we audited the combined management report of ADLER Real Estate Aktiengesellschaft for the financial year from 1 January to 31 December 2019. We did not audit the contents of the Group's management declaration published on the Group's website pursuant to Section 315d HGB and the separate non-financial consolidated report pursuant to Sections 315b and 315c HGB, to which reference is made in Section 6 and Section 1 of the combined management report, in compliance with German law.

In our opinion, based on the findings of our audit,

- the attached consolidated financial statements comply in all material respects with IFRSs, as adopted by the EU, and the additional requirements of German law pursuant to Section 315e (1) HGB and, in accordance with these requirements, give a true and fair view of the Group's net assets and financial position as at 31 December 2019, and of its results of operations for the financial year from 1 January to 31 December 2019, and
- the attached combined management report as a whole presents an accurate view of the Group's position. The combined management report is consistent with the consolidated financial statements, complies with German legal regulations and suitably presents the opportunities and risks of future development. Our audit opinion regarding the combined management report does not extend to the contents of the Group's management declaration pursuant to Section 315d HGB published on the Group's website and the separate non-financial consolidated report pursuant to Section 315b and 315c HGB, to which reference is made in Section 6 and Section 1 of the combined management report.

Pursuant to Section 322 (3) Sentence 1 HGB, we state that our audit has not led to any reservations with regard to the compliance of the consolidated financial statements or the combined management report.

Basis for the Audit Opinions

We conducted our audit of the consolidated financial statements and the combined management report in accordance with Section 317 HGB, the EU Audit Regulation (No. 537/2014; hereinafter "EU-AR"), and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Our responsibility according to these regulations and standards is described in further detail in the "Responsibility of the Auditor for the Audit of the Consolidated Financial Statements and the Combined Management Report" section of our auditor's report. We are independent of the consolidated companies in compliance with the provisions of European law, German commercial law and professional law and have fulfilled our other German professional obligations in compliance with these requirements. In addition, we declare pursuant to Article 10 (2) lit. f) EU-AR that we have provided no prohibited non-audit services referred to in Article 5 (1) EU-AR. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions regarding the consolidated financial statements and the combined management report.

Key Audit Matters in the Audit of the Consolidated Financial Statements

Key audit matters are such matters that, in our professional judgement, were the most significant in our audit of the consolidated financial statements for the fiscal year from 1 January to 31 December 2019. These matters were considered in connection with our audit of the consolidated financial statements as a whole and the formulation of our audit opinion; we do not provide a separate audit opinion on these matters.

We present the matters that we consider key audit matters below:

1. Recoverability of goodwill
2. Fair value adjustments of investment properties
3. Initial consolidation of ADO Group Ltd., Tel Aviv/Israel

Ref 1) Recoverability of goodwill

a) Financial Statement Risk

As of the reporting date, the consolidated statement of financial position shows goodwill items with a total carrying amount of EUR 169.4 million. The Group's disclosures on goodwill are included in Sections 5.3, 6 and 8.1 of the notes to the consolidated financial statements. According to IAS 36.90, cash-generating units to which goodwill has been allocated shall be tested for impairment at least annually. This impairment test is carried out by ADLER Real Estate Aktiengesellschaft in the fourth quarter of each year. For each group of cash-generating units, the carrying amount should be compared with the recoverable amount.

The recoverable amount is the higher of the value in use as determined using a discounted cash flow method and fair value less disposal costs. As the value in use for the groups of cash-generating units was above the carrying amount as at 31 December 2019, the additional determination of the fair value less disposal costs was not required. However, the result of this measurement depends to a large extent on expectations regarding the future development of the respective operating business, the resulting cash flows and the discount rate used (WACC). In addition, the unchanged observable yield compression, i.e. the different dynamics of the development in property purchase price and rental price, also had an effect in the 2019 financial year. This is due to the carrying amount of investment properties which increases more strongly compared to the forecast cash flows. These carrying amounts decrease the difference between the value in use and the carrying amount of the group of cash-generating units. The result of the impairment test therefore depends significantly on the influence of estimated values. As even minor changes in the assumptions regarding the expected cash flows or the discount rate can have a significant impact on the recoverable amount, we believe that these matters were particularly significant for our audit. Comprehensive disclosures are required in the notes under IAS 36.

b) Audit Approach and Conclusions

As part of our audit, in addition to checking the appropriateness of the measurement model, we checked the plausibility of the planning underlying the impairment tests of all material goodwill on the basis of the historical development and industry-specific market expectations. As a significant part of the value in use results from cash flow forecasts for the period after the detailed planning period (perpetual phase), in particular we have critically assessed the sustainable expected rental increase applied in the perpetual phase. We inspected the planning for potentially biased judgement. As well as checking the plausibility of the underlying planning, we assessed planning accuracy by comparing the previous year's planning with the values actually achieved. With regard to the discount rate used, we have checked the appropriateness of the discount rate provided by an external expert concerning the individual parameters used as well as a critical overall assessment. The impairment test performed as at the balance sheet date identified significant surplus cover of the recoverable amount above the carrying amount for the cash-generating units being assessed. We validated the client's calculation results using complementary analyses, including sensitivity analyses. We also checked the completeness and appropriateness of the disclosures required under IAS 36 in the notes to the consolidated financial statements.

We have no indications or findings that the discretion of the legal representatives would not be balanced and appropriate to the valuation parameters and assumptions used. The disclosures made in the notes to the consolidated financial statements in accordance with IAS 36, including those relating to the sensitivities, are complete and appropriate.

Ref 2) Fair value adjustments of investment properties

a) Financial Statement Risk

As at the reporting date, the consolidated statement of financial position shows investment properties with a total carrying amount of EUR 4,920.0 million. ADLER Real Estate Aktiengesellschaft measures investment properties at fair value in accordance with IAS 40 in connection with IFRS 13. In the past financial year, increases in fair value of EUR 362.6 million were recognised in the consolidated statement of comprehensive income. The Company's disclosures on investment properties are included in Sections 5.2, 6 and 8.3 of the notes to the consolidated financial statements. Further information on the opportunities and risks is provided in Chapter 7 of the combined management report. The fair value of investment properties is determined by reference to surveys compiled by external experts on the basis of current market data and using internationally-recognised valuation methods. Discounted cash flow methods are used to discount cash flows expected to be generated by a property object by application of a market-specific, property-specific discount and capitalisation interest rate on the balance sheet date as at 31 December 2019. We believe the measurement of investment properties was of significant importance, as the approach and the measurement of this item which has a significant impact on the amount is largely based on estimates and assumptions. Even small changes in the parameters relevant for measurement can lead to significant changes in the resulting fair values. The most significant parameters in the past financial year were the discounting and capitalisation rates and the sustainable future rental income. Their development reflects the different dynamics of property purchase price and rental price development (yield compression), which is the main driving force for the increase in fair values as at 31 December 2019 compared to the previous year. In addition, IAS 40 and IFRS 13 require a large number of disclosures, the completeness and appropriateness of which are to be ensured.

b) Audit Approach and Conclusions

In particular, our audit procedures included an assessment of the measurement process for compliance with IAS 40 in connection with IFRS 13, the accuracy and completeness of the data used on property holdings and the appropriateness of the parameters related to the measurement, such as discount and capitalisation rates, sustainable rental income, operating costs and vacancy rates. To assess the parameters relevant for measurement used, we also used external market data among other aspects. For a deliberate risk-oriented selection of measurement units, we conducted on-site inspections to check the respective condition of the property and its appropriate consideration in the reports of the external experts. We also obtained an additional valuation report (control account) from two external experts mandated by us. We convinced ourselves of the qualification and objectivity of the external surveyors commissioned by ADLER Real Estate Aktiengesellschaft. With the knowledge that even relatively small changes in the parameters relevant to the measurement can have a significant impact on the amount of investment properties, we also checked the sensitivity analyses carried out by ADLER Real Estate Aktiengesellschaft and in mathematical terms verified the effects of possible fluctuations in these parameters. We also assessed the appropriateness of the associated disclosures in the consolidated financial statements.

ADLER Real Estate Aktiengesellschaft has implemented appropriate regulations suitable for determining fair values in accordance with IAS 40 and IFRS 13. In our view, the assessments of the legal representatives on which the accounting is based are sufficiently documented and substantiated and ensure an appropriate presentation in the consolidated financial statements. The disclosures in the notes to the consolidated financial statements in accordance with IAS 40 and IFRS 13 are complete and appropriate.

Ref 3) First-time (initial) consolidation of ADO Group Ltd., Tel Aviv/Israel

a) Financial statement risk

Effective as at 10 December 2019, ADLER Real Estate Aktiengesellschaft acquired all shares in ADO Group Ltd., Tel Aviv, Israel, thus gaining a controlling influence over ADO Group Ltd. ADO Group Ltd. in turn holds 33.25 percent of the shares in ADO Properties S.A., Senningerberg, Luxembourg. Due to the size of its own share of the voting rights in relation to the size and distribution of the voting rights held by other entities entitled to vote and the composition of the Board of Directors of ADO Properties S.A., ADLER Real Estate Aktiengesellschaft has also indirectly acquired a controlling influence over ADO Properties S.A. through ADO Group Ltd. ADO Properties S.A. is listed in the Prime Standard of the Frankfurt Stock Exchange and is itself the owner of a property portfolio of around 18,000 units in Germany, almost all of which are located in Berlin. The acquisition of ADO Group Ltd. and indirectly of ADO Properties S.A. was recognised as a business combination within the meaning of IFRS 3. At the time of acquisition, a provisional purchase price was allocated, which, taking into account a transferred consideration of EUR 708.4 million and acquired net assets of EUR 2,451.0 million, resulted in the recognition of non-controlling interests of EUR 1,742.6 million. On 15 December 2019, ADLER Real Estate Aktiengesellschaft and ADO Properties S.A. entered into another contractual arrangement (business combination agreement) under which ADO Properties S.A. is to acquire ADLER Real Estate Aktiengesellschaft through a public tender offer. The shareholders of ADLER Real Estate Aktiengesellschaft with a shareholding of around 52 percent had already irrevocably declared as at 31 December 2019 that they would tender their shares under the public tender offer. In the course of a planned and necessary capital increase, the tender offer will also lead to a significant increase in the subscribed capital of ADO

Properties S.A. and, accordingly, to a significant dilution of the indirect shareholding of ADLER Real Estate Aktiengesellschaft in ADO Properties S.A. Due to the expected loss of control over ADO Properties S.A. as a result, all assets and liabilities of ADO Properties S.A. are recognised as held for sale (discontinued operation) in accordance with IFRS 5 as at the balance sheet date of 31 December 2019.

In accordance with IFRS 3, the identifiable assets acquired and liabilities assumed are normally recognised at fair value on the date of acquisition (10 December 2019) or the date of initial consolidation on 31 December 2019. ADLER Real Estate Aktiengesellschaft consulted an independent surveyor to determine the valuation of the identifiable assets acquired and liabilities assumed.

The acquisition transaction constitutes a significant transaction of the Group in the 2019 financial year and its presentation in the consolidated financial statements of ADLER Real Estate Aktiengesellschaft requires judgement and scope for judgement. There is a risk for the financial statements that the conditions for the existence of control in accordance with IFRS 10 were not assessed appropriately, or that the acquired assets and assumed liabilities are incorrectly identified and/or measured. There is also the risk that the information required by IFRS 3 in the notes to the consolidated financial statements is not complete. In addition, there is the risk that the classification as a discontinued operation in accordance with IFRS 5 may not be appropriate.

The disclosures of ADLER Real Estate Aktiengesellschaft on the transaction are included in Sections 4.2 “Business combinations” and 8.11 “Non-current assets and liabilities held for sale” of the notes to the consolidated financial statements and in Section 3 “Results from operations, net assets and financial position” in the combined management report.

b) Audit approach and conclusions

As part of the audit of the acquisition transaction, we have checked the agreements – in particular the purchase agreement for all shares in ADO Group Ltd. and the business combination agreement – and other relevant documents. Based on these documents and consulting the Management Board and relevant employees, we have gained an understanding of the transaction. In this context, we also analysed attendence at past AGMs and replacement of positions in the Board of Directors. Relying on expert opinion we assessed the conditions for dominance in accordance with to IFRS 10. To gain further knowledge about the business activities and the economic and legal environment of ADO Group Ltd. and ADO Properties S.A., we held discussions with the auditors of these companies. We also satisfied ourselves that the acquired assets and liabilities are a business operation and that the transaction represents a business combination.

The provisional identification of individual assets and liabilities and the provisional determination of the fair values were based on the appraisal prepared by the external surveyor commissioned by ADLER Real Estate Aktiengesellschaft. We assessed the extent to which the work of the external surveyor can be utilised, taking into account their competence, ability and objectivity. In our additional audit procedures, we focused in particular on the identification of value-determining factors for the investment properties and inventory properties to be valued and the full recognition and measurement of financial liabilities. In addition, we examined the data provided by the surveyors for completeness and accuracy and used the audit opinion of the component auditor of ADO Group Ltd. Our audit procedures also included the involvement of internal and external (capital market) experts to assess the conditions under which discontinued operations in accordance with IFRS 5 are presumed to exist as of the balance sheet date of 31 December 2019.

In addition, we evaluated the presentation of non-controlling interests. By reviewing contracts and accounts and corresponding coordination with Accounting, we have verified whether the costs incurred in connection with the business combination were recognised as expenses and recognised as other operating expenses. Finally, we assessed whether the disclosures regarding the acquisition and the reporting as at 31 December 2019 of ADO Group Ltd. and ADO Properties S.A. are complete and appropriate.

The provisional purchase price allocation shown in the consolidated financial statements was made appropriately overall on the basis of appropriate measurement models, assumptions and data. The disclosures in the notes to the consolidated financial statements are complete and appropriate.

Other information

The legal representatives and the Supervisory Board are responsible for the other information. Other information obtained at the date of this auditor's report includes:

- the Group's Corporate Governance Declaration published on the Group's website pursuant to Section 315d HGB, to which reference is made in Section 6 of the combined management report,
- the Supervisory Board Report,
- the Corporate Governance Report in accordance with No. 3.10 of the German Corporate Governance Code, to which reference is made in Section 6 of the combined management report,
- the other parts of the annual report, excluding the consolidated financial statements, the disclosures contained in the combined management report that were not included in the audit and our associated auditor's report, and
- the responsibility statement pursuant to Section 297 (2) Sentence 4 HGB on the consolidated financial statements and the responsibility statement pursuant to Section 289 (1) Sentence 5 HGB in connection with Section 315 (1) Sentence 5 HGB on the combined management report.

The separate non-financial consolidated report in accordance with Sections 315b and 315c in conjunction with Sections 289b to 289e HGB, to which reference is made in the combined management report, is expected to be made available to us after the date of this auditor's report.

The Supervisory Board is responsible for the Supervisory Board Report. The legal representatives and the Supervisory Board are responsible for the declaration on the German Governance Code pursuant to Section 161 of the German Stock Corporation Act, which forms part of the Group's Corporate Governance Declaration contained in Section 6 of the combined management report. The legal representatives are responsible for the other information.

Our audit opinions regarding the consolidated financial statements and the combined management report do not extend to the other information, and accordingly we provide neither an audit opinion nor any other form of audit conclusion in this regard.

As part of our audit of the consolidated financial statements, we have a responsibility to read the other information mentioned above – as soon as it is available – and to evaluate whether it

- exhibits material discrepancies with the consolidated financial statements, with the audited disclosures contained in the combined management report or with knowledge we have obtained during our audit, or
- otherwise seems significantly incorrect.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there has been a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibility of the legal representatives and the Supervisory Board for the consolidated financial statements and the combined management report

The legal representatives are responsible for preparing the consolidated financial statements, which in all material respects comply with IFRSs, as adopted by the EU, and the additional requirements of German law pursuant to Section 315e (1) HGB, and for the consolidated financial statements giving a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. Furthermore, the legal representatives are responsible for the internal controls that they deemed necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

When preparing the consolidated financial statements, the legal representatives are responsible for assessing the Group's status as a going concern. In addition, they have a responsibility to disclose matters related to the status as a going concern, if relevant. They are also responsible for accounting on the basis of the going concern principle, unless they intend to liquidate the Group or discontinue its business operations, or there is no realistic alternative.

Moreover, the legal representatives are responsible for preparing the combined management report, which as a whole provides an accurate view of the Group's position and is consistent with the consolidated financial statements in all material respects, complies with German legal regulations and suitably presents the opportunities and risks of future development. The legal representatives are also responsible for the arrangements and measures (systems) that they considered necessary to enable the preparation of a combined management report in compliance with applicable German legal regulations and to allow sufficient, suitable evidence to be provided for the statements in the combined management report.

The Supervisory Board is responsible for monitoring the Group's accounting process for the preparation of the consolidated financial statements and the combined management report.

Responsibility of the auditor for the audit of the consolidated financial statements and the combined management report

Our objective is to obtain reasonable assurance as to whether the consolidated financial statements as a whole are free from material misstatements, whether due to fraud or error, and whether the group management report as a whole provides an accurate view of the Group's position and is in all material respects consistent with the consolidated financial statements and with the findings of the audit, complies with German legal regulations and suitably presents the opportunities and risks of future development, and to issue an auditor's report containing our audit opinions regarding the consolidated financial statements and the combined management report.

Reasonable assurance is a high level of assurance but not a guarantee that an audit carried out in compliance with Section 317 HGB, the EU-AR and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW) will always uncover a material misstatement. Misstatements can result from transgressions or inaccuracies and are deemed material if it could be reasonably expected that they would individually or together influence the financial decisions made by users on the basis of the consolidated financial statements and combined management report.

We exercise due discretion during an audit and maintain a critical attitude. In addition,

- we identify and evaluate the risk of material misstatements, whether due to fraud or error, in the consolidated financial statements and the combined management report, plan and implement audit procedures in response to these risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk that material misstatements are not uncovered is higher in the case of transgressions than in the case of inaccuracies, as transgressions can entail fraudulent collaboration, falsifications, deliberate omissions, misleading depictions or the suspension of internal controls.
- we gain an understanding of the internal control system relevant for the audit of the consolidated financial statements and of the arrangements and measures relevant for the audit of the combined management report in order to plan audit procedures that are appropriate given the circumstances, but not with the aim of providing an audit opinion regarding the effectiveness of these systems.
- we evaluate the appropriateness of the accounting policies used by the legal representatives and the reasonableness of the estimated values presented by the legal representatives and the associated disclosures.
- we draw conclusions about the appropriateness of the going concern principle applied by the legal representatives and, on the basis of the audit evidence obtained, whether there is material uncertainty regarding events or circumstances that could cause significant doubt about the Group's ability to continue as a going concern. If we come to the conclusion that there is material uncertainty, we are obliged to call attention to the associated disclosures in the consolidated financial statements and in the combined management report in the auditor's report or, if these disclosures are inappropriate, to modify our respective audit opinion. We draw our conclusions on the basis of the audit evidence obtained up to the date of our auditor's report. However, future events or circumstances may mean that the Group is no longer a going concern.
- we evaluate the overall presentation, the structure and the content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events such that the consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with IFRSs, as adopted by the EU, and the additional requirements of German law pursuant to Section 315e (1) HGB.

- we obtain sufficient appropriate audit evidence for the Company's accounting information or business activities within the Group in order to provide audit opinions regarding the consolidated financial statements and the combined management report. We are responsible for directing, monitoring and implementing the audit of the consolidated financial statements. We bear sole responsibility for our audit opinions.
- we evaluate the consistency of the combined management report with the consolidated financial statements, its legality and the view it gives of the position of the Group.
- we conduct audit procedures regarding the forward-looking disclosures made by the legal representatives in the combined management report. On the basis of sufficient appropriate audit evidence, we examine the significant assumptions underlying the legal representatives' forward-looking disclosures in particular and evaluate the appropriateness of the derivation of the forward-looking disclosures from these assumptions. We do not provide a separate audit opinion regarding the forward-looking disclosures or the underlying assumptions. There is a considerable, unavoidable risk that future events will differ significantly from the forward-looking disclosures.

Topics for discussion with those responsible for monitoring include the planned scope and scheduling of the audit as well as significant audit findings, including any deficiencies in the internal control system that we find during our audit.

We issue a statement to the monitors to the effect that we have complied with the relevant independence requirements and discuss with them all relationships and other matters that can reasonably be assumed to affect our independence and the safeguards put in place to protect against this.

From among the matters that we have discussed with the monitors, we determine which matters were most significant in the audit of the consolidated financial statements for the current reporting period and are therefore the key audit matters. We describe these matters in the auditor's report, unless laws or other legal provisions preclude their public disclosure.

Other legal and regulatory requirements

Other disclosures pursuant to Article 10 EU-AR

We were elected as the auditor of the consolidated financial statements by the Annual General Meeting on 11 June 2019. We were engaged by the Supervisory Board on 15 July 2019. We have been the auditor of the consolidated financial statements of ADLER Real Estate Aktiengesellschaft without interruption since the 2010 financial year.

We declare that the audit opinions contained in this auditor's report are consistent with the additional report to the Supervisory Board according to Article 11 EU-AR (audit report).

Auditor responsible

The German Public Auditor responsible for the engagement is Mr. Julian Breidthardt.
Hamburg, 30 March 2020

Ebner Stolz GmbH & Co. KG
Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft

Thomas Götze Auditor	Julian Breidthardt Auditor

ADLER Real Estate Aktiengesellschaft

Consolidated financial statements of ADLER Real Estate Aktiengesellschaft as of and for the fiscal year ended December 31, 2018

CONSOLIDATED BALANCE SHEET

(IFRS) as at 31 December 2018

In EUR '000	Note	31.12.2018	31.12.2017
Assets		**5,856,631**	**3,778,967**
Non-current assets		**5,220,772**	**3,125,490**
Goodwill	8.1	**170,758**	101,198
Intangible assets	8.1	**612**	567
Property, plant and equipment	8.2	**7,578**	4,948
Investment properties	8.3	**4,989,054**	3,018,518
Loans to associated companies	8.4	**7,667**	0
Investments in associated companies	8.5	**3,070**	25
Other financial investments	8.6	**37,019**	28
Other non-current assets	8.6	**2,480**	205
Deferred tax assets	8.7	**2,535**	0
Current assets		**437,677**	**629,895**
Inventories	8.8	**88,096**	2,978
Trade receivables	8.9	**25,898**	10,717
Income tax receivables	8.9	**5,549**	4,459
Other current assets	8.9	**240,480**	243,508
Cash and cash equivalents	8.10	**77,655**	368,233
Non-current assets held for sale	8.11	**198,182**	**23,582**
Equity and liabilities		**5,856,631**	**3,778,967**
Shareholders' equity		**1,579,631**	**1,037,500**
Capital stock	8.12	**71,064**	57,548
Treasury shares	8.12	**-2,583**	-1,392
		68,480	56,156
Capital reserve	8.13	**309,233**	350,203
Retained earnings	8.14	**-3,264**	-1,310
Currency translation reserve	8.15	**88**	86
Net retained profit		**842,888**	555,442
Equity attributable to owners of the parent company		**1,217,426**	960,576
Non-controlling interests	8.16	**362,205**	76,924
Non-current liabilities		**3,971,980**	**2,363,126**
Pension provisions	8.17	**3,714**	3,989
Deferred tax liabilities	8.7	**380,794**	164,571
Other provisions	8.18	**3,900**	1,664
Liabilities from convertible bonds	8.19	**117,516**	119,731
Liabilities from bonds	8.20	**1,961,112**	1,277,640
Financial liabilities to banks	8.21	**1,476,187**	749,188
Other non-current liabilities	8.22	**28,756**	46,344
Current liabilities		**304,526**	**377,512**
Other provisions	8.18	**25**	46
Income tax liabilities	8.23	**12,921**	2,516
Liabilities from convertible bonds	8.19	**1,756**	6,505
Liabilities from bonds	8.20	**40,259**	42,679
Financial liabilities to banks	8.21	**142,408**	278,676
Trade payables	8.23	**47,440**	29,125
Other current liabilities	8.23	**59,717**	17,964
Liabilities held for sale	8.11	**495**	**829**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(IFRS) for the period from 1 January to 31 December 2018

In EUR '000	Note	2018	2017
Gross rental income	9.1	**349,595**	264,388
Expenses from property lettings	9.2	**-145,908**	-138,589
Earnings from property lettings		**203,687**	**125,799**
Income from the sale of properties	9.3	**75,068**	34,854
Expenses from the sale of properties	9.4	**-66,963**	34,065
Earnings from the sale of properties		**8,105**	**789**
Personnel expenses	9.5	**-35,138**	-20,302
Other operating income	9.6	**8,914**	9,508
Other operating expenses	9.7	**-66,268**	-38,535
Income from fair value adjustments of investment properties	9.8	**465,129**	235,386
Depreciation and amortisation	9.9	**-1,601**	-826
Earnings before interest and tax (EBIT)		**582,828**	**311,820**
Financial income	9.10	**16,295**	5,392
Financial costs	9.11	**-147,523**	-158,775
Net income from at-equity valued investment associates	9.12	**3,162**	0
Earnings before tax (EBT)		**454,762**	**158,437**
Income taxes	9.13	**-122,576**	-52,066
Consolidated net profit from continuing operations		**332,186**	**106,371**
Earnings after taxes of discontinued operations	9.14	**263**	36,260
Consolidated net profit		**332,449**	**142,631**
Actuarial gains/losses before taxes	8.17	**-68**	821
Deferred taxes on actuarial gains/losses	8.17	**21**	-244
OCI gains/losses not reclassifiable into profit or loss		**-48**	**577**
Deferred taxes OCI – reclassifiable	11.3	**10**	0
OCI own bonds – reclassifiable		**-32**	0
Gains/losses from currency translation	8.15	**2**	-4
Change in value of interests in companies accounted for under at-equity	8.5	**0**	1,589
Change in value of financial assets measured at fair value	11.1	**-802**	-966
OCI gains/losses reclassifiable into profit or loss		**-822**	**619**
Total comprehensive income		**331,578**	**143,827**
Carry-over total comprehensive income		**331,578**	**143,827**
Net profit from continuing operations			
Owners of the parent company		**265,293**	92,112
Non-controlling interests		**66,893**	14,259
Consolidated net profit attributable to:			
Owners of the parent company		**265,556**	126,754
Non-controlling interests		**66,893**	15,877
Total comprehensive income attributable to:			
Owners of the parent company		**264,685**	127,950
Non-controlling interests		**66,893**	15,877
Earnings per share, basic in EUR (consolidated net profit from continuing operations)	9.15	**3.96**	1.39
Earnings per share, diluted in EUR (consolidated net profit from continuing operations)	9.15	**3.50**	1.30
Earnings per share, basic in EUR (consolidated net profit)	9.15	**3.96**	1.91
Earnings per share, diluted in EUR (consolidated net profit)	9.15	**3.50**	1.78

CONSOLIDATED STATEMENT OF CASH FLOWS

(IFRS) for the period from 1 January to 31 December 2018

	In EUR '000	2018	2017
	Earnings before interest and taxes (EBIT) – continuing and discontinued operations	**582,828**	359,086
+	Depreciation and amortisation	**1,601**	1,173
–/+	Net income from fair value adjustments of investment properties	**-465,129**	-235,386
–/+	Non-cash income/expenses	**14,399**	-12,582
–/+	Changes in provisions and accrued liabilities	**-1,514**	-2,673
–/+	Increase/decrease in inventories, trade receivables and other assets not attributable to investment or financing activities	**-49,493**	-11,245
–/+	Increase/decrease in trade payables and other liabilities not attributable to investment or financing activities	**35,976**	6,036
+	Interest received	**1,521**	3,048
+	Dividends received	**463**	223
+/–	Tax payments	**-6,658**	-8,479
=	**Operating cash flow before de-/reinvestment into the trading portfolio**	**113,994**	**99,201**
–/+	Increase/decrease in inventories (commercial properties)	**17,005**	-62,853
=	**Net cash flow from operating activities**	**130,999**	**36,348**
	thereof continuing operations	**130,736**	66,221
	thereof discontinued operations	**263**	-29,873
–	Acquisition of subsidiaries, net of cash acquired	**-477,278**	-154,061
+	Disposal of subsidiaries, net of cash disposed	**17,107**	7,133
–	Purchase of investment properties	**-151,500**	-79,081
+	Disposal of investment properties, net of cash disposed	**49,827**	32,618
–	Purchase of property, plant and equipment and intangible assets	**-4,577**	-2,827
+	Disposal of property, plant and equipment and intangible assets	**109**	56
–	Payments into short-term deposits	**-13,100**	-28,244
+	Payments from short-term deposits	**5,321**	20,822
+	Proceeds from deinvestments of financial assets	**14**	416,260
–	Investments in financial assets	**-35,000**	0
=	**Net cash flows from investing activities**	**-609,077**	**212,676**
	thereof continuing operations	**-609,077**	212,766
	thereof discontinued operations	**0**	-90
–	Payments for acquisition of treasury shares including acquisition costs	**-15,604**	-18,507
–	Transactions with non-controlling interests	**-447**	-4,811
–	Dividends paid to non-controlling interests	**-6.854**	0
–	Dividends paid to owners of the company	**-2,204**	0
–	Payments for acquisition and repayment of convertible bonds	**-34**	-35,178
+	Proceeds from issue of bonds	**791,151**	956,545
–	Repayment of bonds	**-251,513**	-142,100
–	Payments from issuing debt	**-20,783**	-19,366
–	Interest payments	**-112,212**	-147,112
+	Proceeds from bank loans	**745,194**	170,182
–	Repayment of bank loans	**-936,834**	-764,355
–	Decrease in financial liabilities	**-2,035**	0
=	**Net cash flows from financing activities**	**187,825**	**-4,702**
	of which from continuing operations	**187,825**	-17,284
	of which from discontinued operations	**0**	12,582
	Reconciliation to Consolidated Balance Sheet		
	Cash and cash equivalents at beginning of periods	**368,233**	**123,911**
	Non-cash changes in cash and cash equivalents	**-325**	0
	Net cash flow from operating activities	**130,999**	36,348
	Net cash flow from investing activities	**-609,077**	212,676
	Net cash flow from financing activities	**187,825**	-4,702
=	**Cash and cash equivalents at end of periods**	**77,655**	**368,233**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(IFRS) for the period from 1 January to 31 December 2018

In EUR '000	Capital stock	Treasury shares	Capital reserves	Retained earnings	Currency translation reserve	Net retained profit	Equity attributable to the owners of the parent company	Non-controlling interests	Total equity
As at 1 January 2017	**47,702**	**0**	**352,105**	**-2,510**	**90**	**445,786**	**843,173**	**71,048**	**914,222**
Consolidated net profit	**0**	0	0	0	0	126,753	126,753	15,878	142,631
Other comprehensive income (OCI) – reclassifiable	**0**	0	0	623	-4	0	619	0	619
Other comprehensive income (OCI) – non-reclassifiable	**0**	0	0	577	0	0	577	0	577
Dividend payments to shareholders	**0**	0	0	0	0	0	0	-511	-511
Change in scope of consolidation	**0**	0	0	0	0	0	0	-2,973	-2,973
Increase/decrease in shareholding with no change in status	**0**	0	-1,369	0	0	0	-1,369	-6,960	-8,329
Capital increase from company fund	**4,773**	0	-4,773	0	0	0	0	0	0
Acquisition of treasury shares	**0**	-1,392	0	0	0	-17,097	-18,489	0	-18,489
Convertible bond issue	**0**	0	0	0	0	0	0	0	0
Conversion of convertible bonds	**5,073**	0	4,240	0	0	0	9,313	442	9,755
As at 31 December 2017	**57,548**	**-1,392**	**350,203**	**-1,310**	**86**	**555,442**	**960,576**	**76,924**	**1,037,500**
As at 1 January 2018	**57,548**	**-1,392**	**350,203**	**-1,310**	**86**	**555,442**	**960,576**	**76,924**	**1,037,500**
Consolidated net profit	**0**	-1	0	0	0	265,556	265,555	66,893	332,448
Withdrawals from reserves	**0**	0	-38,493	0	0	38,493	0	0	0
Other comprehensive income (OCI) – reclassifiable	**0**	0	0	-825	2	0	-823	0	-823
Other comprehensive income (OCI) – non-reclassifiable	**0**	0	0	-48	0	0	-48	0	-48
Conversion IFRS 9	**0**	0	0	-1,081	0	0	-1,081	-38	-1,119
Increase/decrease in shareholding with no change in status	**0**	0	-11	0	0	0	-11	-446	-457
Change in scope of consolidation	**0**	0	0	0	0	0	0	225,726	225,726
Dividend	**0**	0	0	0	0	-2,204[1)]	-2,204	-6,854	-9,058
Acquisition of treasury shares	**0**	-1,190	0	0	0	-14,399	-15,589	0	-15,589
Conversion of convertible bonds	**13,516**	0	-2,466	0	0	0	11,050	0	11,050
As at 31 December 2018	**71,064**	**-2,583**	**309,233**	**-3,264**	**88**	**842,888**	**1,217,426**	**362,205**	**1,579,631**

1) Dividend per share in the amount of EUR 0.04 based on the resolution of the Extraordinary General Meeting of 28 August 2018

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

ADLER Real Estate Aktiengesellschaft (hereinafter "ADLER") is the parent company of the Group and has its legal domicile at Joachimsthaler Strasse 34, Berlin, Germany. The Company is entered in the Commercial Register of Charlottenburg District Court under HRB 180360. Its financial year is the calendar year.

ADLER is a publicly listed real estate company focusing on establishing and developing a substantial and profitable property portfolio. Its activities centre on the acquisition, development and management of residential properties throughout Germany. In addition to this, ADLER has also been expanding its portfolio through new-build project developments since the 2017 financial year.

ADLER's activities have the objective of investing in residential properties that offer sustainable potential for value appreciation and whose current income contributes to the Company's overall success. The Company's operating strategy also includes active value creation, i.e. improving its existing residential property portfolios by means of expansion, conversion or modernisation measures.

Furthermore, ADLER's core activities also included trading residential properties and individual apartments. Within the ADLER Group, trading activities were largely covered by the Group's majority interest in the listed company ACCENTRO Real Estate AG (hereinafter "ACCENTRO"). In mid-October 2017, ADLER sold most of its shares in ACCENTRO. Please refer to our comments under 2.1 "Basis for the preparation of financial statements".

The consolidated financial statements and the group management report were approved for publication by the Management Board, subject to approval by the Supervisory Board, on 25 March 2019.

2. BASIS OF ACCOUNTING

2.1 Basis for the preparation of financial statements

ADLER's consolidated financial statements as at 31 December 2018 have been prepared in accordance with the International Financial Reporting Standards (IFRS) requiring mandatory application in the European Union. Supplementary application has been made of the requirements of § 315e (1) of the German Commercial Code (HGB). The requirements of the standards applied have been met and the financial statements represent a true and fair view of the Company's asset, financial and earnings position.

The financial years of the parent company, its subsidiaries and associates are equivalent to the calendar year. The financial statements of subsidiaries have been prepared on the basis of uniform accounting policies. The statement of comprehensive income has been prepared using the total cost method.

The preparation of the consolidated financial statements requires the use of discretionary decisions, estimates and assumptions in respect of recognition and measurement. The areas that are more subject to judgement and complexity and those areas where assumptions and estimates are of decisive significance for the consolidated financial statements are presented in Note 6.

With economic effect as of 30 November 2017, ADLER lost its controlling influence over ACCENTRO and its subsidiaries by selling the majority of the shares in that company. With the sale of the majority stake in ACCENTRO, ADLER discontinued its trading segment and reported the remaining investment in ACCENTRO under non-current assets held for sale. In the financial year 2017, the Consolidated Statement of Comprehensive Income and the Consolidated Statement of Cash Flows were adjusted in accordance with IFRS 5, including the previous year's comparative figures. The Consolidated Statement of Comprehensive Income shows only continuing operations in the respective items, while the discontinued operations trading segment is aggregated in a total (earnings after tax from discontinued operations, see Note 9.14). With regard to the Consolidated Statement of Cash Flows, cash flows from operating, investing and financing activities are shown in relation to continuing and discontinued operations.

The consolidated financial statements have been prepared in euros, the Group's functional currency. Unless otherwise indicated, all figures presented in euros have been rounded up or down to the nearest thousand euros (EUR thousands). Statements of thousand-euro amounts may result in discrepancies due to rounding up or down. Figures in brackets generally refer to the previous year.

2. BASIS OF ACCOUNTING (continued)

2.2 Accounting standards applicable for the first time in the 2018 financial year

The Group made application of the following new and revised IFRS standards and interpretations in the 2018 financial year:

Standard/Interpretation	Title	IASB Effective Date [1)]	Initial application date in the EU [1)]
IFRS 9	Financial instruments	01.01.2018	01.01.2018
IFRS 15 and Amend. IFRS 15	Revenues from contracts with customers	01.01.2018	01.01.2018
IFRIC 22	Foreign currency transactions and advance consideration	01.01.2018	01.01.2018
Amend. IAS 40	Transfer of investment properties	01.01.2018	01.01.2018
Amend. IFRS 2	Classification and measurement of share-based payment transactions	01.01.2018	01.01.2018
Amend. IFRS 4	Applying IFRS 9 and IFRS 4	01.01.2018	01.01.2018
Annual improvement process (2014 – 2016 cycle)	Changes to IFRS 1 and IAS 28	01.01.2018	01.01.2018

1) For financial years beginning on or after this date

IFRS 9 – Financial Instruments

IFRS 9 “Financial Instruments” will replace IAS 39 and introduce a uniform approach towards the classification and measurement of financial assets and liabilities. The subsequent measurement of financial assets will be based on three categories with different valuation standards and different methods used to recognise value changes. Instruments will be categorised by reference both to the contractual cash flows of the instrument and to the business model in which the instrument is held. For financial liabilities, by contrast, the existing categorisation requirements in IAS 39 have largely been duplicated in IFRS 9. Furthermore, IFRS 9 provides a new impairment model based on expected credit losses. IFRS 9 also includes new requirements governing the application of hedge accounting that are intended to better portray the Company’s risk management activities, particularly in respect of the management of non-financial risks. Additional disclosures are also required under IFRS 9.

IFRS 9 does not have any material implications for ADLER’s consolidated financial statements. ADLER’s financial net assets were mainly categorised under IAS 39 as loans and receivables and were measured at amortised cost. This is now also the case under IFRS 9. Furthermore, there are no changes in financial liabilities, as the existing categorisation requirements in IAS 39 are largely duplicated in IFRS 9. The Group only makes application of hedge accounting in exceptional cases, as a result of which derivatives will still mainly continue to be measured at fair value through profit or loss. If hedge accounting is used, the new general model for hedge accounting in accordance with IFRS 9 is applied. As ADLER’s financial net assets – with the exception of cash and cash equivalents – predominantly consist of current trade receivables (leases under IAS 17 and receivables from contracts with customers under IFRS 15), the simplified impairment model will predominantly be used. Cash and cash equivalents are held by credit institutions with primarily good to very good credit ratings, so that overall there will be no material implications on loan loss provisions. As at 1 January 2018, additional impairment losses of EUR 1,463k occurred after adapting IFRS 9, which were recognised directly in equity taking deferred tax assets into account through retained earnings. The comparative information for previous periods has not been restated with regard to the changes in classification and measurement.

With regard to the reconciliation of the original measurement categories in accordance with IAS 39 to the new measurement categories in accordance with IFRS 9, as well as the reconciliation of the closing balance of the impairments in accordance with IAS 39 and the opening balance of loan loss provisions in accordance with IFRS 9, please refer to the disclosures in Section 11 “Disclosures on financial instruments and fair values”.

2. BASIS OF ACCOUNTING (continued)

2.2 Accounting standards applicable for the first time in the 2018 financial year (continued)

Impairment losses of financial assets in accordance with IFRS 9 are not disclosed in a separate item in the Consolidated Statement of Comprehensive Income for reasons of materiality, but as previously under other operating expenses (trade receivables) and financial costs (other debt instruments). Impairment losses of financial assets are recognised separately in the notes to the consolidated financial statements.

The Group has also applied the amendments to IFRS 7 “Financial instruments: Disclosures” for the notes to the financial statements for the 2018 financial year. However, these were generally not applied to the comparative information.

IFRS 15 – Revenue from Contracts with Customers

This new standard replaces IAS 18 “Revenue” and IAS 11 “Construction Contracts” and the related interpretations. IFRS 15 sets out a comprehensive framework for the determination of whether, in which amount and when revenue is to be recognised. The core principle underpinning IFRS 15 is that an entity should recognise revenue when goods have been supplied or a service rendered (transfer of control). This core principle is delivered in a five-step model context. To this end, it is first necessary to identify the relevant contracts with the customer and the performance obligations included therein. Once the transaction price has been determined, this must then be allocated to the separate performance obligations. Revenue recognition is then based on the amount of consideration expected for each separate performance obligation either at a given date or over a given period. IFRS 15 also includes detailed application guidance on a large number of topics (e.g. contract modifications, sales with a right of return, contract costs, extension options, licensing revenues, principal agent relationships, bill-and-hold arrangements, consortium agreements etc.). The extent of the notes disclosures will also be expanded.

IFRS 15 does not have any material implications for ADLER’s consolidated financial statements. The Group’s income from letting items of real estate (net rental income) is attributable to leases (IAS 17 and IFRS 16 as at 1 January 2019) and is therefore excluded from the scope of IFRS 15. An analysis of the income from charged operating costs has shown that a distinction must be made between those non-lease components of the continuing obligation in which the tenant does not receive a separate service, but has to replace ADLER in the context of accounting for operating costs (property tax and building insurance – not subject to IFRS 15 but IFRS 16 as of 2019), and those in which ADLER has a commitment to provide a service (other operating costs – subject to IFRS 15). Other operating costs and their additional charges are still recognised using the principal method. This is due in particular to ADLER’s business model, which provides for a high share of in-house services relevant to operating costs. ADLER is regarded by the tenant as being primarily responsible for the provision of services and also has an inventory risk for all services that are not provided in-house. The reporting of expenses related to operating costs and the corresponding income from additional charges to the tenant was therefore not offset in accordance with IFRS 15 in the Consolidated Statement of Comprehensive Income. Income from charged operating costs will continue to be recognised based on the period. Liabilities from the payments of ancillary expenses are reported net with the receivables for the services that have not yet been invoiced and the net amount is recognised under trade payables as “contract assets operating costs” or “liabilities from advance payments of operating costs” and presented separately in the notes to the consolidated financial statements.

With regard to revenue generated from the sale of investment properties, IFRS 15 did not result in any changes, as the respective contracts only provide for this single performance obligation and the date of revenue recognition is therefore specified. As before, payments received for sales of investment properties (contract liabilities) are reported under other liabilities and presented separately in the notes to the consolidated financial statements.

Via Brack Capital Properties N.V., Amsterdam/Netherlands (BCP), the company acquired in the period under report, ADLER also generated income from sales of newly built apartments as part of project developments. Revenue recognition is based on project progress over a given period, as BCP has a payment entitlement. As a result, revenue for these sales under project developments are recognised under IFRS 15 earlier than under IAS 18. Receivables from the services which have not yet been invoiced are recognised under trade receivables as “contract assets project development”. Payments received for sales of project development properties (contract liabilities) are recognised under other liabilities. The effects of this change on other items in the consolidated

2. BASIS OF ACCOUNTING (continued)

2.2 Accounting standards applicable for the first time in the 2018 financial year (continued)

financial statements relate in particular to a decline in inventories and payments received for property sales and an increase in deferred tax liabilities.

IFRS 15 also resulted in no changes to income from other property management; revenue recognition continues to be based on the period.

When transitioning to IFRS 15, the Group applied the modified retrospective method, according to which the cumulative adjustment amounts as at 1 January 2018 are recognised in retained earnings. As a result, the comparative information for 2017 has not been restated, i.e. they have been presented as before in accordance with IAS 18, IAS 11 and the corresponding interpretations. In addition, the disclosures in accordance with IFRS 15 were not generally applied to comparative information.

Adjustments from the transition to IFRS 15 only resulted from the sale of newly built apartments as part of project developments at BCP. However, BCP was acquired only at the beginning of the second quarter of 2018, thus the adjustment effects as at 1 January 2018 were eliminated in shareholders' equity as part of the first-time consolidation.

The table below summarises the impact of the application of IFRS 15 on the relevant items of the Consolidated Balance Sheet as at 31 December 2018 and the Consolidated Statement of Comprehensive Income for the 2018 financial year. There were no other material implications on the Consolidated Statement of Cash Flows for the 2018 financial year.

Effects on the consolidated balance sheet:

Impact on Consolidated Balance Sheet in EUR '000	without application of IFRS 15	Adaptations	with application of IFRS 15
31 December 2018			
Assets			
Goodwill	174,815	-4,057	170,758
Inventories	116,156	-28,060	88,096
Trade receivables	21,424	4,474	25,898
Other assets	5,571,879	0	5,571,879
Total assets	**5,884,274**	**-27,643**	**5,856,631**
Equity and liabilities			
Equity attributable to owners of the parent company	1,216,409	1,017	1,217,426
Non-controlling interests	361,231	974	362,205
Total equity	1,577,640	1,991	1,579,631
Deferred tax liabilities	378,047	2,747	380,794
Other current liabilities	92,098	-32,381	59,717
Other liabilities	3,836,489	0	3,836,489
Total liabilities	**4,306,634**	**-29,634**	**4,277,000**
Total assets	**5,884,274**	**-27,643**	**5,856,631**

The impact on goodwill shown is due to the cumulative adjustment effects of IFRS 15, which relate solely to the BCP and incurred prior to the acquisition of BCP and thus relate to the transition as at 1 January 2018 and the first quarter of 2018. The resulting increase in the carrying amount of the net assets resulted in lower goodwill overall following an acquisition than without application of IFRS 15.

2. BASIS OF ACCOUNTING (continued)

2.2 Accounting standards applicable for the first time in the 2018 financial year (continued)

Effects on the Consolidated Statement of Comprehensive Income:

Impact on consolidated statement of comprehensive income in EUR '000	without application of IFRS 15	Adaptations	with application of IFRS 15
1 January to 31 December 2018			
Income from the sale of properties	60,408	14,660	75,068
Expenses from the sale of properties	55,198	11,765	66,963
Earnings from the sale of properties	5,210	2,895	8,105
EBIT	579,933	2,895	582,828
EBT	451,867	2,895	454,762
Income taxes	121,672	904	122,576
Consolidated net earnings	**330,458**	**1,991**	**332,449**

Amendment IAS 40 – Transfers of Investment Property

In particular, the amendments clarify that an entity shall transfer a property, including a property under construction or development, from or to the investment property portfolio only if there is evidence of a change in use. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use. Since the current approach is consistent with the published clarifications, this had no effect on ADLER's consolidated financial statements.

The aforementioned other amendments did not have any material implications.

2.3 Standards and interpretations not prematurely applied

Alongside the new standards and interpretations listed below which are of basic relevance, a number of further standards and interpretations were also adopted. These are not expected to have any material implications for the consolidated financial statements. Because of this, we have foregone listing and describing these standards and interpretations. The Group does not intend to prematurely apply any of the new standards and interpretations.

Standard/Interpretation	Title	IASB Effective Date [1]	Initial application date in the EU [1]
EU endorsement achieved:			
IFRS 16	Leasing	01.01.2019	01.01.2019
IFRIC 23	Uncertainty over income tax treatments	01.01.2019	01.01.2019
EU Endorsement outstanding:			
Amend. IAS 1 and IAS 8	Definition of materiality	01.01.2020	expected 01.01.2020

[1] For financial years beginning on or after this date

IFRS 16 – Leases

The previous standard for leases IAS 17 and the related interpretations are replaced by IFRS 16. IFRS 16 revises how leases are recognised, measured, presented and disclosed. In accordance with IFRS 16, the previous distinction between operating leases and finance leases is no longer applicable to the lessee. For all its leases, a lessee will recognise a lease liability equal to the present value of the future lease payments plus directly attributable costs and capitalises a corresponding right to use an asset. The right of use will be amortised over the contractual term by application of the requirements governing intangible assets. Rights of use for investment properties that are measured at fair value in accordance with IAS 40 are also measured at fair value. The lease liabilities will be recognised and measured in accordance with the requirements applicable to financial instruments in accordance with IFRS 9. In the income statement, the items will be recognised separately as amortisation of assets and interest on the liability. Simplified requirements apply for the recognition of short-term leases and low-value asset leases. Here, the lease payments will be expensed over the term of the lease.

2. BASIS OF ACCOUNTING (continued)

2.3 Standards and interpretations not prematurely applied (continued)

Note disclosures will be extended and should enable users to assess the amount, timing and uncertainty involved in leases. For lessors, by contrast, the provisions of the new standard are similar to existing IAS 17 requirements. Leases will continue to be classified either as financing or operating leases.

ADLER intends to apply IFRS 16 for the first time as at 1 January 2019 using the modified retrospective method. For this reason, any cumulative effect from the application of IFRS 16 is recognised as an adjustment to the opening balance of retained earnings as at 1 January 2019. Comparative information will not be restated. ADLER intends to use the simplification approach to maintain the definition of a lease for the transition. This means that the Group will apply IFRS 16 to all contracts that have been concluded before 1 January 2019 and have been identified as leases in accordance with IAS 17 and IFRIC 4. ADLER will also use the simplified approach for short-term leases (less than 12 months) and leases for which the underlying asset is of low value and recognise the lease payments as an expense when incurred over the lease term.

As ADLER mainly acts as a lessor in its property letting activities, IFRS 16 is not expected to have any material implications for the consolidated financial statements. As part of the analysis of the leases, the following types of contract were identified in which ALDER assumed obligations as a lessee and obtained the right-to-use asset:

- Leasehold contracts for land (leaseholds).
- Rental agreements for office spaces, garages and storage spaces.
- Rental agreements for cars and commercial vehicles.
- Rental contracts for hardware.

No material effects are expected on the Group’s existing finance leases (in particular leaseholds). The obligations previously entered into as lessee for operating leases with terms of more than one year or not insignificant value are of subordinate significance. Based on an evaluation of existing leases, ADLER expects that additional lease liabilities and rights-of-use assets of EUR 10 million to EUR 12 million will be recognised as at 1 January 2019. As a result of the increase in the balance sheet total, shareholders’ equity will slightly decrease. In the Consolidated Statement of Comprehensive Income, the expenses for the liabilities which have so far been recognised as operating leases are based on interest expenses for the leasing liabilities and, depending on the asset underlying the respective right of use, either through depreciation expenses for exploitation rights or through the income effect from fair value adjustments of investment properties (for leaseholds). This will result in a slight improvement of EBITDA and thus FFO I. In the future, cash payments for the reduction of the outstanding lease liability and cash payments for the interest portion of the lease liabilities will be allocated to the cash flow from financing activities. Until now the cash payments for operating leases have been recognised under cash flow from operating activities. This results in a slight improvement in cash flow from operating activities and a slight deterioration in net cash flow from financing activities.

For ADLER as a lessor, IFRS 16 will have no material implications in terms of recognition and measurement. The Group’s revenue from letting items of real estate (net rental income) is attributable to leases and is therefore included in the scope of IFRS 16 as at 1 January 2019. A distinction must be made between those non-lease components of the continuing obligation in which the tenant does not receive a separate service, but has to replace ADLER in the context of accounting for operating costs (subject to IFRS 16), and those in which ADLER has a commitment to provide a service (subject to IFRS 15). Thus, revenue from the charge of property tax and building insurance expenses are included in the scope of IFRS 16 in addition to net rental income.

Overall, this will lead to additional disclosures in the notes to the consolidated financial statements for ADLER.

IFRIC 23 – Uncertainty over Income Tax Treatments

IFRIC 23 clarifies the accounting for uncertainty regarding income taxes. On this basis an entity shall use discretion in determining whether each tax treatment should be considered individually or whether some tax treatments should be considered collectively. The decision should be based on which approach allows better prediction of the resolution of the uncertainty. An entity has to assume that a taxation authority will have the

2. BASIS OF ACCOUNTING (continued)

2.3 Standards and interpretations not prematurely applied (continued)

right to examine any amounts reported and will have full knowledge of all relevant information. In determining the relevant income taxable amounts, the entity shall assess whether it is probable that the relevant taxation authority will accept the respective tax treatment used or plans to use in its income tax declaration. If the entity concludes that it is not probable that the tax treatment is accepted, the entity has to apply the most likely or expected amount of the tax treatment depending on which method enables the better prediction of the resolution of the uncertainty. An entity has to reassess its assessments and estimates if facts and circumstances change. ADLER will apply these changes as soon as they come into effect. ADLER does not expect any material implications for its consolidated financial statements.

Amendment IAS 1 and IAS 8 – Definition of Materiality

Materiality is defined as following: information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general-purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. It is clarified that information that could influence users' decisions is not necessarily required if it is very unlikely. It is added that the materiality of the information is not determined by its influence on decisions of all possible users but only the primary users. ADLER will apply these changes as soon as they come into effect. ADLER does not expect any material implications on its consolidated financial statements.

3. BASIS OF CONSOLIDATION

3.1 Subsidiaries

Subsidiaries involve all entities (including special purpose entities) controlled by ADLER. The Group assumes control over a company when it is exposed to variable returns or has a right to such returns and the ability to influence those returns by way of its influence over the company. It is generally the case that control is accompanied by a share of voting rights of more than 50 percent. When assessing whether the Group has control, account is taken of the existence and effect of potential voting rights that are currently exercisable or convertible.

Subsidiaries are fully consolidated from the date on which control passes to the parent company. They are deconsolidated if control ceases.

All material subsidiaries are included in the consolidated financial statements (see Note 4.1 "Investments in subsidiaries").

In the case of company acquisitions, it must be assessed (see Note 6, "Significant discretionary decisions and estimates") whether the respective acquisition constitutes a business combination pursuant to IFRS 3 or merely the acquisition of a group of assets and liabilities that do not qualify as a company.

Company acquisitions meeting the IFRS 3 definition are recognised using the purchase method. This involves allocating the cost of the company acquisition to individually identifiable assets, liabilities and contingent liabilities in accordance with their fair values. Any surplus between the consideration given and the net assets is recognised as goodwill, while any corresponding deficit is charged to earnings. Incidental acquisition costs are expensed.

Shares in the net assets of subsidiaries that are not attributable to ADLER are recognised as separate components of equity under non-controlling interests. When calculating the share of consolidated net profit attributable to non-controlling interests, account is also taken of consolidation entries recognised through profit or loss. Non-controlling interests in partnerships are recognised under other liabilities.

The acquisition of property companies and project development companies that do not constitute businesses pursuant to IFRS 3 are presented as the direct acquisition of an aggregate unit, in particular of real estate. This involves allocating the costs of acquiring the company to individually identifiable assets and liabilities based on their fair values. As a result, the acquisition of property companies and project development companies does not produce any positive or negative goodwill from capital consolidation. The sale of property companies is accordingly presented as the sale of an aggregate unit, in particular of real estate.

3. BASIS OF CONSOLIDATION (continued)

3.1 Subsidiaries (continued)

When preparing the consolidated financial statements, intragroup receivables, liabilities and results are eliminated within the consolidation of debt, expense and income items. The income and expenses resulting from intragroup transfers of assets are also eliminated. Accounting policies at subsidiaries are based on uniform group-wide standards.

3.2 Joint arrangements

Joint arrangements are based on contractual arrangements according to which two or more partners undertake an economic activity that is subject to joint control. Joint control exists when the partners have to work together to manage the relevant activities of the joint arrangement and decisions require the unanimous consent of the partners involved. A joint arrangement constitutes a joint venture when the partners exercising joint control have rights to the net assets of the arrangement. Where, by contrast, the partners have direct rights to the assets attributable to the joint arrangement and assume obligations for its liabilities, the arrangement constitutes a joint operation.

Where a joint arrangement is embodied by a legally independent partnership or corporation with its own corporate assets, as a result of which ADLER's interest only results in a prorated claim to the net assets of the company, such an arrangement generally constitutes a joint venture. In the case of joint arrangements taking the form of a company under German civil law (such as associations) for which the legal form does not in itself result in an asset and financial structure separate from the partners, the decision as to whether the arrangement constitutes a joint venture or a joint operation is taken by additionally referring to the contractual provisions and the object of the joint arrangement.

Should neither the legal form nor the contractual provisions or other factors or circumstances indicate whether ADLER has direct rights over the assets or obligations for the liabilities of the joint arrangement in question, such an arrangement constitutes a joint venture.

Joint ventures are companies whose financial and business policies can be controlled by the Group directly or indirectly in conjunction with one or more third parties. Interests in joint ventures are recognised using the at-equity method.

The information provided on the recognition of associates also applies to the recognition of joint ventures.

3.3 Associated companies

Investments over which ADLER exerts significant influence – generally as a result of shareholdings between 20 percent and 50 percent – are basically measured using the at-equity method. For investments requiring measurement at equity, the acquisition cost is increased or decreased each year by the changes in equity attributable to the Group. Upon the initial inclusion of investments measured using the equity method, any differential amounts resulting from first-time consolidation are treated in the same way as goodwill relating to fully consolidated companies.

Gains and losses from transactions between group companies and associates are eliminated based on the Group's share in the associates. Gains and losses from transactions between associates are not eliminated.

4. SCOPE OF CONSOLIDATION, BUSINESS COMBINATIONS AND PROPERTY COMPANIES

4.1 Investments in subsidiaries

Including the parent company, the scope of consolidation includes a total of 229 companies (previous year: 111) that are fully consolidated. The Group does not own any properties outside Germany.

4. SCOPE OF CONSOLIDATION, BUSINESS COMBINATIONS AND PROPERTY COMPANIES (continued)

4.1 Investments in subsidiaries (continued)

The scope of consolidation developed as follows:

Quantity	2018	2017
As of 01.01.	**111**	127
Additions	**121**	20
Disposals	**2**	32
Mergers/accruals	**1**	4
As of 31.12.	**229**	**111**

121 companies were newly included in the scope of consolidation in the period under report and two companies were deconsolidated. One company was merged with another company within the scope of consolidation.

In the third quarter, three companies were founded that are expected to serve as intermediate holding companies in the rental segment. Furthermore, in the second quarter ADLER also acquired shares (94.9 percent) in a property company (TGA Immobilien Erwerb 10 GmbH). These measures did not have any material implications for the Group's net assets, financial position or results of operations.

At the beginning of the second quarter, ADLER acquired nearly 70 percent of the shares in BCP and consolidated the company and its 114 subsidiaries for the first time. An inactive company (Weaved Immo Finance B.V.) was liquidised.

In the third quarter, two companies were founded that are expected to serve as intermediate holding companies in the rental segment. An inactive company (Magnus Inkasso GmbH) was merged into another service company in the scope of consolidation. These measures did not have any material implications for the Group's net assets, financial position or results of operations.

In the fourth quarter, 75 percent of the interests in an inactive company (Magnus Vierzehnte Immobilien-besitz- und Verwaltungs GmbH) were sold at the carrying amount. These measures did not have any material implications for the Group's net assets, financial position or results of operations.

ADLER's shareholdings, also corresponding to its share of voting rights, as at 31 December 2018 are shown in an appendix to the notes to the consolidated financial statements from page 190.

4.2 Business combinations

At the beginning of the second quarter, ADLER acquired nearly 70 percent of the shares in BCP and consolidated the company and its 114 subsidiaries for the first time.

Acquisition of Brack Capital Properties N.V.

In February 2018, ADLER signed an agreement with Redzone Empire Holding Limited, Cyprus, for the acquisition of 41.04 percent of the shares in BCP, and also announced a special tender offer (STO) for the purchase of up to 25.8 percent of additional shares. The acquisition was successfully concluded on 2 April 2018. Via the agreement with Redzone, the STO and the purchase of shares that were offered to ADLER by the senior management of BCP, ADLER acquired a total of 5,397,270 of the shares in BCP. This corresponds to a 69.81 percent share of the capital stock and voting rights in BCP. The acquisition was completed by means of a cash offer.

The acquisition date on which ADLER gained control of BCP was 2 April 2018. On this day, the last closing condition to the takeover bid was fulfilled. The transaction was dealt with as a company acquisition in accordance with IFRS 3 and included in the interim consolidated financial statements as at 30 June 2018 for the first time. Due to the acquisition of BCP, in total 115 companies will be included in the scope of consolidation.

BCP is a company incorporated under Dutch law, headquartered in Amsterdam, whose shares are traded on the Tel Aviv Stock Exchange, Israel. As at the acquisition date, BCP owns a property portfolio of 11,678 residential

4. SCOPE OF CONSOLIDATION, BUSINESS COMBINATIONS AND PROPERTY COMPANIES (continued)

4.2 Business combinations (continued)

units in Germany with a focus on larger cities in Germany, including Leipzig (36 percent), Hanover (10 percent), Bremen (9 percent), Kiel (9 percent) and Dortmund (8 percent). The existing ADLER portfolio is positively complemented by the BCP portfolio. BCP also contributes around 300,000 square metres of commercial space and project developments in the centre of Düsseldorf and Aachen for around 2,000 new residential units, which are expected to be added to the BCP portfolio after completion if they have not yet been sold to non-group companies up to the date of preparing the financial statements. ADLER expects an improvement in the quality of the rental portfolio and operating and financial synergies from the BCP acquisition. The transaction will be beneficial for ADLER’s key financial figures.

The currency risk arising from the acquisition of a majority stake in BCP by paying the purchase price in New Israeli Shekels (NIS) was almost completely covered by hedging transactions. In accordance with IFRS 9, hedging transactions (deal contingent forward and deal contingent option) were classified as cash flow hedges. The effective portion of the changes in the fair value of the hedging instruments and the cost of the hedging were directly included in the acquisition costs of the interests when they are recognised. The secured purchase price for the acquisition of 69.81 percent of the shares in BCP’s capital stock totals EUR 554,788k and was paid in cash. This was also used for the purposes of determining the effects of the initial consolidation. The unsecured purchase price would have totalled EUR 548,452k.

The net outflow of cash, net of cash acquired, amounted to EUR 472,278k.

The allocation of the purchase price to the assets acquired and liabilities assumed is provisional, as a purchase price allocation had not yet been finalised as at the balance sheet date. The provisional fair values of the assets and liabilities determined reported as at the date of first-time consolidation are as follows:

in EUR ’000	
Goodwill	69,560
Investment properties	1,605,551
Other non-current assets	8,735
Current assets	71,078
Cash and cash equivalents	82,510
Acquired assets	**1,837,434**
Non-current liabilities	862,747
Current liabilities	194,364
Acquired liabilities	**1,057,110**
Net assets at 100 %	**780,324**
Non-controlling interests	225,536
Acquisition costs	**554,788**

The provisional purchase price allocation results in goodwill of EUR 69,560k, which cannot be deducted for tax purposes and is attributable to the workforce, expected operating and financial synergies, the high profitability of the acquired business and deferred taxes. The first-time allocation of goodwill has not been concluded yet.

At the time of acquisition, the investment property primarily comprised land with 11,678 residential units and 27 commercial units with a rentable area of approximately 1 million square metres and basic net rents of approximately 79 million per year. Furthermore, project developments in the centre of Düsseldorf and in Aachen for approximately 2,000 new residential units should be maintained, which are expected to be added to the BCP portfolio after completion. At the time of acquisition, the fair values of investment property were calculated on the basis of reports of external experts based on discounted cash flow methods.

Other non-current assets include EUR 7,667k in loans to associated companies, deferred tax assets of EUR 526k, property, plant and equipment of EUR 270k, shares in associates of EUR 167k, and other non-current assets at fair value with an amount of EUR 105k.

4. SCOPE OF CONSOLIDATION, BUSINESS COMBINATIONS AND PROPERTY COMPANIES (continued)

4.2 Business combinations (continued)

The current assets acquired include EUR 24,466k in properties from project developments that are sold to non-group companies. At the time of acquisition, the fair values of these properties were calculated on the basis of reports of external experts based on discounted cash flow methods. Non-current assets held for sale in the amount of EUR 11,900k were acquired. In addition, EUR 1,306k of services that have not yet been invoiced from the transferable management costs and trade receivables (EUR 17,674k) and other receivables (EUR 15,732k) are included. Payments received from the tenants' payments of ancillary expenses were reported net with the services that had not yet been invoiced from the transferable management costs. The carrying amounts of the receivables acquired have already taken necessary impairment losses into account and correspond to their fair values as at the time of acquisition. The gross value of the trade receivables due amounts to EUR 22,663k, of which EUR 4,989k is not expected to be collected.

Non-current liabilities include at their fair values financial liabilities to banks in the amount of EUR 629,681k, liabilities for bonds in the amount of EUR 116,995k, deferred tax liabilities in the amount of EUR 104.170k and other liabilities in the amount of EUR 8,447k. A contingent liability of EUR 3,454k was recognised on the acquisition of BCP for a pending lawsuit in which the entity is a defendant. The claim has arisen from a general contractor demanding payment for services performed for a development project. The potential un-discounted amount of all future payments that the Group could be required to make if there was an adverse decision related to the lawsuit is estimated to be approximately EUR 13,817k.

Financial liabilities to banks in the amount of EUR 146,760k, liabilities from bonds in the amount of EUR 18,317k, trade payables in the amount of EUR 6,427k and other liabilities in the amount of EUR 15,852k were acquired at their fair value as current liabilities.

When determining deferred taxes, deferred tax assets for carryforwards of EUR 6,222k were offset against deferred tax liabilities for temporary differences from the measurement of investment properties. Despite the acquisition of the shares, the loss carryforwards are still deductible in accordance with the applicable rules established by the taxation authorities, as there are still sufficient hidden reserves in the acquired companies.

The option of IFRS 3.19 was used to value the non-controlling interests at fair value when calculating the non-controlling interests based on the stock market price at the time of acquisition. When determining the non-controlling interests, indirect non-controlling interests were added.

Following the first-time consolidation, BCP has contributed gross rental income in the amount of EUR 79,812k, income from the sale of properties in the amount of EUR 56,302k and earnings before taxes in the amount of EUR 137,581k in the Group's total comprehensive income for the year. If BCP had already been fully consolidated as at 1 January 2018, the company would have contributed to gross rental income in the amount of EUR 106,148k, the income from the sale of properties in the amount of EUR 74,731k and earnings before taxes in the amount of EUR 157,377k.

The costs associated with the business combination in the amount of EUR 12,525k were recognised through profit or loss under other operating expenses.

4.3 Acquisition of property companies and project development companies

In the second quarter, ADLER acquired shares (94.9 percent) in a property company (TGA Immobilien Erwerb 10 GmbH). The company does not operate as a business operation as defined in IFRS 3. Thus, this acquired company has been presented as a direct real estate acquisition. The costs of acquiring the property company have been allocated to the individual identifiable assets and liabilities based on their fair values. Investment properties of EUR 8,604k were acquired via this property company. These measures did not have any material implications for the Group's net assets, financial position or results of operations.

5. SPECIFIC ACCOUNTING POLICIES

5.1 Intangible assets and property, plant and equipment

Upon first-time recognition, separately purchased intangible assets are measured at cost. Following initial recognition, intangible assets with finite useful lives are subject to straight-line amortisation over their expected useful lives, generally over three to five years, and are tested for impairment as soon as there are any indications of such. Impairments of intangible assets are recognised through profit or loss under amortisation of intangible assets.

Intangible assets with indefinite useful lives, which include goodwill in particular, are not subject to scheduled amortisation. These assets are tested for impairment at least once a year, either on an individual asset or cash-generating group level. An impairment test is also performed should any triggering event occur.

Property, plant and equipment is recognised at cost, less accumulated depreciation and accumulated impairments. Cost includes expenses directly attributable to the acquisition. Subsequent acquisition or production costs are only capitalised if it is likely that future economic benefits will accrue to the company. Repair and maintenance costs are recognised as an expense in the financial year in which they are incurred.

Property, plant and equipment is subject to straight-line depreciation over its expected useful life, generally over three to 20 years (office equipment) or six to 13 years (vehicle fleet and outdoor facilities). The depreciation methods used and economic useful lives are reviewed and, if necessary, adjusted at each balance sheet date. Carrying amounts of property, plant and equipment are tested for impairment as soon as there are any indications that they exceed the respective recoverable amounts.

The residual values and remaining useful lives are reviewed and, if necessary, adjusted at each balance sheet date.

Gains and losses from disposals of assets are calculated as the difference between the income from disposals and the respective carrying amounts and are recognised through profit or loss.

5.2 Investment properties

Investment properties include all properties that are held on a long-term basis to generate gross rental income and value growth. In contrast to investment properties, inventories constitute assets which are held for sale in the ordinary course of business, which are in the process of production for such sale or which are used in the production process or in the rendering of services. Consequently, properties held for sale in the normal course of business or are constructed or developed with the intention of being sold are outside the scope of IAS 40. These are recognised under inventories and are within the scope of IAS 2.

At the time of acquisition, investment properties are measured at their acquisition and production costs, including the ancillary costs of the acquisition. In subsequent periods, investment properties are measured at their fair values. Ongoing maintenance costs are recognised as an expense in the Statement of Comprehensive Income. Modernisation measures, if they extend beyond ongoing maintenance, are capitalised if it is likely that the company will derive an economic benefit from them in the future. Measurement results are presented in the Consolidated Statement of Comprehensive Income under the item “Income from fair value adjustments of investment properties”.

The fair value of a property is the price that would be received for the sale of the asset between knowledgeable, willing and independent market participants in an orderly transaction or, in the case of the transfer of a liability, the price that would be paid. The fair value basically implies the sale of the asset. It corresponds to the (theoretical) price to be paid to the seller for a (hypothetical) sale of a property at the measurement date.

Fair value can be determined using the market-based approach, the cost-based approach or the income-based approach. It will maximise the use of relevant observable market-based input factors and minimise the use of non-observable inputs.

IFRS 13 requires investment property measured at fair value to be classified and the input factors referred to when determining fair value to be cited. Classification is based on the following three-level fair value hierarchy:

- Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date.

5. SPECIFIC ACCOUNTING POLICIES (continued)

5.2 Investment properties (continued)

- Level 2: Inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: Unobservable inputs for the asset or liability.

Investment properties are not traded in active markets, but are measured using input factors based on unobservable market data (Level 3).

The fair value of investment properties is determined by reference to surveys compiled by external experts on the basis of current market data and using internationally recognised valuation methods. The discounted cash flow method is generally used. For properties under construction (project development/project properties), which will be held in the long term to generate gross rental income and capital appreciation after completion, the residual value method is applied (please refer to the disclosures on measurement methods in Note 8.3).

Investment properties are derecognised when they are sold or unused over a sustained period of time and no future economic benefit is expected upon their retirement. Gains or losses resulting from disposal or discontinuation are recognised in the year of disposal or discontinuation. Gains or losses correspond to the difference between the disposal price and the carrying amount plus costs to sell.

Properties initially acquired for trading purposes and correspondingly allocated to inventories are reclassified to investment properties when it becomes apparent that their use has changed.

5.3 Impairment of intangible assets and property, plant and equipment

To the extent that they are definitively allocated upon acquisition to a cash-generating unit, intangible assets with indefinite useful lives or that are not yet ready for use are not subject to scheduled amortisation but rather are tested annually for impairment. Assets subject to scheduled amortisation are tested for impairments if events or changes in circumstances indicate that the carrying amount may no longer be recoverable. Impairment losses are recognised in the amount by which the carrying amount exceeds the recoverable amount. The recoverable amount is the higher of an asset’s fair value less costs to sell and its value in use. For impairment-testing purposes, assets are aggregated at the lowest level for which cash flows can be separately identified (cash-generating units). Goodwill is reviewed at the level of a cash-generating unit or a group of cash-generating units to which the goodwill is allocated.

A cash-generating unit is the smallest group of assets that includes assets and generates cash flows that are largely independent of the cash flows generated by other assets or groups of assets. Goodwill acquired as part of a business combination is allocated to the cash-generating unit or group of cash-generating units that is expected to benefit from the synergies of the business combination.

The main cash-generating units defined at the Group relate to properties and interests in properties. Investment properties are already measured using the fair value model and therefore require no additional impairment testing. In the context of the Group’s operating management, properties are aggregated in business units structured along geographical lines. As these regional business units (North, West, East, Central) represent the lowest level within the Company on which goodwill is monitored for internal management purposes, the annual impairment test is performed on the level of the regional business units. Assets are allocated to the business units based on the geographical location of the properties.

A further group of cash-generating units for which goodwill was monitored for internal management purposes was the trading segment. The trading segment has so far aggregated the business activities at ACCENTRO from the acquisition and disposal of properties, including residential privatisation and intermediary activities performed in this context. The disposal of ACCENTRO in November 2017 resulted in the discontinuation of the trading segment.

Assets may only be written up to a maximum of amortised cost. No write-ups are recognised for goodwill.

5. SPECIFIC ACCOUNTING POLICIES (continued)

5.4 Financial assets

Trade receivables are recognised from the date on which they incurred. All other financial assets are recognised for the first time on the trade date if the Company becomes a party in accordance with the terms of the instrument.

Financial assets (except for trade receivables with no material financing component) are recognised for the first time at fair value. An item that is not measured at fair value through profit or loss will incur transaction costs that are directly attributable to its acquisition or issuance. Upon initial recognition, trade receivables with no material financing component are measured at transaction price.

Upon initial recognition, a financial asset is classified and measured as follows:

- Financial assets at fair value through profit or loss – aafv.
- Financial assets at fair value through other comprehensive income – aafvoci.
- Financial assets measured at amortised cost – aac.

Financial assets measured at fair value through other comprehensive income currently exist only in the form of debt instruments.

Financial assets are not reclassified after initial recognition unless the Group changes its business model to manage its financial assets. In this case, all relevant financial assets are reclassified on the first day of the period under report following the change to the business model.

A financial asset is measured at amortised cost if both of the following conditions are met and it has not been classified as “at fair value through profit or loss”:

- It is held as part of a business model whose aim is to hold financial assets for collection of the contractual cash flows.
- The contractual terms and conditions governing a financial asset give rise to cash flows at fixed dates that are only payments of principal and interest on the principal amount outstanding.

A debt instrument is classified “at fair value through other comprehensive income” if the two conditions below are met and it has not been classified as “at fair value through profit or loss”:

- It is held as part of a business model in which the aim is both to hold financial assets for the collection of contractual cash flows and to sell financial assets.
- Its terms result in payment flows at fixed dates which are only payments of principal and interest on the principal amount outstanding.

Upon initial recognition of an equity instrument that is not held for trading, the Group may irrevocably choose to show consequential changes in the fair value of the instrument in other comprehensive income. This choice is made on a case-by-case basis for each equity instrument.

All financial assets that are not measured at amortised cost or at fair value through other comprehensive income are measured at fair value through profit or loss. This includes all derivative financial assets. Upon initial recognition, the Group may irrevocably choose to designate financial assets that would otherwise qualify for measurement at amortised cost or fair value through other comprehensive income as “at fair value through profit or loss” if that results in eliminating or significantly reducing accounting mismatches. This so-called fair value option was not exercised on the existing financial assets of the ADLER Group.

ADLER makes an assessment of the goals of the business model in which the financial asset is held at a portfolio level, as this best reflects the way the business is managed and information is provided to management.

Financial assets held or managed for trading and whose performance is measured at fair value are measured at fair value through profit or loss.

5. SPECIFIC ACCOUNTING POLICIES (continued)

5.4 Financial assets (continued)

For purposes of assessing whether the contractual cash flows are solely principal and interest payments, the "principal amount" is defined as the fair value of the financial asset upon initial recognition. "Interest" is defined as the consideration of the time value of money and the default risk associated with the principal amount over a period of time and other basic credit risks, costs and a profit margin. In assessing whether the contractual cash flows are exclusively interest and principal payments on the principal amount, the Group takes the contractual arrangements of the instrument into account. This includes an assessment of whether the financial asset includes a contractual arrangement that could change the timing or amount of the contractual cash flows so that they no longer meet these conditions.

ADLER derecognises a financial asset when the contractual rights to cash flows from the financial asset expire or when it transfers the rights to receive the cash flows in a transaction, in which all material risks and rewards associated with the ownership of the financial asset will also be transferred. Derecognition also occurs if the Group neither transfers nor retains all material risks and rewards of ownership and does not retain control over the transferred asset.

Financial assets at fair value through profit or loss

Equity instruments and derivatives are always subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss in the Consolidated Statement of Comprehensive Income.

Assets within this category are recognised as current assets if they are either held for trading or are expected to be realised within 12 months of the balance sheet date.

Financial assets measured at fair value through other comprehensive income

The correspondingly classified debt instruments are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairments are recognised in profit or loss. Other net gains or losses are recognised in other comprehensive income. Upon derecognition, the accumulated other comprehensive income is reclassified to profit or loss.

These assets are classified as current assets unless their maturity or realisation exceeds 12 months after the balance sheet date. They are otherwise recognised as non-current assets.

Financial assets measured at amortised cost

These financial assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairments are recognised in profit or loss. Gains or losses from the derecognition are recognised in profit or loss in the Consolidated Statement of Comprehensive Income.

They are classified as current assets unless their maturity exceeds 12 months after the balance sheet date. They are otherwise recognised as non-current assets. The effective interest method is applied only if the asset has a maturity of more than 12 months.

Impairments

ADLER recognises impairment losses on expected credit losses for:

- Financial assets measured at amortised cost.
- At fair value with changes in other comprehensive income.

ADLER measures the impairments in the amount of credit losses expected over the term, except for the following impairments, which are measured at the expected 12-month credit loss:

- Bonds with a low default risk at the balance sheet date.
- Other debt instruments, including bank deposits, for which the default has not significantly increased since first-time recognition.

5. SPECIFIC ACCOUNTING POLICIES (continued)

5.4 Financial assets (continued)

Impairment losses on trade receivables (rental receivables, receivables from the disposal of properties and contract assets) are always measured in the amount of the expected credit loss over the term.

In determining whether the default risk of a financial asset has increased significantly since initial recognition and in estimating expected credit losses, ADLER considers reasonable and reliable information that is relevant and available without disproportionate time and expense. This comprises both quantitative and qualitative information and analyses that are based on past experience and well-founded assessments, including forward-looking information.

In ADLER's view, a bond has a low default risk if its credit risk rating meets the global definition of "investment grade". ADLER continues to assume that the default risk of a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to have defaulted if it is unlikely that the borrower will be able to fully pay its credit commitment to the Group without the Group having to resort to measures such as the realisation of collateral (if any is available).

Credit losses expected over the term are those that result from all possible default events during the expected life of the financial instrument. 12-month credit losses are the portion of expected credit losses resulting from default events that are possible within 12 months of the end of the reporting period (or a shorter period if the expected life of the instrument is less than 12 months). The maximum period to be considered when estimating expected credit losses is the maximum contract period in which the Group is exposed to credit risk.

Expected credit losses are the probability-weighted estimates of credit losses. Credit losses are measured as the present value of the defaults (i.e. the difference between the payments owed to a company in accordance with the contract and the payments the company is expected to make). Expected credit losses are discounted at the effective interest rate of the financial asset. When assessing expected credit losses, existing collateral is taken into account.

At each balance sheet date, ADLER estimates whether financial assets at amortised cost or bonds at fair value through other comprehensive income with regard to credit rating are impaired. A financial asset is impaired if one or more events have an adverse effect on the expected future cash flows of the financial asset. Indicators that a financial asset is impaired in credit quality include the following observable data:

- Significant financial difficulties of the issuer or the borrower.
- A breach of contract, such as a default or more than 90 days overdue.
- Restructuring a loan by the Group that it would otherwise not consider.
- It is likely that the borrower will enter bankruptcy or other financial reorganisation.
- The disappearance of an active market for a security due to financial difficulties.

Impairment losses of financial assets in accordance with IFRS 9 are not disclosed in a separate item in the Consolidated Statement of Comprehensive Income for reasons of materiality, but as previously under other operating expenses (trade receivables) and financial costs (other debt instruments). Impairment losses of financial assets are recognised separately in the notes to the consolidated financial statements.

Impairment losses on financial assets that are measured at amortised cost are deducted from the gross carrying amount of the assets. For bonds that are measured at fair value through other comprehensive income, the impairment is reclassified from other comprehensive income to profit or loss.

The gross carrying amount of a financial asset is amortised if the Group does not reasonably believe that the financial asset is fully or partly feasible. Subsequent payments received on previously derecognised amounts are recognised in profit or loss as other operating income.

5. SPECIFIC ACCOUNTING POLICIES (continued)

5.5 Derivative financial instruments

In particular, the Group uses interest rate hedges intended to hedge changes in interest rates. If included in hedge accounting, it is a cash flow hedge. However, interest rate hedges are currently not classified as hedges.

Under certain conditions, embedded derivatives are separated from the underlying contract and accounted for separately.

Upon initial recognition and subsequent measurement, derivatives are measured at fair value. Relevant changes are always recognised through profit or loss in the Consolidated Statement of Comprehensive Income. The fair values of derivatives are determined using standard market valuation methods and take account of the market data available on the valuation date.

5.6 Inventories

Properties acquired exclusively for the purpose of resale in the normal course of business or for development and resale are recognised as inventories. Other inventories, such as heating oil stocks, are also recognised in this line item.

These items are initially measured at acquisition or production cost. Acquisition costs include the purchase price of the property plus directly attributable ancillary costs, such as brokerage fees, land transfer tax, notarial fees and land register costs. Renovation costs that result in a significant improvement to the properties are capitalised. These inventories are subsequently measured at the lower of cost from acquisition or production costs or at their net realisable value. Net realisable value corresponds to the estimated selling price less estimated costs through to completion and the estimated required disposal costs.

5.7 Cash and cash equivalents

Cash and cash equivalents comprise cash, demand deposits and other short-term highly liquid financial assets with an initial term of up to three months. They also include credit balances at banks with original terms of no longer than six months and intended for short-term debt service.

5.8 Non-current assets and liabilities held for sale

A non-current asset or a group of non-current assets is classified as “held for sale” if the associated carrying amount will predominantly be recovered via a sale transaction rather than through continued use, if the assets are available for immediate sale and the sale is considered highly probable. The shares have been measured at the lower of their previous carrying amount and their fair value less sales costs. These assets or groups of assets, as well as the associated liabilities, are reported separately in the balance sheet. Liabilities are classified as “held for sale” if they are connected to an asset held for sale and are also due to be acquired by a buyer.

ADLER recognises investment properties as non-current assets held for sale if there are notarised purchase agreements or purchase intentions signed by both parties as at the balance sheet date, but the transfer of ownership will not take place until the following period as agreed in the contract. Initial recognition takes place at the contractually agreed sale price and subsequently at fair value after deducting the costs of disposal, providing this is lower.

5.9 Shareholders’ equity

Debt and equity instruments are classified as financial liabilities or equity on the basis of the economic substance of the contractual arrangements. An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of the associated liabilities. Equity instruments are recognised in the amount of the issue proceeds, less directly attributable issuance costs. Issuance costs are costs that would not have been incurred if the equity instrument had not been issued. Such costs of an equity transaction, less all associated income tax benefits, are deducted from equity and directly offset against the capital reserves.

The components of a hybrid instrument issued by the Group (convertible bond) are separately recognised as financial liabilities and equity instruments in accordance with the economic substance of the arrangement. Upon

5. SPECIFIC ACCOUNTING POLICIES (continued)

5.9 Shareholders' equity (continued)

issue, the fair value of the debt component is determined on the basis of the market interest rate applicable to a comparable non-convertible instrument. This amount is carried as a financial liability at amortised cost using the effective interest method through to settlement upon conversion or maturity of the respective instrument. The equity component is calculated by subtracting the value of the debt component from the fair value of the overall instrument. The resultant value, less income tax effects, is recognised under equity and is subsequently not measured.

5.10 Pension provisions

Provisions for pensions and similar obligations are measured by external actuaries using the projected unit credit method for defined benefit plans. Service cost is recognised under personnel expenses, while the interest portion of the increase in the provision is recognised in the financial result. Like deferred taxes, actuarial gains and losses arising in this regard are recognised under other comprehensive income. The amount recognised corresponds to the present value of the defined benefit obligation (DBO).

ADLER also pays contributions to state pension schemes in accordance with statutory provisions. Current payments for these defined contribution obligations are recognised within personnel expenses as social security contributions.

5.11 Other provisions

Other provisions are recognised for legal or constructive obligations to third parties which originated in the past and whose maturity or amount is uncertain when it is probable that meeting the obligation will result in an outflow of resources at the Group and when the obligation amount can be reliably estimated.

ADLER recognises provisions for non-profitable contracts when the benefit expected from the contractual claim is lower than the unavoidable costs of fulfilling the contractual obligations.

Measurement is based on the best estimate of the current scope of the obligation as at the balance sheet date. Non-current provisions are recognised at their respective settlement amounts discounted (present value) as at the balance sheet date.

5.12 Financial liabilities

Financial liabilities are recognised for the first time on the trade date if the Company becomes a party in accordance with the terms of the instrument. Liabilities are classified as current liabilities when the Group does not have the unconditional right to defer the redemption of the liability to a time later than at least 12 months after the balance sheet date or if settlement is expected within 12 months of the balance sheet date.

Financial liabilities are classified and measured as financial liabilities measured at amortised cost (flac) or financial liabilities at fair value through profit or loss (lafv). A financial liability is classified as at fair value through profit or loss if it is classified as held for trading, is a derivative or is classified as such at initial recognition. The so-called fair value option was not exercised on the existing financial liabilities of the ADLER Group.

Net gains or losses, including interest expenses related to financial liabilities at fair value through profit or loss, are recognised through profit or loss.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expenses and currency translation differences are recognised through profit or loss. Gains or losses from derecognition are also recognised through profit or loss.

When determining the fair value, the expected future cash flows are discounted using market interest rates with matching maturities. Individual characteristics of the financial instruments being measured are accounted for by way of standard credit rating and liquidity spreads.

5. SPECIFIC ACCOUNTING POLICIES (continued)

5.12 Financial liabilities (continued)

The fair value of the financial liabilities is determined on the basis of the input factors in Levels 1, 2 and 3.

The Group derecognises a financial liability when the obligations stipulated in the contract have been settled, rescinded or have expired. The Group also derecognises a financial liability when the obligations stipulated in the contract are changed and the cash flows of the adjusted liability are significantly different. In this case, a new financial liability is recognised based on the adjusted requirements for fair value. When a financial liability is derecognised, the difference between the carrying amount of the amortised liability and the consideration paid (including any transferred non-cash assets or liabilities assumed) is recognised in profit or loss.

5.13 Taxes

Current tax assets and tax liabilities are measured at the amount of refund or payment expected to or from the tax authorities based on the tax rate and tax laws applicable as at the balance sheet date.

Pursuant to IAS 12, in principle deferred taxes are recognised for all temporary differences between the tax base of the assets and liabilities and their carrying amounts in the IFRS financial statements and for tax loss carryforwards. Application has been made for the exemption provided as per IAS 12.15(b) relating to the acquisition of property companies that have been included in the consolidated financial statements as acquisitions of groups of assets and liabilities rather than in accordance with IFRS 3. Where the Group's acquisition costs exceed tax-carrying amounts, deferred taxes are only recognised for the difference between the fair values and the Group's acquisition costs.

The tax rates used to calculate deferred taxes are determined on the basis of currently valid statutory provisions. Unchanged from the previous year, application is made of tax rates of 15.0 percent for corporate income tax, 5.5 percent for the solidarity surcharge and 14.4 percent for trade tax for German group companies. Deferred tax assets for temporary differences and for tax loss carryforwards are recognised in the amount at which it is likely that temporary differences will be offset against future positive tax income and taking account of minimum taxation requirements. When measuring deferred taxes, account is taken of the expected implications of what is known as the extended property deduction on domestic trade tax.

No deferred taxes are recognised for taxable temporary differences, whether positive or negative, in connection with interests in group companies for as long as the Group is able to control their reversal and such differences will not be reversed in the foreseeable future.

Deferred tax assets and liabilities are offset against each other if the Group has a recoverable right to offset current tax assets against current tax liabilities and if such apply to income taxes of the same taxable entity and are levied by the same tax authority.

5.14 Leases

Economic ownership of the leased items is attributable to the lessee if all major risks and rewards associated with ownership of the asset are also attributable to the lessee (finance lease). Leases in which a substantial portion of the risks and rewards associated with ownership of the asset remain with the lessor are classified as operating leases. Payments made in connection with an operating lease are recognised in the income statement on a straight-line basis over the term of the lease. Where the lessee bears all major risks and rewards, upon addition the lessee measures the leased item at its fair value or at the present value of future leasing payments, if lower, with a lease liability being recognised in the same amount. In subsequent periods, the lease liability is amortised and carried forward using the effective interest method.

The Group is both a lessor and a lessee in the property letting business.

5.15 Revenue recognition

The Group's income from letting items of real estate (net rental income) is attributable to leases and is recognised based on the period in accordance with the terms of the underlying contracts. Rent and income are recognised if they are stipulated by contract and it is probable that the economic benefits will accrue to the Group. Since net rents are usually paid monthly in advance, rent is due immediately.

5. SPECIFIC ACCOUNTING POLICIES (continued)

5.15 Revenue recognition (continued)

Income from charged operating costs is recognised based on the period corresponding to the underlying rendering of services, i.e. when control of the service has been transferred to the tenants. It is required that there are contractual arrangements with the tenants and that it is likely that the specified consideration will be received. Revenue recognition in accordance with IFRS 15 has therefore not changed as compared to the approach of IAS 18. Operating costs and their additional charges are recognised using the principal method. This is due in particular to ADLER's business model, which provides for a high share of in-house services relevant to operating costs. ADLER is regarded by the tenant as being primarily responsible for the provision of services and also has an inventory risk for all services that are not provided in-house. The reporting of expenses related to operating costs and the corresponding income from additional charges to the tenant was therefore not offset in the Consolidated Statement of Comprehensive Income. Liabilities from the payments of ancillary expenses are reported net with the receivables for the services that have not yet been invoiced and the net amount is recognised under trade payables as "contract assets operating costs" or "liabilities from advance payments of operating costs". The tenants' advance payments of operating costs and the net rent are due monthly and are payable immediately.

Income from the sale of investment properties is recognised when the control has been transferred to the buyer; this is usually the case when transferring ownership rights, benefits and obligations arising from properties. When disposing of property companies, this date regularly coincides with the completion of the transfer of the respective shares. It is required that there are contractual arrangements with enforceable rights and obligations and that it is likely that the consideration specified will be received. The recognition of revenue in accordance with IFRS 15 has not changed as compared to the approach of IAS 18, as the contracts in question only provide for these a defined benefit obligation with a clearly defined consideration and the date of revenue recognition is specified in concrete terms. The purchase prices are usually deposited on notary accounts and paid to ADLER when the control has been transferred. Payments received for sales of investment properties (contract liabilities) are recognised under other liabilities if control has not yet been transferred.

Via BCP, the company acquired in the period under report, ADLER also generated income in Germany from sales of newly built apartments as part of project developments. As at 31 December 2017, the Company realised the revenue from the sale only when the apartments were handed over to the buyers. In accordance with IFRS 15, revenue from these sales are recognised earlier than in accordance with IAS 18, as revenue recognition is based on project progress over a period of time. Contractual arrangements with enforceable rights and obligations and receipt of the consideration specified are required for the recognition of income. The transaction price is determined separately for each performance obligation. The Company's performance obligation is to provide the buyer with the power of disposal of the respective apartment. Based on the existing contracts with the buyers and the legal situation in Germany, the apartments do not constitute assets with alternative use and the Company has an enforceable right to demand compensation for the services provided up to that point in time. The power of disposal within the meaning of IFRS 15.35(c) thus passes to the buyer upon conclusion of the notarised purchase agreement and revenue is recognised from this date according to the stage of completion or performance progress. The Company uses the input method to measure performance progress. Costs that do not reflect performance progress such as land and borrowing costs and duties are not taken into account. The Company estimates the costs required to complete the project to determine the amount of revenue expected to be realised. These estimates include the direct costs associated with the fulfilment of the contract and are allocated based on an appropriate allocation formula. Thus, a performance progress rate is determined according to which the revenue for each individual contract is recognised in accordance with the performance progress rate of the entire construction project. The Company uses a practical expedient regarding the consideration of material financing components, according to which the consideration does not have to be adjusted if it is expected at the time of conclusion of the contract that the period between the receipt of the consideration and the time of realisation of the sale will not exceed one year. Receivables from the services which have not yet been invoiced are recognised under trade receivables as "contract assets project development". Payments received for sales of project development properties (contract liabilities) are recognised under other liabilities if it is not possible to offset the contract assets again.

Interest income is recognised in proportion to time in accordance with the provisions of the underlying contracts taking into account the residual claim and the effective interest rate over the remaining term.

5. SPECIFIC ACCOUNTING POLICIES (continued)

5.16 Currency translation

The consolidated financial statements are prepared in euros. The euro is the currency of the primary business environment in which the Group operates and is therefore its functional currency.

Foreign currency transactions are translated into the functional currency of the relevant group company using the exchange rate on the transaction date. Monetary foreign currency items are subsequently translated at the respective reporting date rate. The currency translation differences arising upon the settlement of foreign currency transactions and from the translation of monetary foreign currency items at the reporting date rate are recognised in the income statement under other operating income or expenses. The functional currency of the foreign companies is the respective national currency, as the foreign companies conduct their businesses independently in financial, economic and organisational terms.

At the end of the year, assets and liabilities at foreign companies are translated into euros using the relevant reporting date rates, while income and expenses at such companies are translated using annual average exchange rates. Equity components are translated using the historical exchange rates applicable from a group perspective upon the dates of their respective addition to the scope of consolidation. The currency translation differences thereby arising compared with the reporting date rates are recognised in equity in the ”currency translation reserve” line item.

5.17 Residual interests and dividend distributions

In its consolidated financial statements, ADLER also includes subsidiaries that have the legal form of partnerships with non-controlling interests. Pursuant to IAS 32, the shareholder position attributable to these minorities requires recognition as a liability due to their statutory and non-excludable termination rights. When such liability arises, it is measured at the present value of the settlement claim attributable to the respective shareholder. This generally corresponds to the amount of capital contribution made by the shareholder. In subsequent periods, the liability is carried forward and adjusted to account for the company’s earnings prior to the recognition of this liability within earnings. To the extent that it is not due to capital contributions or withdrawals, the change in the liability is recognised through profit or loss. Where the carry forward procedure results in an imputed claim against the shareholder, such procedure is deferred until it once again results in a liability due from the shareholder.

For the corporations included in the Group, liabilities for dividends to shareholders are generally only recognised in the period in which the corresponding resolution concerning the appropriation of profit is adopted by the relevant shareholders’ meeting. Obligations for minimum profit distributions are deferred as liabilities.

5.18 Cash flow statement

The cash flow statement presents the development in the Group’s payment flows in the financial year. In the consolidated financial statements, the cash flow from operating activities is calculated using the indirect method, with earnings before interest and tax (EBIT) being adjusted to exclude non-cash-effective items and include cash-effective items. The cash flow statement presents the cash flows from operating, investment and financing activities.

5.19 Share-based payments

ADLER has a share-based compensation plan which grants beneficiaries at the company stock appreciation rights, and thus the possibility of participating in the company’s value growth. The stock appreciation rights provided in the stock appreciation right programme (“SAR Programme”) constitute a share-based cash-settled payment programme pursuant to IFRS 2. Provisions for these personnel obligations have been recognised in the amount of the expected expenses, with such being allocated in instalments over the fixed overall term of the respective tranches. The fair value is calculated in reference to recognised financial valuation models. The recognition of stock appreciation rights requires assumptions and estimates concerning the development in performance indications and personnel. The identification is carried out using an option price model.

6. SIGNIFICANT DISCRETIONARY DECISIONS AND ESTIMATES

In preparing its consolidated financial statements, the Company makes assessments and assumptions concerning expected future developments based on the circumstances extant at the balance sheet date. The estimates derived on this basis may deviate from actual circumstances at a later point in time. In this case, the assumptions and the carrying amounts of the relevant assets or liabilities are adjusted as appropriate on a prospective basis.

The assumptions and estimates are continually reviewed and are based on past experience and other factors, including expectations concerning future events that seem reasonable in the given circumstances.

In applying accounting policies, the Management Board made the following estimates which significantly impact the amounts recognised in the consolidated financial statements:

- When testing goodwill for impairment, estimates have to be made concerning the recoverable amounts of the respective cash-generating units or group of cash-generating units. This corresponds to the higher of fair value less disposal costs and the value in use. When determining the value in use, the estimated future cash surpluses are discounted to their present values. This is based on the company planning adopted by the Management Board. For regional business units operating in the property management business, this particularly requires estimates to be made concerning future rental income, vacancy rates and maintenance and modernisation measures. Based on forecast market developments and past experience, the assumptions underlying these figures are factored into a planning horizon of up to ten years. The payment surpluses thereby determined are discounted to their present values, taking due account of market-based equity and debt financing costs, a market-based risk premium as well as a sustainable growth rate. The figure that best reflects the market value based on various scenarios and under consideration of all known input factors is reported in the consolidated financial statements.
- The market values of investment properties are based on the findings of independent experts commissioned to this end. These assessments are based on the discounted future cash surpluses determined using the discounted cash flow methods over a ten-year planning horizon. To perform the valuation, the surveyors have to estimate various factors, such as future rental income, vacancy rates, maintenance and modernisation measures and applicable interest rates. All these factors directly influence the fair value of the investment properties. Furthermore, due account is also taken of transaction costs in an amount deemed likely by ADLER. In the case of valuing property under construction, under the residual value method the construction costs still to be incurred as well as risk reductions for risk and profit until completion must be estimated. Further estimates will be made with regard to the fair value costs of disposal of properties held for sale.
- Estimates also characterise the determination of the impairment of financial assets. In this context, the default risks of financial assets must be assessed and the respective expected credit losses estimated.
- Based on its current planning, the Management Board decides to what extent future loss carryforwards can be utilised. The basis for decisions is thus the expected taxable profits of the respective company.
- For other provisions, various assumptions have to be made concerning the probabilities of occurrence and level of utilisation. Account is taken of all information known when preparing the balance sheet.
- When recognising revenue, it must be assessed whether the specified consideration is likely to be received. Revenue recognition for sales of newly built apartments as part of project developments is based on the period corresponding to the degree of completion or performance progress. In this context, the company estimates the costs required to complete the project to determine the amount of revenue expected to be realised.

In applying accounting policies, the Management Board made the following discretionary decisions materially impacting the amounts recognised in the consolidated financial statements:

- In respect of the properties held by the Group, the Management Board has to decide as at each balance sheet date whether these assets are to be held for long-term rental and value appreciation purposes or rather classified as held for sale. Depending on this decision, the properties are reported as investment properties, under inventories or as non-current assets held for sale.
- Upon the addition of property companies, a decision has to be made whether this constitutes the acquisition of a business operation. When the acquisition involves not only assets and liabilities, but also a business

6. SIGNIFICANT DISCRETIONARY DECISIONS AND ESTIMATES (continued)

operation (integrated group of activities), the transaction constitutes a business combination. For example, the business processes of asset and property management, receivables management and accounting are deemed to represent an integrated group of activities. A further key indication that the takeover involves a business operation is the fact that personnel are also employed by the company thereby taken over. All these processes and indications could be negated in the case of the acquisitions of property companies in the 2018 financial year, as a result of which the acquisitions have not yet been presented as business combinations pursuant to IFRS 3 in 2018.

- In the context of business combinations pursuant to IFRS 3, in the assessment of non-controlling interests, a decision is to be made whether the option of IFRS 3.19 should be used to value the non-controlling interests at fair value. It should also be determined whether indirect non-controlling interests should be taken into account in an additive or multiplicative manner.
- Upon the initial recognition of financial instruments, a decision has to be made as to which of the measurement categories they should be allocated to.

7. SEGMENT REPORTING

In previous years, ADLER Real Estate AG distinguished between its rental and trading segments in its segment reporting. Following the sale of the majority of the shares in ACCENTRO Real Estate AG at the end of 2017, only continuing operations in the rental segment are presented in the segment reporting. The discontinued trading segment is no longer shown. BCP, the majority of which was acquired in April 2018, is currently presented as an independent segment in accordance with internal reporting to the Management Board.

This includes all ADLER's portfolios in its earlier structure before the acquisition of BCP, through the letting of which ADLER Real Estate AG aims to generate long-term gross rental income. Gross rental income and the expenses associated with the letting business reflect the activities of the Group's asset and property management, which manages residential units held in the portfolio in technical and commercial terms. This segment also includes expenses for tradesman and caretaker services, which are provided by intragroup facility management.

BCP owns a property portfolio of 11,944 residential units in Germany with a focus on larger cities in Germany. BCP also contributes around 300,000 square metres of commercial space and project developments in the centre of Düsseldorf and Aachen for around 2,000 new residential units, which are to be added to the BCP portfolio after completion unless it is not already agreed to sell them to non-group companies.

Other group activities that do not constitute standalone segments are pooled in the "Other" column. These mainly involve historic holdings relating to development projects that are still in the process of being sold off since the Group's realignment in 2014.

Segment reporting based on the trading segment is consistent with the internal reporting system to ADLER's Management Board, which is the top management body pursuant to IFRS (management approach). The Group only trades in properties that are located in Germany. No geographical segmentation has been performed.

Income and EBIT are structured as follows:

ADLER Group **In EUR '000**	**Rental** **2018**	**BCP** **2018**	**Other** **2018**	**Group** **2018**
Income from the management of properties and from the sale of properties	288,344	136,114	205	424,663
– of which letting	269,578	79,812	205	349,595
– of which disposals	18,766	56,302	0	75,068
Change in the fair value of investment properties	373,491	91,638	0	465,129
Earnings before interest and tax (EBIT)	**445,252**	**137,480**	**96**	**582,828**
Result of investments accounted for using the equity method	200	2,962	0	3,162
Financial result	**-128,478**	**-2,861**	**111**	**-131,228**
Result before taxes (EBT)	**317,051**	**137,581**	**130**	**454,762**

7. SEGMENT REPORTING (continued)

Revenues in the rental segment amounted to EUR 288,344k (previous year: EUR 297,548k), of which EUR 269,578k (previous year: EUR 264,087k) was attributable to letting. Changes in the value of investment property amounted to EUR 373,491k (previous year: EUR 235,386k). At EUR 445,252k, EBIT in the rental segment was significantly above the previous year's level (previous year: EUR 311,803k). Earnings before taxes in the rental segment amounted to EUR 317,051k (previous year: EUR 158,445k).

Revenues in the BCP segment amounted to EUR 136,114k, and gross rental income to EUR 79,812k. Changes in the value of investment property amounted to EUR 91,638k. EBIT in the BCP segment amounted to EUR 137,480k, while earnings before taxes came to EUR 137,581k.

The EBIT and earnings before taxes were negatively affected by one-off items. Legal and advisory costs increased by EUR 12,525k due to the acquisition of shares in BCP. In addition, one-off expenses amounted to EUR 37,487k (previous year: EUR 60,589k) for the early repayment of promissory note loans with higher interest rates and for the early repayment of bonds in the amount of EUR 7,003k (previous year: EUR 4,001k). The bridging loan to finance the acquisition of the shares in BCP that was taken up in the first quarter resulted in transaction costs in the amount of EUR 9,313k, which required immediate recognition as expenses due to early repayment in the second quarter 2018. A prepayment penalty of EUR 536k was incurred for the early repayment.

Depreciation of property, plant and equipment and amortisation of intangible assets break down as follows:

ADLER Group In EUR '000	**Rental 2018**	**BCP 2018**	**Other 2018**	**Group 2018**
Depreciation of property, plant and equipment	-1,339	-93	0	-1,432
Amortisation of intangible assets	-169	0	0	-169

Income and EBIT were broken down in the previous year as follows:

ADLER Group In EUR '000	**Rental 2017**	**Other 2017**	**Group 2017**
Income from the management of properties and from the sale of properties	297,548	1,694	299,242
– of which letting	264,087	301	264,388
– of which disposals	33,461	1,393	34,854
Change in the fair value of investment properties	235,386	0	235,386
Earnings before interest and tax (EBIT)	**311,803**	**17**	**311,820**
Result of investments accounted for using the equity method	0	0	0
Financial result	**-153,408**	**25**	**-153,383**
Result before taxes (EBT)	**158,445**	**-8**	**158,437**

The depreciation of property, plant and equipment and amortisation of intangible assets in the previous year were broken down as follows:

ADLER Group In EUR '000	**Rental 2017**	**Other 2017**	**Group 2017**
Depreciation of property, plant and equipment	-651	0	-651
Amortisation of intangible assets	-176	0	-176

Segment assets, segment liabilities and segment investments are structured as follows:

ADLER Group In EUR '000	**Rental 2018**	**BCP 2018**	**Other 2018**	**Consolidation 2018**	**Group 2018**
Assets per segment	3,918,035	1,923,157	4,691	-4,961	5,840,922
Result of investments accounted for using the equity method	39	3,031	0	0	3,070
Total segment assets	**3,918,074**	**1,926,188**	**4,691**	**-4,961**	**5,843,992**
Non-current assets held for sale	—	—	—	—	12,639
Segment liabilities	**3,237,643**	**1,039,322**	**4,997**	**-4,961**	**4,277,001**
Segment investments	**129,774**	**35,354**	**0**	**0**	**165,128**

7. SEGMENT REPORTING (continued)

In the previous year, segment assets, segment liabilities and segment investments were structured as follows:

ADLER Group In EUR '000	Rental 2017	Other 2017	Consolidation 2017	Group 2017
Assets per segment	3,766,501	7,329	-7,527	3,766,303
Result of investments accounted for using the equity method	25	0	0	25
Total segment assets	**3,766,526**	**7,329**	**-7,527**	**3,766,328**
Non-current assets held for sale	—	—	—	12,639
Segment liabilities	**2,741,336**	**7,658**	**-7,527**	**2,741,467**
Segment investments	**375,203**	**0**	**0**	**375,203**

Segment assets mainly comprise property, plant and equipment, investment properties and receivables due from third parties and the "Other" segment. Goodwill of EUR 101,198k (previous year: EUR 101,198k) in the rental segment and EUR 69.560k (previous year: EUR 0k) is recognised in the BCP segment. Please refer to the comments under 8.1, "Goodwill, intangible assets".

Segment liabilities mainly comprise financial liabilities, operating liabilities and liabilities due to the "Other" segment.

The intragroup balances between the reportable segment "Rental" and the "Other" column are eliminated in the "Consolidation" column.

Segment investments include additions to property, plant and equipment, intangible assets, investment properties, properties recognised under inventories (primarily at BCP) and investments in associated companies.

8. NOTES TO THE CONSOLIDATED BALANCE SHEET

8.1 Goodwill and intangible assets

In EUR '000 2018	Goodwill	Customer relationships and similar assets	Other intangible assets	Total intangible assets
Carrying amounts 01.01.	**101,198**	**0**	**567**	**567**
Additions from acquisitions (+)	69,560	0	0	0
Additions (+)	0	0	214	214
Depreciation current year (–)	0	0	-169	-169
Carrying amounts 31.12.	**170,758**	**0**	**612**	**612**

In EUR '000 2017	Goodwill	Customer relationships and similar assets	Other intangible assets	Total intangible assets
Carrying amounts 01.01.	**130,552**	**209**	**374**	**583**
Additions (+)	0	0	448	448
Depreciation current year (–)	0	-209	-231	-440
Disposals ACCENTRO (–)	-29,354	0	-24	-24
Carrying amounts 31.12.	**101,198**	**0**	**567**	**567**

Goodwill of EUR 101,198k is attributable to the regional business units (North, Middle, West, East) of the rental segment and results from the acquisition of WESTGRUND in June 2015. The allocation of the goodwill resulting from the WESTGRUND acquisition to groups of cash-generating units was completed in the 2016 financial year and took due account of the sustainable synergies (financing, administrative and operating synergies) expected to result from the business combination.

Goodwill of EUR 69,560k resulted from the acquisition of BCP in April 2018. The allocation of goodwill resulting from the BCP acquisition to groups of cash-generating units for the purposes of the impairment test has not yet been completed due to the ongoing integration of BCP into the ADLER Group. The first annual impairment testing is expected to be performed in the fourth quarter of 2019. As at the balance sheet date, there are no known indications that the goodwill from the BCP acquisition may be impaired.

8. NOTES TO THE CONSOLIDATED BALANCE SHEET (continued)

8.1 Goodwill and intangible assets (continued)

Mandatory annual impairment testing for goodwill of the rental segment was performed in the fourth quarter of the year under report. To determine the recoverable amounts of the business divisions, the respective values in use were first calculated by comparison with the measurement of investment properties (see comments in Note 8.3) on the basis of company planning adopted by the Management Board with a planning horizon of ten years. Perpetuity figures were computed on the basis of the cash inflows in the final year covered by the planning. The planning was determined by reference to factors which can be influenced and those which cannot.

The Management Board determined the cash flows budgeted for the detailed planning stage on the basis of the positive developments shown by the business model in the past and of expectations as to future market developments. For the regional business divisions within the rental segment, the key value drivers are the planned increase in rent per square metre (target rent) and the reduction in the vacancy rate.

Further major parameters used to determine the recoverable amounts include weighted average costs of capital (WACC) before taxes and the sustainable growth assumed for perpetuity. The WACC are derived from market-based costs of equity and debt capital weighted to account for the company's capital structure. These were calculated using the capital asset pricing model (CAPM) as used in theory and practice. This involves accounting for a risk-free interest rate, a market-based risk premium (market risk premium and beta factor) and a risk premium from industrial bonds. The market risk premium used raised to 6.75 percent in the year under review (previous year: 6.50 percent). The calculation was performed by reference to comparative peer group data. The sustainable growth rate presents the market development expected in the future. With regard to the regional business units, the figures have been based on developments in actual rents.

Cash-Generating Units as of 31.12.2018	North	Central	West	East	Total
Goodwill in EUR '000	21,333	14,801	27,428	37,636	**101,198**
WACC before tax in %	4.3	4.3	4.3	4.3	—
Sustainable growth rate in %	1.5	1.5	1.5	1.5	—

Cash-Generating Units as of 31.12.2017	North	Central	West	East	Total
Goodwill in EUR '000	21,333	14,801	27,428	37,636	**101,198**
WACC before tax in %	4.9	4.9	4.9	4.9	—
Sustainable growth rate in %	1.5	1.5	1.5	1.5	—

The impairment test performed in the fourth quarter of the year identified significant surplus cover of the carrying amounts in all business divisions. The recoverability of goodwill was confirmed. Sensitivity analyses were performed to test the impact of changes in key parameters while retaining the other assumptions.

In the year under review, a 1.0 percentage point decrease in the target rent (in EUR/square metre rental space) for the business units would not lead to an impairment of the respective book value. An increase in the vacancy rate (as a percentage of the target rent) by 1.0 percentage point would not lead to an impairment of the book value for any of the divisions. A 0.5 percentage point increase in the weighted average cost of capital (WACC) or a 0.5 percentage point decrease in the sustainable growth rate would have no impact on the recoverability of the book values of the business units.

In the previous year, a reduction in the target rent (in EUR/square metre of rental area) by 1.0 percentage point would have led to an impairment of the book values of the Mid and West businesses, while the North and East business units would have required a complete write-down of the respective goodwill. An increase in the vacancy rate (as a percentage of the target rent) by 1.0 percentage point would not lead to an impairment of the book value of any divisions. A 0.5 percentage point increase in the weighted average cost of capital (WACC) or a 0.5 percentage point decrease in the sustainable growth rate would have no impact on the recoverability of the book values of the Mid and West businesses, while the North and East business lines would have required a complete write-down of the respective goodwill.

8. NOTES TO THE CONSOLIDATED BALANCE SHEET (continued)

8.2 Property, plant and equipment

In EUR '000	2018	2017
Carrying amounts 01.01.	**4,948**	**3,434**
Additions from acquisitions (+)	**270**	0
Additions (+)	**3,815**	2,852
Depreciation current year (–)	**-1,431**	-711
Disposals (–)	**-24**	-439
Disposals ACCENTRO (–)	**0**	-188
Carrying amounts 31.12.	**7,578**	**4,948**

8.3 Investment properties

In EUR '000	Let investment properties	Project development properties	Total 2018
Carrying amounts 01.01.	**2,825,518**	**193,000**	**3,018,518**
Additions through acquisitions IFRS 3 (+)	1,331,482	274,070	**1,605,552**
Additions through investment properties/property companies (+)	8,604	15,566	**24,171**
Other additions (+)	56,200	84,757	**140,957**
Fair value increase (+)	371,782	112,206	**483,988**
Fair value decrease (-)	-17,874	-985	**-18,859**
Reclassifications (+/-)	-192,828	-72,444	**-265,272**
Carrying amounts 31.12.	**4,382,884**	**606,170**	**4,989,054**

In EUR '000	Let investment properties	Project development properties	Total 2017
Carrying amounts 01.01.	**2,441,988**	**0**	**2,441,988**
Additions through acquisitions IFRS 3 (+)	0	0	**0**
Additions through investment properties/property companies (+)	177,730	158,850	**336,580**
Other additions (+)	34,144	4,479	**38,623**
Fair value increase (+)	217,443	29,671	**247,114**
Fair value decrease (-)	-11,728	0	**-11,728**
Reclassifications (+/-)	-33,600	0	**-33,600**
Disposals (-)	-458	0	**-458**
Carrying amounts 31.12.	**2,825,518**	**193,000**	**3,018,518**

Investment properties are encumbered with land charges provided as security for liabilities to banks.

The additions in the reporting year were chiefly due to EUR 1,605,552k for the acquisition of BCP, EUR 84,757k for investments in project development properties under construction, EUR 15,566k for the acquisition of an undeveloped site for project development and EUR 8,604k for the acquisition of the property company TGA Immobilien Erwerb 10 GmbH.

The disposals result from the sale of sub-portfolios and individual units. Valuation gains of EUR 483,988k (previous year: EUR 247,114k) and valuation losses of EUR 18,859k (previous year: EUR 11,728k) were recognised in the 2018 financial year. Due to these gains and losses, net income from fair value adjustments of investment properties came to EUR 465,129k (previous year: EUR 235,386k). The reclassifications amounting to EUR 192,828k relate to investment properties classified in accordance with IFRS 5 as non-current assets held for sale. EUR 72,444k of properties under construction from investment properties of BCP were reclassified to inventories because they are expected to be sold after their completion.

In December 2018, in two separate transactions ADLER disposed of 3,700 rental units, which corresponds to virtually the entire non-core-portfolio. On 17 December 2018, ADLER entered into a binding agreement with an

8. NOTES TO THE CONSOLIDATED BALANCE SHEET (continued)

8.3 Investment properties (continued)

investor, which plans to sell around 1,400 rental units to a joint venture in which ADLER holds a 25 percent interest. ADLER will continue to assume asset management for these portfolios. The properties have a carrying amount of approximately EUR 61,500k. Control over the rental units was transferred at the beginning of 2019. On 27 December 2018, ADLER also entered into a binding agreement with Benson El-liot Capital Management, which plants to sell around 2,300 rental units to a joint venture in which ADLER holds a 25 percent interest. ADLER remains responsible for asset, property and facility management until the properties are sold to third parties. ADLER will profit from the potential upside of the final sale by the joint venture. The properties are worth approximately EUR 117,700k. Control over the rental units was also transferred at the beginning of 2019. In light of these two agreements, investment properties of EUR 179,200k were recognised as non-current assets held for sale and reclassified accordingly.

The statement of comprehensive income includes the following material amounts for investment properties:

In EUR '000	2018	2017
Income from property management	**349,595**	264,087
Expenses from property management	**-145,908**	-137,969
Earnings from property management	**203,687**	**126,118**

The fair value of individual properties/individual property portfolios (level 3 of the fair value measurement hierarchy) has been determined on the basis of discounted future cash flows using the DCF method. For properties under construction (project development/project properties), which will be held in the long term to generate gross rental income and capital appreciation after completion, the residual value method is applied to determine the fair value (level 3 of the fair value measurement on the basis of measurement models).

The Management Board is responsible for determining the measurement methods and processes used at the Group and for coordinating the relevant processes. Properties are measured by external surveyors based on the data as at the measurement date, much of which is provided by ADLER's Asset Management department. This way, it is ensured that the properties are measured in line with market conditions and as at the reporting date. The year-on-year changes in fair values are subject to plausibility reviews by the Group Accounting and Asset Management departments. The results of the measurement process are then discussed with the Management Board.

Let investment Properties – DCF method

The DCF method involves discounting the cash flows expected to be generated by a property to the measurement date. To this end, the cash flows from the respective properties are determined for a detailed planning period (ten years). These involve the net balance of expected inflows and outflows of cash. While inflows generally relate to net rents, the (gross) outgoing payments particularly involve the operating costs borne by the owner. The net cash flows for each period are then discounted to the balance sheet date as at 31 December 2018 by application of a market-based, property-specific discount rate.

This results in the capitalised value of the net cash flows for the respective period. A potential discounted disposal value (terminal value) is forecast for the property at the end of the detailed planning period. This reflects the price most likely to be achievable at the end of the detailed planning period. This involves capitalising the discounted net cash flows as perpetuity figures by application of the capitalisation rate of the respective property (exit rate). The sum of the discounted cash flows and the discounted potential disposal value provides the gross value of the property to be assessed. Market-specific transaction costs incurred by any potential buyer and quantified at 4.5 percent to 11.0 percent are then deducted from this gross value (previous year: 5.5 percent to 10.5 percent), following which the properties are recognised at net value.

8. NOTES TO THE CONSOLIDATED BALANCE SHEET (continued)

8.3 Investment properties (continued)

The following overview presents the significant assumptions and results used to determine the fair values of investment properties when measuring them using the DCF method:

Valuation parameters	Unit	Average	Range
Discount rate	%	4.48	3.25 – 6.00
Capitalisation rate	%	5.09	3.50 – 6.50
Maintenance costs	EUR/sqm	8.02	5.80 – 11.70
Administrative expenses	EUR/per rental unit/year	229.62	200.00 – 310.00
Stabilised vacancy rate	%	4.17	0.00 – 4.70
Valuation results			
Actual rent multiplier		18.09	10.95 – 30.14
Market value per sqm	EUR/sqm	1,190.15	660.00 – 2,460.00

In the financial year 2018, the stabilised vacancy rate comprises temporary vacancies that are not considered to be marketable as well as fluctuation-related vacancies. In the previous year, fluctuation-related vacancies were taken into account in the interest rates applied.

In the previous year, measurement was based on the following parameters:

Valuation parameters	Unit	Average	Range
Discount rate	%	5.16	3.80 – 6.47
Capitalisation rate	%	4.62	3.05 – 6.00
Maintenance costs	EUR/sqm	8.82	6.50 – 10.50
Administrative expenses	EUR/per rental unit/year	248.69	200.00 – 300.00
Stabilised vacancy rate	%	2.32	0.00 – 13.00
Valuation results			
Actual rent multiplier		16.04	9.35 – 27.25
Market value per sqm	EUR/sqm	1,046.46	480.00 – 2,250.20

Various parameters were used when determining the discount rate. The discount rate comprises the base rate and a risk premium. The risk premium represents an interest rate suitable to the specific sub-segment, the type of use and the quality of the property. These assessments were made by reference to current market data and official documents, as well as to information from the valuation committee. The risk premium therefore varies from property to property.

The valuation parameters stated above represent averages weighted by market value. None of the margins stated account for exceptional individual cases. The assumptions used to value existing properties were made by an independent surveyor based on his longstanding professional experience. The surveys commissioned by the Group are governed by the requirements of the Royal Institution of Chartered Surveyors (RICS).

The chosen interest rate, underlying market rents and stabilised occupancy rates were identified as the main value drivers influenced by the market. The effects of potential fluctuations in these parameters are presented separately in the table below. Interaction between these parameters is possible. Given the complexity of the relationships involved, however, the effects of such interaction are not quantifiable.

	Capitalisation rate		Market Rent		Vacancy rate	
	-0.5 PP	+0.5 PP	-10.0%	+10.0%	-1.0 PP	+1.0 PP
Change in value						
In EUR ’000	199,817	-187,909	-505,363	517,465	59,034	-58,322
in %	4.56	-4.29	-11.54	11.82	1.35	-1.33

8. NOTES TO THE CONSOLIDATED BALANCE SHEET (continued)

8.3 Investment properties (continued)

In the previous year, the following effects resulted from possible fluctuations of the respective measurement parameters:

	Capitalisation rate		Market Rent		Vacancy rate	
	-0.5 PP	+0.5 PP	-10.0%	+10.0%	-1.0 PP	+1.0 PP
Change in value						
In EUR ’000	259,287	-211,761	-353,371	348,380	44,705	-39,942
in %	9.18	-7.49	-12.51	12.33	1.58	-1.41

The following overview presents the geographical distribution of the property portfolios broken down by rental area, market values and the main parameters used in the valuation methods outlined above:

	Total rental area in sqm	Discount rate in %	Capitalisation rate in %	Actual rent multiplier	Stabilised vacancy rate in %	Market value 2018 in EUR ’000
Lower Saxony	1,168,056	4.62	5.22	17.44	4.03	**1,242,733**
North Rhine Westphalia	969,570	4.70	5.06	16.51	3.45	**1,065,067**
Saxony	575,205	4.52	5.03	19.55	3.44	**629,125**
Saxony-Anhalt	221,871	4.77	5.37	17.04	5.14	**187,863**
Brandenburg	221,848	4.67	5.49	15.44	7.12	**195,233**
Other	728,964	4.25	4.90	20.25	4.79	**1,062,863**
Total	**3,885,514**	**4.48**	**5.09**	**18.09**	**4.17**	**4,382,884**

In the previous year, the geographical distribution of the property portfolios was as follows:

	Total rental area in sqm	Discount rate in %	Capitalisation rate in %	Actual rent multiplier	Stabilised vacancy rate in %	Market value 2017 in EUR ’000
Lower Saxony	1,090,759	5.28	4.69	15.12	2.32	**959,354**
North Rhine Westphalia	707,187	4.76	4.55	15.81	1.56	**655,344**
Saxony	444,840	5.21	5.09	14.82	3.57	**324,585**
Saxony-Anhalt	197,532	5.47	5.00	13.33	0.43	**137,206**
Brandenburg	216,165	5.54	4.87	13.68	0.90	**168,784**
Other	476,271	5.22	4.16	19.88	3.35	**580.245**
Total	**3,132,754**	**5.16**	**4.62**	**16.04**	**2.32**	**2,825,518**

Project development properties – Residual value method

The determination of the fair value of properties under construction – which are held in the long term for the purpose of generating gross rental income and capital appreciation after completion – takes place using the residual value method, since the value of these properties is primarily determined by the value of the specific development concept. In the case of the residual value method, an indicative market value of the finished and leased object is initially determined on the basis of the future expected annual net income using the DCF method. All remaining costs that are incurred in connection with the preparation of the project are deducted from this value. These possible costs include all construction costs, building ancillary costs, fees, financing costs, marketing costs and incidental acquisition costs. There is also a risk deduction for risk and profit.

8. NOTES TO THE CONSOLIDATED BALANCE SHEET (continued)

8.3 Investment properties (continued)

The following overview presents the significant assumptions used to determine the fair values of investment properties when measuring them using the DCF method:

Valuation parameters	Unit	Average	Range
Capitalisation rate	%	2.87	2.65–4.10
Calculated construction costs of the net rentable area	in EUR/sqm	2,960.04	1,506.00–3,821.00
Risk deduction for risk and profit	%	16.46	3.91–35.04
Multiplier gross annual profit		16.00	6.67–27.04

In the previous year, the valuations were based on the following parameters:

Valuation parameters	Unit	Average	Range
Capitalisation rate	%	3.30	—
Calculated construction costs of the net rentable area	in EUR/sqm	3,000.00	—
Risk deduction for risk and profit	%	15.00	—
Multiplier gross annual profit		27.5	—

In the previous year the residual value method was applied only for project development. For this reason there is no range for the valuation parameters.

The risk deduction for risk and profit relates to the yet-to-be-generated added value of the respective project.

The chosen interest rate, underlying market rents and calculated construction costs were identified as the main value drivers influenced by the market. The effects of potential fluctuations in these parameters are presented separately in the table below:

	discount rate		Market Rent		Calculated building costs [1]	
	-0.5 PP	+0.5 PP	-10%	+10%	-10%	+10%
Change in value						
In EUR ’000	253,361	-180,023	-115,641	150,882	82,372	-82,257
in %	47.23	-33.56	-21.56	28.13	14.12	14.10

[1] Without consideration of potential project guarantees

In the previous year, the following effects resulted from possible fluctuations of the respective measurement parameters:

	Capitalisation rate		Market Rent		Calculated building costs [1]	
	-0.5 PP	+0.5 PP	-10%	+10%	-10%	+10%
Change in value						
In EUR ’000	80,390	-57,510	-40,310	40,290	21,290	-21,310
in %	41.65	-29.80	-20.88	20.87	11.03	-11.04

[1] Without consideration of potential project guarantees

In the previous year, the capitalisation rate was in line with the discount rate.

8.4 Loans to associated companies

Loans to associated companies are presented in Note 13.3, “Related party disclosures”. The Group’s default risks and impairment losses of financial assets are presented in Section 11 of the notes to the consolidated financial statements.

8. NOTES TO THE CONSOLIDATED BALANCE SHEET (continued)

8.5 Investments in associates and joint ventures

Seven companies were included in the consolidated financial statements using the equity method as at the balance sheet date (previous year: two companies). Two associates (previous year: three) have not been included at equity due to materiality considerations.

In EUR ’000	2018	2017
Carrying amounts 01.01.	**25**	**497**
Additions through acquisitions IFRS 3	**166**	0
Other additions	**14**	0
Share of gains and losses (at-equity result)	**3,162**	225
Other results attributable to the Group	**0**	0
Dividends received	**-297**	-217
Disposals ACCENTRO (–)	**0**	-480
Carrying amounts 31.12.	**3,070**	**25**

The remaining 6.2 percent interest in ACCENTRO will continue to be recognised as an associate in the consolidated financial statements due to its ability to exercise significant influence through a member of the Supervisory Board. However, it is included in non-current assets held for sale due to the proposed disposal (see Note 8.11).

ACCENTRO is a listed public limited company that primarily manages (buying and selling) residential property and individual apartments as well as the brokerage business associated with residential privatisation.

The tables below contain the combined financial information of ACCENTRO based on the last published IFRS consolidated financial statements:

In EUR ’000	31.12.2018	31.12.2017
Assets		
Non-current assets	**81,109**	22,179
of which goodwill	**17,776**	17,776
Current assets	**393,096**	325,605
of which inventories	**345,241**	304,027
of which cash and cash equivalents	**15,464**	7,875
Equity and liabilities		
Equity	**199,104**	153,697
Non-current liabilities	**176,431**	43,426
of which financial liabilities to banks	**76,773**	42,439
of which liabilities from bonds	**98,561**	0
Current liabilities	**98,669**	150,662
of which financial liabilities to banks	**54,357**	86,882
of which liabilities from bonds	**1,563**	12,065

In EUR ’000	2018	2017
Earnings from sale of inventories	**33,085**	34,692
Earnings from property lettings	**6,130**	5,434
Earnings from services	**2,282**	947
EBIT	**32,864**	36,401
EBT	**23,975**	27,633
Consolidated net profit	**18,301**	20,120

In EUR ’000	2018	2017
Cash flow from operating activities	**-48,432**	-25,200
Cash flow from investing activities	**-51,204**	22,679
Cash flow from financing activities	**111,410**	-4,223
Change in cash and cash equivalents	**11,774**	-6,743

8. NOTES TO THE CONSOLIDATED BALANCE SHEET (continued)

8.5 Investments in associates and joint ventures (continued)

The Group still holds investments in seven other associates and joint ventures that are not of material significance. The carrying amounts and the share of profit and other comprehensive income of these associates are presented in aggregated form in the table below:

In EUR '000	2018	2017
Carrying amount of shares on not-vital-at-equity consolidated companies	**3,070**	**25**
Group's share in the result of non-vital-at-equity companies:		
– Profit from continuing operations	**3,162**	0
– Other results	**0**	0
Total result	**3,162**	**0**

The prorated share of profit and loss at the companies included using the equity method has been recognised in full in 2018. There are no accumulated unrecognised losses.

8.6 Other financial investments and other non-current assets

In the financial year 2018, ADLER acquired 4.1 percent of the shares in a project development company for residential properties based in Germany through its subsidiary BCP. The shares were classified as financial assets at fair value through profit or loss and recognised under other financial assets. As at 31 December 2018, based on the stock market price, the fair value amounted to EUR 37,019k. The change in value since the acquisition of EUR 2,019k is recognised under financial income.

Other non-current assets mainly include advance payments made.

8.7 Deferred taxes

Deferred tax assets (+) and liabilities (-) are composed as follows:

In EUR '000	2018	2017
Tax loss carryforwards (deferred tax assets)	**87,527**	67,925
Valuation of other liabilities (deferred tax assets)	**5,315**	5,094
Valuation of pension provisions (deferred tax assets)	**557**	234
Valuation of (convertible) bonds (deferred tax assets)	**2,183**	0
Valuation of financial liabilities (deferred tax assets)	**10,747**	9,954
Valuation of investment properties/inventories (deferred tax liabilities)	**-465,102**	-235,525
Valuation of (convertible) bonds (deferred tax liabilities)	**-9,505**	-7,239
Accrual of financing costs (deferred tax liabilities)	**-2,273**	-5,145
Other	**-7,709**	130
Total deferred tax assets	**98,621**	83,337
Total deferred tax liabilities	**-476,881**	-247,909
	-96,086	-83,337
Offsetting	**96,086**	83,337
Reported deferred tax assets	**2,535**	**0**
Reported deferred tax liabilities	**-380,794**	**-164,571**

Deferred tax assets for tax loss carryforwards are recognised at the amount at which the corresponding tax benefits are likely to be realised through future taxable income (recognised at no less than the value of deferred tax liabilities). The loss carryforwards relate exclusively to Germany and are therefore not expected to expire. As a result, the maturity structures of those loss carryforwards which have not been capitalised have not been disclosed.

No deferred tax assets were recognised for corporate tax loss carryforwards of around EUR 353.8 million (previous year: around EUR 183.9 million) and trade tax loss carryforwards of around EUR 250.8 million (previous year: around EUR 160.5 million) as their realisation is not sufficiently certain.

8. NOTES TO THE CONSOLIDATED BALANCE SHEET (continued)

8.7 Deferred taxes (continued)

No deferred tax liabilities have been recognised on amounts totalling EUR 36.0 million (previous year: EUR 23.2 million) in connection with shareholdings in group companies. This is due to the Group's ability to control their reversal, which is not expected to be the case in the foreseeable future.

8.8 Inventories

Inventories include an amount of EUR 88,071k for properties acquired for sale (previous year: EUR 2,941k) and an amount of EUR 25k for other inventories (previous year: EUR 37k). The portfolio of inventory properties or properties from project developments (newly built apartments) acquired for sale developed as follows:

In EUR '000	2018	2017
Carrying amounts 01.01.	**2,941**	**219,523**
Additions through acquisition (+)	**24,466**	0
Additions (+)	**24,805**	129,371
Disposals (-)	**-36,663**	-66,993
Disposals ACCENTRO (–)	**0**	-278,960
Reclassifications (+/-)	**72,522**	0
Carrying amounts 31.12.	**88,071**	**2,941**

As part of the acquisition of BCP, properties from project developments with a carrying amount of EUR 24,446k were acquired.

The disposals are related to the sales of newly built apartments as part of project developments.

No material write-ups or write-downs were recognised on properties recognised under inventories in the financial year under report.

The carrying amount of inventories pledged as securities for liabilities amounts to EUR 87,234k (previous year: EUR 0k). Inventory properties with total carrying amounts of EUR 74,600k (previous year: EUR 0k) are only expected to be sold after more than 12 months.

8.9 Trade receivables, income tax claims and other current assets

Current trade receivables comprise the following items:

In EUR '000	2018	2017
Rent receivables	**13,542**	10,326
Contractual assets from operating costs	**155**	0
Contractual assets from project developments	**4,474**	0
Receivables from sale of investment properties	**171**	305
Other	**7,557**	87
Total	**25,898**	**10.717**

The disclosures in accordance with IFRS 15 to the balances related to contracts with customers are presented in Section 10 of the notes to the consolidated financial statements.

Other trade receivables primarily include balances with suppliers and service providers associated with the letting business.

8. NOTES TO THE CONSOLIDATED BALANCE SHEET (continued)

8.9 Trade receivables, income tax claims and other current assets (continued)

Other current assets break down as follows:

In EUR ’000	2018	2017
Purchase price receivable ACCENTRO including interest claims	**149,878**	161,729
Current securities	**14,571**	18,191
Earmarked financial assets	**46,502**	38,984
Short-term loans to third parties	**17,648**	17,392
Sales tax receivables	**1,375**	0
Advance payment of financing costs	**1,723**	772
Derivates current	**139**	0
Receivables reductions in purchase price	**190**	190
Other current assets	**8,454**	6,250
Total	**240.480**	**243.508**

The ACCENTRO purchase price receivable results from the sale of ACCENTRO in the fourth quarter of 2017. EUR 17,370k was repaid on the purchase price receivable in the 2018 financial year. By contrast, interest income on the receivable of EUR 5,520k was recognised. In accordance with a supplementary agreement with the buyer, the remaining purchase price receivable is to be paid during the financial year 2019, at the latest until 30 June 2019.

Current securities comprise temporary investments of surplus liquidity. These are bonds that are held as part of a business model whose aim is both to hold financial assets for the collection of contractual cash flows and to sell financial assets if necessary. Debt instruments are therefore measured at fair value through other comprehensive income.

Restricted financial assets comprise bank balances with specific use restrictions that should only be used for the repayment of certain financial liabilities, as security for specific obligations or for particular maintenance measures. ADLER cannot decide on their disposal.

All items within other current assets are of a short-term nature as they mainly result from contractual arrangements due to be settled within one year.

The Group’s default risk, impairment losses of financial assets and the disclosures on the derivatives are presented in Section 11 of the notes to the consolidated financial statements.

8.10 Cash and cash equivalents

Cash and cash equivalents include cash on hand and credit balances at banks.

Cash and cash equivalents amounted to EUR 77,655k (previous year: EUR 368,233k) as at the balance sheet date, of which an amount of EUR 44,262k (previous year: EUR 276,077k) was subject to restrictions on disposal. ADLER can dispose of these resources, but they are intended for a special use. In particular, these are credit accounts on which funds are accumulated, which are then used for interest payment and repayment. As at the end of the 2017 financial year, the amount primarily results from the funds deposited for the repurchase of promissory note loans.

Due to the specific restrictions on disposal, bank credit balances of EUR 46,502k (previous year: EUR 38,984k) have been reported for the year under report under other current assets.

8.11 Non-current assets and liabilities held for sale

In connection with the sale of the majority of the shares in ACCENTRO and the sale of the trading segment, ADLER carried out a transitional consolidation on 30 November 2017 and included the remaining investment in ACCENTRO of 6.2 percent as an associated company in accordance with IAS 28 in the consolidated financial

8. NOTES TO THE CONSOLIDATED BALANCE SHEET (continued)

8.11 Non-current assets and liabilities held for sale (continued)

statements. Shares were measured in accordance with IFRS 10 at fair value (stock market price) amounting to EUR 12,639k at the date of transitional consolidation and reported under non-current assets held for sale. ADLER continues to expect a short-term disposal of the remaining investment in ACCENTRO, as these residuals, in the context of the sale of the majority of shares and extension of the relevant payment period until 30 June 2019, are to be introduced or sold. As at the balance sheet date, the fair value less costs to sell was higher than the book value, meaning that no valuation allowance had to be made.

In the first quarter, an impairment of EUR 395k was recognised at fair value less costs to sell the shares. Owing to the increase in the fair value of the shares in the second quarter, the impairment was reversed in the amount of EUR 395k. ADLER received a dividend of EUR 263k for the remaining share in ACCENTRO in the period under report.

The other non-current assets held for sale include properties recognised at a value of EUR 185,543k (previous year: EUR 10,943k), for which notarial purchase contracts were available at the balance sheet date. Liabilities relating to the properties sold have accordingly been reported as liabilities held for sale. The disposal of the non-current assets held for sale in the previous year did not have any material impact on earnings, as the assets were already measured at fair value. This corresponded to the sale price for the properties less related expenses.

8.12 Capital stock

The fully paid up share capital at ADLER amounted to EUR 71,064k as at 31 December 2018 (previous year: EUR 57,548k) and was divided into 71,063,622 (previous year: 57,547,740) no-par bearer shares with equal voting rights.

Due to the exercising of conversion rights, capital stock increased by EUR 1,819k. The issued mandatory 2015/2018 convertible bond was converted into 11,697,065 new no-par bearer shares in ADLER at the end of the term. Since the mandatory convertible bond – with the exception of the interest component – was recognised as equity upon issue and recognised in the capital reserve, EUR 11,697k has been reclassified from the capital reserve to capital stock.

The number of outstanding shares is as follows:

Amount	2018	2017
As at 01.01.	**57,547,740**	47,702,374
Conversion of convertible bonds	**13,515,882**	5,072,231
Non-cash capital increase through company acquisition	**0**	4,773,135
As at 31.12.	**71,063,622**	**57,547,740**

Authorisation to acquire treasury stock

By resolution adopted by the Extraordinary General Meeting of ADLER Real Estate Aktiengesellschaft on 15 October 2015, the Management Board is authorised until 14 October 2020 to acquire and dispose of treasury stock and to use the treasury stock thereby acquired to the exclusion of shareholders' subscription rights. The treasury stock acquired on the basis of this resolution may also be retired. The full wording of the resolution is stated in the invitation to the General Meeting published in the Federal Gazette (Bundesanzeiger) on 8 September 2015.

The company acquired 2,583,232 (31 December 2017: 1,391,902) treasury shares through share buyback programmes as at the reporting date. The nominal amount of the treasury stock thereby acquired has been deducted from share capital, while the acquisition costs in excess of the nominal amount have been deducted from net retained profit.

Authorised Capital 2015/I

Pursuant to § 4 (3) of the Articles of Association, the Management Board is authorised until 21 May 2020, subject to the approval of the Supervisory Board, to increase the company's capital stock on one or several

8. NOTES TO THE CONSOLIDATED BALANCE SHEET (continued)

8.12 Capital stock (continued)

occasions by a total of up to EUR 13,300,000 by issuing up to 13,300,000 new no-par bearer shares in return for cash contributions or contributions in kind. The Management Board is authorised, subject to the approval of the Supervisory Board, to exclude shareholders' subscription rights in the cases listed in § 4 (3) of the Articles of Association.

Authorised Capital 2017/I

Pursuant to § 4 (2) of the Articles of Association, the Management Board is authorised until 9 May 2022, subject to the approval of the Supervisory Board, to increase the company's capital stock on one or several occasions by a total of up to EUR 12,500,000 by issuing up to 12,500,000 new no-par bearer shares in return for cash contributions or contributions in kind (authorised capital 2017/I). The Management Board is authorised, subject to the approval of the Supervisory Board, to exclude shareholders' subscription rights in the cases listed in § 4 (2) of the Articles of Association.

Contingent Capital 2012/I

Pursuant to § 4 (4) of the Articles of Association, the company has contingent capital of EUR 1,500k based on the resolution by the Annual General Meeting held on 28 June 2012, supplemented by resolution by the Extraordinary General Meeting held on 15 October 2013 and recently amended on the basis of the resolution by the ordinary Annual General Meeting held on 30 May 2018. The resolution by the Annual General Meeting held on 30 May 2018 was entered in the Commercial Register on 18 June 2018.

The contingent capital increase exclusively serves to issue shares to the bearers of warrant or convertible bonds. In accordance with the terms and conditions of the respective warrant and/or convertible bonds, the contingent capital increase serves to issue shares to bearers of warrant and/or conversion bonds furnished with warrant and/or conversion obligations. The contingent capital increase is only executed to the extent that the bearers of warrant and/or convertible bonds exercise their option and conversion rights, or that the bearers of warrant or convertible bonds obliged to exercise their options or convert their bonds meet such obligations to exercise their options or convert their bonds, to the extent that the option or conversion rights are not satisfied by issuing treasury stock or that other forms of settlement are not drawn on to satisfy the respective claims. The new shares enjoy dividend entitlements for all financial years for which the Annual General Meeting has not yet adopted any resolutions in respect of the appropriation of profit.

Following the exercising of conversion rights in connection with the 2013/2018 convertible bond issued on 17 December 2013 (ISIN DE000A1YCMH2), Contingent Capital 2012 still amounted to EUR 293k at the balance sheet date.

Contingent Capital 2015/I

The company has Contingent Capital 2015/I of EUR 12,000k based on the resolution by the Annual General Meeting held on 22 May 2015, last amended by resolution by the ordinary Annual General Meeting held on 30 May 2018. The resolution by the Annual General Meeting held on 30 May 2018 about the increase in Contingent Capital 2015/I was entered in the Commercial Register on 18 June 2018.

The contingent capital increase exclusively serves to issue shares to the bearers of warrant or convertible bonds. In accordance with the terms of the warrant and convertible bonds, the contingent capital increase also serves to issue shares to the bearers of warrant or convertible bonds furnished with option or conversion obligations. The contingent capital increase is only executed to the extent that the bearers of warrant and/or convertible bonds exercise their option and conversion rights, or that the bearers of warrant or convertible bonds obliged to exercise their options or convert their bonds meet such obligations to exercise their options or convert their bonds, to the extent that the option or conversion rights are not satisfied by issuing treasury stock or that other forms of settlement are not drawn on to satisfy the respective claims. The new shares enjoy dividend entitlements for all financial years for which the Annual General Meeting has not yet adopted any resolutions in respect of the appropriation of profit.

8. NOTES TO THE CONSOLIDATED BALANCE SHEET (continued)

8.12 Capital stock (continued)

Following the exercising of conversion rights in connection with the 2016/2021 convertible bond issued on 19 July 2016 (ISIN DE000A161XW6), Contingent Capital 2015 still amounted to EUR 11,388k at the balance sheet date.

Contingent Capital 2015/II

The company has Contingent Capital 2015/II of EUR 13,000k based on the resolution by the Extraordinary General Meeting held on 15 October 2015, last amended by resolution by the ordinary Annual General Meeting held on 30 May 2018. The resolution by the Annual General Meeting held on 30 May 2018 about the increase in Contingent Capital 2015/II was entered in the Commercial Register on 18 June 2018.

The contingent capital increase exclusively serves to issue shares to the bearers of the EUR 175 million mandatory convertible bonds that were issued to part finance the acquisition of MountainPeak Trading Limited on 28 December 2015. The contingent capital increase is executed only to the extent that the bearers of the EUR 175 million mandatory convertible bonds exercise their conversion rights or the mandatory convertible bonds are converted as required at the end of the term. The new shares enjoy dividend entitlements from the beginning of the financial year in which they are issued.

Following the exercising of conversion rights in connection with the 2015/2018 convertible bond issued on 15 October 2015 (ISIN DE000A161ZA7), Contingent Capital 2015/2 still amounted to EUR 1,303k at the balance sheet date.

8.13 Capital reserve

The capital reserve mainly relates to the premiums paid on capital increased in previous years offset against the costs of the respective capital increases. Furthermore, the capital reserve includes the difference between the nominal value of treasury stock and the acquisition or issue price of such shares and the equity component of the convertible bonds issued net of allocable transaction costs and income tax effects. Moreover, differential amounts arising from acquisitions of shares not leading to a change of status are also recognised in the capital reserve.

Due to the exercising of conversion rights, the capital reserve increased by EUR 9,231k. At the end of the term of the mandatory 2015/2018 convertible bond, EUR 11,697k was transferred from the capital reserve to the capital stock, reducing the capital reserve by a total of EUR 2,466k because of these effects. Withdrawals of EUR 38,493k from the capital reserve at the parent company were also made in the 2018 financial year, which increased the net retained profit accordingly. The withdrawals from the capital reserve were made to offset the net loss that would otherwise exist at ADLER Real Estate AG.

Further details can be found in the consolidated statement of changes in equity.

8.14 Retained earnings

Retained earnings include adjustments in the opening balance sheet due to the conversion of accounting from the German Commercial Code (HGB) to International Financial Reporting Standards (IFRS) implemented in the 2005 financial year (first-time adoption), items resulting from changes to accounting policies pursuant to IAS 8 and current items resulting from the re-measurement of pension provisions. In addition, changes in the fair value of financial assets measured at fair value through other comprehensive income and shares in other comprehensive income and companies accounted for using the equity method are recognised.

In the financial year, profits and losses from the re-measurement of pension provisions amounting to EUR -48k (previous year: EUR 577k) and changes in the fair value of financial assets measured at fair value through other comprehensive income amounting to EUR -802k (previous year: EUR -966k) after netting with the related taxes were transferred to retained earnings. Reserves amounting to EUR 1,589k recognised directly in equity for the shares in conwert Immobilien Invest SE were reversed in the course of the disposal of the shares affecting expenses.

8. NOTES TO THE CONSOLIDATED BALANCE SHEET (continued)

8.14 Retained earnings (continued)

As at 1 January 2018, additional impairment losses of EUR -1,081k have occurred after adapting IFRS 9, which were recognised after netting with the related deferred taxes through retained earnings.

Further details can be found in the consolidated statement of changes in equity.

8.15 Currency translation reserve

The currency translation reserve includes the accumulated exchange rate difference from the initial and subsequent consolidations of Adler McKinney LLC on the reporting dates in the consolidated balance sheet. This amount is directly recognised in equity in the currency translation reserve. The change in the currency translation reserve by EUR 2k (EUR -4k) is attributable to the subsequent consolidation of Adler McKinney LLC.

8.16 Minority interests

The item comprises the share of equity and annual earnings of consolidated subsidiaries. The consolidated net income attributable to shareholders in the parent company corresponds to the difference between the consolidated net income before non-controlling interests and the non-controlling interests reported in the income statement.

Non-controlling interests developed as follows in the 2018 financial year:

in EUR ’000	2018	2017
Subsidiary WESTGRUND	**51,477**	39,723
Subsidiary BCP	**264,841**	—
Subsidiary JADE	**10,980**	9,445
WBR Wohnungsbau Rheinhausen GmbH	**9,891**	8,764
Other	**25,016**	18,992
Carrying amounts 31.12.	**362,205**	**76,924**

The development in non-controlling interests is presented separately in the statement of changes in equity.

As a result of the acquisition of BCP, the shares of non-controlling interests increased by EUR 225,536k. In the course of the acquisition of property and project development companies, the shares of non-controlling interests increased by a further EUR 190k (previous year: EUR 8,258k). Further details can be found in the consolidated statement of changes in equity.

The key financials of those subsidiaries with non-controlling interests which are of material relevance to the Group are presented in the following tables. The amounts are presented prior to consolidation. Due to the acquisition of BCP in the financial year 2018 no financial information for the 2017 financial year is disclosed.

Combined consolidated balance sheets IFRS	Subsidiary WESTGRUND		Subsidiary BCP	
Headquarters	Berlin	Berlin	Amsterdam	Amsterdam
Minority interest %	3.23	3.23	30.19	—
in EUR ’000	2018	2017	2018	2017
Current assets [1]	**77,529**	89,500	**80,294**	—
Current liabilities [1]	**40,751**	62,669	**151,556**	—
Net current assets	**36,778**	**26,831**	**-71,262**	**—**
Investment properties	**1,243,944**	1,111,000	**1,410,282**	—
Other non-current assets	**3,783**	477	**332,499**	—
Non-current liabilities	**534,446**	533,514	**871,059**	—
Net fixed assets	**713,281**	**577,963**	**871,722**	**—**
Equity	**750,059**	**604,794**	**800,460**	**—**

[1] Includes non-current assets and liabilities held for sale

8. NOTES TO THE CONSOLIDATED BALANCE SHEET (continued)

8.16 Minority interests (continued)

Combined statement of comprehensive income IFRS	Subsidiary WESTGRUND		Subsidiary BCP	
in EUR '000	2018	2017	2018	2017
Revenue	**99,744**	98,313	106,148	—
Annual result	**144,753**	**103,894**	**119,043**	**—**
Other comprehensive income	**456**	1,340	0	—
Net result	**145,209**	**105,234**	**119,043**	**—**
Profit or loss attributable to non-controlling interests	**7,178**	5,185	18,124	—

Combined cash flow statement	Subsidiary WESTGRUND		Subsidiary BCP	
In EUR '000	2018	2017	2018	2017
Cash flow from operating activities	**23,045**	23,706	-68,059	—
Cash flow from investing activities	**-9,335**	-6,900	-56,394	—
Cash flow from financing activities	**-51,452**	231	38,462	—
Change in cash and cash equivalents	**-37,742**	**17,037**	**-85,991**	**—**

At the level of the BCP sub-group, non-controlling interests in the consolidated earnings are determined partly on the basis of contractual provisions which provide for an allocation that deviates from the equity shares. The non-controlling interests are allocated an annual share of the consolidated earnings until the acquisition costs for their interest plus a return of 8.0 percent p.a. is achieved. Thus BCP receives 20.0 percent of the share in the consolidated earnings, which would have been due in line with the capital share of the non-controlling interest.

8.17 Pension provisions

The projected unit credit method was used for the recognition and measurement of pension provisions as at 31 December 2018. This takes account of both the pensions and known pension entitlements at the balance sheet date and any increases in pension and salaries expected in the future.

The calculation was based on the following material actuarial assumptions:

In	31.12.2018	31.12.2017
Discount rate	**1.80%**	1.80%
Future salary increases	**0.00% to 2.50%**	0.00% to 2.50%
Future pension increases	**1.5% to 1.75%**	1.5% to 1.75%
Best-estimate actuarial assumptions	**Mortality tables 2018 G by Dr. Klaus Heubeck**	Mortality tables 2005 G by Dr. Klaus Heubeck

As the pension provisions at ADLER Real Estate Service GmbH solely comprise historic commitments to employees who have left the company (vested claims and current benefits), the personnel turnover rate is 0 percent (previous year: 0 percent). A customary personnel turnover rate was used to measure the pension provision at WBG GmbH.

After offsetting against plan assets, the pension provisions amounted to EUR 3,714k as at the balance sheet date (previous year: EUR 3,989k). Plan assets were taken into account at EUR 1,069k (previous year: EUR 1,093k).

Actuarial losses of EUR 68k (excluding deferred taxes) were recognised in other comprehensive income in 2018 (previous year: gains of EUR 821k).

8. NOTES TO THE CONSOLIDATED BALANCE SHEET (continued)

8.17 Pension provisions (continued)

Sensitivity analysis: if all other assumptions remain unchanged, an increase or decrease in material actuarial assumptions would have had the following impact on the DBO as of 31 December 2018:

In EUR '000		2018	2017
Actuarial interest	Increase of 0.5 PP	**-273**	-305
	Decrease of 0.5 PP	**307**	339
Pension increase	Increase of 0.25 PP	**42**	64
	Decrease of 0.25 PP	**-40**	-62
Income trend	Increase of 0.25 PP	**1**	1
	Decrease of 0.25 PP	**-1**	-1

Of pension provisions, an amount of EUR 255k is due to mature within one year (previous year: EUR 255k). This amount has been uniformly reported together with the other pension obligations under non-current liabilities. As the commitments mainly relate to employees who have left the company and no new commitments are being made, an annual disbursement of around EUR 255k is expected in future years as well.

8.18 Other provisions

A contingent liability of EUR 3,454k was recognised on the acquisition of BCP for a pending lawsuit in which the entity is a defendant. The claim has arisen from a general contractor demanding payment for services performed for a development project.

Other non-current provisions include amounts of EUR 250k (previous year: EUR 1,279k) in provisions from the SAR programme, EUR 56k (previous year: EUR 110k) for early retirement commitments and EUR 54k (previous year: EUR 46k) for anniversary provisions.

8.19 Liabilities from convertible bonds

In EUR '000	31.12.2018	31.12.2017
Convertible bond 2013/2018	**0**	3,990
Mandatory convertible bond 2015/2018	**0**	777
Convertible bond 2016/2021	**119,272**	121,469
Total	**119,272**	**126,236**
– of which non-current	**117,516**	119,731
– of which current	**1,756**	6,505

Due to the issuing of bonus shares, the conversion prices and conversion ratios of outstanding convertible bonds changed as of 31 August 2018 as follows:

Description	Nominal value per unit	Old strike price	New strike price	Old conversion rate	New conversion rate
Convertible bond 2013/2018	3.75	3.4091	**3.4003**	1.0999	**1.1028**
Mandatory convertible bond 2015/2018	0.50	15.0000	**14.9610**	6,666.6666	**6,684.0452**
Convertible bond 2016/2021	13.79	12.5364	**12.5039**	1.0999	**1.1028**

At the end of the subscription period in July 2016, ADLER placed 10,000,000 convertible bonds 2016/2021 with a term of five years and an interest rate of 2.50 percent p.a. The net issue proceeds were being used to refinance existing loans and bonds with comparatively high interest rates, to finance property acquisitions and to modernise the proprietary property portfolio.

In December 2015, ADLER issued a mandatory convertible bond with a total nominal amount of EUR 175,000k and a three-year term. The mandatory convertible bond furnishes its bearers with conversion rights to a total of up to 11,697,065 new no-par bearer shares in ADLER from its contingent capital. At the end of the term in December 2018, the bonds were converted into new no-par bearer shares in ADLER at the conversion price then

8. NOTES TO THE CONSOLIDATED BALANCE SHEET (continued)

8.19 Liabilities from convertible bonds (continued)

applicable. Given the certainty that the bonds will be converted into shares in ADLER, pursuant to IAS 32 the mandatory convertible bond only constitutes debt in the amount of the present value of interest payable. Following the deduction of transaction costs, the remaining amount of EUR 172,540k was allocated to the capital reserve.

In December 2013, ADLER issued its 2013/2018 convertible bond with a total number of 3,000,000 bonds with a nominal value of EUR 3.75 per bond. The convertible bond totals EUR 11,250k, has an interest rate of 6.00 percent and matures in December 2018. The outstanding convertible bonds have nearly completely been converted into ADLER shares.

The non-current liabilities relate to the debt capital component of the convertible bonds after deducting proportionate transaction costs if the remaining term is longer than one year and providing that no change has been made as at the balance sheet date. The current liabilities from convertible bonds include the interest claims of the bondholders as at the balance sheet date.

8.20 Liabilities from bonds

These liabilities were structured as follows as at the balance sheet date:

In EUR '000	31.12.2018	31.12.2017
Bond 2013/2018	**0**	36,349
Bond 2015/2020	**299,052**	499,992
Bond 2017/2021	**492,278**	490,370
Bond 2017/2024	**300,630**	293,608
Bond 2018/2023	**495,317**	0
Bond 2018/2026	**297,946**	0
Bond BCP 2011/2020 (A)	**29,188**	0
Bond BCP 2013/2024 (B)	**48,636**	0
Bond BCP 2014/2026 (C)	**38,324**	0
Total	**2,001,371**	**1,320,319**
– of which non-current	**1,961,112**	1,277,640
– of which current	**40,259**	42,679

In March 2013, ADLER issued a bearer bond (2013/2018) of EUR 35,000k with an interest rate of 8.75 percent. This bond has a five-year term and matures in April 2018. Repayment was made at the nominal amount of the bond plus interest accumulated and as yet unpaid.

In April 2015, ADLER issued a bearer bond of EUR 300,000k with an interest rate of 4.75 percent that was increased by a further EUR 50,000k in October 2015. A further increase of EUR 150,000k was made in April 2017. The bond has a five-year term and matures in April 2020. In the reporting year, ADLER repurchased bonds at a nominal value of EUR 200,000k.

In December 2017, ADLER issued a corporate bond of EUR 800,000k in two tranches. The first tranche (2017/2021) with a coupon of 1.50 percent and a volume of EUR 500,000k runs until December 2021 and was issued at 99.52 percent. The second tranche (2017/2024) with a coupon of 2.13 percent and a volume of EUR 300,000k expires in February 2024 and was issued at 99.28 percent. On average, the interest on the bonds overall is 1.73 percent.

In April 2018, ADLER successfully placed corporate bonds of EUR 800,000k in two tranches again with institutional investors in Europe. The first tranche has a volume of EUR 500,000k, a coupon of 1.88 percent and a term until April 2023; the second tranche has a volume of EUR 300,000k, a coupon of 3.0 percent and a term until April 2026. On average, the interest on the bonds overall is 2.30 percent. The net proceeds were largely used to refinance the bridging loan which ADLER had raised in connection with the acquisition of BCP.

8. NOTES TO THE CONSOLIDATED BALANCE SHEET (continued)

8.20 Liabilities from bonds (continued)

As part of the acquisition of BCP, ADLER has acquired liabilities for bonds in three tranches with an original volume of NIS 700 million. At the balance sheet date, the amortised cost amounted to EUR 116,148k in total. Tranche A (originally NIS 400 million) has a term up to July 2020 and has 4.80 percent interest rate. Tranche B (originally NIS 175 million) has a term up to December 2024 and has a 3.29 percent interest rate. Tranche C (originally NIS 125 million) has a term up to 2026 and has a 3.30 percent interest rate. Annual principal payments are made until the end of the respective term. The interest rate and the repayment of the three tranches is also linked to the development of the Israeli Consumer Price Index. Interests in the subsidiary Brack German Properties B.V., Amsterdam/Netherlands, have been pledged as collateral for the fulfilment of the obligations arising from these bonds.

Nominal bond amounts have been recognised under non-current liabilities less transaction costs, which are expensed on a time-apportioned basis using the effective interest method if the remaining term is longer than one year. Bondholders' interest claims as at the balance sheet date have been recognised under current liabilities.

8.21 Financial liabilities

Non-current liabilities to banks include liabilities relating to the acquisition and financing of investment properties. The liabilities to finance investment properties have terms that are in most cases medium to long term and mostly also have fixed interest rates. Non-current loans with floating interest rates are largely hedged with interest swaps.

Non-current financial liabilities to banks amounted to EUR 1,476,187k as at the balance sheet date (31 December 2017: EUR 749,188k). The increase is attributable to an amount of EUR 664,695k for the acquisition of BCP.

Current financial liabilities to banks amounted to EUR 142,408k as at the balance sheet date (31 December 2017: EUR 278,676k). The change compared to the end of the previous year is primarily due to two counter effects. As planned, promissory note loans amounting to EUR 225,625k (nominal) – which were bought back in January and February 2018 – were therefore reclassified from non-current to current financial liabilities as at 31 December 2017. Current financial liabilities increased by EUR 101,391k as a result of the acquisition of BCP.

Current financial liabilities also include the repayments and interest liabilities of the non-current financial liabilities due within one year.

Liabilities to banks are largely secured with land charges. Further security includes the assignment of gross rental income, the pledging of bank credit balances and shareholdings and letters of subordination.

When taking up borrowing facilities or taking over loan agreements upon company acquisitions, the company has in some cases provided the financing banks with specific financial covenants. These include requirements typical to the industry in terms of loan-to-mortgage lending value, interest and capital coverage, overall debt-to-equity ratio, minimum total rental income and minimum investment amounts. Failure to comply with these covenants may result in the termination of the respective facilities or the mandatory deposit of additional security.

Financial liabilities are secured by assets as follows:

In EUR '000	2018	2017
Investment properties	**2,500,953**	1,018,151
Properties in inventories	**87,234**	0
Deposits with banks	**49,478**	303,017
Rent receivables	**9,586**	10,003

8.22 Other non-current liabilities

Other non-current liabilities mainly include non-current lease liabilities at EUR 12,054k (previous year: EUR 11,876k), the negative fair values of long-term interest hedges at EUR 5,888k (previous year: EUR 5,701k)

8. NOTES TO THE CONSOLIDATED BALANCE SHEET (continued)

8.22 Other non-current liabilities (continued)

– further information about these can be found in Note 11.3, "Derivative financial instruments and hedge accounting" – and the liability to the Federal and State Government Employees Retirement Fund (VBL) at EUR 7,774k (previous year: EUR 7,492k). The obligation to the VBL results from the acquisition of JADE and was measured at fair value as at the balance sheet date. Distribution claims on the part of non-controlling interests have been recognised at EUR 3,040k (previous year: EUR 3,922k).

The remaining purchase price liabilities from the acquisition of the Wasserstadt Mitte property project development of EUR 17,121k (previous year: EUR 16,807k) were transferred to other current liabilities in the reporting year.

Current and non-current lease liabilities result of EUR 2,438k (previous year: EUR 5,299k) from WESTGRUND. Leasehold contracts generally provide for preferential rights of renewal in the event of a renewed leasehold following the expiry of the contract or for the first right of refusal in the event of the land being sold. The ground rent is mainly index-based. The carrying amounts are determined by discounting future cash flows with property-specific rates of 4.0 percent to 7.8 percent. Lease obligations in the amount of EUR 6,589k (previous year: EUR 6,591k) are based on leasehold agreements taken over as part the acquisition of ADP, AFP II and AFP III. The carrying amounts are determined by discounting future cash flows with property-specific rates of 5.5 percent to 6.1 percent. Lease obligations in the amount of EUR 3,072k are based on lease agreements taken over as part of the acquisition of BCP. The carrying amounts are determined by discounting future cash flows.

The carrying amounts and minimum lease payments are structured by maturity as follows:

In EUR '000	Carrying amount 2018	Minimum lease payments 2018	Carrying amount 2017	Minimum lease payments 2017
Up to one year	**46**	**746**	15	742
1 to 5 years	**1,147**	**2,985**	69	2,966
More than 5 years	**10,906**	**81,167**	11,806	112,167
	12,099	**84,898**	11,890	115,875
Excl. future interest costs	**—**	**-72,799**	—	-103,985
Total	**12,099**	**12,099**	**11,890**	**11,890**

8.23 Trade payables, income tax liabilities and other current liabilities

All the trade payables of EUR 47,440k (previous year: EUR 29,125k) are current and owed to third parties. These items mainly relate to letting liabilities but also include unbilled maintenance measures and advisory services.

The income tax liabilities of EUR 12.921k (previous year: EUR 2,516k) involve corporate income and trade tax obligations for the current and previous financial years. The increase in income tax liabilities of EUR 9,995k is attributable to the BCP acquisition.

Other current liabilities comprise the following items:

In EUR '000	2018	2017
Purchase price liabilities	**18,371**	6,250
Payments received – Investment Properties	**23,198**	3,074
Deferred rental income	**4,427**	4,775
Payment received – Project Development	**841**	0
Security deposits received	**8,060**	86
Personnel obligations	**2,800**	823
Derivates current	**583**	158
Current lease liabilities	**46**	14
Other current liabilities	**1,391**	2,784
Total	**59,717**	**17,964**

8. NOTES TO THE CONSOLIDATED BALANCE SHEET (continued)

8.23 Trade payables, income tax liabilities and other current liabilities (continued)

The short-term purchase price liabilities amounting to EUR 17,121k relate to the acquisition of the Wasserstadt Mitte property project development and EUR 1,250k to the acquisition of ADP, AFP II and AFP III.

Advance payments received for sales of investment properties (contract liabilities) relate to disposals for which the benefits and obligations had not yet been transferred and control had not yet been transferred in the reporting year.

Payments received for sales of project development properties (contract liabilities) are recognised if it is not possible to offset against the contract assets concerned.

The additional disclosures in accordance with IFRS 15 to the balances related to contracts with customers are presented in Section 10 of the notes to the consolidated financial statements.

Deferred rental income mainly involves rent payments from social security authorities for the January of the following financial year.

The received deposits shown are attributable to BCP.

9. NOTES TO THE STATEMENT OF INCOME AND ACCUMULATED EARNINGS

9.1 Gross rental income

Gross rental income is structured as follows:

In EUR '000	2018	2017
Net income	**238,412**	170,282
Income from charged operating costs	**107,649**	91,628
Other income from property management	**3,534**	2,478
Total	**349,595**	**264,388**

Net rental income in an amount of EUR 59,406k, income from charged operating costs in an amount of EUR 20,406k and other income from property management in an amount of EUR 0k are attributable to the business of BCP.

9.2 Expenses from property lettings

Expenses from property lettings are broken down as follows:

In EUR '000	2018	2017
Apportionable and non-apportionable operating costs	**122,458**	115,562
Maintenance	**22,763**	21,903
Other property management expenses	**687**	1,124
Total	**145,908**	**138,589**

The operating costs amounted to EUR 24,358k, the maintenance expenses to EUR 2,839k and the other property management expenses to EUR 0k from the business of BCP.

9.3 Income from the sale of properties

Income from the sale of properties is structured as follows:

In EUR '000	2018	2017
Income from the disposal of project development inventory properties	**44,178**	0
Income from the disposal of other inventory properties	**0**	1,392
Income from the disposal of investment properties	**30,890**	33,462
Total	**75,068**	**34,854**

9. NOTES TO THE STATEMENT OF INCOME AND ACCUMULATED EARNINGS (continued)

9.3 Income from the sale of properties (continued)

The income from the sale of project developments is fully attributable to BCP in the period under report, the income from the sale of investment properties in the amount of EUR 12,124k. In the previous year, other inventory properties were sold by ADLER.

9.4 Expenses from the sale of properties

Expenses from the sale of properties are structured as follows:

In EUR '000	2018	2017
Carrying amount of disposed project development inventory properties	**36,663**	0
Carrying amount of disposed other inventory properties	**0**	554
Carrying amount of disposed investment properties	**29,946**	32,761
Costs of disposal	**354**	750
Total	**66,963**	**34,065**

The retirements of inventory properties are fully attributable to the project development of BCP in the period under report, while the retirements of investment properties amount to EUR 11,900k.

9.5 Personnel expenses

Personnel expenses include the following items:

In EUR '000	2018	2017
Wages, salaries and other benefits	**29,389**	18,098
Social security contributions	**5,142**	3,136
Old-age pension expenses	**607**	-933
Total	**35,138**	**20,302**

Personnel expenses in the amount of EUR 6,254k are attributable to BCP in the year under review.

In the previous year, old-age pension expenses included a reversal of other non-current liabilities for obligations to the Federal and State Government Employees Retirement Fund (VBL) amounting to EUR 1,186k. In the year under review, an addition of the VBL obligations amounting to EUR 239k is recognised in old-age pension expenses.

Stock appreciation right programme

ADLER introduced a stock appreciation right programme (SAR programme) in the 2015 financial year, which aims to retain the beneficiaries at the company and enable them to participate in the company's value growth. Based on a resolution adopted by the Supervisory Board, the rules of the scheme provide for a total volume of 599,178 stock appreciation rights. These rights entitle their beneficiaries to compensation whose amount is dependent on ADLER's share price performance. In all cases, rights are granted by concluding individual agreements between the company and the beneficiary or a framework decision of the Supervisory Board. These agreements provide for a cash settlement.

The exercising of the rights granted by the stock appreciation programme is dependent on the beneficiary completing a specific period of service. Should the beneficiary resign from employment at ADLER prematurely for whatever reason, then their entitlement to as-yet unvested SAR rights is forfeited without replacement. For the beneficiary, one-third of the stock appreciation rights granted become vested for the first time and in full at the end of one year. The remaining two-thirds of the stock appreciation rights granted become vested on a quarterly basis at an amount of one-twelfth per quarter through to the end of a three-year period.

9. NOTES TO THE STATEMENT OF INCOME AND ACCUMULATED EARNINGS (continued)

9.5 Personnel expenses (continued)

The details of this share-based compensation scheme are as follows:

Valuation as at 31.12.2018	Total	of which Board
Number of fully earned SAR	176,757	146,507
Proportional recorded number of SAR in expenses	231,695	198,776
Fair value per SAR in EUR	1.08	1.01
Expenses in the reporting period in EUR ’000	311	105
Provision for due date in EUR ’000	**250**	**201**
of which intrinsic value for the earned SAR in EUR ’000	127	82

Valuation as at 31.12.2017	Total	of which Board
Number of fully earned SAR	210,849	36,671
Proportional recorded number of SAR in expenses	338,937	72,578
Fair value per SAR in EUR	3.77	2.01
Expenses in the reporting period in EUR ’000	71	46
Provision for due date in EUR ’000	**1,279**	**146**
of which intrinsic value for the earned SAR in EUR ’000	830	50

9. NOTES TO THE STATEMENT OF INCOME AND ACCUMULATED EARNINGS (continued)

9.5 Personnel expenses (continued)

The structure of share-based compensation, including the parameters used for measurement purposes, is presented in the following table:

Structure/valuation parameter 2018	Total	of which Board
Maximum amount of granted SARs	**599,178**	**234,000**
Balance/Payment	**in cash**	**in cash**
Structure		
SARs granted at the beginning of reporting period		
Total number	403,000	271,000
Weighted basis price	12.80	12.98
SARs granted in the reporting period		
Total number	40,000	40,000
Weighted basis price	14.26	14.26
SARs contractually vested in the reporting period		
Total number	90,588	79,588
Weighted basis price	12.68	12.84
SARs forfeited in the reporting period		
Total number	0	0
Weighted basis price	—	—
SARs exercised in the reporting period		
Total number	176,000	77,000
Weighted basis price	7.48	8.40
Weighted average share price upon excercise	15.09	15.09
Exercise date	9 December 2018	9 December 2018
SARs outstanding at the end of reporting period		
Total number	267,000	234,000
Weighted basis prices	12.80	12.98
Min basis price	11.52	11.58
Max basis price	14.26	14.26
Weighted average remaining term in years	0.80	0.90
SARs exercisable		
Total number	0	0
Weighted basis price	—	—
Value determination		
Weighted average fair value of the option	1.09	1.04
Applied pricing model	Binomial model	Binomial model
Weighted average share price	13.02	13.02
Weighted average basis price	12.80	12.98
Anticipated yearly volatility	20.16%	20.16%
Anticipated dividend	0.28%	0.28%
Risk-free yearly interest rate	-0.68%	-0.68%

9. NOTES TO THE STATEMENT OF INCOME AND ACCUMULATED EARNINGS (continued)

9.5 Personnel expenses (continued)

Expected volatility has been estimated in reference to the historic volatility of the logarithmised daily equity return over periods of six months, one year, one and a half years, two years and two and a half years, depending on the remaining period of stock appreciation rights.

Structure/valuation parameter 2017	Total	of which Board
Maximum amount of granted SARs	**559,178**	**253,000**
Balance/Payment	**in cash**	**in cash**
Structure		
SARs granted at the beginning of reporting period		
Total number	407,000	143,000
Weighted basis price	10.20	12.29
SARs granted in the reporting period		
Total number	143,000	110,000
Weighted basis price	13.27	13.38
SARs contractually vested in the reporting period		
Total number	137,513	29,337
Weighted basis price	10.42	11.81
SARs forfeited in the reporting period		
Total number	147,000	147,000
Weighted basis price	12.84	12.84
SARs exercised in the reporting period		
Total number	0	0
Weighted basis price	—	—
Weighted average share price upon excercise	—	—
Exercise date	—	—
SARs outstanding at the end of reporting period		
Total number	403,000	106,000
Weighted basis prices	10.33	12.66
Min basis price	6.76	11.58
Max basis price	13.93	13.93
Weighted average remaining term in years	1.26	1.72
SARs exercisable		
Total number	0	0
Weighted basis price	—	—
Value determination		
Weighted average fair value of the option	3.60	2.07
Applied pricing model	Binomial model	Binomial model
Weighted average share price	13.29	13.29
Weighted average basis price	10.33	12.66
Anticipated yearly volatility	26.3%	26.3%
Anticipated dividend	0,00	0,00
Risk-free yearly interest rate	-0.64%	-0.64%

Expected volatility has been estimated in reference to the historic volatility of logarithmised daily equity return over periods of one year, one and a half years, two years and two and a half years, depending on the remaining period of stock appreciation rights.

9. NOTES TO THE STATEMENT OF INCOME AND ACCUMULATED EARNINGS (continued)

9.6 Other operating income

Other operating income is structured as follows:

In EUR '000	2018	2017
Reversal of provisions and of provision-like liabilities	**3,258**	1,738
Insurance claims	**1,719**	1,588
Other	**3,937**	6,182
Total	**8,914**	**9,508**

Other operating income in the amount of EUR 0k is attributable to BCP in the year under review.

9.7 Other operating expenses

Other operating expenses break down as follows:

In EUR '000	2018	2017
Legal and consulting expenses	**28,657**	9,696
Impairment and write-downs of receivables	**10,655**	9,678
General and administrative expenses	**1,359**	1,801
Purchased services	**2,975**	1,001
Office and IT expenses	**5,983**	4,945
Cost of premises	**3,122**	1,514
Public relations	**1,478**	737
Miscellaneous other expenses	**12,039**	9,163
Total	**66,268**	**38,535**

Other operating expenses in the amount of EUR 8,164k are attributable to BCP in the year under review.

Legal and consulting expenses mainly comprise consulting expenses relating to transactions and strategic and management consulting services.

Impairment and write-downs of receivables mainly result from impairment of trade receivables. The Group's default risks and impairment losses of financial assets are presented in Section 11 of the notes to the consolidated financial statements.

9.8 Income from fair value adjustments of investment properties

These items include gains and losses on the fair value measurement of investment properties as at the balance sheet date. Further information can be found in Note 8.3.

9.9 Depreciation and amortisation

This item includes the amortisation of intangible assets and depreciation of property, plant and equipment at an amount of EUR 1,601k (previous year: EUR 826k).

9. NOTES TO THE STATEMENT OF INCOME AND ACCUMULATED EARNINGS (continued)

9.10 Financial income

Financial income is structured as follows:

In EUR '000	2018	2017 [1)]
Interest income – financial assets measured at amortised cost	**6,477**	2,818
Interest income – financial assets at fair value through other comprehensive income	**897**	405
Net change in fair value of derivatives	**6,034**	2,035
Net change in fair value of other financial instruments at fair value through profit or loss	**2,019**	0
Reversal of impairment of financial assets measured at amortised cost – loans, restricted funds and deposits at banks	**864**	0
Other financial income	**4**	134
Total	**16,295**	**5,392**

1) Revised in accordance with IFRS 9 to allow for a year-on-year comparision

Financial income in the amount of EUR 7,566k is attributable to BCP in the year under review.

9.11 Financial expenses

Financial expenses are structured as follows:

In EUR '000	2018	2017 [1)]
Interest expenses – financial liabilities measured at amortised cost		
Interest expenses – bank loans	**87,290**	113,414
Interest expenses – bonds	**49,160**	34,757
Interest expenses – convertible bonds	**8,270**	8,902
Interest expenses – other	**792**	86
Net change in fair value of derivatives	**349**	0
Impairment of financial assets measured at amortised cost (loans, restricted funds, deposits at banks)	**438**	0
Net foreign exchange losses	**987**	0
Accrued interest on provisions	**71**	11
Reversal OCI – conwert (OCI)	**0**	1,589
Other financial expenses	**166**	16
Total	**147.523**	**158,775**

1) Revised in accordance with IFRS 9 to allow for a year-on-year comparision

Financial expenses in the amount of EUR 10.427k are attributable to BCP in the year under review.

The interest expenses for bonds include prepayment penalties and transaction costs of EUR 37,487k (EUR 60,589k) that required immediate recognition as expenses due to the early repayment of the promissory note loans with higher interest rates. Prepayment penalties and transaction costs of EUR 9,849k required immediate recognition as expenses due to the early repayment of the bridging loan that was raised for the acquisition of BCP.

The interest expenses for bonds include prepayment penalties and transaction costs of EUR 7,003k (EUR 4,001k) that were recognised immediately as expenses due to the early repayment of the bonds.

In previous year reserves (OCI) amounting to EUR 1,589k recognised directly in equity for the shares in conwert were reversed in the course of the disposal of the shares affecting expenses.

9.12 Income from at-equity valued investment associates

Further information can be found in Note 8.5.

9. NOTES TO THE STATEMENT OF INCOME AND ACCUMULATED EARNINGS (continued)

9.13 Income taxes

Taxes on income are broken down as follows:

In EUR '000	2018	2017
Current income tax expense	**13,240**	1,074
Income tax expense (income) from other accounting periods	**-869**	123
Actual income tax expense	**12,371**	**1,197**
Deferred tax expense (income), loss carry forwards	**-13,380**	-16,237
Deferred tax expense (income), temporary differences	**123,585**	67,106
Deferred taxes	**110,205**	**50,869**
Total	**122,576**	**52,066**

Tax expenses in the amount of EUR 24,034k are attributable to BCP in the year under review.

Current tax expense is calculated on the basis of the taxable income for the financial year. For the 2018 financial year, the tax rate for domestic companies, which combines corporate income tax and the solidarity surcharge, amounts to 15.8 percent (previous year: 15.8 percent). Including the trade tax rate of around 14.4 percent (previous year: 14.4 percent), the group tax rate therefore amounts to 30.2 percent (previous year: 30.2 percent). When measuring deferred taxes, account is taken of the expected implications of the extended trade tax reduction for the domestic trade tax charges.

The tax on the Group's pre-tax profit deviates from the theoretical tax rate that would result from applying the group tax rate of 30.2 percent (previous year: 30.2 percent) as follows:

In EUR '000	2018	2017
Earnings before taxes	**454,762**	158,437
Expected income tax 30.175% (previous year: 30.175%)	**137,225**	47,808
Reconciliation due to tax effects:		
Income taxes, previous years	**-869**	123
Derecognition of deferred tax assets, previous years	**2,557**	2,157
Sales proceeds exempt from taxes	**-250**	-569
Different tax rates	**-41,687**	-19,228
Utilisation of loss carryforwards not capitalised as deferred taxes	**-3,835**	-4,963
Non-deductible expenses	**94**	1,417
Unrecognised deferred tax assets on losses	**22,450**	26,590
Deferred taxes on loss carryforwards acquired	**0**	-2,297
Trade tax effects	**6,424**	4,495
Deferred taxes, previous years	**0**	-166
Other	**467**	-3,301
Total	**122,576**	**52,066**

9. NOTES TO THE STATEMENT OF INCOME AND ACCUMULATED EARNINGS (continued)

9.14 Earnings after taxes from discontinued operations

In EUR '000	2018	2017
Income from property lettings	**0**	7,170
Expenses from property lettings	**0**	-2,068
Earnings from property lettings	**0**	**5,102**
Income from the sale of properties	**0**	94,360
Expenses from the sale of properties	**0**	-69,732
Earnings from the sale of properties	**0**	**24,628**
Personnel expenses	**0**	-2,876
Other operating income	**0**	24,449
Other operating expenses	**0**	-3,690
Income from fair value adjustments of investment properties	**0**	0
Depreciation and amortisation	**0**	-347
Earnings before interest and taxes (EBIT)	**0**	**47,266**
Financial income	**395**	324
Financial expenses	**-395**	-6,357
Income from at-equity valued investment associates	**263**	225
Earnings before taxes (EBT)	**263**	**41,458**
Income taxes	**0**	-5,198
Earnings after tax from discontinued operations	**263**	**36,260**

9.15 Earnings per share

Earnings per share reflects the amount of earnings generated in a given period that are attributable to each share. This involves dividing consolidated net income by the weighted number of shares outstanding. This key figure is diluted by what are known as "potential shares" (e.g. from convertible bonds). Pursuant to IAS 33.23, all potential shares that may result from the conversion of a mandatory convertible bond must be treated as shares already issued and should be included in the calculation of basic earnings per share. In the previous year this increased the number of outstanding shares by the potential shares that would result from the actual conversion of the mandatory convertible bonds. In financial year 2018, the expiry of the mandatory convertible bond had no effect on the determination of the undiluted result.

9. NOTES TO THE STATEMENT OF INCOME AND ACCUMULATED EARNINGS (continued)

9.15 Earnings per share (continued)

Earnings per share are structured as follows:

	2018 Continuing operations	2018 Discontinued operations	2018 Total
Consolidated net earnings (in EUR ’000)	332,186	263	332,449
Consolidated net earnings without non-controlling interests	265,293	263	265,556
Expenses incl. deferred taxes on convertibles	5,621	0	5,621
Consolidated net earnings without non-controlling interests (diluted)	270,914	263	271,177
Number of shares (in thousands)			
Weighted number of subscribed shares	66,998	66,998	66,998
Effect of conversion of convertibles	10,419	10,419	10,419
Weighted number of shares (diluted)	77,417	77,417	77,417
Earnings per share (in EUR)			
Basic earnings per share	3.96	0.00	3.96
Diluted earnings per share	3.50	0.00	3.50

	2017 Continuing operations	2017 Discontinued operations	2017 Total
Consolidated net earnings (in EUR ’000)	106,371	36,260	140,631
Consolidated net earnings without non-controlling interests	92,112	34,642	126,754
Expenses incl. deferred taxes on convertibles	3,420	0	3,420
Consolidated net earnings without non-controlling interests (diluted)	95,532	34,642	130,174
Number of shares (in thousands)			
Weighted number of subscribed shares	66,444	66,444	66,444
Effect of conversion of convertibles	6,801	6,801	6,801
Weighted number of shares (diluted)	73,245	73,245	73,245
Earnings per share (in EUR)			
Basic earnings per share	1.39	0.52	1.91
Diluted earnings per share	1.30	0.47	1.78

10. DISCLOSURES ON REVENUES FROM CONTRACTS WITH CUSTOMERS

The effect from the first-time adoption of IFRS 15 on the revenue from contracts with customers is described in Note 2.2. Due to the transition method used for IFRS 15, the comparative information from the previous year was not restated to the new regulations.

10. DISCLOSURES ON REVENUES FROM CONTRACTS WITH CUSTOMERS (continued)

The table below shows the sources of income related to property management and the sale of properties and the respective date of revenue recognition. The classified income is reconciled to the Group's reportable segments (see Note 7, "Segment reporting").

In EUR '000	Notes	Segments						Group	
		Rental		BCP		Other			
		2018	2017	2018	2017	2018	2017	2018	2017
Net rental income (IAS 17)	9.1	**178,801**	**170,091**	**59,406**	**0**	**205**	**191**	**238,412**	**170,282**
Revenues from contracts with customers (IFRS 15)		**109,543**	**127,457**	**64,808**	**0**	**0**	**1,503**	**174,351**	**128,960**
Income from charged operating costs	9.1	**87,244**	91,628	**20,406**	0	**0**	0	**107,650**	91,628
Other income from property management	9.1	**3,533**	2,368	**0**	0	**0**	110	**3,533**	2,478
Income from the disposal of project developments	9.3	**0**	0	**44,178**	0	**0**	0	**44,178**	0
Income from the disposal of other inventory properties	9.3	**0**	0	**0**	0	**0**	1,393	**0**	1,393
Income from the sale of investment properties	9.3	**18,766**	33,461	**12,124**	0	**0**	0	**30,890**	33,461
Date of revenue recognition									
Revenue recognition over a period of time		**269,578**	264,087	**123,990**	0	**205**	301	**393,773**	264,388
Revenue recognition based on a point in time		**18,766**	33,461	**12,124**	0	**0**	1,393	**30,890**	34,854
Income from property lettings		**269,578**	**264,087**	**79,812**	**0**	**205**	**301**	**349,595**	**264,388**
Income from the sale of properties		**18,766**	**33,461**	**56,302**	**0**	**0**	**1,393**	**75,068**	**34,854**

The table below provides information on receivables, contractual assets and contract liabilities from contracts with customers.

in EUR '000	Notes	31.12.18	01.01.18
Contractual assets operating expenses	8.9	155	0
Receivables from sale of investment properties	8.9	171	305
Prepayments received from investment properties	8.23	23,198	3,074
Contractual assets project developments	8.9	4,474	0
Prepayments received project developments	8.23	841	0

Liabilities from the services that have not yet been invoiced related to operating costs are reported net with the advance payments of operating costs, while the net amount is recognised under trade payables as contract assets operating costs or liabilities from advance payments of operating costs. Liabilities from advance payments of operating costs are paid to the respective tenants after settlement.

Payments received for sales of investment properties are recognised under other liabilities if control has not yet been transferred. Receivables from the sale of investment properties are offset when control has been transferred. The payments received as at 31 December 2018 in the amount of EUR 23,000k relate to the sale of around 1,400 rental units from the non-core-portfolio. On 17 December 2018, a binding sale and purchase agreement was signed. Control over the properties is transferred to the buyer at the beginning of the financial year 2019.

The amount of EUR 3,074k in advance payments received for investment properties at the beginning of the period was recognised as income from the sale of investment properties in the 2018 financial year.

Receivables from the services which have not yet been invoiced for project developments are recognised under trade receivables as contract assets project development. Payments received for sales of project development

10. DISCLOSURES ON REVENUES FROM CONTRACTS WITH CUSTOMERS (continued)

properties are recognised under other liabilities if it is not possible to offset again the contract assets. As part of the acquisition of BCP, contract assets of EUR 13,051k and received payments of EUR 1,069k were acquired.

As permitted under IFRS 15, no information is provided on the remaining performance obligations as at 31 December 2018, which have an expected original maturity of one year or less.

11. DISCLOSURES ON FINANCIAL INSTRUMENTS AND FAIR VALUES DISCLOSURES

11.1 General information on financial instruments

(A) Classification

The ADLER Group bases its classification of financial instruments as required by IFRS 7 on the respective balance sheet items. The table below shows the reconciliation of the carrying amounts for each IFRS 7 category (balance sheet item) and the IAS 39 and IFRS 9 measurement categories as at the individual balance sheet dates.

The tables below show the reconciliation of the original measurement categories in accordance with IAS 39 and the new IFRS 9 measurement categories, including the respective carrying amounts and the reconciliation of the closing balance of the impairments in accordance with IAS 39 and the opening balance of loss provisions in accordance with IFRS 9. Due to the chosen conversion method, the comparative values of the previous year have not been restated.

31.12.2017 In EUR '000	Category according to IAS 39	Total carrying amount	Carrying amount of financial instruments	Amortised cost	Fair value directly to equity	Fair value through profit or loss	Fair value for comparative purposes	Impairment losses IAS 39
Assets								
Loans to associated companies	lar	0	0	0	0	0	0	-3,603
Other financial investments	afs	28	28	0	28	0	28	0
Other non-current assets	lar	205	205	205	0	0	205	0
Trade receivables	lar	10,717	10,717	10,717	0	0	10,717	-61,551
Other current assets	lar; afs	243,508	241,276	223,171	18,105	0	241,276	-58
Cash and cash equivalents	lar	368,233	368,233	368,233	0	0	368,233	0
Liabilities								
Financial liabilities to banks and (convertible) bonds	flac	2,475,248	2,475,248	2,475,248	0	0	2,544,592	0
Trade payables	flac	29,125	29,125	29,125	0	0	29,125	0
Other liabilities	flac; lafv	64,308	57,999	44,648	0	13,351	57,999	0
of which aggregated by IAS 39 categories								
Loans and receivables	lar	—	602,326	602,326	0	0	602,326	-65,212
Available-for-sale financial assets	afs	—	18,133	0	18,133	0	18,133	0
Financial liabilities at fair value through profit or loss	lafv	—	13,351	0	0	13,351	13,351	0
Financial liabilities measured at amortised costs	flac	—	2,549,021	2,549,021	0	0	2,618,365	0

Abbreviation	Category
lar	Loans and receivables
aafv	Financial assets at fair value through profit or loss
afs	Available for sale financial asset
flac	Financial liabilities measured at amortised costs
lafv	Financial liabilities at fair value through profit or loss

11. DISCLOSURES ON FINANCIAL INSTRUMENTS AND FAIR VALUES DISCLOSURES (continued)

11.1 General information on financial instruments (continued)

01.01.2018 In EUR '000	Category according to IFRS 9	Total carrying amount	Carrying amount of financial instruments	Amortised cost	Fair value directly to equity	Fair value through profit or loss	Fair value for comparative purposes	Impairment losses IFRS 9
Assets								
Loans to associated companies	aac	0	0	0	0	0	0	-3,603
Other financial investments	aafvoci	28	28	0	28	0	28	0
Other non-current assets	aac	205	205	205	0	0	205	0
Trade receivables	aac	10,673	10,673	10,673	0	0	10,673	-61,595
Other current assets	aac, aafvoci	243,223	240,991	222,886	18,105	0	240,991	-553
Cash and cash equivalents	aac	367,309	367,309	367,309	0	0	367,309	-924
Liabilities								
Financial liabilities to banks and (convertible) bonds	flac	2,475,248	2,475,248	2,475,248	0	0	2,544,592	0
Trade payables	flac	29,125	29,125	29,125	0	0	29,125	0
Other liabilities	flac, lafv	64,308	57,999	44,648	0	13,351	57,999	0
of which aggregated by IFRS 9 categories								
Financial assets measured at amortised costs	aac	—	601,073	601,073	0	0	601,073	-66,465
Financial assets at fair value through other comprehensive income	aafvoci	—	18,133	0	18,133	0	18,133	-210
Financial liabilities at fair value through profit or loss	lafv	—	13,351	0	0	13,351	13,351	0
Financial liabilities measured at amortised costs	flac	—	2,549,021	2,549,021	0	0	2,618,365	0

Abbreviation	Category
aac	Financial assets measured at amortised costs
aafv	Financial assets at fair value through profit or loss
aafvoci	Financial assets at fair value through other comprehensive income
flac	Financial liabilities measured at amortised costs
lafv	Financial liabilities at fair value through profit or loss

11. DISCLOSURES ON FINANCIAL INSTRUMENTS AND FAIR VALUES DISCLOSURES (continued)

11.1 General information on financial instruments (continued)

31.12.2018 In EUR '000	Category according to IFRS 9	Total carrying amount	Carrying amount of financial instruments	Amortised cost	Fair value directly to equity	Fair value through profit or loss	Fair value for comparative purposes	Impairment losses IFRS 9
Assets								
Loans to associated companies	aac	7,667	7,667	7,667	0	0	7,667	-3,776
Other financial investments	aafv	37,019	37,019	0	0	37,019	37,019	0
Trade receivables	aac	25,898	25,898	25,898	0	0	25,898	-66,795
Other current assets	aac, aafv, aafvoci	240,480	230,720	216,010	14,571	139	230,720	-525
Cash and cash equivalents	aac	77,655	77,655	77,655	0	0	77,655	-325
Liabilities								
Financial liabilities to banks and (convertible) bonds	flac	3,739,733	3,739,733	3,739,733	0	0	3,648,135	0
Trade payables	flac	47,440	47,440	47,440	0	0	47,440	0
Other liabilities	flac, lafv	88,473	57,064	42,819	0	14,245	57,064	0
of which aggregated by IFRS 9 categories								
Financial assets measured at amortised costs	aac	—	327,230	327,230	0	0	327,230	-71,239
Financial assets at fair value through profit or loss	aafv	—	37,158	0	0	37,158	37,158	0
Financial assets at fair value through other comprehensive income	aafvoci	—	14,571	0	14,571	0	14,571	-182
Financial liabilities at fair value through profit or loss	lafv	—	14,245	0	0	14,245	14,245	0
Financial liabilities measured at amortised costs	flac	—	3,829,992	3,829,992	0	0	3,738,394	0

Abbreviation	Category
aac	Financial assets measured at amortised costs
aafv	Financial assets at fair value through profit or loss
aafvoci	Financial assets at fair value through other comprehensive income
flac	Financial liabilities measured at amortised costs
lafv	Financial liabilities at fair value through profit or loss

11. DISCLOSURES ON FINANCIAL INSTRUMENTS AND FAIR VALUES DISCLOSURES (continued)

11.1 General information on financial instruments (continued)

In the financial year, liabilities from the payments of ancillary expenses amounting to EUR 85,465k (previous year: EUR 72,689k) were netted against an amount of EUR 85,620k (previous year: EUR 70,502k) for receivables from unbilled services, with the net amount being recognised as trade receivables (previous year: liabilities from trade receivables).

(B) Fair value disclosures

Financial assets and liabilities measured at fair value can be classified and assigned to levels according to the significance of the factors and information used in their measurement. Assets and liabilities are classified based on the significance of the input factors for their overall measurement. This in turn is based on those input factors in the lowest level relevant or significant for overall measurement. The measurement levels are hierarchically structured in line with their input factors:

- Level 1: Prices quoted for identical assets or liabilities on active markets (adopted unchanged).
- Level 2: Inputs that are not quoted prices considered in Level 1, but are observable directly or indirectly for the asset or liability (i.e. derived from prices).
- Level 3: Factors not based on observable market data for the measurement of the asset or liability (unobservable inputs).

	Overview of the measurement levels used to determine fair values			
31.12.2018 **In EUR ’000**	**Total carrying amount**	**of which Level 1**	**of which Level 2**	**of which Level 3**
Assets				
Investment properties	4,989,054	0	0	4,989,054
Other financial instruments:				
Equity instruments – aafv	37,019	37,019	0	0
Other current assets:				
Debt instruments – aafvoci	14,571	14,571	0	0
Other current assets:				
Derivatives – aafv	139	0	139	0
Non-current assets held for sale according to IFRS 5	198,182	198,182	0	0
Equity and liabilities				
Other liabilities:				
Derivatives – lafv	6,471	0	6,471	0
Other non-current liabilities:				
Liabilities VBL – lafv	7,774	0	0	7,774
Liabilities held for sale according to IFRS 5	495	0	0	495

11. DISCLOSURES ON FINANCIAL INSTRUMENTS AND FAIR VALUES DISCLOSURES (continued)

11.1 General information on financial instruments (continued)

31.12.2017 In EUR '000	Overview of the measurement levels used to determine fair values Total carrying amount	of which Level 1	of which Level 2	of which Level 3
Assets				
Investment properties	3,018,518	0	0	3,018,518
Other financial investments:				
classified as afS	28	0	0	28
Other current assets:				
classified as afS	18,105	18,105	0	0
Non-current assets held for sale according to IFRS 5	23,582	23,582	0	0
Equity and liabilities				
Other liabilities:				
Derivatives	5,859	0	5,859	0
Other non-current liabilities:				
Liabilities VBL	7,492	0	0	7,492
Liabilities held for sale according to IFRS 5	829	0	0	829

Trade receivables, other current assets and cash and cash equivalents have short remaining terms. Their carrying amounts as at the balance sheet date are therefore approximate to their fair values. The same applies for current liabilities to banks, trade payables and other current liabilities.

The fair value of non-current liabilities to banks and other non-current liabilities is determined by discounting future cash flows. Discounting is based on a market interest rate matching term and risk (Level 3). The fair values of bond and convertible bond liabilities are determined by reference to their market prices as at the balance sheet date (Level 1).

(C) Net result from financial instruments

The net result from financial instruments broken down into individual measurement categories is presented in the table below. Interest income and interest expenses from financial instruments represent a component of the net result. The gains and losses are due to impairments and reversals from the fair value measurement.

In EUR '000	Category IRFS 9	Net result 2018 Interest	Profit/loss	Total
Financial assets measured at amortised cost	aac	6,477	-10,183	-3,706
Financial assets at fair value through profit or loss	aafv	0	2,019	2,019
Financial assets measured at fair value through other comprehensive income	aafvoci	897	-803	94
Financial liabilities measured at fair value through profit or loss	lafv	0	5,685	5,685
Financial liabilities measured at amortised cost	flac	-145,512	562	-144,950
Total		**-138,138**	**-2,719**	**-140,857**

In EUR '000	Category IAS 39	Net result 2017 Interest	Profit/loss	Total
Loans and receivables	lar	3,142	-9,643	-6,501
Financial assets at fair value through other comprehensive income	afs	405	-966	-561
Financial liabilities measured at fair value through profit or loss	lafv	2,035	1,186	3,221
Financial liabilities measured at amortised cost	flac	-157,158	1,711	-155,447
Total		**-151,576**	**-7,712**	**-159,288**

11. DISCLOSURES ON FINANCIAL INSTRUMENTS AND FAIR VALUES DISCLOSURES (continued)

11.1 General information on financial instruments (continued)

Interest income and interest expenses are presented in financial income and financial expenses. Gains and losses relating to financial assets at amortised cost are recognised under trade receivables under other operating expenses (impairments/reversals) and also under financial income and finance costs. Gains and losses relating to financial assets or financial liabilities measured at fair value through profit or loss are recognised under financial income and financial expenses. Gains and losses relating to financial assets measured at fair value through other comprehensive income are generally recognised in other comprehensive income, but impairments are reclassified from other comprehensive income to financial expenses. Gains and losses relating to financial liabilities measured at amortised cost are recognised under other operating income or expenses in the case of trade payables and otherwise under financial income and financial expenses.

11.2 Financial risk management and IFRS 7 disclosures

The risk management system comprises all organisational requirements and activities necessary for the systematic, regular and Company-wide implementation of the processes needed for risk management. Each risk is assigned to a designated employee. Risk management coordination is incumbent on the Governance-Risk-Compliance department, which keeps the Management Board regularly informed about the Group's overall risk situation. Within the quarterly Supervisory Board meeting framework, the Management Board in turn then reports the findings to the Supervisory Board. The core function of the Group-wide risk management system is to recognise developments that pose a risk to its existence, to measure risk-bearing capacity and to assess the extent of the threat. The risk management system is itself described in a risk policy, which is updated each year and whenever a specific need arises. An extensive risk catalogue documents all material risks to which ADLER is exposed.

Financial risk management is part of the Group-wide risk management system. The material risks monitored and managed by the Group's financial risk management include interest rate, default, liquidity and financing risks and currency risk.

(A) Interest rate risk

Virtually all the interest rate risks to which the ADLER Group is exposed are in the euro area.

Interest rate risks arise upon the conclusion of credit facilities with floating interest rates, in the context of follow-up financing or in the event of any significant change in capital market conditions. To a limited extent, changes in interest rates may therefore lead to higher interest payments. However, ADLER predominantly finances its business with financial liabilities that have interest rates that are either fixed permanently or for longer periods of time. Thus the Group basically pursues a risk-averse financing policy.

The interest risk for all of the Group's current and non-current financial liabilities with floating interest rates is determined in a sensitivity analysis which also takes account of fixed-interest periods. By analogy with the interest rate scenarios used to determine the value of investment properties, two interest scenarios have been referred to for the sensitivity analysis of loans. Based on the financial liabilities outstanding as at 31 December, any increase/decrease in the loan interest rate by 0.5 percent points would have led to the following increase/decrease in interest expense:

Interest rate risk sensitivity analysis	**31.12.2018**		**31.12.2017**	
Change in interest rate	**+ 50 bp**	**- 50 bp**	+ 50 bp	- 50 bp
Effect on interest expense in EUR '000	**1,250**	**-1,250**	259	-259

Given the low impact on the carrying amount and income and the currently favourable capital market conditions, the Group's interest rate risk, taking due account of existing interest rate sensitivities, is assessed as moderate.

To reduce its interest rate risk further, ADLER deploys interest rate hedging instruments in the form of swaps (see Note 11.3). Had the interest rate level as at 31 December 2018 been 100 basis points higher/lower, the fair values of derivatives (EUR 6,079k previous year: EUR -5,859k) would have changed by EUR +5,122k (previous year: EUR +5,448k) or EUR -2,740k (previous year: EUR -5,583k).

11. DISCLOSURES ON FINANCIAL INSTRUMENTS AND FAIR VALUES DISCLOSURES (continued)

11.2 Financial risk management and IFRS 7 disclosures (continued)

(B) Credit risk

Default risk results from the risk of contractual partners failing to meet their contractually agreed payment obligations. The maximum default risk corresponds to the carrying amounts of financial assets.

In EUR '000	Kategorie nach IFRS 9	2018
Impairment loss trade receivables	aac	**12,476**
Impairment loss loans to associated companies	aac	**173**
Impairment loss other current assets – loans, restricted funds and cash and cash equivalents – deposits at banks	aac	**265**
Total		**12,914**

Trade receivables

Trade receivables mainly relate to a large number of customers (tenants and buyers of investment properties or apartments as part of project developments). The credit risk is managed on a portfolio level. ADLER has introduced a receivables management system with which new customers are initially analysed on an individual basis with regard to their credit rating. In the tenant selection process, priority is accorded to those with a pre-existing sound credit rating. Dunning procedures are initiated for all past due receivables and, upon completion, enforcement measures. The Group does not have any significant clusters of potential credit risks.

There were no significant default risks for contractual assets from the transfer of operating expenses, receivables from sales of investment properties and contract assets in connection with project developments, meaning that generally no expected credit losses are taken into account. Services which have not yet been invoiced in connection with operating costs are usually offset by advance payments received by the tenants in the corresponding amount. Purchase prices for investment properties are usually deposited on notary accounts and paid to ADLER when control has been transferred. No expected credit losses are recognised for contractual assets in connection with project developments, as the apartments are handed over to the purchasers only after the full purchase price has been paid.

For rental receivables, ADLER differentiates between tenants of apartments and commercial spaces. The simplified IFRS 9 impairment model is used. Deposits are not taken into account when measuring expected credit losses.

The following overview shows a summary of the default risk for trade receivables:

In EUR '000	2018		
	not impaired	impaired	
		credit rating not impaired	credit rating impaired
Rent receivables	10,411	1,986	67,939
Contractual assets from operating costs	155	0	0
Receivables from the sale of investment properties	171	0	0
Contract assets project development	4,474	0	0
Other	7,558	0	0
Gross total carrying amount	22,769	1,986	67,939
Accumulated impairment losses	0	397	66,399
Net total carrying amount	22,769	1,589	1,540

11. DISCLOSURES ON FINANCIAL INSTRUMENTS AND FAIR VALUES DISCLOSURES (continued)

11.2 Financial risk management and IFRS 7 disclosures (continued)

Assessment of expected credit losses:

ADLER uses an impairment matrix to measure the expected credit losses of its receivables due from tenants of apartments, which comprise a very large number of small balances. The loss rates are determined on the basis of an assumption based on the probability that a receivable advances through successive stages in the delay in payment. The assessment takes into account historical default rates depending on the past due status.

31.12.18 In EUR '000	Loss rate	Gross carrying amount	Impairment	Impaired credit rating
Not past due	0%	0	0	no
1 to 30 days past due	0%	10,411	0	no
31 to 90 days past due	20%	1,986	397	no
91 to 180 days past due	50%	3,083	1,542	yes
more than 180 days past due	100%	64,856	64,856	yes

The analysis of impairment and the age structure of trade receivables, which are neither past due nor impaired, are as follows as at 31 December 2017:

In EUR '000	2017
Trade receivables	**10,717**
of which not impaired as at the reporting date and not past due	**1,594**
of which not impaired as at the reporting date and not past due by up to 30 days	**0**
of which not impaired as at the reporting date and not past due between 31 and 60 days	**44**
of which not impaired as at the reporting date and not past due between 61 and 90 days	**0**
of which not impaired as at the reporting date and not past due between 91 and 180 days	**284**
of which not impaired as at the reporting date and not past due between 181 and 360 days	**0**
of which not impaired and more than 360 days past due at the reporting date	**13**
of which net value of impaired trade receivables	**8,782**

As rent payments are always required in advance, the rent receivables stated here are mostly past due. In view of this, individual allowances of 40 percent and 90 percent per receivable have been recognised for sitting tenants and for tenants who have moved out respectively.

Impairments of trade receivables have developed as follows:

In EUR '000	2018	2017
As at 01.01 according to IAS 39	**61,551**	**61,491**
Adjustments arising from the first-time application of IFRS 9	**44**	0
As at 01.01 according to IFRS 9	**61,595**	**—**
Change in the scope of consolidation	**4,549**	-38
Additions (impairment)	**12,476**	7,815
Utilisation/reversals	**-11,825**	-8,168
As at 31 December	**66,795**	**61,551**

The changes in value adjustment on trade receivables result essentially from the acquisition of BCP in the amount of EUR 4,549k.

Other financial assets

The default risk on borrowings, loans, bonds and credit balances at banks is managed at group level. There are trading rules to ensure that transactions are only made with business partners if they have shown adequate payment behaviour in the past. In the borrower selection process, care is taken to ensure that they have at least a satisfactory credit rating. The analysis of credit includes external ratings, where available, as well as annual financial statements, information from credit agencies, industry information and, in some cases, bank information. ADLER monitors changes in credit risk by tracking the published information mentioned above.

11. DISCLOSURES ON FINANCIAL INSTRUMENTS AND FAIR VALUES DISCLOSURES (continued)

11.2 Financial risk management and IFRS 7 disclosures (continued)

The general impairment model pursuant to IFRS 9 is used. The risks of a default for a 12-month period and over the entire term are based on historical information provided by various rating agencies for each credit rating or classification and aggregated using the rating map or rating matrix (Creditreform or Stuttgart Stock Exchange).

As at the balance sheet date, the default risk for the other financial assets is as follows:

In EUR '000	Category in accordance with IFRS 9	Net carrying amount 2018	Category in accordance with IAS 39	Net carrying amount 2017
Loans	aac	7,667	lar	0
Other current assets – purchase price receivable ACCENTRO	aac	149,878	lar	161,729
Other current assets – restricted funds	aac	46,502	lar	38,984
Other current assets – loans	aac	17,648	lar	17,392
Other current assets – bonds	aafvoci	14,571	afs	18,191
Cash and cash equivalents – deposits at banks	aac	77,630	lar	368,213
Total		**313,896**		**604,509**

The table below shows an analysis of the credit rating of borrowers of other financial assets (aac and aafvoci). It shows whether a loss allowance has been recognised for an expected 12-month credit loss or for lifetime expected credit losses for those assets measured at amortised cost or fair value in other comprehensive income and whether – in the latter case – an impaired credit rating exists:

	2018					
	At fair value through other comprehensive income (aafvoci)			Measured at amortised cost (aac)		
In EUR '000	Expected 12-month credit loss	Lifetime expected credit loss – credit rating not impaired	Lifetime expected credit loss – impaired credit rating	Expected 12-month credit loss	Lifetime expected credit loss – credit rating not impaired	Lifetime expected credit loss – impaired credit rating
Very good to good credit rating (very low default risk)	—	—	—	—	—	—
Good to satisfactory credit rating (low default risk)	—	—	—	124,546	—	—
Satisfactory credit rating (average default risk)	16,522	—	—	25,600	—	—
Sufficient credit rating (increased default risk)	—	—	—	—	—	—
Poor credit rating (high default risk)	—	—	—	—	—	—
Insufficient credit rating (very high default risk)	—	—	—	—	—	3,776
Gross total carrying amount	**16,522**	**—**	**—**	**150,146**	**—**	**3,776**
Accumulated impairment losses	182	—	—	668	—	3,776
Other comprehensive income	1,769	—	—	—	—	—
Net total carrying amount	**14,571**	**—**	**—**	**149,478**	**—**	**0**

Due to existing collateral, no expected credit loss is taken into account for the ACCENTRO purchase price receivable. Should the buyer fail to meet its payment obligations within the agreed timeframe or not fully meet them, ADLER has the right to withdraw from the sale and the right to acquire the shares in ACCENTRO will expire or revert to ADLER.

Cash and cash equivalents are deposited at banks that predominantly have a good to satisfactory credit rating. The loans are partly due to associates that have no active operating activities.

11. DISCLOSURES ON FINANCIAL INSTRUMENTS AND FAIR VALUES DISCLOSURES (continued)

11.2 Financial risk management and IFRS 7 disclosures (continued)

Impairment losses on financial assets measured at amortised cost developed as follows over the course of the year:

In EUR '000	2018			
	Expected 12-month credit loss	Lifetime expected credit loss – credit rating not impaired	Lifetime expected credit loss – impaired credit rating	Total
As at 01.01 according to IAS 39	—	—	—	**3,661**
Adjustments arising from the first-time application of IFRS 9	—	—	—	1,209
As at 01.01 according to IFRS 9	**1,267**	—	**3,603**	**4,870**
Net remeasurement of impairment losses	—	—	—	—
Reclassified as lifetime expected credit losses – credit rating not impaired	—	—	—	—
Reclassified as lifetime credit losses – impaired credit rating	—	—	—	—
Repaid financial assets	**-864**	—	—	-864
Newly acquired financial assets	**265**	—	**173**	438
As at 31.12	**668**	—	**3,776**	**4,444**

Impairment losses decreased compared to the beginning of the year, mainly due to the decline in cash and cash equivalents.

Impairment losses on financial assets measured at fair value through comprehensive income developed as follows over the course of the year:

In EUR '000	2018			
	Expected 12-month credit loss	Lifetime expected credit loss – credit rating not impaired	Lifetime expected credit loss – impaired credit rating	Total
As at 01.01 according to IAS 39	—	—	—	—
Adjustments arising from the first-time application of IFRS 9	—	—	—	210
As at 01.01 according to IFRS 9	**210**	—	—	**210**
Net remeasurement of impairment losses	—	—	—	
Reclassified as lifetime expected credit losses – credit rating not impaired	—	—	—	—
Reclassified as lifetime credit losses – impaired credit rating	—	—	—	—
Repaid financial assets	**-28**	—	—	-28
Newly acquired financial assets	—	—	—	—
As at 31.12	**182**	—	—	**182**

(C) Liquidity risk

Responsibility for liquidity risk management rests with the Management Board, which has developed a suitable concept for managing the Company's short-, medium- and long-term financing and liquidity requirements. The Group manages liquidity risks by continually monitoring its expected and actual cash flows and aligning the maturity profiles of financial assets and liabilities. Liquidity management aims to ensure that the Group is always able to meet its payment obligations by maintaining adequate liquidity reserves and optimising group-internal liquidity flows.

11. DISCLOSURES ON FINANCIAL INSTRUMENTS AND FAIR VALUES DISCLOSURES (continued)

11.2 Financial risk management and IFRS 7 disclosures (continued)

In credit agreements assumed in the context of acquisitions, the Group has in some cases undertaken to comply with contractually agreed financial covenants. Among other aspects, these relate to the generation of cash flows on a property company level. Asset management for these portfolios is geared to ensure compliance with these financial covenants.

Similarly, credit terms have also been agreed for the bonds issued. Any failure to comply with these terms could also lead to a liquidity risk. Infringement of the credit terms, such as a change of control, may result in the premature termination and repayment of these bonds and convertible bonds.

The ADLER Group had cash and cash equivalents of EUR 77,655k at the balance sheet date (previous year: EUR 368,233k). In addition, restricted cash and cash equivalents of EUR 46,502k are subject to restrictions on disposal and have been recognised under other current assets (previous year: EUR 38,984k).

The following liquidity analyses present the contractually agreed (undiscounted) cash flows for primary financial liabilities and derivative financial instruments, including interest payments, as at the respective balance sheet date. The analyses include all financial instruments held on the respective reporting date. Budget figures for future new liabilities are not included. Floating-rate interest payments were calculated by reference to the relevant spot rates on the respective balance sheet dates. With regard to outflows of cash for convertible bonds, it has been assumed that these will not be converted.

31.12.2018	**Cash outflows**					
In EUR '000	**2019**	**2020**	**2021**	**2022**	**2023**	**> 2023**
Liabilities to banks	**164,164**	141,109	638,895	226,735	302,676	253,279
Liabilities from bonds	**67,674**	365,947	543,751	35,946	535,037	669,859
Liabilities from convertible bonds	**3,256**	3,256	133,503	0	0	0
Trade payables	**47,440**	0	0	0	0	0
Other liabilities	**20,940**	380	380	380	380	16,876
Total	**303,456**	**510,692**	**1,316,529**	**263,061**	**838,092**	**940,013**

31.12.2017	**Cash outflows**					
In EUR '000	**2018**	**2019**	**2020**	**2021**	**2022**	**> 2022**
Liabilities to banks	**296,473**	47,880	88,824	302,777	82,159	295,655
Liabilities from bonds	**69,787**	37,625	525,750	513,875	6,375	312,750
Liabilities from convertible bonds	**7,825**	3,447	3,447	141,347	0	0
Trade payables	**29,125**	0	0	0	0	0
Other liabilities	**11,863**	17,187	380	380	380	10,060
Total	**415,073**	**106,139**	**618,402**	**958,379**	**88,914**	**618,465**

Further information about outflows of cash for lease liabilities can be found in Note 8.22, "Other non-current financial liabilities".

(D) Financing risk

In making further acquisitions, the Group depends on the granting of loans or capital increases. Expiring loans also have to be extended or refinanced. In all cases, there is the risk that such facilities cannot be extended, or only on different terms. Furthermore, within the scope of consolidation there are loan agreements with a total carrying amount of around EUR 1,063 million on which the banks have imposed requirements in the form of financial covenants (previous year: EUR 863 million). Depending on the property to which such agreements apply, the Group must achieve a debt service coverage ratio (DSCR) of between 105 percent and 175 percent (previous year: between 103 percent and 127 percent), an interest coverage ratio (ICR) of 1.26 to 2.10 (previous year: 1.16 to 2.30), a loan-to-value (LTV) ratio of between 65 percent and 82 percent (previous year: between 74 percent and 80 percent) or a loan-to-mortgage-lending-value (LTMLV) ratio of no more than 82 percent (previous year: no more than 80 percent). Individual credit agreements require a minimum amount of

11. DISCLOSURES ON FINANCIAL INSTRUMENTS AND FAIR VALUES DISCLOSURES (continued)

11.2 Financial risk management and IFRS 7 disclosures (continued)

maintenance work or rental income. Should the maintenance measures agreed in the loan agreement not be carried out, the Company must maintain a cash reserve of the same amount on restricted accounts. Failure to comply with such covenants entitles the lenders to impose various sanctions, which may also include terminating the respective facility.

Similarly, credit terms have also been agreed for the convertible and corporate bonds issued. Failure to comply with such terms may result in a liquidity risk. In some cases, failure to comply with the terms may lead to the termination and premature repayment of these convertible bonds and corporate bonds.

(E) Currency risk

In the course of the acquisition of BCP, ADLER took over three bonds (series A, B and C) with a carrying amount of EUR 116,149k as at 31 December 2018. All three bonds were issued in New Israeli Shekels (NIS) and linked to the Consumer Price Index (CPI) for Israel. As there are no matching assets with such characteristics in the ADLER Group, ADLER is exposed to the foreign exchange risk for the currency pair EUR/NIS as well as to a fluctuation in the CPI. The changes in these factors can lead to an increase in interest payments and principal repayments of the bonds.

Had the exchange rate (EUR/NIS) as at 31 December 2018 been 5 percent higher/lower, the fair value of the bond would have changed by EUR 5,212k or EUR -5,760k. If the CPI had increased/reduced by 3 percent the fair value of the bond would have changed by EUR -884k or EUR 312k.

To reduce its foreign exchange risk (EUR/USD), ADLER deploys foreign currency derivatives (see Note 11.3) Had the exchange rate as at 31 December 2018 been 5 percent higher/lower, the fair values of derivatives (EUR -253k) would have changed by EUR 2,750k or EUR -2,750k.

11.3 Derivative financial instruments

Derivative financial instruments are used at the Group to hedge interest rate risks for floating-rate loan agreements in particular. No material rating risk is involved, as the interest hedges are concluded with the financing banks. In addition, foreign currency derivatives are also used by BCP.

The fair values of the interest hedge contracts amounted to EUR -6,079k as at the balance sheet date (previous year: EUR -5,859k). The fair values and nominal values of the interest hedge contracts broken down by maturity are presented below:

	Fair Values		Nominal	
In EUR ’000	**2018**	**2017**	**2018**	**2017**
Up to 1 year	**-386**	-158	**6,406**	1,411
Due between 1 and 5 years	**-2,103**	-3,430	**123,154**	91,534
Due between 5 and 10 years	**-3,590**	-2,271	**55,387**	50,030
Total	**-6,079**	**-5,859**	**184,946**	**142,975**

The fair values of the foreign currency derivatives amounted to EUR -253k as at the balance sheet date (previous year: EUR 0k). The fair values and nominal values of the interest hedge contracts broken down by maturity are presented below:

	Fair Values		Nominal	
In EUR ’000	**2018**	**2017**	**2018**	**2017**
Up to 1 year	**-196**	—	**42,706**	—
Due between 1 and 5 years	**-57**	—	**12,294**	—
Due between 5 and 10 years	**0**	—	**0**	—
Total	**-253**	**—**	**55,000**	**—**

11. DISCLOSURES ON FINANCIAL INSTRUMENTS AND FAIR VALUES DISCLOSURES (continued)

11.2 Financial risk management and IFRS 7 disclosures (continued)

The derivative financial instruments are initially measured at fair value, which is attributable to them on the day the contract is concluded. Subsequent measurement is based on the fair value of the respective balance sheet.

The fair value of derivates broken down by balance sheet item are presented below:

Balance sheet item In EUR '000	Hedging relationship under IFRS 9	31.12.2018	31.12.2017
Other current asset (measured at fair value though profit or loss)	no	**139**	0
Other current liabilities (measured at fair value through profit or loss)	no	**-583**	-158
Other non-current liabilities (measured at fair value through profit or loss)	no	**-5,888**	-5,701
Total		**-6,332**	**-5,859**

A valuation result of EUR 5,685k was recognised for derivatives in the financial year (previous year: EUR 2,035k).

12. CAPITAL RISK MANAGEMENT

The Group manages its capital with the objective of maximising the earnings of shareholders by optimising the ratio of equity to debt. This ensures that all group companies can continue to operate as going concerns. Consolidated equity as posted in the balance sheet is used as an important key figure for capital management.

As a stock corporation, the Company is subject to the minimum capital requirements set out in the German Stock Corporation Act (AktG). Furthermore, the Group is subject to both standard and industry-specific minimum capital requirements imposed by lenders, especially for financing specific property projects. These minimum capital requirements are continually monitored and were met in the year under report and the previous year.

Risk management reviews the Group's capital structure on a quarterly basis. Accounting ratios are identified and projected in order to ensure compliance with external capital requirements and the financial covenants applicable to numerous credit agreements. These also include property-specific debt service ratios, loan-to-value figures and contractually defined balance sheet and income ratios.

The year-end equity ratio was determined as follows:

In EUR '000	31.12.2018	31.12.2017
Equity (incl. non-controlling interest)	**1,579,631**	1,037,500
Total assets	**5,856,631**	3,778,967
Equity ratio in %	**27.0**	**27.5**

Excluding convertible bonds, the ratio of net financial liabilities to assets net of cash (LTV) amounted to 61.4 percent (previous year: 59.4 percent). Further details can be found in the disclosures on the asset position in the group management report.

13. OTHER DISCLOSURES

13.1 Minimum lease payments from operating leases

Disclosures on operating leases pursuant to IAS 17.56 in EUR '000	Comparative period 2017	Reporting period 2018	2019	2020 to 2023	from 2024
			up to 1 year	1 – 5 years	more than 5 years
Total future minimum lease payments based on operating leases that cannot be cancelled as the lessor	170,069	**238,207**	85,736	78,320	86,485

13. OTHER DISCLOSURES (continued)

13.1 Minimum lease payments from operating leases (continued)

The claims to minimum lease payments from long-term operating leases generally result from leasing commercial properties. In the residential property segment, lease contracts are generally subject to the three-month statutory term of notice. There are no more far-reaching claims to minimum lease payments. Minimum lease payments include rental income, not including allocable operating costs.

13.2 Other financial obligations and contingent liabilities

(A) Other financial obligations

The Group had the following significant financial obligations at the balance sheet date:

In EUR '000	2018	2017
Rental and lease obligations		
Due within 1 year	**6,537**	5,734
Due between 1 and 5 years	**17,644**	9,605
Due in more than 5 years	**12,654**	1,899
	36,835	17,238
Management contracts, support agreements		
Due within 1 year	**15,067**	3,649
Due between 1 and 5 years	**8,777**	13,348
Due in more than 5 years	**288**	0
	24,132	16,997
Obligations from acquisitions/project developments		
Unpaid construction expenses	**513,062**	155,707
Total	**574,029**	**189,942**

Rental and lease obligations primarily result from the rental of office space, cars and hardware in non-cancellable operating leases. There are no purchase options. There are extension options beyond the fixed lease terms only for the rental of office spaces.

Outstanding construction costs result from property development projects that have already been started. The outstanding construction costs are taken from the residual value appraisals for these projects (see Note 8.3) and thus represent an estimate of the costs incurred until the completion of the respective project.

(B) Contingent liabilities

In connection with the divested stake in conwert Immobilien Invest SE, the Austrian Takeover Board has determined in review proceedings pursuant to § 33 Übernahmegesetz (ÜbG – Takeover Act), which are now legally binding, that the Company achieved a controlling stake in conwert by mutual agreement with other persons within the meaning of § 1 clause 6 ÜbG and then failed to make a mandatory bid as required pursuant to § 33 (1) clause 2 ÜbG. The Company could therefore be confronted in future with restitution proceedings and administrative penalties. As far as can be seen, proceedings of this nature have not been conducted in Austria in the past. From a current perspective, neither the number nor the specific structure of such cases can be determined. ADLER continues to reject the determinations of the Takeover Commission as ascertained in its review as inaccurate and erroneous, due to being verifiable by any second instance.

In connection with the acquisition of shares in BCP, a minority shareholder filed a lawsuit at the Tel Aviv District Court, Tel Aviv, Israel. The complaint alleges a disadvantage whereby the majority shareholders, Redzone Empire Holding Limited, Cyprus, and the three members of senior management, sold their shares in full to ADLER, while the remaining minority shareholders in BCP transferred their shares in the context of the STO only to a limited extent. As part of the lawsuit, a litigation value of NIS 78 to 116 million (equivalent to EUR 18 to 27 million as at the balance sheet date), the total value of the minority interests concerned, was asserted. At the current moment in time, the prospects for a successful outcome cannot yet be assessed. However, the Company assesses the risk as very low. This is because comprehensive legal advice was obtained during the entire acquisition process, so that from the ADLER perspective there is no need to create provisions.

13. OTHER DISCLOSURES (continued)

13.2 Other financial obligations and contingent liabilities (continued)

As part of the financing of a project development in Düsseldorf, BCP issued guarantees of EUR 9.0 million in total. The risk of utilisation is currently estimated to be low, as all financing obligations have so far been met.

13.3 Related-party disclosures

Pursuant to IAS 24 "Related-Party Disclosures", related parties are defined as closely related companies and persons, including parent companies and subsidiaries, subsidiaries of a common parent company, associates, legal entities influenced by the management, as well as the Company's own management. Transactions between ADLER and its subsidiaries are eliminated through consolidation and are therefore not disclosed in the notes.

The following material transactions were executed between the Group and related parties:

A former member of the Company's Supervisory Board is the Managing Director of KvU Land und Jagd Beteiligungen GmbH (hereinafter "KvU"), which holds minority interests in 22 of ADLER's property companies. In the year under report, the Group and KvU, which constitutes a related party until the departure of the Supervisory Board member, executed transactions in the form of loan agreements. The loans granted by ADLER and its subsidiaries, including accrued interest claims, were valued as follows at the balance sheet date:

Loan provider in the ADLER Group In EUR '000	2018	of which interest 2018	2017	of which interest 2017
ADLER Real Estate AG	**530**	**27**	503	27
Magnus Zweite Immobilienbesitz und Verwaltungs GmbH	**4,044**	**195**	3,849	196
Magnus Dritte Immobilienbesitz und Verwaltungs GmbH	**35**	**2**	33	2
Münchner Baugesellschaft mbH	**60**	**3**	57	3
Magnus Fünfte Immobilienbesitz und Verwaltungs GmbH	**5,371**	**272**	5,099	273
Total nominal value	**10,040**	**499**	**9,541**	**501**
Accumulated impairment losses	**111**	**—**	0	—
Total	**9,929**	**499**	**9,541**	**501**

The loans have indefinite terms and may be terminated by ADLER at any time with a notice period of one month to the end of the quarter. A write-down on the loan receivables in the amount of EUR 111k (previous year: EUR 0k) was recognised in the financial year. In addition to the loan receivables, the Group reports a liability of EUR 121k (previous year: EUR 121k) due to KvU.

In 2016, the Company sold 5.1 percent of the shares held in WESTGRUND Immobilien GmbH, WESTGRUND Immobilien II. GmbH, WESTGRUND Immobilien Beteiligung III. GmbH, WESTGRUND Immobilien IV. GmbH, WESTGRUND Immobilien VI. GmbH, WESTGRUND VII. GmbH, WESTGRUND VIII. GmbH, WESTGRUND Wolfsburg GmbH, WESTGRUND Brandenburg GmbH, WESTGRUND Niedersachsen Nord GmbH and WESTGRUND Niedersachen Süd GmbH as well as all of the shares held in Liaen Lorentzen Partners AG, Zug/Switzerland to Manoir des Aiglons S.à r.l., Luxembourg, at a total price of EUR 4,000k. No receivables are outstanding in this respect. Furthermore, in connection with the share thereby transferred the Company undertook to provide the buyer with a minimum profit distribution of EUR 380k (before taxes) per year for a ten-year period. These distribution claims have been recognised under non-current other liabilities. In 2017, ADLER also granted a loan of EUR 277k to Manoir des Aiglons S.à r.l. The loan had a term until 31 March 2018 and was settled by offsetting the distribution claim for 2017. The company in question is a related party until the member of ADLER's Management Board who is also the Managing Director of and a shareholder in Consortium Finance Limited resigns.

13. OTHER DISCLOSURES (continued)

13.3 Related-party disclosures (continued)

The Group had the following material loan receivables, including interest claims, due from unconsolidated companies, associates or joint ventures, as at the balance sheet date:

In EUR ’000	2018	2017
MRT (Mountleigh Roland Ernst B.V.)	2,658	2,616
Stovago B.V.	1,118	987
Brack Capital (Chemnitz) B.V.	4,000	—
Tuchmacherviertel GmbH & Co. KG	3,667	—
Total nominal value	**11,443**	**3,603**
Accumulated impairment losses	-3,776	-3,603
Carrying amounts as of 31.12.	**7,667**	**0**

The Group’s other business relationships with unconsolidated companies, associates and joint ventures are of subordinate overall significance.

The Supervisory Board and Management Board hold the key management positions at ADLER AG. The compensation paid to these persons is structured as follows:

In EUR ’000	2018	2017
Supervisory Board remuneration	229	225
Management Board remuneration	3,362	1,001

A member of ADLER’s Management Board is the Managing Director and a shareholder in Consortium Finance Limited, London. In the year under review, the compensation of the Management Board includes expenses of EUR 2,071k for services ADLER received from Consortium Finance Limited in connection with the work of the Management Board. In the previous year, ADLER paid EUR 1,125k for the capital market consulting services of Consortium Finance Limited, including a bonus and expenses. These expenses are recognised in the amount of EUR 1,613k (previous year: EUR 1,125k) under other operating expenses. No liabilities are outstanding in this respect. ADLER also granted the Consortium Finance Limited an interest-bearing loan (interest rate 1 percent) of EUR 400k, which was due for repayment on 31.December 2019.

The regular compensation of the Management Board includes payments of EUR 515k from allocated SARs. In addition to their regular compensation, in the 2018 financial year the members of the Management Board received a total of 40,000 SARs within the SAR programme. These had an average fair value of EUR 1.04 per SAR. Detailed disclosures on these rights can be found in Note 9.5, “Personnel expenses”.

Individualised disclosure of Management Board compensation pursuant to § 314 (1) No. 6a, Sentences 5 to 9 of the German Commercial Code (HGB) has been waived as the 2016 Annual General Meeting passed a resolution valid for a period of five years.

13.4 Auditor’s fee

The total fee invoiced by the auditor for the financial year is structured as follows:

In EUR ’000	2018	2017
Audit of financial statements	671	661
Other assurance services	87	142
Other services	60	29
Total	**818**	**832**

Of financial statement audit fees, an amount of EUR -32k relates to the previous year (previous year: EUR 57k). Other assurance services include services provided in the context of capital market transactions (issuing of comfort letters and examination of profit forecasts). Other services include support for selected accounting issues. In addition, the audit firm only carried out audits of financial statements of controlled companies.

13. OTHER DISCLOSURES (continued)

13.5 Employees

The average number of employees was as follows:

Number	2018	2017
Board members	3	3
Full-time employees	790	497
Total	**793**	**500**

13.6 Notes to the consolidated cash flow statement

Financial funds correspond to cash and cash equivalents. Overall, cash and cash equivalents increased by EUR 290,578k (previous year: EUR 244,322k). The Group was able to meet its payment obligations at all times.

Furthermore, restricted liquid funds of EUR 46,502k (previous year: EUR 38,984k) with limitations on disposability were recognised under other assets.

Cash flows are subdivided into cash flows from operating, (divesting) investing and financing activities. The indirect method has been used to present cash flow from operating activities.

Net of non-cash income and expenses and including changes in working capital and investments in inventory properties (trading portfolio), the ADLER Group generated a net inflow of funds of EUR 130,999k from operating activities (previous year: EUR 36,348k). Of this amount, EUR 130,736k (previous year: EUR 66,221k) is attributable to continuing operations and EUR 263k (previous year: EUR -29,873k) to the discontinued trading segment.

Net cash flow from investing activities came to EUR 609,077k (previous year: net cash flow EUR 212,676k). Net cash flow of EUR 472,278k resulted from the BCP acquisition and EUR 151,500k from investments in existing holdings (investment properties).

Net cash flow from financing activities amounted to EUR 187,825k (previous year: net cash flow EUR 4,702k) and is mainly due to the issuing of the 2018/2023 and 2018/2026 corporate bonds in the amount of EUR 800,000k (nominal) and the cash outflow to repay the outstanding promissory note loans, the different corporate bonds and scheduled repayments of financial loans.

13. OTHER DISCLOSURES (continued)

13.6 Notes to the consolidated cash flow statement (continued)

Changes from financing cash flows, changes arising from obtaining or losing control of subsidiaries or other businesses, changes due to accrued interest, changes due to the effective interest method, changes from exercising conversion rights and changes due to reclassifications in a reconciliation statement between the opening and closing balances in the statement were presented. There were no material implications from changes in foreign exchange rates.

		Cash effective		Not cash effective				
In EUR '000	**31.12. 2017**		**Acquisitions/ sale**	**Interest liabilities**	**Amortisation effective interest method**	**Conversions**	**Regroupings**	**31.12. 2018**
Non-current liabilities								
Liabilities from convertibles	**119,731**	0	0	0	5,437	-7,652	0	**117,516**
Liabilities from bonds	**1,277,640**	553,055	116,995	0	13,421	0	0	**1,961,111**
Liabilities to banks	**749,188**	121,030	629,681	417	8,785	0	-32,914	**1,476,187**
Current liabilities								
Liabilities from convertibles	**6,505**	-4,368	0	4,289	-573	-4,097	0	**1,756**
Liabilities from bonds	**42,679**	-64,396	18,317	45,334	-1,674	0	0	**40,260**
Liabilities to banks	**278,676**	-390,352	146,760	73,657	753	0	32,914	**142,408**
Total liabilities from financing	**2,474,419**	**214,969**	**911,753**	**123,697**	**26,149**	**-11,749**	**0**	**3,739,238**

In the previous year, the reconciliation statement was as follows:

		Cash effective	Not cash effective					
In EUR '000	**31.12. 2016**		**Acquisitions/ sale**	**Interest liabilities**	**Amortisation effective interest method**	**Conversions**	**Regroupings**	**31.12. 2017**
Non-current liabilities								
Liabilities from convertibles	**143,870**	-35,178	22,883	0	2,666	-9,743	-4,767	**119,731**
Liabilities from bonds	**509,454**	797,029	0	0	5,199	0	-34,042	**1,277,640**
Liabilities to banks	**1,312,502**	-393,529	26,164	123	11,685	0	-207,757	**749,188**
Current liabilities								
Liabilities from convertibles	**1,554**	-4,712	0	4,896	0	0	4,767	**6,505**
Liabilities from bonds	**8,281**	-28,954	0	29,310	0	0	34,042	**42,679**
Liabilities to banks	**320,328**	-236,314	-51,891	37,592	1,203	0	207,757	**278,676**
Total liabilities from financing	**2,295,989**	**98,342**	**-2,844**	**71,921**	**20,753**	**-9,743**	**0**	**2,474,419**

13.7 Management Board and Supervisory Board

The Management Board of ADLER Real Estate Aktiengesellschaft, Berlin, comprises the members Tomas de Vargas Machuca, Master of Science in Economics; Maximilian Rienecker, Master of Science in Management; and Sven-Christian Frank, lawyer. Mr Frank has been COO of the Management Board since 9 June 2016, while Mr Vargas Machuca and Mr Rienecker were appointed as co-CEOs on 22 December 2017.

The Supervisory Board of ADLER Real Estate AG consists of the following members:

- Dr Dirk Hoffmann, Rum/Austria, lawyer and banker, Chairman
- Thomas Katzuba von Urbisch, Monte Carlo/Monaco, lawyer and businessman, Deputy Chairman until 30 May 2018

13. OTHER DISCLOSURES (continued)

13.7 Management Board and Supervisory Board (continued)

- Thilo Schmid, Blotzheim/France, project controller, Deputy Chairman since 30 May 2018
- Claus Jorgensen, London/UK, businessman, since 30 May 2018

The following members of the Supervisory Board of ADLER Real Estate Aktiengesellschaft, Berlin, held the following further positions on supervisory boards and other supervisory bodies as defined in § 125 (1) Sentence 5 of the German Stock Corporation Act (AktG):

- Dr Dirk Hoffmann

  WESTGRUND AG, Berlin (Supervisory Board Chairman since 2 January 2018, previously Advisory Board Member since 21 December 2017)

  Squadra Immobilien GmbH & Co. KGaA, Frankfurt am Main (Supervisory Board Chairman)

  ACCENTRO Real Estate AG, Berlin (Deputy Supervisory Board Chairman)

- Thilo Schmid

  Jedox AG, Freiburg (Advisory Board member)

  DTH S.A., Luxembourg (Member of the Board)

  Mindlab Solutions GmbH, Stuttgart (Advisory Board member)

  cynora GmbH, Bruchsal (Advisory Board member)

Claus Jorgensen and the members of the Management Board do not hold any positions on other supervisory boards as defined in § 125 (1) sentence 5 of the German Stock Corporation Act (AktG).

13.8 Events after the balance sheet date

During the first quarter of 2019, control to dispose of the approximately 3,700 properties was transferred from the non-core holdings, which were sold in two separate transactions at the end of 2018.

In the first quarter of 2019, BCP started negotiations on the acquisition of non-controlling interests in several subsidiaries. The consideration for the transaction would probably to amount to EUR 91.0 million in the event of execution.

The third supplementary agreement, dated 19 March 2019, to the share transfer agreement for the majority holding in ACCENTRO extended the term of payment of the remaining outstanding purchase price receivable of EUR 149.9 million as at 31 December 2018 by binding agreement until 30 June 2019 at the latest.

BCP has entered into a binding sale and purchase agreement on 25 March 2019 with an established London-based real estate private equity firm to dispose of three retail assets located in Rostock, Celle and Castrop-Rauxel. BCP will retain a minority stake of 10.1 percent as part of the share deal. Closing remains subject to customary closing conditions. The disposal of these three retail assets is in line with ADLER's strategy to remain a pure-play German residential real estate company. The proceeds will be used to repay around EUR 107.0 million of bank debt to further strengthen the balance sheet, with ADLER's LTV being positively impacted by approximately 80 bps.

No further events with the potential to significantly influence the earnings, assets and financial position of ADLER Real Estate AG occurred between the end of the period under report and the editorial deadline for this report. The Company's business performance up to the reporting date confirms the statements made in its report on expected developments.

13. OTHER DISCLOSURES (continued)

13.9 Declaration of Conformity with the German Corporate Governance Code

The Declaration of Conformity of ADLER AG was most recently submitted by the Management Board in March 2019. It is permanently available to shareholders at:

http://adler-ag.com/investor-relations/corporate-governance/entsprechenserklaerung

The Declaration of Conformity of WESTGRUND AG was most recently submitted by that company's Management Board in September 2018. It is permanently available to shareholders at:

http://www.westgrund.de/investor-relations/corporate-governance/entsprechenserklaerung

Berlin, 25 March 2019

Tomas de Vargas Machuca	Maximilian Rienecker	Sven-Christian Frank
Co-CEO	Co-CEO	COO

13. OTHER DISCLOSURES (continued)

13.9 Declaration of Conformity with the German Corporate Governance Code (continued)

No.	Company	Headquarters	Equity interest in %	Held by No.	Business activity
	Subsidiaries fully consolidated				
1	ADLER Real Estate AG (Muttergesellschaft)	Berlin			Holding
2	ADLER Real Estate Service GmbH	Hamburg	100.0	1	Service company
3	Verwaltungsgesellschaft ADLER Real Estate mbH	Hamburg	100.0	1	General Partner
4	Achte ADLER Real Estate GmbH & Co. KG	Hamburg [1]	100.0	1	Project development
5	Adler Real Estate Properties GmbH & Co. KG	Hamburg [1]	100.0	1	Project development
6	MÜBAU Real Estate GmbH	Hamburg	100.0	1	None
7	“ADLER Lux S.à.r.l.”	Luxembourg// Grand Duchy of Luxembourg	100.0	1	None
8	Adler McKinney LLC	McKinney / USA	100.0	6	Intermediate holding company
9	Münchener Baugesellschaft mbH	Hamburg	100.0	1	Intermediate holding company
10	ADLER Wohnen Service GmbH	Hamburg	100.0	9	Service company
11	MBG Beteiligungsgesellschaft mbH & Co. KG	Hamburg [1]	94.9	9	Intermediate holding company
12	MBG Dallgow GmbH & Co. KG	Hamburg [1]	100.0	9	Project development
13	MBG Großbeeren GmbH & Co. KG	Hamburg [1]	100.0	9	Project development
14	MBG Trachau GmbH & Co. KG	Hamburg [1]	100.0	9	Project development
15	MBG Wohnbau Verwaltungsgesellschaft mbH	Hamburg	100.0	9	Intermediate holding company
16	MBG Erste Vermögensverwaltungs GmbH	Hamburg	100.0	9	Intermediate holding company
17	Magnus zweite Immobilienbesitz und Verwaltungs GmbH	Hamburg	100.0	9	Intermediate holding company
18	Energy AcquiCo I GmbH	Frankfurt am Main	100.0	17	Intermediate holding company
19	Magnus Dritte Immobilienbesitz und Verwaltungs GmbH	Hamburg	100.0	9	Intermediate holding company
20	EAGLE BidCo GmbH	Hamburg	100.0	1	None
21	Magnus Fünfte Immobilienbesitz und Verwaltungs GmbH	Hamburg	100.0	9	Intermediate holding company
22	WBG GmbH	Helmstedt	94.0	18	Portfolio management
23	WER 1. Wohnungsgesellschaft Erfurt Rieth mbH	Berlin	94.9	9	Portfolio management
24	WER 2. Wohnungsgesellschaft Erfurt Rieth mbH	Berlin	94.9	9	Portfolio management
25	ESTAVIS 6. Wohnen GmbH	Berlin	94.9	35	Portfolio management
26	ESTAVIS 7. Wohnen GmbH	Berlin	94.9	35	Portfolio management
27	ESTAVIS 8. Wohnen GmbH	Berlin	94.9	35	Portfolio management
28	ESTAVIS 9. Wohnen GmbH	Berlin	94.9	35	Portfolio management
29	RELDA 36. Wohnen GmbH	Berlin	94.9	35	Portfolio management
30	RELDA 38. Wohnen GmbH	Berlin	94.9	35	Portfolio management
31	RELDA 39. Wohnen GmbH	Berlin	94.9	35	Portfolio management
32	RELDA 45. Wohnen GmbH	Berlin	94.9	35	Portfolio management
33	RELDA Bernau Wohnen Verwaltungs GmbH	Berlin	94.0	35	Portfolio management
34	MBG Sachsen GmbH	Aue	94.9	9	Portfolio management
35	Magnus-Relda Holding Vier GmbH	Berlin	98.1	9	Portfolio management
36	Cato Immobilienbesitz und -verwaltungs GmbH	Hamburg	94.9	17	Portfolio management
37	Magnus Immobilienbesitz und Verwaltungs GmbH	Hamburg	100.0	9	Intermediate holding company
38	WBR Wohnungsbau Rheinhausen GmbH	Hamburg	94.9	37	Portfolio management
39	S.I.G. RE GmbH	Hamburg	100.0	16	Intermediate holding company
40	Resident Baltic GmbH	Berlin	94.8	39	Portfolio management
41	Resident Sachsen P&K GmbH	Berlin	94.8	39	Portfolio management
42	Resident West GmbH	Hamburg	94.8	39	Portfolio management
43	MBG Schwelm GmbH	Hamburg	94.9	17	Portfolio management

[1] The Company intends to utilise the exemption option under § 264 b HGB with regard to disclosure requirements

13. OTHER DISCLOSURES (continued)

13.9 Declaration of Conformity with the German Corporate Governance Code (continued)

No.	Company	Headquarters	Equity interest in %	Held by No.	Business activity
	Subsidiaries fully consolidated				
44	MBG Lüdenscheid GmbH	Hamburg	94.9	9	Portfolio management
			5.1	11	
45	MBG Dorsten GmbH & Co. KG	Hamburg [1)]	94.0	17	Portfolio management
			6.0	9	
46	Alana Properties GmbH	Hamburg	94.4	19	Portfolio management
47	Aramis Properties GmbH	Hamburg	94.8	19	Portfolio management
48	REO-Real Estate Opportunities GmbH	Frankfurt am Main	94.9	19	Portfolio management
49	ROSLYN Properties GmbH	Hamburg	94.8	19	Portfolio management
50	Rostock Verwaltungs GmbH	Hamburg	94.0	19	Portfolio management
51	SEPAT PROPERTIES GmbH	Hamburg	94.8	19	Portfolio management
52	Wallace Properties GmbH	Hamburg	94.8	19	Portfolio management
53	Zweite REO-Real Estate Opportunities GmbH	Frankfurt am Main	94.9	19	Portfolio management
54	ADLER ImmoProjekt Erste GmbH	Hamburg	100.0	1	None
55	ADLER Energie Service GmbH	Hamburg	100.0	1	Service company
56	MountainPeak Trading Limited	Nikosia / Cyprus	100.0	1	Intermediate holding company
57	Magnus Achte Immobilienbesitz und Verwaltungs GmbH	Hamburg	100.0	9	Intermediate holding company
58	Magnus Neunte Immobilienbesitz und Verwaltungs GmbH	Hamburg	100.0	9	Intermediate holding company
59	MBG Projektentwicklungsgesellschaft mbH	Hamburg	100.0	1	Project development
60	ADLER Immo Invest GmbH	Hamburg	100.0	1	Project development
61	Wohnungsbaugesellschaft JADE mbH	Wilhelmshaven	94.9	21	Portfolio management
62	JADE Immobilien Management GmbH	Wilhelmshaven	100.0	61	Service company
63	ADLER Gebäude Service GmbH	Wilhelmshaven	100.0	9	Service company
64	Westgrund Aktiengesellschaft	Berlin	96.7	1	Holding
65	Westgrund Immobilien GmbH	Berlin	94.9	64	Portfolio management
66	Westgrund Immobilien II. GmbH	Berlin	94.9	64	Portfolio management
67	Westconcept GmbH	Berlin	100.0	64	Service company
68	IMMOLETO Gesellschaft mit beschränkter Haftung	Berlin	100.0	64	Intermediate holding company
69	ICR Idee Concept und Realisation von Immobilienvorhaben GmbH	Berlin	94.9	68	Portfolio management
70	HKA Grundstücksverwaltungsgesellschaft mbH & Co. Kommanditgesellschaft	Berlin	100.0	69	Portfolio management
71	HKA Verwaltungsgesellschaft mbH	Berlin	100.0	69	General Partner
72	Westgrund Immobilien Beteiligung GmbH	Berlin	100.0	64	None
73	Westgrund Immobilien Beteiligung II. GmbH	Berlin	100.0	64	None
74	Westgrund Immobilien Beteiligung III. GmbH	Berlin	94.9	64	Portfolio management
75	Westgrund Westfalen GmbH & Co. KG	Berlin	94.9	69	Portfolio management
76	WESTGRUND Immobilien IV. GmbH	Berlin	94.9	64	Portfolio management
77	WESTGRUND Immobilien V. GmbH	Berlin	94.0	64	Portfolio management
78	WESTGRUND Immobilien VI. GmbH	Berlin	94.9	64	Portfolio management
79	Wiederaufbau-Gesellschaft mit beschränkter Haftung	Ludwigshafen am Rhein	94.8	64	Portfolio management
80	TREUHAUS Hausbetreuungs-GmbH	Ludwigshafen am Rhein	100.0	67	Service company
81	WAB Hausverwaltungsgesellschaft mbH	Ludwigshafen am Rhein	100.0	79	None
82	Westgrund Wolfsburg GmbH	Berlin	94.9	64	Portfolio management
83	Westgrund Niedersachsen Süd GmbH	Berlin	94.9	64	Portfolio management
84	Westgrund Niedersachsen Nord GmbH	Berlin	94.9	64	Portfolio management
85	Westgrund Brandenburg GmbH	Berlin	94.9	64	Portfolio management
86	Westgrund VII. GmbH	Berlin	94.9	64	Portfolio management
87	Westgrund I. Halle GmbH	Berlin	94.9	64	Portfolio management

[1)] The Company intends to utilise the exemption option under § 264 b HGB with regard to disclosure requirements

13. OTHER DISCLOSURES (continued)

13.9 Declaration of Conformity with the German Corporate Governance Code (continued)

No.	Company	Headquarters	Equity interest in %	Held by No.	Business activity
	Subsidiaries fully consolidated				
88	Westgrund Halle Immobilienverwaltung GmbH	Berlin	100.0	87	General Partner
89	Westgrund Immobilien II. Halle GmbH & Co. KG	Berlin	100.0	87	Portfolio management
90	Westgrund VIII. GmbH	Berlin	94.9	64	Portfolio management
91	RESSAP – Real Estate Service Solution Applications -GmbH	Berlin	100.0	9	None
92	Xammit GmbH	Berlin	100.0	64	None
93	Magnus Zehnte Immobilienbesitz und Verwaltungs GmbH	Hamburg	100.0	9	Intermediate holding company
94	Magnus Elfte Immobilienbesitz und Verwaltungs GmbH	Hamburg	100.0	9	Intermediate holding company
95	Zweite CM Real Estate GmbH	Berlin	94.9	58	Portfolio management
96	Dritte CM Real Estate GmbH	Berlin	94.9	58	Portfolio management
97	Vierte CM Real Estate GmbH	Berlin	94.9	58	Portfolio management
98	TGA Immobilien Erwerb 3 GmbH	Berlin	94.9	19	Portfolio management
99	ADP Germany GmbH	Hamburg	94.9	94	Portfolio management
100	AFP II Germany GmbH	Hamburg	94.9	94	Portfolio management
101	AFP III Germany GmbH	Hamburg	94.9	94	Portfolio management
102	RIV Harbour West MI 1 GmbH	Berlin	94.9	93	Portfolio management
103	RIV Harbour East WA 1 GmbH	Berlin	94.9	93	Portfolio management
104	RIV Total MI 2 GmbH	Berlin	94.9	93	Portfolio management
105	RIV Central WA 2 GmbH	Berlin	94.9	93	Portfolio management
106	RIV Square West MI 3 GmbH	Berlin	94.9	93	Portfolio management
107	RIV Square East WA 3 GmbH	Berlin	94.9	93	Portfolio management
108	RIV Channel MI 4 GmbH	Berlin	94.9	93	Portfolio management
109	RIV Kornspreicher GmbH	Berlin	94.9	93	Portfolio management
110	Magnus Zwölfte Immobilienbesitz und Verwaltungs GmbH	Berlin	100.0	9	Intermediate holding company
111	Magnus Dreizehnte Immobilienbesitz und Verwaltungs GmbH	Berlin	100.0	9	Intermediate holding company
112	TGA Immobilien Erwerb 10 GmbH	Berlin	94.9	110	Portfolio management
113	Brack Capital Properties N.V. (BCP)	Amsterdam/ The Netherlands	69.8	1	Holding
114	Magnus Fünfzehnte Immobilienbesitz und Verwaltungs GmbH	Berlin	100.0	9	Intermediate holding company
115	Magnus Sechszehnte Immobilienbesitz und Verwaltungs GmbH	Berlin	100.0	9	Intermediate holding company
116	Brack German Properties B.V.	Amsterdam/The Netherlands	100.0	113	Intermediate holding company
117	Brack European Ingatlankezelö KFT	Budapest/Hungary	100.0	113	Service company
118	Brack Capital (Düsseldorf-Rossstrasse) B.V.	Amsterdam/The Netherlands	100.0	116	Portfolio management
119	Brack Capital (Düsseldorf-Schanzenstraße) B.V.	Amsterdam/ The Netherlands	100.0	116	Portfolio management
120	Brack Capital (Bad Kreuznach) B.V.	Amsterdam/The Netherlands	100.0	116	Portfolio management
121	Brack Capital (Gelsenkirchen) B.V.	Amsterdam/The Netherlands	100.0	116	Portfolio management
122	Brack Capital (Neubrandenburg) B.V.	Amsterdam/The Netherlands	100.0	116	Portfolio management
123	Brack Capital (Ludwigsfeld) B.V.	Amsterdam/The Netherlands	100.0	116	Portfolio management
124	Brack Capital (Remscheid) B.V.	Amsterdam/The Netherlands	100.0	116	Portfolio management

13. OTHER DISCLOSURES (continued)

13.9 Declaration of Conformity with the German Corporate Governance Code (continued)

No.	Company	Headquarters	Equity interest in %	Held by No.	Business activity
	Subsidiaries fully consolidated				
125	Brack Capital Theta B.V.	Amsterdam/The Netherlands	100.0	116	Intermediate holding company
126	Graniak Leipzig Real Estate GmbH & Co KG	Frankfurt am Main	94.9	125	Portfolio management
127	BCRE Leipzig Residenz am Zoo GmbH	Frankfurt am Main	94.9	125	General Partner
128	Brack Capital Epsilon B.V.	Amsterdam/The Netherlands	100.0	116	Portfolio management
129	Brack Capital Delta B.V.	Amsterdam/The Netherlands	52.3	116	Portfolio management
130	Brack Capital Alfa B.V.	Amsterdam/The Netherlands	52.3	116	Portfolio management
131	Brack Capital (Hamburg) B.V.	Amsterdam/The Netherlands	100.0	116	None
132	BCP Leipzig B.V.	Amsterdam/The Netherlands	100.0	116	Intermediate holding company
133	BCRE Leipzig Wohnen Nord B.V.	Amsterdam/The Netherlands	100.0	132	Portfolio management
134	BCRE Leipzig Wohnen Ost B.V.	Amsterdam/The Netherlands	100.0	132	Portfolio management
135	BCRE Leipzig Wohnen West B.V.	Amsterdam/The Netherlands	100.0	132	Portfolio management
136	Brack Capital Germany (Netherlands) XVIII B.V.	Amsterdam/The Netherlands	100.0	116	Portfolio management
137	Brack Capital Germany (Netherlands) XXII B.V.	Amsterdam/The Netherlands	100.0	116	Intermediate holding company
138	BCRE Essen Wohnen B.V.	Amsterdam/The Netherlands	100.0	137	Portfolio management
139	BCRE Duisburg Wohnen B.V.	Amsterdam/The Netherlands	100.0	137	Portfolio management
140	BCRE Dortmund Wohnen B.V.	Amsterdam/The Netherlands	100.0	137	Portfolio management
141	Brack Capital Germany (Netherlands) XVII B.V.	Amsterdam/The Netherlands	100.0	116	Portfolio management
142	Brack Capital Germany (Netherlands) Hedging B.V.	Amsterdam/The Netherlands	100.0	116	None
143	Brack Capital Germany (Netherlands) XLV B.V.	Amsterdam/The Netherlands	100.0	116	Service company
144	S.I.B. Capital Future Markets Ltd.	Tel Aviv/Israel	100.0	143	Service company
145	Brack Capital Labda B.V.	Amsterdam/The Netherlands	100.0	116	Intermediate holding company
146	Hanse Holdings S.A.R.L.	Luxembourg// Grand Duchy of Luxembourg	73.3	145	Portfolio management
147	LBHQ Investments B.V.	Amsterdam/The Netherlands	100.0	116	Portfolio management
148	RealProb (Rodelheim) C.V.	Amsterdam/The Netherlands	99.0	147	Portfolio management
			1.0	149	
149	RealProb Investment Germany (Netherlands) III B.V.	Amsterdam/The Netherlands	100.0	116	Portfolio management
150	Brack Capital Germany (Netherlands) XLVII B.V.	Amsterdam/The Netherlands	100.0	116	Portfolio management

13. OTHER DISCLOSURES (continued)

13.9 Declaration of Conformity with the German Corporate Governance Code (continued)

No.	Company	Headquarters	Equity interest in %	Held by No.	Business activity
	Subsidiaries fully consolidated				
151	Brack Capital Germany (Netherlands) L B.V.	Amsterdam/The Netherlands	100.0	116	Intermediate holding company
152	Brack Capital Germany (Netherlands) LI B.V.	Amsterdam/The Netherlands	100.0	116	Intermediate holding company
153	Brack Capital Germany (Netherlands) LIII B.V.	Amsterdam/The Netherlands	100.0	116	Portfolio management
154	Brack Capital Germany (Netherlands) LIV B.V.	Amsterdam/The Netherlands	100.0	116	None
155	Brack Capital Germany (Netherlands) XLVIII B.V.	Amsterdam/The Netherlands	100.0	116	Intermediate holding company
156	Glasmacherviertel GmbH & Co. KG	Düsseldorf	100.0	155	Portfolio management
157	Brack Capital Beta B.V.	Amsterdam/The Netherlands	85.0	116	Intermediate holding company
158	Grafental Mitte B.V.	Amsterdam/The Netherlands	100.0	157	Project development
159	Brack Capital Germany (Netherlands) XXVI B.V.	Amsterdam/The Netherlands	85.0	157	Project development
160	Grafental GmbH & Co. KG	Düsseldorf	100.0	159	Project development
161	Brack Capital Germany (Netherlands) XLIX B.V.	Amsterdam/The Netherlands	100.0	116	Portfolio management
162	Brack Capital Germany (Netherlands) XLVI B.V.	Amsterdam/The Netherlands	100.0	116	Portfolio management
163	Brack Capital (Witten GmbH & Co. Immobilien KG	Düsseldorf	100.0	162	Portfolio management
164	Brack Capital Witten GmbH (GP)	Düsseldorf	100.0	162	General Partner
165	Brack Capital Germany (Netherlands) XII B.V.	Amsterdam/The Netherlands	100.0	116	Intermediate holding company
166	Brack Capital Germany (Netherlands) XIX B.V.	Amsterdam/The Netherlands	100.0	116	Portfolio management
167	Brack Capital Germany (Netherlands) XXI B.V.	Amsterdam/The Netherlands	100.0	116	Portfolio management
168	Brack Capital Germany (Netherlands) XLI B.V.	Amsterdam/The Netherlands	100.0	116	Portfolio management
169	Brack Capital Germany (Netherlands) XXIII B.V.	Amsterdam/The Netherlands	100.0	116	Portfolio management
170	Brack Capital Germany (Netherlands) XLII B.V.	Amsterdam/The Netherlands	100.0	116	Portfolio management
171	Brack Capital Germany (Netherlands) XLIII B.V.	Amsterdam/The Netherlands	100.0	116	Portfolio management
172	Brack Capital Germany (Netherlands) XLIV B.V.	Amsterdam/The Netherlands	100.0	116	Portfolio management
173	Brack Capital Germany (Netherlands) XXIV B.V.	Amsterdam/The Netherlands	100.0	116	Portfolio management

13. OTHER DISCLOSURES (continued)

13.9 Declaration of Conformity with the German Corporate Governance Code (continued)

No.	Company	Headquarters	Equity interest in %	Held by No.	Business activity
	Subsidiaries fully consolidated				
174	Brack Capital Germany (Netherlands) XXX B.V.	Amsterdam/The Netherlands	100.0	116	Portfolio management
175	Brack Capital Germany (Netherlands) LVI B.V.	Amsterdam/The Netherlands	100.0	116	None
176	Brack Capital Germany (Netherlands) XXXI B.V.	Amsterdam/The Netherlands	100.0	116	Portfolio management
177	Brack Capital Germany (Netherlands) XXXV B.V.	Amsterdam/The Netherlands	100.0	116	Portfolio management
178	Brack Capital Germany (Netherlands) XXXVI B.V.	Amsterdam/The Netherlands	100.0	116	Portfolio management
179	Brack Capital Germany (Netherlands) XXXVII B.V.	Amsterdam/The Netherlands	100.0	116	Portfolio management
180	Brack Capital Germany (Netherlands) XXXVIII B.V.	Amsterdam/The Netherlands	100.0	116	Project development
181	Brack Capital Germany (Netherlands) XXXIX B.V.	Amsterdam/The Netherlands	100.0	116	Portfolio management
182	Brack Capital Germany (Netherlands) XXV B.V.	Amsterdam/The Netherlands	100.0	116	Intermediate holding company
183	Brack Capital Wuppertal (Netherlands)	Amsterdam/The Netherlands	100.0	116	Portfolio management
184	Brack Capital (Wuppertal) GmbH	Frankfurt am Main	94.4	116	Portfolio management
185	Invest Partner GmbH	Frankfurt am Main	94.0	184	Portfolio management
186	Brack Capital Gelsenkirchen GmbH &Co. Immobilien KG	Frankfurt am Main	100.0	121	Intermediate holding company
187	Brack Capital (Oberhausen) GmbH	Frankfurt am Main	100.0	121	General Partner
188	Grafental Verwaltungs GmbH (phG)	Düsseldorf	100.0	165	General Partner
189	Brack Capital Kaufland Sarl	Luxembourg// Grand Duchy of Luxembourg	52.4	116	Intermediate holding company
190	TPL Augsburg Sàrl	Luxembourg// Grand Duchy of Luxembourg	92.0	189	Portfolio management
191	TPL Bad Aibling Sàrl	Luxembourg// Grand Duchy of Luxembourg	92.0	189	Portfolio management
192	TPL Biberach Sàrl	Luxembourg// Grand Duchy of Luxembourg	92.0	189	Portfolio management
193	TPL Borken Sàrl	Luxembourg// Grand Duchy of Luxembourg	92.0	189	Portfolio management
194	TPL Geislingen Sàrl	Luxembourg// Grand Duchy of Luxembourg	92.0	189	Portfolio management
195	TPL Erlangen Sàrl	Luxembourg// Grand Duchy of Luxembourg	92.0	189	Portfolio management

13. OTHER DISCLOSURES (continued)

13.9 Declaration of Conformity with the German Corporate Governance Code (continued)

No.	Company	Headquarters	Equity interest in %	Held by No.	Business activity
	Subsidiaries fully consolidated				
196	TPL Neckersulm Sàrl	Luxembourg// Grand Duchy of Luxembourg	92.0	189	Portfolio management
197	TPL Vilshofen Sàrl	Luxembourg// Grand Duchy of Luxembourg	92.0	189	Portfolio management
198	TPL Ludwigsburg Sàrl	Luxembourg// Grand Duchy of Luxembourg	92.0	189	Portfolio management
199	Brack Capital Eta B.V.	Amsterdam/The Netherlands	100.0	116	Intermediate holding company
200	Admiralty Holdings Limited (Gibraltar Co.)	Gibraltar/Gibraltar	94.9	199	Portfolio management
201	Brack Capital Germany (Netherlands) XL B.V.	Amsterdam/The Netherlands	100.0	116	Intermediate holding company
202	Parkblick GmbH & Co. KG	Düsseldorf	100.0	201	Portfolio management
203	Grafental am Wald GmbH (PhG)	Düsseldorf	100.0	201	General Partner
204	Brack Capital Germany (Netherlands) LII B.V. “Holdco BV”	Amsterdam/The Netherlands	100.0	116	Intermediate holding company
205	Brack Capital Patros GmbH “Holdco GmbH”	Frankfurt am Main	100.0	204	General Partner
206	Brack Capital Magdeburg I GmbH	Berlin	94.9	205	Portfolio management
207	Brack Capital Magdeburg II GmbH	Berlin	94.9	205	Portfolio management
208	Brack Capital Magdeburg III GmbH	Berlin	94.9	205	Portfolio management
209	Brack Capital Magdeburg IV GmbH	Berlin	94.9	205	Portfolio management
210	Brack Capital Magdeburg V GmbH	Berlin	94.9	205	Portfolio management
211	Brack Capital Magdeburg VI GmbH	Berlin	94.9	205	Portfolio management
212	Brack Capital Halle I GmbH	Berlin	94.9	205	Portfolio management
213	Brack Capital Halle II GmbH	Berlin	94.9	205	Portfolio management
214	Brack Capital Halle III GmbH	Berlin	94.9	205	Portfolio management
215	Brack Capital Halle IV GmbH	Berlin	94.9	205	Portfolio management
216	Brack Capital Halle V GmbH	Berlin	94.9	205	Portfolio management
217	Brack Capital Leipzig I GmbH	Berlin	94.9	205	Portfolio management
218	Brack Capital Leipzig II GmbH	Berlin	94.9	205	Portfolio management
219	Brack Capital Leipzig III GmbH	Berlin	94.9	205	Portfolio management
220	Brack Capital Leipzig IV GmbH	Berlin	94.9	205	Portfolio management
221	Brack Capital Leipzig V GmbH	Berlin	94.9	205	Portfolio management
222	Brack Capital Leipzig VI GmbH	Berlin	94.9	205	Portfolio management
223	Brack Capital Germany (Netherlands) LV B.V.	Amsterdam/The Netherlands	100.0	116	Intermediate holding company
224	RT Facitily Management GmbH & Co. KG	Düsseldorf	100.0	223	Service company
225	RT Facitily Management (Germany) GmbH (GP)	Düsseldorf	100.0	224	General Partner
226	BCRE Kassel I B.V.	Amsterdam/The Netherlands	51.0	116	Intermediate holding company
227	Brack Objekt Kassel Hafenstrasse GmbH	Frankfurt am Main	94.9	226	General Partner
228	Brack Capital (Kassel) GmbH & Co. Immobilien KG	Frankfurt am Main	94.9	226	Portfolio management
229	RealProb Investment (Duisburg) B.V.	Amsterdam/The Netherlands	100.0	116	Portfolio management

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

13. OTHER DISCLOSURES (continued)

13.9 Declaration of Conformity with the German Corporate Governance Code (continued)

No.	Company	Headquarters	Equity interest in %	Held by No.	Business activity
	Associated Companies or Joint Ventures included in the consolidated financial statements				
230	Worthing Lake Forest Investors LLC	Atlanta / USA	30.0	8	Project development
231	GG Erlabrunn Verwaltungs UG	Aue	50.0	34	Portfolio management
232	ACCENTRO REAL ESTATE AG	Berlin [2)]	6.2	1	Trade
233	ADLER Real Estate Assekuranzmakler GmbH & Co. KG	Düsseldorf	50.0	1	Insurance broker
234	Caesar JV Immobilienbesitz und Verwaltungs GmbH (vormals: Magnus Vierzehnte Immobilienbesitz und Verwaltungs GmbH)	Berlin	25.0	9	Portfolio management
235	AB Immobilien B.V.	Amsterdam/ The Netherlands	25.0	9	Portfolio management
236	Tuchmacherviertel GmbH & Co. KG	Aachen	50.0	182	Portfolio management
237	Brack Capital (Chemnitz) B.V.	Amsterdam/ The Netherlands	60.0	116	Portfolio management
	Companies not significant enough to be included at equity in the consolidated financial statements				
238	MRT (Mountleigh Roland Ernst) B.V.	Rotterdam / The Netherlands	50.0	1	none
239	Stovago B.V.	Rotterdam / The Netherlands	50.0	1	none

2) Associated Company – non-current asset held for sale

AFFIRMATION BY THE LEGAL REPRESENTATIVES

"We hereby affirm to the best of our knowledge, pursuant to the applicable accounting principles for interim financial reporting, that the interim consolidated financial statements convey a true and fair view of the Group's financial, earnings and liquidity position, that the course of business, including the results of operations and the position of the Group, is represented in the combined management report in such a manner as to convey a true and fair view and that all essential opportunities and risks foreseeable for the Group in the remainder of the financial year are described.

Berlin, 25 March 2019

Tomas de Vargas Machuca Vorstand	Maximilian Rienecker Vorstand	Sven-Christian Frank Vorstand

LEGAL REMARK

This report contains future-oriented statements that reflect the current management's views of ADLER Real Estate AG regarding future events. Every statement in this report that reflects intentions, assumptions, expectations or predictions, as well as the assumptions on which they are based, constitutes such a future-oriented statement. These statements are based on plans, estimates and forecasts currently available to the management of ADLER Real Estate AG. Therefore, they only apply to the day on which they are made. By their nature, future-oriented statements are subject to risks and uncertainty factors, and the actual developments can deviate considerably from the future-oriented statements or the events implicitly expressed in them. ADLER Real Estate AG is not obligated, nor does it intend, to update such statements in view of new information or future events.

AUDITOR'S REPORT

This is a convenience translation of the German original. Only the original text in German is authoritative.

To ADLER Real Estate Aktiengesellschaft, Berlin

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND THE COMBINED MANAGEMENT REPORT

Audit Opinions

We have audited the consolidated financial statements of ADLER Real Estate Aktiengesellschaft, Berlin and its subsidiaries (the Group), comprising the consolidated statement of financial position as at 31 December 2018, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the financial year from 1 January to 31 December 2018, and the notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we audited the combined management report of ADLER Real Estate Aktiengesellschaft for the financial year from 1 January to 31 December 2018. We did not audit the contents of the Group's management declaration published on the Group's website pursuant to Section 315d HGB and the separate non-financial consolidated report pursuant to Sections 315b and 315c HGB, to which reference is made in Section 6 and Section 1 of the combined management report, in compliance with German law.

In our opinion, based on the findings of our audit,

- the attached consolidated financial statements comply in all material respects with IFRSs, as adopted by the EU, and the additional requirements of German law pursuant to Section 315e (1) HGB and, in accordance with these requirements, give a true and fair view of the Group's net assets and financial position as at 31 December 2018, and of its results of operations for the financial year from 1 January to 31 December 2018, and
- the attached combined management report as a whole presents an accurate view of the Group's position. The combined management report is consistent with the consolidated financial statements, complies with German legal regulations and suitably presents the opportunities and risks of future development. Our audit opinion regarding the combined management report does not extend to the contents of the Group's management declaration pursuant to Section 315d HGB published on the Group's website and the separate non-financial consolidated report pursuant to Section 315b and 315c HGB, to which reference is made in Section 6 and Section 1 of the combined management report.

Pursuant to Section 322 (3) Sentence 1 HGB, we state that our audit has not led to any reservations with regard to the compliance of the consolidated financial statements or the combined management report.

Basis for the Audit Opinions

We conducted our audit of the consolidated financial statements and the combined management report in accordance with Section 317 HGB, the EU Audit Regulation (No. 537/2014; hereinafter "EU-AR"), and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Our responsibility according to these regulations and standards is described in further detail in the "Responsibility of the Auditor for the Audit of the Consolidated Financial Statements and the Combined Management Report" section of our auditor's report. We are independent of the consolidated companies in compliance with the provisions of European law, German commercial law and professional law and have fulfilled our other German professional obligations in compliance with these requirements. In addition, we declare pursuant to Article 10 (2) lit. f) EU-AR that we have provided no prohibited non-audit services referred to in Article 5 (1) EU-AR. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions regarding the consolidated financial statements and the combined management report.

Key Audit Matters in the Audit of the Consolidated Financial Statements

Key audit matters are such matters that, in our professional judgement, were the most significant in our audit of the consolidated financial statements for the fiscal year from 1 January to 31 December 2018. These matters were considered in connection with our audit of the consolidated financial statements as a whole and the formulation of our audit opinion; we do not provide a separate audit opinion on these matters.

We present the matters that we consider key audit matters below:

1. Recoverability of goodwill
2. Fair value adjustments of investment properties
3. Initial consolidation of Brack Capital Properties N.V., Amsterdam/Netherlands

Ref 1) Recoverability of goodwill

a) Financial Statement Risk

As of the reporting date, the consolidated statement of financial position shows goodwill items with a total carrying amount of EUR 170.8 million. The Group's disclosures on goodwill are included in Sections 5.3, 6 and 8.1 of the notes to the consolidated financial statements. According to IAS 36.90, cash-generating units to which goodwill has been allocated shall be tested for impairment at least annually. This impairment test is carried out by ADLER Real Estate Aktiengesellschaft in the fourth quarter of each year. For each group of cash-generating units, the carrying amount should be compared with the recoverable amount. The recoverable amount is the higher of the value in use as determined using a discounted cash flow method and fair value less disposal costs. As the value in use for the groups of cash-generating units was above the carrying amount as at 31 December 2018, the additional determination of the fair value less disposal costs was not required. However, the result of this measurement depends to a large extent on expectations regarding the future development of the respective operating business, the resulting cash flows and the discount rate used (WACC). In addition, the unchanged observable yield compression, i.e. the different dynamics of the development in property purchase price and rental price, also had an effect in the 2018 financial year. This is due to the carrying amount of investment properties which increases more strongly compared to the forecast cash flows. These carrying amounts decrease the difference between the value in use and the carrying amount of the group of cash-generating units. The result of the impairment test therefore depends significantly on the influence of estimated values. As even minor changes in the assumptions regarding the expected cash flows or the discount rate can have a significant impact on the recoverable amount, we believe that these matters were particularly significant for our audit. Comprehensive disclosures are required in the notes under IAS 36.

b) Audit Approach and Conclusions

As part of our audit, in addition to checking the appropriateness of the measurement model, we checked the plausibility of the planning underlying the impairment tests of all material goodwill on the basis of the historical development and industry-specific market expectations. As a significant part of the value in use results from cash flow forecasts for the period after the detailed planning period (perpetual phase), in particular we have critically assessed the sustainable expected rental increase applied in the perpetual phase. We inspected the planning for potentially biased judgement. As well as checking the plausibility of the underlying planning, we assessed planning accuracy by comparing the previous year's planning with the values actually achieved. With regard to the discount rate used, we have checked the appropriateness of the discount rate provided by an external expert concerning the individual parameters used as well as a critical overall assessment. The impairment test performed as at the balance sheet date identified significant surplus cover of the recoverable amount above the carrying amount for the cash-generating units being assessed. We validated the client's calculation results using complementary analyses, including sensitivity analyses. We also checked the completeness and appropriateness of the disclosures required under IAS 36 in the notes to the consolidated financial statements.

We have no indications or findings that the discretion of the legal representatives would not be balanced and appropriate to the valuation parameters and assumptions used. The disclosures made in the notes to the consolidated financial statements in accordance with IAS 36, including those relating to the sensitivities, are complete and appropriate.

Ref 2) Fair value adjustments of investment properties

a) Financial Statement Risk

As at the reporting date, the consolidated statement of financial position shows investment properties with a total carrying amount of EUR 4,989.1 million. ADLER Real Estate Aktiengesellschaft measures investment properties at fair value in accordance with IAS 40 in connection with IFRS 13. In the past financial year, increases in fair value of EUR 465.1 million were recognised in the consolidated statement of financial position. The Company's disclosures on investment properties are included in Sections 5.2, 6 and 8.3 of the notes to the consolidated financial statements. Further information on the opportunities and risks is provided in Chapter 7 of the combined management report. As part of our audit, the fair value of investment properties is determined by reference to surveys compiled by external experts on the basis of current market data and using internationally recognised valuation methods. Discounted cash flow methods are used to discount cash flows expected to be generated by a property object by application of a market-specific, property-specific discount and capitalisation interest rate on the balance sheet date as at 31 December 2018. We believe the measurement of investment properties was of significant importance, as the approach and the measurement of this item which has a significant impact on the amount is largely based on estimates and assumptions. Even small changes in the parameters relevant for measurement can lead to significant changes in the resulting fair values. The most significant parameters in the past financial year were the discounting and capitalisation rates and the sustainable future rental income. Their development reflects the different dynamics of property purchase price and rental price development (yield compression), which is the main driving force for the increase in fair values as at 31 December 2018 compared to the previous year. In addition, IAS 40 and IFRS 13 require a large number of disclosures, the completeness and appropriateness of which are to be ensured.

b) Audit Approach and Conclusions

In particular, our audit procedures included an assessment of the measurement process for compliance with IAS 40 in connection with IFRS 13, the accuracy and completeness of the data used on property holdings and the appropriateness of the parameters related to the measurement, such as discount and capitalisation rates, sustainable rental income, operating costs and vacancy rates. To assess the parameters relevant for measurement used, we also used external market data among other aspects. For a deliberate risk-oriented selection of measurement units, we conducted onsite inspections to check the respective condition of the property and its appropriate consideration in the reports of the external experts. We also obtained a second valuation report (control account) from another external expert. We convinced ourselves of the qualification and objectivity of the external surveyors commissioned by ADLER Real Estate Aktiengesellschaft. With the knowledge that even relatively small changes in the parameters relevant to the measurement can have a significant impact on the amount of investment properties, we also checked the sensitivity analyses carried out by ADLER Real Estate Aktiengesellschaft and in mathematical terms verified the effects of possible fluctuations in these parameters. We also assessed the appropriateness of the associated disclosures in the consolidated financial statements.

ADLER Real Estate Aktiengesellschaft has implemented appropriate regulations suitable for determining fair values in accordance with IAS 40 and IFRS 13. In our view, the assessments of the legal representatives on which the accounting is based are sufficiently documented and substantiated and ensure an appropriate presentation in the consolidated financial statements. The disclosures in the notes to the consolidated financial statements in accordance with IAS 40 and IFRS 13 are complete and appropriate.

Ref 3) Firt-time (initial) consolidation of Brack Capital Properties N.V., Amsterdam/The Netherlands

a) Financial Statement Risk

With effect as at 2 April 2018, ADLER Real Estate Aktiengesellschaft acquired 69.81 percent of the shares in Brack Capital Properties N.V., Amsterdam/Netherlands, (BCP), whose shares are traded on the Tel Aviv Stock Exchange, Israel, thus gaining controlling influence over BCP. BCP owns a property portfolio of 11,678 units in Germany. The acquisition was recognised as a business combination within the meaning of IFRS 3. At the time of acquisition, a provisional purchase price was allocated, which, taking into account acquisition costs of EUR 554.8 million, resulted in goodwill of EUR 69.6 million.

This acquisition transaction constitutes the most significant transaction of the Group in the 2018 financial year and its presentation in the consolidated financial statements of ADLER Real Estate Aktiengesellschaft, Berlin, requires judgement and scope for judgement. There is a risk for the financial statements that the acquired assets and liabilities assumed may be incorrectly identified or measured. There is also the risk that the information required by IFRS 3 in the notes to the consolidated financial statements is not complete or appropriate.

The disclosures of ADLER Real Estate Aktiengesellschaft on the transaction are contained in Sections 4.2, “Business combinations” and 8.1, “Goodwill, intangible assets” of the notes to the consolidated financial statements, and Section 3., “Results from operations, net assets and financial position” in the combined management report.

b) Audit approach and conclusions

As part of the audit of the acquisition transaction, we have checked the company acquisition agreements, in particular the agreement with Redzone Empire Holding Limited, Cyprus, the special tender offer and acquisitions made by the senior management of BCP and other relevant documents. Based on these documents and consulting the Management Board and relevant employees, we have gained an understanding of the transaction. To gain further knowledge about the business activities and the economic and legal environment of BCP, we held discussions with the auditor of BCP. We also satisfied ourselves that the acquired assets and liabilities are a business and the transaction represents a business combination.

The provisional identification of individual assets and liabilities and the provisional determination of the fair values were based on (fair value) appraisals prepared by external surveyors commissioned by ADLER Real Estate Aktiengesellschaft. We assessed the extent to which the work of the external surveyors can be utilised, taking into account their competence, ability and objectivity. Our additional audit procedures, for which we also included property experts commissioned by ADLER Real Estate Aktiengesellschaft, focus in particular on the identification of value-determining factors for the investment properties to be valued – in particular the market rents and the expected rental price development, the estimated maintenance costs and the discount and capitalisation rates – and focused on the full recognition and measurement of financial liabilities. In addition, we examined the data provided to the surveyors for completeness and accuracy and assessed the consistency of the assumptions with industry-specific market assessments. Our audit procedures also included an analysis and assessment of the possible loss of tax loss carryforwards as well as the recognition of liabilities and receivables from land transfer tax. For the goodwill resulting from the purchase price allocation, we analysed the main synergy drivers and assessed them on the basis of the information and evidence provided to us.

In addition, we evaluated the presentation of non-controlling interests. By reviewing contracts and accounts and corresponding coordination with Accounting, we have verified whether the costs incurred in connection with the business combination were recognised as expenses and recognised as other operating expenses. Finally, we assessed whether the disclosures on the acquisition of BCP are complete and appropriate.

The purchase price allocation shown in the consolidated financial statements was made appropriately overall on the basis of appropriate measurement models, assumptions and data. The disclosures in the notes to the consolidated financial statements are complete and appropriate.

Other information

The legal representatives are responsible for the other information. The other information includes:

- the Group's company management declaration published on the Company's website pursuant to Section 315d HGB, to which reference is made in Section 6 of the combined management report,
- the Group's separate non-financial consolidated report, to which reference is made in Section 1 of the combined management report,
- the other parts of the annual report, with the exception of the audited consolidated financial statements and combined management report and our auditor's report,
- the Corporate Governance Report in accordance with No. 3.10 of the German Corporate Governance Code and
- the responsibility statement pursuant to Section 297 (2) Sentence 4 HGB on the consolidated financial statements and the responsibility statement pursuant to Section 289 (1) Sentence 5 HGB in connection with Section 315 (1) Sentence 5 HGB on the combined management report.

Our audit opinions regarding the consolidated financial statements and the combined management report do not extend to the other information, and accordingly we provide neither an audit opinion nor any other form of audit conclusion in this regard.

As part of our audit of the consolidated financial statements, we have a responsibility to read the other information and to evaluate whether it

- exhibits material discrepancies with the consolidated financial statements, the combined management report or the knowledge we have obtained during our audit, or
- otherwise seems significantly incorrect.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibility of the legal representatives and the Supervisory Board for the consolidated financial statements and the combined management report

The legal representatives are responsible for preparing the consolidated financial statements, which in all material respects comply with IFRSs, as adopted by the EU, and the additional requirements of German law pursuant to Section 315e (1) HGB, and for the consolidated financial statements giving a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. Furthermore, the legal representatives are responsible for the internal controls that they deemed necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

When preparing the consolidated financial statements, the legal representatives are responsible for assessing the Group's status as a going concern. In addition, they have a responsibility to disclose matters related to the status as a going concern, if relevant. They are also responsible for accounting on the basis of the going concern principle, unless they intend to liquidate the Group or discontinue its business operations, or there is no realistic alternative.

Moreover, the legal representatives are responsible for preparing the combined management report, which as a whole provides an accurate view of the Group's position and is consistent with the consolidated financial statements in all material respects, complies with German legal regulations and suitably presents the opportunities and risks of future development. The legal representatives are also responsible for the arrangements and measures (systems) that they considered necessary to enable the preparation of a combined management report in compliance with applicable German legal regulations and to allow sufficient, suitable evidence to be provided for the statements in the combined management report.

The Supervisory Board is responsible for monitoring the Group's accounting process for the preparation of the consolidated financial statements and the combined management report.

Responsibility of the auditor for the audit of the consolidated financial statements and the combined management report

Our objective is to obtain reasonable assurance as to whether the consolidated financial statements as a whole are free from material misstatements, whether due to fraud or error, and whether the group management report as a whole provides an accurate view of the Group's position and is in all material respects consistent with the consolidated financial statements and with the findings of the audit, complies with German legal regulations and suitably presents the opportunities and risks of future development, and to issue an auditor's report containing our audit opinions regarding the consolidated financial statements and the combined management report.

Reasonable assurance is a high level of assurance but not a guarantee that an audit carried out in compliance with Section 317 HGB, the EU-AR and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW) will always uncover a material misstatement. Misstatements can result from transgressions or inaccuracies and are deemed material if it could be reasonably expected that they would individually or together influence the financial decisions made by users on the basis of the consolidated financial statements and combined management report.

We exercise due discretion during an audit and maintain a critical attitude. In addition,

- we identify and evaluate the risk of material misstatements, whether due to fraud or error, in the consolidated financial statements and the combined management report, plan and implement audit procedures in response to these risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk that material misstatements are not uncovered is higher in the case of transgressions than in the case of inaccuracies, as transgressions can entail fraudulent collaboration, falsifications, deliberate omissions, misleading depictions or the suspension of internal controls.
- we gain an understanding of the internal control system relevant for the audit of the consolidated financial statements and of the arrangements and measures relevant for the audit of the combined management report in order to plan audit procedures that are appropriate given the circumstances, but not with the aim of providing an audit opinion regarding the effectiveness of these systems.
- we evaluate the appropriateness of the accounting policies used by the legal representatives and the reasonableness of the estimated values presented by the legal representatives and the associated disclosures.
- we draw conclusions about the appropriateness of the going concern principle applied by the legal representatives and, on the basis of the audit evidence obtained, whether there is material uncertainty regarding events or circumstances that could cause significant doubt about the Group's ability to continue as

a going concern. If we come to the conclusion that there is material uncertainty, we are obliged to call attention to the associated disclosures in the consolidated financial statements and in the combined management report in the auditor's report or, if these disclosures are inappropriate, to modify our respective audit opinion. We draw our conclusions on the basis of the audit evidence obtained up to the date of our auditor's report. However, future events or circumstances may mean that the Group is no longer a going concern.

- we evaluate the overall presentation, the structure and the content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events such that the consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with IFRSs, as adopted by the EU, and the additional requirements of German law pursuant to Section 315a (1) HGB.
- we obtain sufficient appropriate audit evidence for the Company's accounting information or business activities within the Group in order to provide audit opinions regarding the consolidated financial statements and the combined management report. We are responsible for directing, monitoring and implementing the audit of the consolidated financial statements. We bear sole responsibility for our audit opinions.
- we evaluate the consistency of the combined management report with the consolidated financial statements, its legality and the view it gives of the position of the Group.
- we conduct audit procedures regarding the forward-looking disclosures made by the legal representatives in the combined management report. On the basis of sufficient appropriate audit evidence, we examine the significant assumptions underlying the legal representatives' forward-looking disclosures in particular and evaluate the appropriateness of the derivation of the forward-looking disclosures from these assumptions. We do not provide a separate audit opinion regarding the forward-looking disclosures or the underlying assumptions. There is a considerable, unavoidable risk that future events will differ significantly from the forward-looking disclosures.

Topics for discussion with those responsible for monitoring include the planned scope and scheduling of the audit as well as significant audit findings, including any deficiencies in the internal control system that we find during our audit.

We issue a statement to the monitors to the effect that we have complied with the relevant independence requirements and discuss with them all relationships and other matters that can reasonably be assumed to affect our independence and the safeguards put in place to protect against this.

From among the matters that we have discussed with the monitors, we determine which matters were most significant in the audit of the consolidated financial statements for the current reporting period and are therefore the key audit matters. We describe these matters in the auditor's report, unless laws or other legal provisions preclude their public disclosure.

Other legal and regulatory requirements

Other disclosures pursuant to Article 10 EU-AR

We were elected as the auditor of the consolidated financial statements by the Annual General Meeting on 30 May 2018. We were engaged by the Supervisory Board on 5 October 2018. We have been the auditor of the consolidated financial statements of ADLER Real Estate Aktiengesellschaft without interruption since the 2010 financial year.

We declare that the audit opinions contained in this auditor's report are consistent with the additional report to the Supervisory Board according to Article 11 EU-AR (audit report).

Auditor responsible

The German Public Auditor responsible for the engagement is Mr. Julian Breidthardt.
Hamburg, 25 March 2019

Ebner Stolz GmbH & Co. KG
Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft

Thomas Götze	Julian Breidthardt
Auditor	Auditor

ADLER Real Estate Aktiengesellschaft

Consolidated financial statements of ADLER Real Estate Aktiengesellschaft as of and for the fiscal year ended December 31, 2017

CONSOLIDATED BALANCE SHEET

(IFRS) as at 31 December 2017

In EUR '000	Note	31.12.2017	31.12.2016
Assets		**3,778,967**	**3,430,477**
Non-current assets		**3,125,490**	**2,577,578**
Goodwill	8.1	**101,198**	130,552
Intangible assets	8.1	**567**	583
Property, plant and equipment	8.2	**4,948**	3,434
Investment properties	8.3	**3,018,518**	2,441,988
Loans to associated companies	8.4	**0**	0
Investments in associated companies	8.5	**25**	497
Other financial investments	8.6	**28**	69
Other non-current assets	8.6	**205**	48
Deferred tax assets	8.7	**0**	408
Current assets		**629,895**	**418,211**
Inventories	8.8	**2,978**	227,057
Trade receivables	8.9	**10,717**	11,749
Income tax receivables	8.9	**4,459**	1,407
Other current assets	8.9	**243,508**	54,086
Cash and cash equivalents	8.10	**368,233**	123,911
Non-current assets held for sale	**8.11**	**23,582**	**434,688**
Equity and liabilities		**3,778,967**	**3,430,477**
Shareholders' equity		**1,037,500**	**914,222**
Capital stock	8.12	**57,548**	47,702
Treasury shares	8.12	**-1,392**	0
		56,156	47,702
Capital reserve	8.13	**350,203**	352,105
Retained earnings	8.14	**-1,310**	-2,510
Currency translation reserve	8.15	**86**	90
Net retained profit		**555,442**	445,786
Equity attributable to owners of the parent company		**960,576**	843,174
Non-controlling interests	8.16	**76,924**	71,048
Non-current liabilities		**2,363,126**	**2,111,222**
Pension provisions	8.17	**3,989**	4,954
Deferred tax liabilities	8.7	**164,571**	113,142
Other provisions	8.18	**1,664**	1,622
Liabilities from convertible bonds	8.19	**119,731**	143,870
Liabilities from bonds	8.20	**1,277,640**	509,454
Financial liabilities to banks	8.21	**749,188**	1,312,502
Other non-current liabilities	8.22	**46,344**	25,677
Current liabilities		**377,512**	**397,482**
Other provisions	8.18	**46**	3,926
Income tax liabilities	8.23	**2,516**	13,969
Liabilities from convertible bonds	8.19	**6,505**	1,554
Liabilities from bonds	8.20	**42,679**	8,281
Financial liabilities to banks	8.21	**278,676**	320,328
Trade payables	8.23	**29,125**	22,492
Other current liabilities	8.23	**17,964**	26,931
Liabilities held for sale	8.11	**829**	**7,553**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(IFRS) for the period from 1 January to 31 December 2017

In EUR '000	Note	2017	2016 [1]
Gross rental income	9.1	**264,388**	245,802
Expenses from property lettings	9.2	**-138,589**	-136,771
Earnings from property lettings		**125,799**	**109,031**
Income from the sale of properties	9.3	**34,854**	41,905
Expenses from the sale of properties	9.4	**-34,065**	-42,408
Earnings from the sale of properties		**789**	**-503**
Personnel expenses	9.5	**-20,302**	-16,694
Other operating income	9.6	**9,508**	7,927
Other operating expenses	9.7	**-38,535**	-30,390
Income from fair value adjustments of investment properties	9.8	**235,386**	199,677
Depreciation and amortisation	9.9	**-826**	-560
Earnings before interest and tax (EBIT)		**311,820**	**268,487**
Financial income	9.10	**5,392**	2,509
Financial costs	9.11	**-158,775**	-122,876
Net income from at-equity valued investment associates	9.12	**0**	10,653
Earnings before tax (EBT)		**158,437**	**158,772**
Income taxes	9.13	**-52,066**	-46,036
Consolidated net profit from continuing operations		**106,371**	**112,736**
Earnings after taxes of discontinued operations	9.14	**36,260**	21,040
Consolidated net profit		**142,631**	**133,776**
Actuarial gains/losses before taxes	8.17	**821**	-823
Deferred taxes on actuarial gains/losses	8.17	**-244**	260
OCI gains/losses not reclassifiable into profit or loss		**577**	**-563**
OCI SWAP – reclassifiable	10.3	**0**	-399
Deferred taxes OCI – reclassifiable	10.3	**0**	129
OCI own bonds – reclassifiable		**0**	0
Gains/losses from currency translation	8.15	**-4**	-2
Change in value of interests in companies accounted for under at-equity	8.5	**1,589**	-1,589
Change in value of available-for-sale financial assets	10.1	**-966**	0
OCI gains/losses not reclassifiable into profit or loss		**619**	**-1,861**
Total comprehensive income		**143,827**	**131,352**
Carry-over total comprehensive income		**143,827**	**131,352**
Net profit from continuing operations:			
Owners of the parent company		**92,112**	102,812
Non-controlling interests		**14,259**	9,924
Consolidated net profit attributable to:			
Owners of the parent company		**126,754**	120,948
Non-controlling interests		**15,877**	12,828
Total comprehensive income attributable to:			
Owners of the parent company		**127,950**	118,524
Non-controlling interests		**15,877**	12,828
Earnings per share, basic in EUR (consolidated net profit from continuing operations)	9.15	**1.39**	1.63
Earnings per share, diluted in EUR (consolidated net profit from continuing operations)	9.15	**1.30**	1.50
Earnings per share, basic in EUR (consolidated net profit) [2]	9.15	**1.91**	1.92
Earnings per share, diluted in EUR (consolidated net profit) [2]	9.15	**1.78**	1.76

1) Adjusted statement due to sale of trading, see comments in the notes for the group financial statements (2.1 Basis of preparation)

2) Previous year adjusted corresponding to IAS 33.64; please see comments in notes to the consolidated statements under earnings per share

CONSOLIDATED STATEMENT OF CASH FLOWS

(IFRS) for the period from 1 January to 31 December 2017

	In EUR '000	**2017**	**2016**
	Earnings before interest and taxes (EBIT) – continuing and discontinued operations	**359,086**	301,835
+	Depreciation and amortisation	**1,173**	1,174
–/+	Net income from fair value adjustments of investment properties	**-235,386**	-199,677
–/+	Non-cash income/expenses	**-12,582**	6,555
–/+	Changes in provisions and accrued liabilities	**-2,673**	2,790
–/+	Increase/decrease in inventories, trade receivables and other assets not attributable to investment or financing activities	**-11,245**	15,009
–/+	Increase/decrease in trade payables and other liabilities not attributable to investment or financing activities	**6,036**	-8,529
+	Interest received	**3,048**	714
+	Dividends received	**223**	8,720
+/–	Tax payments	**-8,479**	-1,164
=	**Operating cash flow before de-/reinvestment into the trading portfolio**	**99,201**	**127,427**
–/+	Increase/decrease in inventories (commercial properties)	**-62,853**	-26,877
=	**Net cash flow from operating activities**	**36,348**	**100,550**
	thereof continuing operations	**66,221**	80,239
	thereof discontinued operations	**-29,873**	20,311
–	Acquisition of subsidiaries, net of cash acquired	**-154,061**	-16,666
+	Disposal of subsidiaries, net of cash disposed	**7,133**	3,968
–	Purchase of investment properties	**-79,081**	-40,659
+	Disposal of investment properties, net of cash disposed	**32,618**	45,813
–	Purchase of property, plant and equipment and intangible assets	**-2,827**	-537
+	Disposal of property, plant and equipment and intangible assets	**56**	398
–	Payments into short-term deposits	**-28,244**	-20,024
+	Payments from short-term deposits	**20,822**	27,187
+	Proceeds of from deinvestments of financial assets less costs to sell	**416,260**	0
–	Investments in financial assets	**0**	-78,979
=	**Net cash flows from investing activities**	**212,676**	**-79,499**
	thereof continuing operations	**212,766**	-80,738
	thereof discontinued operations	**-90**	1,239
–	Payments for acquisition of treasury shares including acquisition costs	**-18,507**	0
–	Transactions with non-controlling interests	**-4,811**	0
+	Proceeds from issue of convertible bonds	**0**	131,006
–	Payments for acquisition and repayment of convertible bonds	**-35,178**	0
+	Proceeds from issue of bonds	**956,545**	23,651
–	Repayment of bonds	**-142,100**	0
–	Payments from issuing debt	**-19,366**	-5,261
–	Interest payments	**-147,112**	-94,166
+	Proceeds from bank loans	**170,182**	509,727
–	Repayment of bank loans	**-764,355**	-511,599
=	**Net cash flows from financing activities**	**-4,702**	**53,358**
	of which from continuing operations	**-17,284**	56,230
	of which from discontinued operations	**12,582**	-2,872
	Reconciliation to Consolidated Balance Sheet		
	Cash and cash equivalents at beginning of periods	**123,911**	**49,502**
	Net cash flow from operating activities	**36,348**	100,550
	Net cash flow from investing activities	**212,676**	-79,499
	Net cash flow from financing activities	**-4,702**	53,358
=	**Cash and cash equivalents at end of periods**	**368,233**	**123,911**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(IFRS) for the period from 1 January to 31 December 2017

In EUR '000	Capital stock	Treasury shares	Capital reserves	Retained earnings	Currency translation reserve	Net retained profit	Equity attributable to the owners of the parent company	Non-controlling interests	Total equity
As at 1 January 2016	**46,103**	**0**	**449,360**	**-88**	**92**	**223,891**	**719,358**	**58,562**	**777,921**
Consolidated net profit	**0**	0	0	0	0	120,949	120,949	12,828	133,777
Withdrawals from reserves	**0**	0	-100,946	0	0	100,946	0	0	0
Other comprehensive income (OCI) – reclassifiable	**0**	0	0	-1,859	-2	0	-1,861	0	-1,861
Other comprehensive income (OCI) – non-reclassifiable	**0**	0	0	-563	0	0	-563	0	-563
Change in scope of consolidation	**0**	0	0	0	0	0	0	748	748
Increase/decrease in shareholding with no change in status	**0**	0	-12,888	0	0	0	-12,888	-1,838	-14,726
Convertible bond issue	**0**	0	12,676	0	0	0	12,676	0	12,676
Conversion of convertible bonds	**1,599**	0	3,903	0	0	0	5,502	748	6,250
As at 31 December 2016	**47,702**	**0**	**352,105**	**-2,510**	**90**	**445,786**	**843,173**	**71,048**	**914,222**
As at 1 January 2017	**47,702**	**0**	**352,105**	**-2,510**	**90**	**445,786**	**843,173**	**71,048**	**914,222**
Consolidated net profit	**0**	0	0	0	0	126,753	126,753	15,878	142,631
Other comprehensive income (OCI) – reclassifiable	**0**	0	0	623	-4	0	619	0	619
Other comprehensive income (OCI) – non-reclassifiable	**0**	0	0	577	0	0	577	0	577
Dividend payments to shareholders	**0**	0	0	0	0	0	0	-511	-511
Change in scope of consolidation	**0**	0	0	0	0	0	0	-2,973	-2,973
Increase/decrease in shareholding with no change in status	**0**	0	-1,369	0	0	0	-1,369	-6,960	-8,329
Capital increase from company funds	**4,773**	0	-4,773	0	0	0	0	0	0
Acquisition of treasury shares	**0**	-1,392	0	0	0	-17,097	-18,489	0	-18,489
Convertible bond acquisition	**0**	0	0	0	0	0	0	0	0
Conversion of convertible bonds	**5,073**	0	4,240	0	0	0	9,313	442	9,755
As at 31 December 2017	**57,548**	**-1,392**	**350,203**	**-1,310**	**86**	**555,442**	**960,576**	**76,924**	**1,037,500**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

ADLER Real Estate Aktiengesellschaft (hereinafter "ADLER") is the parent company of the Group and has its legal domicile at Joachimsthaler Strasse 34, Berlin, Germany. The company is entered in the Commercial Register of Charlottenburg District Court under HRB 180360 B. Its financial year is the calendar year.

ADLER is a publicly listed real estate company focusing on establishing and developing a substantial and profitable property portfolio. Its activities centre on the acquisition, development and management of residential properties throughout Germany. In addition to this, ADLER has been expanding its portfolio of new-build project developments since the beginning of the 2017 financial year.

The objective of ADLER's activities is to invest in residential properties that offer sustainable potential for value appreciation and whose current income contributes to the company's overall success. The company's operating strategy also includes active value creation, i.e. improving its existing residential property portfolios by means of expansion, conversion or modernisation measures.

Furthermore, ADLER's core activities also included trading with residential properties and individual apartments. Within the ADLER Group, trading activities were largely covered by the Group's majority interest in the listed company ACCENTRO Real Estate AG (hereinafter "ACCENTRO"). Mid-October 2017 ADLER has sold most of its shares in ACCENTRO. Please refer to our comments under 2.1 Basis for the preparation of financial statements and 4.4 Disposal of ACCENTRO.

The consolidated financial statements and the group management report were approved for publication by the Management Board, subject to approval by the Supervisory Board, on 22 March 2018.

2. BASIS OF ACCOUNTING

2.1 Basis for the preparation of financial statements

ADLER's consolidated financial statements as at 31 December 2017 have been prepared in accordance with the International Financial Reporting Standards (IFRS) requiring mandatory application in the European Union. Supplementary application has been made of the requirements of § 315e (1) of the German Commercial Code (HGB). The requirements of the standards applied have been met and the financial statements represent a true and fair view of the company's asset, financial and earnings position.

The financial years of the parent company, its subsidiaries and associates are equivalent to the calendar year. The financial statements of subsidiaries have been prepared on the basis of uniform accounting policies. The statement of comprehensive income has been prepared using the total cost method.

The preparation of the consolidated financial statements requires the use of discretionary decisions, estimates and assumptions in respect of recognition and measurement. The areas that are more subject to judgement and complexity and those areas where assumptions and estimates are of decisive significance for the consolidated financial statements are presented in Note 6.

With economic effect as of 30 November 2017, ADLER lost its controlling influence over ACCENTRO and its subsidiaries by selling the majority of the shares in that company. With the sale of the majority stake in ACCENTRO, ADLER discontinued its Trading segment and reported the remaining investment in ACCENTRO under non-current assets held for sale. The Consolidated Statement of Comprehensive Income and the Consolidated Statement of Cash Flows were adjusted in accordance with IFRS 5, including the previous year's comparative figures. The Consolidated Statement of Comprehensive Income shows only continuing operations in the respective items, while the discontinued operations Trading segment is aggregated in a total (earnings after tax from discontinued operations, see Note 9.14). With regard to the Consolidated Statement of Cash Flows, cash flows from operating, investing and financing activities are shown in relation to continuing and discontinued operations.

The consolidated financial statements have been prepared in euros, the Group's functional currency. Unless otherwise indicated, all figures presented in euros have been rounded up or down to the nearest thousand euros (EUR thousands). Statements of thousand-euro amounts may result in discrepancies due to rounding up or down. Figures in brackets generally refer to the previous year.

2. BASIS OF ACCOUNTING (continued)

2.2 Accounting standards applicable for the first time in the 2017 financial year

The Group made application of the following new and revised IFRS standards and interpretations in the 2017 financial year:

Standard/Interpretation	Title	IASB Effective date [1]	Initial application date in the EU [1]
Amend. IAS 7	Statement of cash flows	01.01.2017	01.01.2017
Amend. IAS 12	Recognition of deferred tax assets for unrealised losses	01.01.2017	01.01.2017
Annual improvement process (2014 – 2016 cycle)	Changes to IFRS 12	01.01.2017	01.01.2017

[1] For financial years beginning on or after this date

Amendment to IAS 7 – Statement of cash flows

The amendments pursue the objective that entities should provide disclosures enabling users of financial statements to evaluate changes in liabilities arising from financing activities. Assuming that the information is relevant to decisions taken by users, an entity is basically required to make disclosures on liabilities arising from financing activities in the following cases: changes from financing cash flows, changes arising from obtaining or losing control of subsidiaries or other businesses, the effect of changes in foreign exchange rates and changes in fair values. One way of presenting the required disclosures involves providing a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities. ADLER has provided this reconciliation as a table supplementing its statement of cash flows (see 12.6, "Notes to the cash flow statement").

Amendment IAS 12 – Recognition of deferred tax assets for unrealised losses

In particular, the amendments clarify that an unrealised loss on a debt instrument that is measured at fair value leads to a deductible temporary difference if the tax value of the debt instrument corresponds to its acquisition cost. This applies regardless of whether the holder expects to hold the instrument to maturity in order to obtain the nominal value or whether it intends to dispose of the instrument.

Annual improvement process (2014–2016 cycle)

Amendments were made to IFRS 12 as part of the Annual Improvement Project. It was clarified that the disclosure requirements of IFRS 12, except for those in IFRS 12.B10-B16, also apply to an equity's interests in a subsidiary, joint venture or associate that are within the scope of IFRS 5 and are classified as held for sale.

The aforementioned amendments did not have any material implications.

2. BASIS OF ACCOUNTING (continued)

2.3 Standards and interpretations not prematurely applied

Alongside the new standards and interpretations listed below which are of basic relevance, a number of further standards and interpretations were also adopted. These are not expected to have any material implications for the consolidated financial statements. Because of this, we have foregone listing and describing these standards and interpretations. The Group does not intend to prematurely apply any of the new standards and interpretations.

Standard/Interpretation	Title	IASB effective date 1)	Initial application date in the EU 1)
EU-endorsement achieved:			
IFRS 9	Financial instruments	01.01.2018	01.01.2018
IFRS 15 and Amend. IFRS 15	Revenues from contracts with customers	01.01.2018	01.01.2018
IFRS 16	Leasing	01.01.2019	01.01.2019
EU-endorsement outstanding:			
Amend. IAS 40	Transfer of investment properties	01.01.2018	Expected 01.01.2018
IFRIC 23	Uncertainty over income tax treatment	01.01.2019	Expected 01.01.2019

1) For financial years beginning on or after this date

IFRS 9 – Financial Instruments

IFRS 9 “Financial Instruments” will replace IAS 39 and introduce a uniform approach towards the classification and measurement of financial assets and liabilities. In the future, the subsequent measurement of financial assets will be based on three categories with different valuation standards and different methods used to recognise value changes. Instruments will be categorised by reference both to the contractual cash flows of the instrument and to the business model in which the instrument is held. For financial liabilities, by contrast, the existing categorisation requirements in IAS 39 have largely been duplicated in IFRS 9. Furthermore, IFRS 9 provides a new impairment model based on expected credit losses. IFRS 9 also includes new requirements governing the application of hedge accounting intended to better portray the company’s risk management activities, particularly in respect of the management of non-financial risks. Finally, IFRS 9 will result in additional note disclosure requirements.

Other than additional note disclosures, IFRS 9 does not have any material implications for ADLER’s consolidated financial statements. ADLER’s financial assets are at present mainly categorised as loans and receivables and are measured at amortised cost. This will also be the case under IFRS 9. Furthermore, no material changes of financial liabilities are expected, as the existing categorisation requirements in IAS 39 are largely duplicated in IFRS 9. Financial liabilities will therefore largely continue to be measured at amortised cost. The Group only makes application of hedge accounting to a very minor extent, as a result of which derivatives will still mainly continue to be measured at fair value through profit or loss. As ADLER’s financial assets – with the exception of cash and cash equivalents – predominantly consist of current trade receivables, the simplified impairment model will predominantly be used. Cash and cash equivalents are held by credit institutions with good to very good credit ratings, so that overall there will be no material implications on loan loss provisions. As of 1 January 2018, ADLER anticipates that adapting to IFRS 9 will result in additional impairment losses of approximately EUR 1.0 million to EUR 2.0 million, which are recognised directly in equity.

IFRS 15 – Revenue from Contracts with Customers

This new standard replaces IAS 18 “Revenue” and IAS 11 “Construction Contracts” and the related interpretations. IFRS 15 sets out a comprehensive framework for the determination of whether, in which amount and when revenue is to be recognised. The core principle underpinning IFRS 15 is that an entity should recognise revenue when the goods have been supplied or the service rendered. Within the standard, this core principle is delivered in a five-step model context. To this end, it is first necessary to identify the relevant contracts with the customer and the performance obligations included therein. Once the transaction price has been determined, this must then be allocated to the separate performance obligations. Revenue recognition is then based on the amount

2. BASIS OF ACCOUNTING (continued)

2.3 Standards and interpretations not prematurely applied (continued)

of consideration expected for each separate performance obligation either at a given date or over a given period. Furthermore, IFRS 15 includes detailed application guidelines covering numerous individual topics. Moreover, the standard extends the scope of note disclosures. The new note disclosure requirements are intended to provide information about the nature, amount, timing and uncertainty relating to revenue resulting from contracts with customers, including the related cash flows.

IFRS 15 will not have any material implications for ADLER's consolidated financial statements. The Group's revenue from letting items of real estate is attributable to leases and is therefore excluded from the scope of IFRS 15. With regard to revenue generated from the sale of properties, IFRS 15 is not expected to result in any material changes, as the respective contracts only provide for this one single performance obligation and the date of revenue recognition is therefore specified. Overall, application of this standard will only result in extended note disclosures.

IFRS 16 – Leases

IFRS 16 provides new requirements governing the recognition, measurement, presentation and disclosure obligations for leases. Under IFRS 16, the distinction previously made for lessees between operating and finance leases no longer applies. For all of its leases, a lessee will recognise a right-of-use asset and a corresponding lease liability. The right of use will be amortised over the contractual term by application of the requirements governing intangible assets. The lease liability will be recognised in accordance with the requirements applicable to financial instruments under IAS 39 and in the future IFRS 9. In the income statement, the items will be recognised separately as amortisation of assets and interest on the liability. Simplified requirements apply for the recognition of short-term leases and low-value asset leases. Here, the lease payments will be expensed over the term of the lease.

Note disclosures will be extended and should enable users to assess the amount, timing and uncertainty involved in leases. For lessors, by contrast, the provisions of the new standard are similar to existing IAS 17 requirements. Leases will continue to be classified either as financing or operating leases.

As ADLER mainly acts as a lessor in its property letting activities, IFRS 16 is not expected to have any material implications for the consolidated financial statements. The obligations previously entered into as lessee for operating leases with terms of more than one year are of subordinate significance. ADLER anticipates that the rights of use and leasing liabilities which need to be additionally recognised on the balance sheet as a result of the adoption to IFRS 16 will not make up more than 1 percent of the current balance sheet. Overall, the standard will therefore particularly result in extended note disclosures. ADLER is expected to apply the modified standard retrospectively, i.e. without adjusting the comparison periods.

Amendment IAS 40 – Transfer of Investment Properties

Specifically, the amendments clarify that an entity may reclassify property, including properties under construction or development, from or to the investment property portfolio only if there is evidence of a change in use. A change in management's use intentions does not meet the requirements for a change of use. ADLER will apply these changes as soon as they come into effect. Since the current approach is consistent with the published clarifications, ADLER does not expect it to have any effect on its consolidated financial statements.

IFRIC 23 – Uncertainty over Income Tax Treatments

IFRIC 23 clarifies the accounting for uncertainty regarding income taxes. On this basis an entity shall use discretion in determining whether each tax treatment should be considered individually or whether some tax treatments should be considered collectively. The decision should be based on which approach allows better prediction of the resolution of the uncertainty. An entity has to assume that a taxation authority will have the right to examine any amounts reported and will have full knowledge of all relevant information. In determining the relevant income taxable amounts, the entity shall assess whether it is probable that the relevant taxation authority will accept the respective tax treatment used or plans to use in its income tax filing. If it is not probable that the tax treatment is accepted, the most likely or expected amount is to be applied, depending on which

2. BASIS OF ACCOUNTING (continued)

2.3 Standards and interpretations not prematurely applied (continued)

method enables the better prediction of the resolution of the uncertainty. If facts and circumstances change, this leads to a reassessment of the assessments needed in the interpretation. ADLER will apply these changes as soon as they come into effect. ADLER does not expect these changes to have any effect on its consolidated financial statements.

3. BASIS OF CONSOLIDATION

3.1 Subsidiaries

Subsidiaries involve all entities (including special purpose entities) controlled by ADLER. The Group assumes control over a company when it is exposed to variable returns or has a right to such returns and the ability to influence these returns by way of its influence over the company. It is generally the case that control coincides with a share of voting rights of more than 50 percent. When assessing whether the Group has control, account is taken of the existence and effect of potential voting rights that are currently exercisable or convertible.

Subsidiaries are fully consolidated from the date on which control passes to the parent company. They are deconsolidated upon the expiry of control.

All material subsidiaries are included in the consolidated financial statements (see Note 4.1, “Investments in subsidiaries”). Investments in subsidiaries that are of subordinate significance from the Group’s perspective are recognised as available-for-sale financial assets.

In the case of company acquisitions, it must assessed (see Note 6., “Significant Discretionary Decisions and Estimates”) whether the respective acquisition constitutes a business combination pursuant to IFRS 3 or merely the acquisition of a group of assets and liabilities that do not qualify as a company.

Company acquisitions meeting the IFRS 3 definition are recognised using the purchase method. This involves allocating the cost of the company acquisition to individually identifiable assets, liabilities and contingent liabilities in accordance with their fair values. Any surplus between the consideration given and the net assets is recognised as goodwill, while any corresponding deficit is charged to earnings. Incidental acquisition costs are expensed.

Shares in the net assets of subsidiaries not attributable to ADLER are recognised as separate components of equity under non-controlling interests. When calculating the share of consolidated net profit attributable to non-controlling interests, account is also taken of consolidation entries recognised through profit or loss. Non-controlling interests in partnerships are recognised under other liabilities.

The acquisition of property companies and project development companies that do not constitute businesses pursuant to IFRS 3 are presented as the direct acquisition of an aggregate unit, in particular of real estate. This involves allocating the acquisition cost of the company to individually identifiable assets and liabilities in accordance with their fair values. As a result, the acquisition of property companies and project development companies does not produce any positive or negative goodwill from capital consolidation. The sale of property companies is accordingly presented as the sale of an aggregate unit, in particular of real estate.

When preparing the consolidated financial statements, intragroup receivables, liabilities and results are eliminated within the consolidation of debt, expense and income items. The income and expenses resulting from intragroup transfers of assets are also eliminated. Accounting policies at subsidiaries are based on uniform group-wide standards.

3.2 Joint arrangements

Joint arrangements are based on contractual agreements according to which two or more partners undertake an economic activity that is subject to joint control. Joint control exists when the partners have to work together to manage the relevant activities of the joint arrangement and decisions require the unanimous consent of the partners involved. A joint arrangement constitutes a joint venture when the partners exercising joint control have

3. BASIS OF CONSOLIDATION (continued)

3.2 Joint arrangements (continued)

rights to the net assets of the arrangement. Where, by contrast, the partners have direct rights to the assets attributable to the joint arrangement and assume obligations for its liabilities, the arrangement constitutes a joint operation.

Where a joint arrangement is embodied by a legally independent partnership or corporation with its own corporate assets, as a result of which ADLER's interest only results in a prorated claim to the net assets of the company, such an arrangement generally constitutes a joint venture. In the case of joint arrangements taking the form of a company under German civil law (such as associations) for which the legal form does not in itself result in an asset and financial structure separate from the partners, the decision as to whether the arrangement constitutes a joint venture or a joint operation is taken by additionally referring to the contractual provisions and the object of the joint arrangement.

Should neither the legal form nor the contractual provisions or other factors or circumstances indicate whether ADLER has direct rights over the assets or obligations for the liabilities of the joint arrangement in question, such arrangement constitutes a joint venture.

Joint ventures are companies whose financial and business policies can be controlled by the Group directly or indirectly in conjunction with one or more third parties. Interests in joint ventures are recognised using the equity method.

The information provided on the recognition of associates also applies to the recognition of joint ventures.

3.3 Associates

Investments over which ADLER exerts significant influence – generally as a result of shareholdings between 20 percent and 50 percent – are basically measured using the equity method. For investments requiring measurement at equity, the acquisition cost is increased or decreased each year by the changes in equity attributable to the Group. Upon the initial inclusion of investments measured using the equity method, any differential amounts (goodwill) resulting from first-time consolidation are treated in the same way as goodwill relating to fully consolidated companies.

Gains and losses from transactions between group companies and associates are eliminated based on the Group's share in the associates. Gains and losses from transactions between associates are not eliminated.

4. SCOPE OF CONSOLIDATION, BUSINESS COMBINATIONS AND PROPERTY COMPANIES

4.1 Investments in subsidiaries

Including the parent company, the scope of consolidation comprises a total of 111 fully consolidated companies (previous year: 127). The Group does not own any properties outside Germany.

The scope of consolidation developed as follows:

Quantity	2017	2016
As of 01.01.	**127**	122
Additions	**20**	12
Disposals	**32**	3
Mergers/accruals	**4**	4
As of 31.12.	**111**	**127**

Twenty companies were newly added in the scope of consolidation and 32 companies were sold in the period under report. Four companies were merged with other companies within the scope of consolidation.

In the period under review, ADLER acquired shares in four property holding companies and eight project development companies (new construction for the portfolio). In each case, the acquisitions do not constitute a business as defined in IFRS 3 and were recognised as a direct property acquisition (see "Acquisition of property companies and property development companies" in Note 4.3).

4. SCOPE OF CONSOLIDATION, BUSINESS COMBINATIONS AND PROPERTY COMPANIES (continued)

4.1 Investments in subsidiaries (continued)

In addition, a service company (KKL Immobilienservice GmbH) was acquired (see Note 4.2, "Business combinations"). The other additions result from seven companies newly founded for the privatisation business of ACCENTRO. These measures did not have any material implications for the Group's net assets, financial position or results of operations.

All disposals resulted from the fact that on 20 October 2017, ADLER reached an agreement to sell an 80 percent stake in ACCENTRO. With economic effect as of 30 November 2017 (date of closing), ADLER lost its controlling influence over ACCENTRO and its subsidiaries. As a result, ADLER carried out a transitional consolidation for ACCENTRO and its subsidiaries and included the remaining 6.2 percent stake in ACCENTRO in the consolidated financial statements due to its significant influence as an associated company and reported under non-current assets held for sale (see "Disposal of ACCENTRO" in Note 4.4).

Following the exit of one shareholder in each case, MBG Moosburg GmbH & Co. KG and the Dritte ADLER Real Estate GmbH & Co. KG were each merged into the respective remaining shareholder within the scope of consolidation. KKL Immobilienservice GmbH and J2P Service GmbH were merged into another service company in the scope of consolidation in the third quarter of 2017.

ADLER's shareholdings, also corresponding to its share of voting rights, were as follows as at 31 December 2017:

No.	Company	Headquarters	Equity interest in %	Held by No.	Business activity
	Subsidiaries fully consolidated				
1	ADLER Real Estate AG (parent company)	Berlin			Holding
2	ADLER Real Estate Service GmbH	Hamburg	100.0	1	Service company
3	Verwaltungsgesellschaft ADLER Real Estate mbH	Hamburg	100.0	1	General partner
4	Achte ADLER Real Estate GmbH & Co. KG	Hamburg [1)]	100.0	1	Project development
5	ADLER Real Estate Properties GmbH & Co. KG	Hamburg [1)]	100.0	1	Project development
6	MÜBAU Real Estate GmbH	Hamburg	100.0	1	None
7	ADLER Lux S.à r.l.	Luxembourg/ Grand Duchy of Luxembourg	100.0	1	None
8	ADLER McKinney LLC	McKinney / USA	100.0	6	Intermediate holding company
9	Münchener Baugesellschaft mbH	Hamburg	100.0	1	Intermediate holding company
10	ADLER Wohnen Service GmbH	Hamburg	100.0	9	Service company
11	MBG Beteiligungsgesellschaft mbH & Co. KG	Hamburg [1)]	94.9	9	Intermediate holding company
12	MBG Dallgow GmbH & Co. KG	Hamburg [1)]	100.0	9	Project development
13	MBG Großbeeren GmbH & Co. KG	Hamburg [1)]	100.0	9	Project development
14	MBG Trachau GmbH & Co. KG	Hamburg [1)]	100.0	9	Project development
15	MBG Wohnbau Verwaltungsgesellschaft mbH	Hamburg	100.0	9	Intermediate holding company
16	MBG Erste Vermögensverwaltungs GmbH	Hamburg	100.0	9	Intermediate holding company
17	Magnus zweite Immobilienbesitz und Verwaltungs GmbH	Hamburg	100.0	9	Intermediate holding company
18	Energy AcquiCo I GmbH	Frankfurt am Main	100.0	17	Intermediate holding company
19	Magnus Dritte Immobilienbesitz und Verwaltungs GmbH	Hamburg	100.0	9	Intermediate holding company
20	EAGLE BidCo GmbH	Hamburg	100.0	1	None
21	Magnus Fünfte Immobilienbesitz und Verwaltungs GmbH	Hamburg	100.0	9	Intermediate holding company
22	WBG GmbH	Helmstedt	94.0	18	Portfolio management

[1)] The Company intends to utilise the exemption option under § 264 b HGB with regard to disclosure requirements

4. SCOPE OF CONSOLIDATION, BUSINESS COMBINATIONS AND PROPERTY COMPANIES (continued)

4.1 Investments in subsidiaries (continued)

No.	Company	Headquarters	Equity interest in %	Held by No.	Business activity
	Subsidiaries fully consolidated				
23	WER 1. Wohnungsgesellschaft Erfurt Rieth GmbH	Berlin	94.9	9	Portfolio management
24	WER 2. Wohnungsgesellschaft Erfurt Rieth GmbH	Berlin	94.9	9	Portfolio management
25	ESTAVIS 6. Wohnen GmbH	Berlin	94.9	35	Portfolio management
26	ESTAVIS 7. Wohnen GmbH	Berlin	94.9	35	Portfolio management
27	ESTAVIS 8. Wohnen GmbH	Berlin	94.9	35	Portfolio management
28	ESTAVIS 9. Wohnen GmbH	Berlin	94.9	35	Portfolio management
29	RELDA 36. Wohnen GmbH	Berlin	94.9	35	Portfolio management
30	RELDA 38. Wohnen GmbH	Berlin	94.9	35	Portfolio management
31	RELDA 39. Wohnen GmbH	Berlin	94.9	35	Portfolio management
32	RELDA 45. Wohnen GmbH	Berlin	94.9	35	Portfolio management
33	RELDA Bernau Wohnen Verwaltungs GmbH	Berlin	94.0	35	Portfolio management
34	MBG Sachsen GmbH	Aue	90.8	9	Portfolio management
35	Magnus-Relda Holding Vier GmbH	Berlin	98.1	9	Portfolio management
36	Cato Immobilienbesitz und -verwaltungs GmbH	Hamburg	94.9	17	Portfolio management
37	Magnus Immobilienbesitz und Verwaltungs GmbH	Hamburg	100.0	9	Intermediate holding company
38	WBR Wohnungsbau Rheinhausen GmbH	Hamburg	94.9	37	Portfolio management
39	S.I.G. RE GmbH (vormals: S.I.G. RE B.V.)	Hamburg	100.0	16	Intermediate holding company
40	Resident Baltic GmbH	Berlin	94.8	39	Portfolio management
41	Resident Sachsen P&K GmbH	Berlin	94.8	39	Portfolio management
42	Resident West GmbH	Hamburg	94.8	39	Portfolio management
43	MBG Schwelm GmbH	Hamburg	94.9	17	Portfolio management
44	MBG Lüdenscheid GmbH	Hamburg	94.9	9	Portfolio management
			5.1	11	
45	MBG Dorsten GmbH & Co. KG	Hamburg [1]	94.0	17	Portfolio management
			6.0	9	
46	Alana Properties GmbH	Hamburg	94.4	19	Portfolio management
47	Aramis Properties GmbH	Hamburg	94.8	19	Portfolio management
48	REO-Real Estate Opportunities GmbH	Frankfurt am Main	94.9	19	Portfolio management
49	Roslyn Properties GmbH	Hamburg	94.8	19	Portfolio management
50	Rostock Verwaltungs GmbH	Hamburg	94.0	19	Portfolio management
51	Sepat Properties GmbH	Hamburg	94.8	19	Portfolio management
52	Wallace Properties GmbH	Hamburg	94.8	19	Portfolio management
53	Zweite REO-Real Estate Opportunities GmbH	Frankfurt am Main	94.9	19	Portfolio management
54	ADLER ImmoProjekt Erste GmbH	Hamburg	100.0	1	None
55	ADLER Energie Service GmbH (formerly: ADLER ImmoProjekt Zweite GmbH)	Hamburg	100.0	1	Service company
56	MountainPeak Trading Limited	Nikosia/Cyprus	100.0	1	Intermediate holding company
57	Magnus Achte Immobilienbesitz und Verwaltungs GmbH	Hamburg	100.0	9	Portfolio management
58	Magnus Neunte Immobilienbesitz und Verwaltungs GmbH	Hamburg	100.0	9	Intermediate holding company
59	MBG Projektentwicklungsgesellschaft mbH	Hamburg	100.0	1	Project development
60	Magnus Inkasso GmbH	Helmstedt	100.0	1	None
61	ADLER Immo Invest GmbH	Hamburg	100.0	1	Project development
62	Wohnungsbaugesellschaft JADE mbH	Wilhelmshaven	94.9	21	Portfolio management
63	JADE Immobilien Management GmbH	Wilhelmshaven	100.0	62	Service company
64	ADLER Gebäude Service GmbH (formerly: Arkadio Facility Management GmbH)	Wilhelmshaven	100.0	9	Service company

[1] The Company intends to utilise the exemption option under § 254 b HGB with regard to disclosure requirements

4. SCOPE OF CONSOLIDATION, BUSINESS COMBINATIONS AND PROPERTY COMPANIES (continued)

4.1 Investments in subsidiaries (continued)

No.	Company	Headquarters	Equity interest in %	Held by No.	Business activity
	Subsidiaries fully consolidated				
65	WESTGRUND Aktiengesellschaft	Berlin	96.8	1	Holding
66	WESTGRUND Immobilien GmbH	Berlin	94.9	65	Portfolio management
67	WESTGRUND Immobilien II. GmbH	Berlin	94.9	65	Portfolio management
68	Westconcept GmbH	Berlin	100.0	65	Service company
69	IMMOLETO Gesellschaft mit beschränkter Haftung	Berlin	100.0	65	Intermediate holding company
70	ICR Idee Concept und Realisation von Immobilienvorhaben GmbH	Berlin	94.9	69	Portfolio management
71	HKA Grundstücksverwaltungsgesellschaft mbH & Co. Kommanditgesellschaft	Berlin	100.0	70	Portfolio management
72	HKA Verwaltungsgesellschaft mbH	Berlin	100.0	70	General partner
73	WESTGRUND Immobilien Beteiligung GmbH	Berlin	100.0	65	None
74	WESTGRUND Immobilien Beteiligung II. GmbH	Berlin	100.0	65	None
75	WESTGRUND Immobilien Beteiligung III. GmbH	Berlin	94.9	65	Portfolio management
76	WESTGRUND Westfalen GmbH & Co. KG	Berlin	94.9	70	Portfolio management
77	WESTGRUND Immobilien IV. GmbH	Berlin	94.9	65	Portfolio management
78	WESTGRUND Immobilien V. GmbH	Berlin	94.0	65	Portfolio management
79	WESTGRUND Immobilien VI. GmbH	Berlin	94.9	65	Portfolio management
80	Wiederaufbau-Gesellschaft mit beschränkter Haftung	Ludwigshafen am Rhein	94.8	65	Portfolio management
81	TREUHAUS Hausbetreuungs-GmbH	Ludwigshafen am Rhein	100.0	68	Service company
82	WAB Hausverwaltungsgesellschaft mbH	Ludwigshafen am Rhein	100.0	80	None
83	WESTGRUND Wolfsburg GmbH	Berlin	94.9	65	Portfolio management
84	WESTGRUND Niedersachsen Süd GmbH	Berlin	94.9	65	Portfolio management
85	WESTGRUND Niedersachsen Nord GmbH	Berlin	94.9	65	Portfolio management
86	WESTGRUND Brandenburg GmbH	Berlin	94.9	65	Portfolio management
87	WESTGRUND VII. GmbH	Berlin	94.9	65	Portfolio management
88	WESTGRUND I. Halle GmbH	Berlin	94.9	65	Portfolio management
89	WESTGRUND Halle Immobilienverwaltung GmbH	Berlin	100.0	88	General partner
90	WESTGRUND Immobilien II. Halle GmbH & Co. KG	Berlin	100.0	88	Portfolio management
91	WESTGRUND VIII. GmbH	Berlin	94.9	65	Portfolio management
92	RESSAP – Real Estate Service Solution Apllications – GmbH (formerly: WESTGRUND IX. GmbH	Berlin	100.0	65	Service company
93	Xammit GmbH	Berlin	100.0	65	None
94	Magnus Zehnte Immobilienbesitz und Verwaltungs GmbH	Hamburg	100.0	9	Intermediate holding company
95	Magnus Elfte Immobilienbesitz und Verwaltungs GmbH	Hamburg	100.0	9	Intermediate holding company
96	Zweite CM Real Estate GmbH	Berlin	94.9	58	Portfolio management
97	Dritte CM Real Estate GmbH	Berlin	94.9	58	Portfolio management
98	Vierte CM Real Estate GmbH	Berlin	94.9	58	Portfolio management
99	WEAVED Immo Finance B.V.	Amsterdam / The Netherlands	100.0	1	None
100	TGA Immobilien Erwerb 3 GmbH	Berlin	94.9	19	Portfolio management
101	ADP Germany S.à.r.l	Luxembourg / Grand Duchy of Luxembourg	94.9	95	Portfolio management

4. SCOPE OF CONSOLIDATION, BUSINESS COMBINATIONS AND PROPERTY COMPANIES (continued)

4.1 Investments in subsidiaries (continued)

No.	Company	Headquarters	Equity interest in %	Held by No.	Business activity
	Subsidiaries fully consolidated				
102	AFP (Germany) II S.à.r.l	Luxembourg / Grand Duchy of Luxembourg	94.0	95	Portfolio management
103	AFP (Germany) III S.à.r.l	Luxembourg / Grand Duchy of Luxembourg	94.0	95	Portfolio management
104	RIV Harbour West MI 1 GmbH	Berlin	94.9	94	Portfolio management
105	RIV Harbour East WA 1 GmbH	Berlin	94.9	94	Portfolio management
106	RIV Total MI 2 GmbH	Berlin	94.9	94	Portfolio management
107	RIV Central WA 2 GmbH	Berlin	94.9	94	Portfolio management
108	RIV Square West MI 3 GmbH	Berlin	94.9	94	Portfolio management
109	RIV Square East WA 3 GmbH	Berlin	94.9	94	Portfolio management
110	RIV Channel MI 4 GmbH	Berlin	94.9	94	Portfolio management
111	RIV Kornspeicher GmbH	Berlin	94.9	94	Portfolio management
	Associated Companies or Joint Ventures included in the consolidated financial statements				
112	Worthing Lake Forest Investors LLC (associated company – at-equity)	Atlanta / USA	30.0	8	Project development
113	GG Erlabrunn Verwaltungs UG (associated company – at-equity)	Aue	50.0	34	Portfolio management
114	ACCENTRO Real Estate AG (associated company – non-current asset held for sale)	Berlin	6.2	1	Holding
	Companies not significant enough to be included at equity in the consolidated financial statements [1)]				
115	MRT (Mountleigh Roland Ernst) B.V.	Rotterdam / The Netherlands	50.0	1	none
116	Stovago B.V.	Rotterdam / The Netherlands	50.0	1	none
117	ADLER Real Estate Assekuranzmakler GmbH & Co. KG	Düsseldorf	50.0	1	Insurance broker

1) Companies included in the consolidated financial statement which are not using the equity method on grounds of materiality shall be classified as assets and held for sale.

4.2 Business combinations

A service company (KKL Immobilienservice GmbH) was acquired in the second quarter of 2017 (purchase price: EUR 375k) and fully consolidated pursuant to IFRS 3. Given the minor scope of its business activities, which are exercised almost exclusively within the Group, this company does not have any material implications for the group financial statements.

4.3 Acquisition of property companies and project development companies

At the end of the second quarter of 2017, the company also acquired shares (94.9 percent) in a property company (TGA Immobilien Erwerb 3 GmbH). This acquired company does not constitute a business operation as defined in IFRS 3 and has been presented as a direct real estate acquisition. The costs of acquiring the property company have been allocated to the individual identifiable assets and liabilities based on their fair values. Investment properties of EUR 9,981k were acquired via this property company.

In mid-September 2017, shares (94.9 percent respectively 94.0 percent) were acquired in the following property companies via Magnus Elfte Immobilienbesitz und Verwaltungs GmbH, an intermediate holding company in which ADLER indirectly owns a 100 percent stake: ADP Germany S.à.r.l (hereinafter "ADP"), AFP (Germany) II S.à.r.l (hereinafter "AFP II") and AFP (Germany) III S.à r.l. (hereinafter "AFP III"). This acquired company does not constitute a business operation as defined in IFRS 3 and has been presented as a direct real estate

4. SCOPE OF CONSOLIDATION, BUSINESS COMBINATIONS AND PROPERTY COMPANIES (continued)

4.3 Acquisition of property companies and project development companies (continued)

acquisition. This involved allocating the cost of acquiring the property companies to the identifiable assets and liabilities in accordance with their fair values. Via these property companies, the Group acquired investment properties amounting to EUR 137,824k and financial liabilities to banks amounting to EUR 68,865k.

In mid-November 2017, ADLER acquired the shares (94.9 percent) in the following eight project development companies through the intermediate holding company Magnus Zehnte Immobilienbesitz und Verwaltungs GmbH – in which ADLER holds an indirect interest of 100 percent – which is implementing the property project development "Wasserstadt Mitte" on largely undeveloped land in Berlin Mitte (Europa City): RIV Harbor West MI 1 GmbH, RIV Harbor East WA 1 GmbH, RIV Total MI 2 GmbH, RIV Central WA 2 GmbH, RIV Square West MI 3 GmbH, RIV Square East WA 3 GmbH, RIV Channel MI 4 GmbH and RIV Kornspeicher GmbH. The intention of the project development is to construct approx. 750 units with approx. 44,000 square metres of living space and approx. 14,000 square metres of office and commercial space for the ADLER portfolio. Initial construction work has already begun. According to current planning, the project development is largely to be completed by the end of 2019. This acquired company does not constitute a business operation as defined in IFRS 3 and has been presented as a direct real estate acquisition. This involved allocating the cost of acquiring the project development companies to the identifiable assets and liabilities in accordance with their fair values. Via these project development companies, the Group acquired investment properties amounting to EUR 158,850k and financial liabilities to banks amounting to EUR 43,859k.

4.4 Disposal of ACCENTRO

ACCENTRO is a publicly listed corporation whose operations primarily consist of trading (buying and selling) residential properties and individual apartments as well as providing brokerage services associated with residential privatisation. Until now, the trading business of ACCENTRO was the trading segment of ADLER. With the sale of ACCENTRO, ADLER has discontinued its trading segment.

On 20 October 2017, ADLER reached an agreement to sell an 80 percent stake in ACCENTRO. The buyer is a partnership advised by Vestigo Capital Advisors LLP, a company authorised and regulated by the UK Financial Conduct Authority. With economic effect as of 30 November 2017 (date of closing), ADLER lost its controlling influence over ACCENTRO and its subsidiaries. A purchase price of EUR 145,979k was agreed for the shareholding. In addition to the investment, the convertible bonds 2014/2019 (ISIN DE000A1YC4S6) issued by ACCENTRO, which ADLER acquired in the first quarter of 2017, were also sold to the buyer of the investment. The purchase price for the convertible bonds was set at EUR 35,252k. In total, EUR 20,000k was paid by the buyer when the contract was concluded on 20 October 2017. The remaining purchase price receivable at the amount of EUR 161,231k is to be paid by the end of November 2018, subject to customary interest and collateral. ADLER also has the option to sell the remaining holding of up to 6.2 percent in ACCENTRO to the buyer at the same price per share.

As a result of the sale of the majority of the shares, ADLER no longer exercises control over ACCENTRO and its subsidiaries. Due to the continued holding of shares in ACCENTRO and the possibility of exercising a significant influence through a member of the Supervisory Board, ADLER carried out a transitional consolidation on 30 November 2017 and included the investment in ACCENTRO as an associated company in accordance with IAS 28 in the consolidated financial statements. In accordance with IFRS 10 the remaining 6.2 percent interest in ACCENTRO was measured at fair value (stock market price) at the date of transitional consolidation and reported under non-current assets held for sale (see Note 8.11).

4. SCOPE OF CONSOLIDATION, BUSINESS COMBINATIONS AND PROPERTY COMPANIES (continued)

4.4 Disposal of ACCENTRO (continued)

In addition to ACCENTRO, the following 31 subsidiaries also left the group of fully consolidated companies of the ADLER Group during the transitional consolidation (in the following subgroup ACCENTRO):

Company	Headquarters
ACCENTRO Real Estate AG	Berlin
ACCENTRO GmbH	Berlin
ACCENTRO Wohneigentum GmbH	Berlin
Koppenstraße Wohneigentum GmbH	Berlin
Estavis 43. Wohnen GmbH & Co. KG	Berlin
ESTAVIS Wohneigentum GmbH	Berlin
ESTAVIS Beteiligungs GmbH & Co. KG	Berlin
Phoenix F1 Neubrandenburgstrasse GmbH	Erlangen
Uhlandstraße 79 Immobilien GmbH	Berlin
ACCENTRO Gehrensee GmbH	Berlin
WBL Wohnungsgesellschaft Berlin Lichtenberg 1 GmbH	Berlin
WBL Wohnungsgesellschaft Berlin Lichtenberg 2 GmbH	Berlin
WBL Wohnungsgesellschaft Berlin Lichtenberg 3 GmbH	Berlin
WBL Wohnungsgesellschaft Berlin Lichtenberg 4 GmbH	Berlin
WBL Wohnungsgesellschaft Berlin Lichtenberg 5 GmbH	Berlin
ACCENTRO Verwaltungs GmbH	Berlin
MBG 2. Sachsen Wohnen GmbH	Berlin
Kantstraße 130b/Leibnizstraße 36, 36a Immobiliengesellschaft mbH	Berlin
Kantstraße 130b/Leibnizstraße 36, 36a GbR	Berlin
ACCENTRO 2. Wohneigentum GmbH	Berlin
ACCENTRO 3. Wohneigentum GmbH	Berlin
ACCENTRO 4. Wohneigentum GmbH	Berlin
ACCENTRO 5. Wohneigentum GmbH	Berlin
ACCENTRO 6. Wohneigentum GmbH	Berlin
ACCENTRO 7. Wohneigentum GmbH	Berlin
ACCENTRO 8. Wohneigentum GmbH	Berlin
ACCENTRO 9. Wohneigentum GmbH	Berlin
ACCENTRO 10. Wohneigentum GmbH	Berlin
ACCENTRO 11. Wohneigentum GmbH	Berlin
ACCENTRO 12. Wohneigentum GmbH	Berlin
ACCENTRO 13. Wohneigentum GmbH	Berlin
Quartier Hasenheide GmbH (formerly: Curvystr. 44,45 Bestand GmbH)	Berlin

4. SCOPE OF CONSOLIDATION, BUSINESS COMBINATIONS AND PROPERTY COMPANIES (continued)

4.4 Disposal of ACCENTRO (continued)

The following tables provide summarised financial information of the ACCENTRO subgroup (in the following subgroup ACCENTRO) – before consolidation – at the time of the transitional consolidation period:

In EUR '000	30.11.2017	31.12.2016
Assets	**346,325**	**300,546**
Non-current assets	**19,468**	18,897
of which goodwill	**17,776**	17,776
Current assets	**310,372**	259,949
of which inventories	**286,266**	223,565
of which cash and cash equivalents	**12,867**	15,143
Non-current assets held for sale	**16,485**	21,700
Equity and liabilities	**346,325**	**300,546**
Shareholders‘ equity	**145,258**	136,836
of which non-controlling interests	**1,787**	1,758
Non-current liabilities	**90,903**	65,228
of which financial liabilities to banks	**78,253**	42,716
of which liabilities from convertible bonds/bonds	**12,045**	21,644
Current liabilities	**104,006**	92,290
of which financial liabilities to banks	**53,531**	64,807
of which liabilities from convertible bonds/bonds	**134**	138
Liabilities held for sale	**6,158**	6,192

In EUR '000	2017 [1)]	2016
Income from sale of inventories	**92,984**	116,920
Expenses from sale of inventories	**-69,001**	-80,543
Earnigns from sale of inventories	**23,983**	36,377
Income from property lettings	**7,170**	6,597
Expenses from property lettings	**-2,068**	-2,032
Earnigns from property lettings	**5,102**	4,565
Income from services	**1,376**	1,588
Expenses from services	**-731**	-979
Earnigns from services	**645**	609
EBIT (earnings before interest and tax)	**24,960**	33,936
EBT (earnings before tax)	**18,476**	28,070
Consolidated net profit from continuing operations	**13,410**	20,680
Earnings from discontinued operations	**-1,698**	5,792
Consolidated net profit	**11,712**	26,473
of which non-controlling interests	**29**	181
of which owners of the parent company	**11,682**	26,291

1) From 1 January until 30 November 2017

In EUR '000	2017 [1)]	2016
Cash flow from operating activities	**-30,030**	21,715
of which from continuing operations	**-30,096**	20,311
of which from discontinued operations	**66**	1,404
Cash flow from investing activities	**5,503**	22,170
of which from continuing operations	**133**	1,239
of which from discontinued operations	**5,371**	20,931
Cash flow from financing activities	**22,253**	-30,682
of which from continuing operations	**22,464**	-5,841
of which from discontinued operations	**-212**	-24,841
Change in cash and cash equivalents	**-2,274**	**13,204**

1) From 1 January until 30 November 2017

4. SCOPE OF CONSOLIDATION, BUSINESS COMBINATIONS AND PROPERTY COMPANIES (continued)

4.4 Disposal of ACCENTRO (continued)

The transitional consolidation result of the subgroup ACCENTRO breaks down as follows:

In EUR '000	30.11.2017
Disposal of assets of subgroup ACCENTRO	**-346,325**
Disposal of liabilities of subgroup ACCENTRO	**201,067**
Disposal of non-controlling interests of subgroup ACCENTRO	**1,787**
Disposal of goodwill at the level of ADLER	**-11,578**
Disposal of non-controlling interests at the level of ADLER	**17,029**
Disposal of revalued assets and liabilities incl. deferred taxes at the level of ADLER	**191**
Purchase price of shares in ACCENTRO	**145,979**
Fair value of the remaining shares in ACCENTRO	**12,639**
Result from the transitional consolidation	**20,790**

The disposal of the convertible bonds 2014/2019 issued by ACCENTRO (ISIN DE000A1YC4S6), which ADLER acquired in the first quarter of 2017, resulted in a gain of EUR 1,766k. Together with the result from the transitional consolidation, the yield from the disposal of ACCENTRO amounts to EUR 22,556k, which is reported under the item "Earnings after tax from discontinued operations" (see Note 9.15).

Due to the acquisition of the convertible bonds issued by ACCENTRO in 2014/2019 (ISIN DE000A1YC4S6), ADLER's capital reserve had been reduced by an equity share of EUR 22,883k. As a result of the sale of the convertible bond, the equity share of EUR 22,883k was returned to the capital reserve.

Pro forma previous year figures

The following financial statements listed below are based on the IDW statement on accounting: previous year's figures in the commercial law consolidated financial statements and consolidated accounting in the event of a change in scope of consolidation (IDW RS HFA 44), the consolidated balance sheet as at the balance sheet dates 31 December 2017 and 31 December 2016 and pro forma figures for the balance sheet date as at 31 December 2016.

The pro forma figures for the 2016 financial year showing the disposals of the fully consolidated ACCENTRO and its subsidiaries as at 1 January 2016 and the simultaneous acquisition of an investment in ACCENTRO as an associated company are as if the sale had already taken place at the beginning of the 2016 financial year. This is to facilitate comparability with the consolidated balance sheet as at 31 December 2017. Since pro forma financial information reflects a hypothetical situation, it does not provide all the details that would have resulted if the events to be considered had actually taken place at the beginning of the previous year (pro forma balance sheet), nor does it reflect the actual financial situation. Pro forma figures for the Consolidated Statement of Comprehensive Income and the Consolidated Statement of Cash Flows have been omitted as the respective prior-year comparative figures were adjusted in accordance with the requirements of IFRS 5.

4. SCOPE OF CONSOLIDATION, BUSINESS COMBINATIONS AND PROPERTY COMPANIES (continued)

4.4 Disposal of ACCENTRO (continued)

Consolidated balance sheet of ADLER Real Estate AG (pro forma):

In EUR '000	31.12.2017 (as reported)	31.12.2016 (as reported)	31.12.2016 (Pro forma)
Assets	**3,778,967**	**3,430,477**	**3,295,511**
Non-current assets	**3,125,490**	**2,577,578**	**2,546,854**
Goodwill	101,198	**130,552**	101,198
Intangible assets	567	**583**	303
Property, plant and equipment	4,948	**3,434**	3,248
Investment properties	3,018,518	**2,441,988**	2,441,988
Loans to associated companies	0	**0**	0
Investments in associated companies	25	**497**	26
Other financial investments	28	**69**	43
Other non-current assets	205	**48**	48
Deferred tax assets	0	**408**	0
Current assets	**629,895**	**418,211**	**315,111**
Inventories	2,978	**227,057**	3,464
Trade receivables	10,717	**11,749**	9,694
Income tax receivables	4,459	**1,407**	927
Other current assets	243,508	**54,086**	219,662
Cash and cash equivalents	368,233	**123,911**	81,364
Non-current assets held for sale	**23,582**	**434,688**	**433,546**

4. SCOPE OF CONSOLIDATION, BUSINESS COMBINATIONS AND PROPERTY COMPANIES (continued)

4.4 Disposal of ACCENTRO (continued)

In EUR '000	31.12.2017 (as reported)	31.12.2016 (as reported)	31.12.2016 (Pro forma)
Equity and liabilities	**3,778,967**	**3,430,477**	**3,295,511**
Shareholders' equity	**1,037,500**	**914,222**	**944,043**
Capital stock	57,548	**47,702**	47,702
Treasury shares	-1,392	**0**	0
Capital reserve	350,203	**352,106**	352,106
Retained earnings	-1,310	**-2,510**	-2,510
Currency translation reserve	86	**90**	90
Net retained profit	555,442	**445,786**	483,366
Equity attributable to owners of the parent company	960,576	**843,174**	880,754
Non-controlling interests	76,924	**71,048**	63,289
Non-current liabilities	**2,363,126**	**2,111,221**	**2,040,812**
Pension provisions	3,989	**4,954**	4,954
Deferred tax liabilities	164,571	**113,142**	109,783
Other provisions	1,664	**1,622**	1,605
Liabilities from convertible bonds	119,731	**143,870**	129,982
Liabilities from bonds	1,277,640	**509,454**	499,150
Financial liabilities to banks	749,188	**1,312,502**	1,269,661
Other non-current liabilities	46,344	**25,677**	25,677
Current liabilities	**377,512**	**397,481**	**309,295**
Other provisions	46	**3,926**	897
Income tax liabilities	2,516	**13,969**	4,700
Liabilities from convertible bonds	6,505	**1,554**	1,554
Liabilities from bonds	42,679	**8,281**	8,142
Financial liabilities to banks	278,676	**320,328**	255,656
Trade payables	29,125	**22,492**	17,112
Other current liabilities	17,964	**26,931**	21,234
Liabilities held for sale	**829**	**7,553**	**1,361**

5. SPECIFIC ACCOUNTING POLICIES

5.1 Intangible assets and property, plant and equipment

Upon first-time recognition, separately purchased intangible assets are measured at cost. Following initial recognition, intangible assets with finite useful lives are subject to straight-line amortisation over their expected useful lives, generally over three to five years, and are tested for impairment as soon as there are any indications of such. Impairments of intangible assets are recognised through profit or loss under amortisation of intangible assets.

Intangible assets with indefinite useful lives, which include goodwill in particular, are not subject to scheduled amortisation. These assets are tested for impairment at least once a year on individual asset or cash-generating group level. An impairment test is also performed should any triggering event occur.

Property, plant and equipment is recognised at cost, less accumulated depreciation and accumulative impairments. Cost includes expenses directly attributable to the acquisition. Subsequent acquisition or production costs are only capitalised when it is likely that future economic benefits will accrue to the company. Repairs and maintenance are expensed in the statement of comprehensive income in the period in which they are incurred.

Property, plant and equipment is subject to straight-line depreciation over its expected useful life, generally over three to 20 years (office equipment) or six to 13 years (vehicle fleet and outdoor facilities). The depreciation

5. SPECIFIC ACCOUNTING POLICIES (continued)

5.1 Intangible assets and property, plant and equipment (continued)

methods used and economic useful lives are reviewed and, if necessary, adjusted at each balance sheet date. Carrying amounts of property, plant and equipment are tested for impairment as soon as there are any indications that they exceed the respective recoverable amounts.

The residual values and remaining useful lives are reviewed and, if necessary, adjusted at each balance sheet date.

Gains and losses from disposals of assets are calculated as the difference between the income from disposals and the respective carrying amounts and are recognised through profit or loss.

5.2 Investment properties

Investment properties include all properties held for long-term gross rental income and value appreciation. Unlike investment properties, inventories constitute assets that are held for sale in the normal course of business and that are in the process of construction for such sale or which are used to manufacture products or perform services. Consequently, properties held for sale in the normal course of business or are constructed or developed with the intention of being sold are outside the scope of IAS 40. Such properties require recognition as inventories and are therefore covered by IAS 2.

Investment properties are measured at cost, including incidental acquisition costs, upon addition and subsequently at fair value. In subsequent periods, the investment properties are measured at their fair values. Ongoing maintenance costs are expensed in the statement of comprehensive income. Modernisation measures, insofar as they go beyond the ongoing maintenance, are enabled if it is probable that the company will derive an economic benefit in the future. Measurement results are presented in the Consolidated Statement of Comprehensive Income under the item “Income from fair value adjustments of investment properties”.

The fair value of a property is the price that would be received for the sale of the asset between knowledgeable, willing and independent market participants in an orderly transaction or, in the case of the transfer of a liability, the price that would be paid. The fair value basically implies the sale of the asset. It equates to the (theoretical) price to be paid to the seller in a (hypothetical) sale of properties on the measurement date.

Fair value can be determined by applying the market approach, the cost approach or the income approach. In this, the use of significant observable market-based input factors is maximised, while the use of non-observable input factors is kept to a minimum.

IFRS 13 requires investment property measured at fair value to be classified and the input factors referred to when determining fair value to be cited. Classification is based on the following three-step measurement hierarchy:

- Level 1: unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date
- Level 2: directly or indirectly observable input factors not allocable to Level 1
- Level 3: unobservable input factors.

Investment properties are not traded in active markets but are rather measured by reference to unobservable input factors based on market data (Level 3).

The fair values of investment properties are determined by reference to surveys compiled by external experts on the basis of current market data and using internationally recognised valuation methods. In this, application is made of discounted cash flow methods. For properties under construction (project development/project properties), which will be held in the long term to generate gross rental income and capital appreciation after completion, the residual value method is applied (reference is also made to the disclosures on measurement methods in Note 8.3).

Investment properties are derecognised when they are sold or unused over a sustained period of time and no future economic benefit is expected upon their retirement. Gains or losses resulting from disposal or

5. SPECIFIC ACCOUNTING POLICIES (continued)

5.2 Investment properties (continued)

discontinuation are recognised in the year of disposal or discontinuation. Gains or losses correspond to the difference between the disposal price and the carrying amount plus costs to sell.

Properties initially acquired for trading purposes and correspondingly allocated to inventories are reclassified to investment properties when it becomes apparent that the company no longer intends to sell the properties but rather plans to retain the properties in its own portfolio over a longer period of time in order to benefit from long-term gross rental income and value appreciation.

5.3 Impairment of intangible assets and property, plant and equipment

To the extent that they are definitively allocated upon acquisition to a cash-generating unit, intangible assets with indefinite useful lives or that are not yet ready for use are not subject to scheduled amortisation but rather are tested annually for impairment. The same applies to goodwill. Assets subject to scheduled amortisation are tested for impairments when events or changes in circumstances indicate that the carrying amount may no longer be recoverable. Impairment losses are recognised in the amount by which the carrying amount exceeds the recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and its value in use. For impairment testing purposes, assets are aggregated at the lowest level for which cash flows can be separately identified (cash-generating units). Goodwill is reviewed on the level of a single cash-generating unit or a group of cash-generating units to which it is allocated.

A cash-generating unit is the smallest group of assets including the respective asset and generating cash flows that are largely independent of the cash flows generated by other assets or groups of assets. Goodwill acquired upon a business combination is allocated to the cash-generating unit or group of cash-generating units expected to derive economic benefit from the synergies generated by the combination.

The main cash-generating units defined at the Group relate to properties and interests in properties. Investment properties are already measured using the fair value model and therefore require no additional impairment testing. In the context of the Group's operating management, properties are aggregated in business units structured along geographical lines. As these regional business units (North, West, East, Central) represent the lowest level within the company on which goodwill is monitored for internal management purposes, the annual impairment test is performed on the level of the regional business units. Assets are allocated to the business units based on the geographical location of the properties.

A further group of cash-generating units for which goodwill was monitored for internal management purposes related to the existing Trading segment. The Trading segment has so far aggregated the business activities at ACCENTRO in connection with the acquisition and disposal of properties, including residential privatisation and intermediary activities performed in this context. The disposal of ACCENTRO in November 2017 resulted in the discontinuation of the Trading segment.

Assets may only be written up to a maximum of amortised cost. No write-ups are recognised for goodwill.

5.4 Financial assets

Financial assets are classified in the following categories:

- Assets at fair value through profit or loss (AaFV)
- Held to maturity (HtM)
- Loans and receivables (LaR)
- Available for sale (AfS)

The ADLER Group does not have any held-to-maturity financial assets. Classification to individual categories depends on the purpose for which the financial asset was acquired. Management determines the classification for each financial asset upon first-time recognition and reviews this classification as at each balance sheet date.

Reclassification is only possible when certain conditions are met. No financial assets were reclassified in the year under report.

5. SPECIFIC ACCOUNTING POLICIES (continued)

5.4 Financial assets (continued)

Financial assets measured at fair value through profit or loss

This category has two sub-categories: financial assets classified from the outset as held for trading (HfT) and financial assets qualified from the outset as fair value through profit or loss (fair value option). A financial asset is allocated to the AaFV category if acquired principally for the purpose of being sold in the short term or designated as such by management.

Assets in this category are recognised as current assets if they are either held for trading or expected to be realised within twelve months of the balance sheet date.

Upon addition, financial assets in this category are recognised at fair value taking account of transaction costs. They are derecognised when the rights to payments from the investment expire or are assigned and the Group has assigned substantially all of the risks and rewards of ownership. After initial recognition, the assets are subsequently measured at fair value, with gains and losses, including any interest and dividend income recognised through profit or loss under other operating income.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market. They arise when the Group directly provides money, goods or services to a debtor without any intention of trading these receivables. If their maturity date falls within twelve months of the balance sheet date they are included under current assets; if the maturity date falls after this twelve-month period, they are recognised under non-current assets. Loans and receivables are included in the balance sheet under trade receivables, other loans, other current assets and cash and cash equivalents.

Loans and receivables are recognised initially at fair value and subsequently at amortised cost using the effective interest method and less impairment losses. The effective interest method is only used if the receivable has a maturity of more than twelve months. Impairment losses are recognised when there are objective and substantial indications that the amounts due are not fully collectible. The relevant analysis is largely based on the age structure of the assets. Due lease receivables are impaired by 40 percent if they are due from tenants still occupying the leased properties and by 90 percent if they are due from tenants who have moved out.

The amount of impairment loss is measured as the difference between the carrying amount of the receivable and the present value of the estimated future cash flows from this receivable discounted using the effective interest method. Impairment losses are recognised through profit or loss as other operating expenses in the statement of comprehensive income. If the reasons for impairment no longer apply in full or in part, the receivables are written up through profit or loss to a maximum of amortised cost.

If a receivable has become uncollectible, it is offset against the impairment account for trade receivables. Subsequent payments received on amounts previously derecognised are recognised through profit or loss as other operating income.

Available-for-sale financial assets

Available-for-sale financial assets are determined as being available for sale and not allocated to any other category. After initial recognition, the asset is measured at fair value, if this can be reliably determined, with any gains or losses recognised in other comprehensive income. Where the fair value cannot be reliably determined, the assets are measured at a maximum of historic cost, with any subsequent impairments and reversals being recognised through profit or loss.

5.5 Derivative financial instruments and hedges

The Group works in particular with interest rate hedges intended to hedge changes in interest rates. If included in hedge accounting, the instrument relates exclusively to a cash flow hedge.

5. SPECIFIC ACCOUNTING POLICIES (continued)

5.5 Derivative financial instruments and hedges (continued)

All interest rate hedges are initially recognised on the date of the trade and are initially measured at fair value. The fair values of hedge instruments are determined using standard market valuation methods and take account of the market data available on the valuation date. Changes in the fair values of hedge instruments not included in hedge accounting pursuant to IAS 39 are recognised through profit or loss in the income statement.

If the hedge instruments are included in hedge accounting within a cash flow hedge, the hedge-effective portion of unrealised gains or losses is initially recognised in other comprehensive income. These amounts are reclassified to the income statement at the same time that the underlying transaction is presented in the income statement. The hedge-ineffective portion of changes in fair value is directly credited or charged to the interest result.

5.6 Inventories

Properties acquired exclusively for the purpose of resale in the normal course of business or for development and resale are recognised as inventories. Other inventories, such as heating oil stocks, are also recognised in this line item.

These items are initially measured at cost and subsequently at the lower of cost or their net realisable value. Net realisable value corresponds to the estimated selling price less estimated costs through to completion and the estimated required disposal costs.

5.7 Cash and cash equivalents

Cash and cash equivalents comprise cash, demand deposits and other short-term highly liquid financial assets with initial terms of up to three months. They also include credit balances at banks with original terms of no longer than six months and intended for short-term debt service.

5.8 Non-current assets and liabilities held for sale

A non-current asset or a group of non-current assets is classified as held for sale if the associated carrying amount will predominantly be recovered via a sale transaction rather than through continued use, if the assets are available for immediate sale and the sale is considered highly probable. The shares have been measured at the lower of their previous carrying amount and their fair value less sales costs. These assets or groups of assets, as well as the associated liabilities, are reported separately in the balance sheet. Liabilities are classified as held for sale if they are connected to an asset held for sale and are also due to be acquired by the respective buyer.

ADLER recognises investment properties as non-current assets held for sale if there are notarised purchase agreements or purchase intentions signed by both parties as of the balance sheet date, but the transfer of ownership will not take place until the following period as agreed in the contract. Initial recognition takes place at the contractually agreed sale price and subsequently at fair value after deducting the costs of disposal, providing this is lower.

5.9 Shareholders’ equity

Debt and equity instruments are classified as financial liabilities or equity on the basis of the economic substance of the contractual arrangements. An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of the associated liabilities. Equity instruments are recognised in the amount of the issue proceeds, less directly attributable issuance costs.

Issuance costs are costs that would have not been incurred if the equity instrument had not been issued. Such costs of an equity transaction, less all associated income tax benefits, are deducted from equity and directly offset against the capital reserves.

The components of a hybrid instrument issued by the Group (convertible bond) are separately recognised as financial liabilities and equity instruments in accordance with the economic substance of the arrangement. Upon

5. SPECIFIC ACCOUNTING POLICIES (continued)

5.9 Shareholders' equity (continued)

issue, the fair value of the debt component is determined on the basis of the market interest rate applicable to a comparable non-convertible instrument. This amount is carried as a financial liability at amortised cost using the effective interest method through to settlement upon conversion or maturity of the respective instrument. The equity component is calculated by subtracting the value of the debt component from the fair value of the overall instrument. The resultant value, less income tax effects, is recognised under equity and is subsequently not measured.

5.10 Pension provisions

Provisions for pensions and similar obligations are measured by external actuaries using the projected unit credit method for defined benefit plans. Service cost is recognised under personnel expenses, while the interest portion of the increase in the provision is recognised in the financial result. Like deferred taxes, actuarial gains and losses arising in this regard are recognised under other comprehensive income. The amount recognised corresponds to the present value of the defined benefit obligation (DBO).

ADLER also pays contributions to state pension schemes in accordance with statutory provisions. Current payments for these defined contribution obligations are recognised within personnel expenses as social security contributions.

5.11 Other provisions

Other provisions are recognised for legal or constructive obligations to third parties which originated in the past and whose maturity or amount is uncertain when it is probable that meeting the obligation will result in an outflow of resources at the Group and when the amount of obligation can be reliably estimated.

The company recognises provisions for onerous contracts when the benefit expected from the contractual claim is lower than the unavoidable costs of fulfilling the contractual obligation.

Measurement is based on the best estimate of the current scope of the obligation as at the balance sheet date. Non-current provisions are recognised at their respective settlement amounts discounted as at the balance sheet date.

5.12 Liabilities

Upon initial recognition, loan liabilities and other liabilities are recognised at fair value less transaction costs. After initial recognition, liabilities are measured at amortised cost using the effective interest method.

Financial liabilities are derecognised when they are redeemed, i.e. when the obligations stipulated in the contract have been settled, rescinded or have expired. Liabilities are classified as current liabilities when the Group does not have the unconditional right to defer the redemption of the liability to a time later than at least twelve months after the balance sheet date or if settlement is expected within twelve months of the balance sheet date.

When determining the fair value, the expected future cash flows are discounted using market interest rates with matching maturities. Individual characteristics of the financial instruments being measured are accounted for by way of standard credit rating and liquidity spreads.

The fair value of the financial liabilities is determined on the basis of the input factors in Levels 1, 2 and 3 of the measurement hierarchy.

5.13 Taxes

Current tax refund claims and tax liabilities are measured at the amount of refund or payment expected to or from the tax authorities based on the tax rate and tax laws applicable as at the balance sheet date.

Pursuant to IAS 12, deferred taxes are recognised for all temporary differences between the tax base of the assets and liabilities and their carrying amounts in the IFRS financial statements, as well as for tax loss carryovers.

5. SPECIFIC ACCOUNTING POLICIES (continued)

5.13 Taxes (continued)

Application has been made for the exemption provided as per IAS 12.15b relating to the acquisition of property companies that have been included in the consolidated financial statements as acquisitions of groups of assets and liabilities rather than in accordance with IFRS 3. Where the Group's acquisition costs exceed tax carrying amounts, deferred taxes are only recognised for the difference between the fair values and the Group's acquisition costs.

The tax rates used to calculate deferred taxes are determined on the basis of currently valid statutory provisions. Unchanged from the previous year, application is made of tax rates of 15.0 percent for corporate income tax, 5.5 percent for the solidarity surcharge, and 14.4 percent for trade tax for German group companies. Deferred tax claims for temporary differences and for tax loss carryovers are recognised in the amount at which it is likely that temporary differences will be offset against future positive tax income and taking due account of minimum taxation requirements. When measuring deferred taxes, account is taken of the expected implications of what is known as the extended property deduction on domestic trade tax.

No deferred taxes are recognised for taxable temporary differences, whether positive or negative, in connection with interests in group companies for as long as the Group is able to control their reversal and such differences will not be reversed in the foreseeable future.

Deferred tax assets and liabilities are offset against each other if the Group has a recoverable right to offset current tax refund claims against current tax liabilities and if such apply to income taxes of the same taxable entity and are levied by the same tax authority.

5.14 Leases

Economic ownership of the leased items is attributable to the lessee when all major risks and rewards associated with ownership of the asset are also attributable to the lessee (finance lease). Leases in which a substantial portion of the risks and rewards associated with ownership of the asset remain with the lessor are classified as operating leases. Payments made in connection with an operating lease are recognised in the income statement on a straight-line basis over the term of the lease. Where the lessee bears all major risks and rewards, upon addition the lessee measures the leased item at its fair value or at the present value of future leasing payments, if lower, with a lease liability being recognised in the same amount. In subsequent periods, the lease liability is amortised and carried forward using the effective interest method.

The Group acts as both lessor and lessee with regard to the letting of property.

5.15 Recognition of income

Income is recognised when it is probable that the economic benefits will accrue to the Group and possible to reliably determine the amount of income.

Rental income is recognised on an accrual basis in accordance with the provisions of the underlying contracts.

Income from the sale of properties is recognised when the risks and rewards associated with ownership of the properties have passed to the buyer (transfer of ownership rights, benefits and obligations arising from the properties). When disposing of property companies, this date regularly coincides with the completion of the transfer of the respective shares.

Revenues from the rendering of services are recognised in the financial year in which the respective services are performed. For services rendered over more than one period, revenues are recognised for the services already performed as a proportion of the total services due to be rendered.

Interest income is recognised on a time-apportioned basis, taking due account of the remaining claim and the effective interest rate over the remaining term.

5. SPECIFIC ACCOUNTING POLICIES (continued)

5.16 Currency translation reserve

The consolidated financial statements are prepared in euros. The euro is the currency of the primary economic environment in which the Group operates and is therefore its functional currency.

Foreign currency transactions are translated into the functional currency of the relevant group company using the exchange rate on the transaction date. Monetary foreign currency items are subsequently translated at the respective reporting date rate. The currency translation differences arising upon the settlement of foreign currency transactions and from the translation of monetary foreign currency items at the reporting date rate are recognised in the income statement under other operating income or expenses. The functional currency of the foreign companies is the respective national currency, as the foreign companies conduct their business independently in financial, economic and organisational terms.

At the end of the year, assets and liabilities at foreign companies are translated into euros using the relevant reporting date rates, while income and expenses at such companies are translated using annual average exchange rates. Equity components are translated using the historical exchange rates applicable from a group perspective upon the dates of their respective addition to the scope of consolidation. The currency translation differences thereby arising compared with the reporting date rates are recognised in equity in the "currency translation reserve" line item.

5.17 Residual interests and dividend distributions

In its consolidated financial statements, ADLER also includes subsidiaries that have the legal form of partnerships with minority interests. Pursuant to IAS 32, the shareholder position attributable to these minorities requires recognition as a liability due to their statutory and non-excludable termination rights. When such liability arises, it is measured at the present value of the settlement claim attributable to the respective shareholder. This generally corresponds to the amount of capital contribution made by the shareholder. In subsequent periods, the liability is carried forward and adjusted to account for the company's earnings prior to the recognition of this liability within earnings. To the extent that it is not due to capital contributions or withdrawals, the change in the liability is recognised through profit or loss. Where the carry-forward procedure results in an imputed claim against the shareholder, such procedure is deferred until it once again results in a liability due from the shareholder.

For the stock corporations included in the Group, liabilities for dividends to shareholders are basically only recognised in the period in which the corresponding resolution concerning the appropriation of profit is adopted by the relevant shareholders' meeting. Obligations for minimum profit distributions are deferred as liabilities.

5.18 Cash flow statement

The cash flow statement presents the development in the Group's payment flows in the financial year under report. In the consolidated financial statements, the cash flow from operating activities is calculated using the indirect method, with earnings before interest and taxes (EBIT) being adjusted to exclude non-cash-effective items and include cash-effective items. The cash flow statement presents the cash flows from operating, investing and financing activities.

5.19 Share-based payments

ADLER has a share-based compensation plan which grants beneficiaries at the company stock appreciation rights, and thus the possibility of participating in the company's value growth. The stock appreciation rights provided in the relevant programme ("SAR Programme") constitute a share-based cash-settled payment programme pursuant to IFRS 2. Provisions for these personnel obligations have been recognised in the amount of the expected expenses, with such being allocated in instalments over the fixed overall term of the respective tranches. The fair value is calculated in reference to recognised financial valuation models. The recognition of stock appreciation rights requires assumptions and estimates concerning the development in performance indicators and personnel. The identification is carried out using an appropriate option price model.

6. SIGNIFICANT DISCRETIONARY DECISIONS AND ESTIMATES

In preparing its consolidated financial statements, the company makes assessments and assumptions concerning expected future developments based on the circumstances extant at the balance sheet date. The estimates derived on this basis may deviate from actual circumstances at a later point in time. In this case, the assumptions and the carrying amounts of the relevant assets or liabilities are adjusted as appropriate on a prospective basis.

The assumptions and estimates are continually reviewed and are based on past experience and other factors, including expectations concerning future events that appear reasonable in the given circumstances.

In applying accounting policies, the Management Board made the following estimates which materially impact the amounts recognised in the consolidated financial statements:

- When testing goodwill for impairment, estimates have to be made concerning the recoverable amounts of the respective cash-generating units or groups of cash-generating units. The recoverable amounts correspond to the higher of fair value less disposal costs and the value in use. When determining the value in use, the estimated future cash surpluses are discounted to their present values. This procedure is based on the company planning adopted by the Management Board. For regional business units operating in the property management business, this process particularly requires estimates to be made concerning future rental income, vacancy rates and maintenance and modernisation measures. Based on forecast market developments and past experience, the assumptions underlying these figures are factored into a planning horizon of up to ten years. The payment surpluses thereby determined are discounted to their present values, taking due account of market-based equity and debt financing costs, a market-based risk premium as well as of a sustainable growth rate. The figure that best reflects the market value based on various scenarios and under consideration of all known input factors is reported in the consolidated financial statements.
- The market values of investment properties are based on the findings of independent experts commissioned to this end. These assessments are based on the discounted future cash surpluses determined using the discounted cash flow methods over a ten-year planning horizon. To perform the valuation, the surveyors have to estimate various factors, such as future rental income, vacancy rates, maintenance and modernisation measures and applicable interest rates. All these factors directly influence the fair value of the investment properties. Furthermore, due account is also taken of transaction costs in an amount deemed likely by ADLER. In the case of valuation of property under construction, under the residual value method the construction costs still to be incurred as well as risk deductions for risk and profit until completion must be estimated. Further estimates will be made with regard to the fair value costs of disposal of properties held for sale.
- Estimates also influence the assessments concerning the recoverability of rent receivables. For rent receivables in the “Rental” segment, impairment losses of 40 percent and of 90 percent are recognised for receivables due from resident and non-resident tenants respectively.
- Deferred taxes: based on its current planning, the Management Board decides to what extent future loss carryovers can be utilised. This decision is thus based on the taxable income expected at the respective company.
- For other provisions, various assumptions have to be made concerning the probabilities of occurrence and level of utilisation. Account is taken of all information known when preparing the financial statements.

In applying accounting policies, the Management Board made the following discretionary decisions materially impacting the amounts recognised in the consolidated financial statements:

- In respect of the properties held by the Group, the Management Board has to decide as of each balance sheet date whether these assets are to be held for long-term rental and value appreciation purposes or rather classified as held for sale. Depending on this decision, the properties are reported as investment properties, under inventories, or as non-current assets held for sale.
- Upon the addition of property companies, a decision has to be made whether this constitutes the acquisition of a business operation. When the acquisition involves not only assets and liabilities, but also a business operation (integrated group of activities), then the transaction constitutes a business combination. For example, the business processes of asset and property management, receivables management and accounting are deemed to represent an integrated group of activities. A further key indication that the takeover involves a business operation is the fact that personnel is also employed by the company thereby taken over. All of

6. SIGNIFICANT DISCRETIONARY DECISIONS AND ESTIMATES (continued)

these processes and indications could be negated in the case of the acquisitions of property companies and property development companies in the 2017 financial year, as a result of which the acquisitions have not been presented as business combinations pursuant to IFRS 3 in 2017.

- Upon the initial recognition of financial instruments, a decision has to be made as to which of the four measurement categories they should be allocated to: measured at fair value through profit or loss, loans and receivables, assets held to maturity or available-for-sale financial assets.

7. SEGMENT REPORTING

The ADLER Group was previously organised in the following segments:

1. Rental: a ll business transactions executed in connection with the letting of investment properties. It also includes a small number of inventory properties not allocated to the Trading segment.

2. Trading: this segment includes purchases and sales of properties, in which individual apartments are generally sold to private investors. The brokerage business associated with residential privatisation was also allocated to this segment. As the properties were temporarily owned by the company alongside income from the sale of properties, a low volume of gross rental income was also reported in this segment.

With the sale of the majority stake in ACCENTRO in November 2017, ADLER discontinued its business segment or trading segment and reported the remaining investment in ACCENTRO under non-current assets held for sale. This has implications on segment reporting, which is now the only continuing business area. The discontinued Trading segment will no longer be shown and the previous year's comparative earnings figures have been adjusted accordingly.

The portfolios from which ADLER aims to generate long-term gross rental income through lettings, which are combined in the Rental segment, are contained in continuing operations. Gross rental income and the expenses associated with the letting business portray the activities of the Group's central Asset Management department, which manages residential units held in the portfolio in technical and commercial terms. This segment also includes the expenses of ADLER Wohnen Service GmbH, founded in 2016, which bundles the Group's own property management activities, and has now expanded to such an extent that ADLER has almost completely integrated this part of the value chain into the Group. Similar plans are in place for Facility Management under the auspices of ADLER Gebäude Service GmbH, a group company formed from the former Arkadio Facility Management GmbH.

Other group activities that do not constitute standalone segments are pooled in the "Other" column. These mainly relate to historic holdings at ADLER that have already been or are in the process of being sold.

Segment reporting based on the Trading segment is consistent with the internal reporting system to ADLER's Management Board, which is the top management body pursuant to IFRS (management approach). As the Group only trades in properties that are located in Germany, no geographical segmentation has been performed.

Income and EBIT are broken down as follows:

ADLER Group **In EUR '000**	**Rental** **2017**	**Other** **2017**	**Group** **2017**
Income from the management of properties and from the sale of properties	297,548	1,694	299,242
– of which letting	264,087	301	264,388
– of which disposals	33,461	1,393	34,854
– of which brokerage	0	0	0
Change in the fair value of investment properties	235,386	0	235,386
Earnings before interest and tax (EBIT)	**311,803**	**17**	**311,820**
Result of investments accounted for using the equity method	0	0	0
Financial result	**-153,408**	**25**	**-153,383**
Result before taxes (EBT)	**158,445**	**-8**	**158,437**

7. SEGMENT REPORTING (continued)

Revenues in the Rental segment amounted to EUR 297,548k (previous year: EUR 285,677k), of which EUR 264,087k was attributable to rentals (previous year: EUR 244,697k). At EUR 311,803k, EBIT in the Rental segment was significantly ahead of the previous year's figure (EUR 268,653k). Earnings before taxes in the Rental segment amounted to EUR 158,445k (previous year: EUR 158,729k).

Income from fair value adjustments of investment properties predominantly result from estimates of the fair value of individual properties performed pursuant to IAS 40 following the acquisition of these properties in the context of portfolio acquisitions. This income is allocated to the Rental segment.

Financing expenses are attributable on one hand to the direct financing of property holdings and on the other to the issuing of bonds and convertible bonds.

The depreciation of property, plant and equipment and amortisation of intangible assets are broken down as follows:

ADLER Group In EUR '000	Rental 2017	Other 2017	Group 2017
Depreciation of property, plant and equipment	-651	0	-651
Amortisation of intangible assets	-176	0	-176

Income and EBIT were broken down in the previous year as follows:

ADLER Group In EUR '000	Rental 2016	Other 2016	Group 2016
Income from the management of properties and from the sale of properties	285,677	2,030	287,707
– of which letting	244,697	1,105	245,802
– of which disposals	40,980	925	41,905
– of which brokerage	0	0	0
Change in the fair value of investment properties	199,677	0	199,677
Earnings before interest and tax (EBIT)	**268,653**	**-166**	**268,487**
Result of investments accounted for using the equity method	10,653	0	10,653
Financial result	**-120,341**	**-26**	**-120,367**
Result before taxes (EBT)	**158,729**	**44**	**158,773**

The depreciation of property, plant and equipment and amortisation of intangible assets in the previous year were broken down as follows:

ADLER Group In EUR '000	Rental 2016 [1)]	Other 2016	Group 2016
Depreciation of property, plant and equipement	-329	0	-329
Amortisation of intangible assets	-231	0	-231

1) Amended statement

Segment assets, segment liabilities and segment investments are structured as follows:

ADLER Group In EUR '000	Rental 2017	Other 2017	Consolidation 2017	Group 2017
Assets per segment	3,766,501	7,329	-7,527	3,766,303
Result of investments accounted for using the equity method	25	0	0	25
Total segment assets	**3,766,526**	**7,329**	**-7,527**	**3,766,328**
Non-current assets held for sale	—	—	—	12,639
Segment liabilities	**2,741,336**	**7,658**	**-7,527**	**2,741,467**
Segment investments	**375,203**	**0**	**0**	**375,203**

7. SEGMENT REPORTING (continued)

In the previous year, segment assets, segment liabilities and segment investments were structured as follows:

ADLER Group In EUR '000	Trading 2016	Rental 2016	Other 2016	Consolidation 2016	Group 2016
Assets per segment	290,198	3,157,181	7,681	-25,080	3,429,980
Result of investments accounted for using the equity method	472	25	0	0	497
Total segment assets	**290,670**	**3,157,206**	**7,681**	**-25,080**	**3,430,477**
Segment liabilities	**160,068**	**2,374,046**	**7,223**	**-25,080**	**2,516,257**
Segment investments	**96,075**	**133,154**	**0**	**0**	**229,229**

Segment assets of continuing operations mainly comprise property, plant and equipment, investment properties and receivables due from third parties and the "Other" segment. Goodwill of EUR 29,354k (previous year: EUR 29,354k) was allocated to the Trading segment and was disposed of as part of the loss of control of ACCENTRO. Goodwill of EUR 101,198k is reported in the Rental segment (previous year: EUR 101,198k). Reference is made to the comments in Note 8.1, "Goodwill and intangible assets".

Group-internal debt consolidation between the reporting segment and the "Other" column is presented under "Consolidation".

Segment liabilities mainly comprise financial liabilities, operating liabilities and liabilities due to the "Other" segment.

Segment investments include additions to property, plant and equipment, intangible assets, investment properties, properties recognised under inventories (trading only) and investments in associates.

8. NOTES TO THE CONSOLIDATED BALANCE SHEET

8.1 Goodwill and intangible assets

In EUR '000 2017	Goodwill	Customer relationships and similar assets	Other intangible assets	Total intangible assets
Cost				
As at 01.01.2017	130,552	1,412	1,025	2,437
Additions from acquisitions (+)	0	0	0	0
Additions (+)	0	0	448	448
Reclassifications (+)	0	0	0	0
Disposals ACCENTRO (-)	-29,354	-1,412	-84	-1,496
As at 31/12/2017	**101,198**	**0**	**1,389**	**1,389**
Amortisation				
As at 01.01.2017	0	1,203	651	1,854
Additions (+)	0	209	231	440
Disposals ACCENTRO (-)	0	-1,412	-60	-1,472
As at 31/12/2017	**0**	**0**	**822**	**822**
Carrying amounts 01/01/2017	130,552	209	374	583
Carrying amounts 31/12/2017	**101,198**	**0**	**567**	**567**

8. NOTES TO THE CONSOLIDATED BALANCE SHEET (continued)

8.1 Goodwill and intangible assets (continued)

In EUR '000 2016	Goodwill	Customer relationships and similar assets	Other intangible assets	Total intangible assets
Cost				
As at 01.01.2016	130,552	1,412	1,066	2,478
Additions from acquisitions (+)	0	0	0	0
Additions (+)	0	0	126	126
Reclassifications (+)	0	0	0	0
Disposals (-)	0	0	-167	-167
As at 31/12/2016	**130,552**	**1,412**	**1,025**	**2,437**
Amortisation				
As at 01.01.2016	0	705	415	1,120
Additions (+)	0	498	262	760
Disposals (-)	0	0	-26	-26
As at 31/12/2016	**0**	**1,203**	**651**	**1,854**
Carrying amounts 01/01/2016	130,552	707	651	1,358
Carrying amounts 31/12/2016	**130,552**	**209**	**374**	**583**

Goodwill of EUR 101,198k is attributable to the regional business units (North, Middle, West, East) of the Rental segment and results from the acquisition of WESTGRUND in June 2015. The allocation of the goodwill resulting from the WESTGRUND acquisition to groups of cash-generating units was completed in the 2016 financial year and took due account of the sustainable synergies (financing, administrative and operating synergies) expected to result from the business combination.

The goodwill of EUR 29,354k that was allocated to the Trading segment was disposed of as part of the loss of control of ACCENTRO due to the sale of the majority of the investment as of 30 November 2017 (see "Disposal of ACCENTRO" in Note 4.4).

Mandatory annual impairment testing was performed in the fourth quarter of the year under report. To determine the recoverable amounts of the business divisions, the respective values in use were first calculated by comparison with the measurement of investment properties (see Note 8.3) on the basis of company planning adopted by the Management Board with a planning horizon of ten years. Perpetuity figures were computed on the basis of the cash inflows in the final year covered by the planning. The planning was determined by reference to influenceable and non-influenceable factors.

The Management Board determined the cash flows budgeted for the detailed planning stage on the basis of the positive developments shown by the business model in the past and of expectations as to future market developments. For the regional business divisions within the Rental segment, the key value drivers are the planned increase in rent per square metre (target rent) and the reduction in the vacancy rate.

Further major parameters used to determine the recoverable amounts include weighted average costs of capital (WACC) before taxes and the sustainable growth rates assumed for perpetuity. The WACC are derived from market-based costs of equity and debt capital weighted to account for the company's capital structure. These have been calculated using the capital asset pricing model (CAPM) as used in theory and practice. This involves accounting for a risk-free interest rate, a market-based risk premium (market risk premium and beta factor) and a risk premium from industrial bonds. The calculation was performed by reference to comparative peer group data. The sustainable growth rate presents the market development expected in the future. With regard to the regional business units, the figures have been based on developments in actual rents.

Cash Generating Units as of 31.12.2017	North	Central	West	East	Total
Goodwill in EUR '000	21,333	14,801	27,428	37,636	**101,198**
WACC before tax in %	4.9	4.9	4.9	4.9	—
Sustainable growth rate in %	1.5	1.5	1.5	1.5	—

8. NOTES TO THE CONSOLIDATED BALANCE SHEET (continued)

8.1 Goodwill and intangible assets (continued)

Cash Generating Units as of 31.12.2016	North	Central	West	East	Trade	Total
Goodwill in EUR '000	21,333	14,801	27,428	37,636	29,354	**130,552**
WACC before tax in %	3.5	3.5	3.5	3.5	5.4	—
Sustainable growth rate in %	1.0	1.0	1.0	1.0	0.8	—

The impairment test performed in the fourth quarter of the year identified significant surplus cover of the carrying amounts in all business divisions. The recoverability of goodwill has therefore been confirmed. Sensitivity analyses were performed to test the impact of changes in key parameters while retaining the other assumptions.

In the year under review, a 1.0 percentage point decrease in the target rent (in EUR/square metre rental space) for the Central and West business units would not lead to an impairment of the respective book value, whereas for the North and East business units a complete write-down of the respective goodwill would be necessary. An increase in the vacancy rate (as a percentage of the target rent) by 1.0 percentage point would not lead to an impairment of the book value for any of the divisions. A 0.5 percentage point increase in the weighted average cost of capital (WACC) or a 0.5 percentage point decrease in the sustainable growth rate would have no impact on the recoverability of the book values of the Mid and West businesses, while the North and East business lines would require a complete write-down of the respective goodwill.

In the previous year, neither a reduction in the target rent (in EUR/square metre of rental area) by 1.0 percentage point nor an increase in the vacancy rate (as a percentage of the target rent) by 1.0 percentage point resulted in any impairment of the carrying amounts of the North, Central, West or East business divisions. If the cash flow budgeted after the end of the detailed planning period had halved, this would not have resulted in any impairment in the carrying amount of the Trading segment. If the weighted average cost of capital (WACC) had increased by 0.5 percentage points or the growth rate in perpetuity to decrease by 0.5 percentage points, this too would not have had any impact on the recoverability on the respective carrying amounts of any business divisions.

Customer values and similar recognised rights also resulted from the purchase price allocation performed upon the initial consolidation of ACCENTRO related to that company's broker network and were being amortised over a three-year period.

8.2 Property, plant and equipment

In EUR '000	2017	2016
Cost		
As at 01.01.	**4,314**	1,752
Additions from acquisitions (+)	**0**	16
Additions (+)	**2,852**	2,594
Reclassifications (+)	**0**	0
Disposals (-)	**-439**	-47
Disposals ACCENTRO (–)	**-669**	0
As at 31.12.	**6,058**	**4,314**
Amortisation		
As at 01.01.	**880**	483
Additions (+)	**711**	414
Disposals (-)	**0**	-17
Disposals ACCENTRO (–)	**-481**	0
As at 31.12.	**1,110**	**880**
Carrying amounts 01.01.	**3,434**	1,269
Carrying amounts 31.12.	**4,948**	**3,434**

8. NOTES TO THE CONSOLIDATED BALANCE SHEET (continued)

8.3 Investment properties

In EUR '000	Let investment properties	Project development properties	Total 2017	Total 2016
Carrying amounts 01.01.	**2,441,988**	**0**	**2,441,988**	**2,270,187**
Additions through acquisitions IFRS 3 (+)	0	0	**0**	0
Additions through investment properties/property companies (+)	177,730	158,850	336,580	15,642
Other additions (+)	34,144	4,479	**38,623**	35,796
Fair value increase (+)	217,443	29,671	**247,114**	219,483
Fair value decrease (-)	-11,728	0	**-11,728**	-19,806
Reclassifications (+/-)	-33,600	0	**-33,600**	-68,089
Disposals (-)	-458	0	**-458**	-11,225
Carrying amounts 31.12.	**2,825,518**	**193,000**	**3,018,518**	**2,441,988**

Investment properties are encumbered with land charges provided as security for liabilities to banks.

The additions to leased existing properties in the year under review resulted from the following: an addition of EUR 29,925k was due to the acquisition on 31 March 2017 of a real estate portfolio in Osterholz-Scharm-beck and Schwanewede, EUR 9,981k was due to the acquisition on 30 June 2017 of the real estate portfolio in Senftenberg via the property company TGA Immobilien Erwerb 3 GmbH and EUR 137,824k was due to the acquisition in September 2017 of a further real estate portfolio with a total of 2,505 rental units in North Rhine-Westphalia, Lower Saxony, Bremen and Schleswig-Holstein via the property companies ADP, AFP II and AFP III.

In mid-November 2017, ADLER acquired shares in eight project development companies that are implementing the "Wasserstadt Mitte" property development project on largely undeveloped land in Berlin Mitte (Europa City). The project development intends for the construction of approx. 750 units with approx. 44,000 square metres of living space and approx. 14,000 square metres of office and commercial space for the ADLER portfolio. Initial construction work has already begun. According to current planning, the project development is largely to be completed by the end of 2019. Via these property companies, the Group acquired investment properties under construction amounting to EUR 158,850k.

The disposals result from the disposal of sections of portfolios and individual units. Valuation gains of EUR 247,114k and valuation losses of EUR 11,728k were recognised in the 2017 financial year (previous year: EUR 219,483k and EUR 19,806k). Due to these gains and losses, net income from fair value adjustments of investment properties came to EUR 235,386k (previous year: EUR 199,677k). The reclassifications amounting to EUR 33,600k relate to investment properties classified in accordance with IFRS 5 as non-current assets held for sale.

The income statement includes the following material amounts for investment properties:

In EUR '000	2017	2016
Income from property management	**264,087**	244,697
Expenses from property management	**-137,969**	-127,244
Earnings from property management	**126,118**	**117,453**

The fair value of individual properties or individual property portfolios (level 3 of the fair value measurement hierarchy) has been determined on the basis of discounted future cash flows using the DCF method. For properties under construction (project development/project properties), which will be held in the long term to generate gross rental income and capital appreciation after completion, the residual value method will be applied to determine the fair value (level 3 of the fair value measurement on the basis of measurement models).

The Management Board is responsible for determining the measurement methods and processes used at the Group and for coordinating the relevant processes. Properties are measured by external surveyors based on the

8. NOTES TO THE CONSOLIDATED BALANCE SHEET (continued)

8.3 Investment properties (continued)

data as at the measurement date, much of which is provided by ADLER's Asset Management department. This way, it is ensured that the properties are measured in line with market conditions and as at the reporting date. The year-on-year changes in fair values are subject to plausibility reviews by the Group Accounting and Asset Management departments. The results of the measurement process are then discussed with the Management Board.

Let investment properties

The DCF method involves discounting the cash flows expected to be generated by a property to the measurement date. To this end, the cash flows from the respective properties are determined for a detailed planning period (ten years). These involve the net balance of expected inflows and outflows of cash. While inflows generally relate to net rents, the (gross) outgoing payments particularly involve the operating costs borne by the owner. The net cash flows for each period are then discounted to the balance sheet date as at 31 December 2017 by application of a market-based, property-specific discount rate.

This results in the capitalised value of the net cash flows for the respective period. A potential discounted disposal value (terminal value) is forecast for the property at the end of the detailed planning period. This reflects the price most likely to be achievable at the end of the detailed planning period. This involves capitalising the discounted net cash flows as perpetuity figures by application of the capitalisation rate of the respective property (exit rate). The sum of the discounted cash flows and the discounted potential disposal value provides the gross value of the property to be assessed. Market-specific transaction costs incurred by any potential buyer and quantified at 5.5 percent to 10.5 percent are then deducted from this gross value (previous year: 5.5 percent to 10.5 percent), following which the properties are recognised at net value.

The following overview presents the significant assumptions and results used to determine the fair values of investment properties when measuring them using the DCF method:

Valuation parameters	Unit	Average	Range
Discount rate	%	5.16	3.80 – 6.47
Capitalisation rate	%	4.62	3.05 – 6.00
Maintenance costs	EUR/sqm	8.82	6.50 – 10.50
Administrative expenses	EUR/per rental unit/year	248.69	200.00 – 300.00
Stabilised vacancy rate	%	2.32	0.00 – 13.00
Valuation results			
Actual rent multiplier		16.04	9.35 – 27.25
Market value per sqm	EUR/sqm	1,046.46	480.00 – 2,250.20

In the previous year, measurement was based on the following parameters:

Valuation parameters	Unit	Average	Range
Discount rate	%	5.41	3.75 – 6.66
Capitalisation rate	%	4.59	3.41 – 5.87
Maintenance costs	EUR/sqm	8.78	6.00 – 10.26
Administrative expenses	EUR/per rental unit/year	254.33	250.00 – 298.00
Stabilised vacancy rate	%	4.10	0.76 – 15.00
Valuation results			
Actual rent multiplier		15.57	10.24 – 24.82
Market value per sqm	EUR/sqm	995.19	430.00 – 1,949.63

Various parameters were referred to when determining the discount rate. This rate comprises the base rate and a risk premium. The risk premium represents an interest rate suitable to the specific sub-segment, the type of use and the quality of the property. These assessments were made by reference to current market data and official documents, as well as to information from the valuation committee. The risk premium therefore varied from property to property.

8. NOTES TO THE CONSOLIDATED BALANCE SHEET (continued)

8.3 Investment properties (continued)

The valuation parameters stated above represent averages weighted by market value. None of the margins stated account for exceptional individual cases. The assumptions used to value existing properties were made by an independent surveyor based on his longstanding professional experience. The surveys commissioned by the Group are governed by the requirements of the Royal Institution of Chartered Surveyors (RICS).

The chosen interest rate, underlying market rents and stabilised occupancy rates were identified as the main value drivers influenced by the market. The effects of potential fluctuations in these parameters are presented separately in the table below. Interaction between these parameters is possible. Given the complexity of the relationships involved, however, the effects of such interaction are not quantifiable.

	Capitalisation rate		Market Rent		Vacancy rate	
	-0.5 PP	+0.5 PP	-10.0%	+10.0%	-1.0 PP	+1.0 PP
Change in value						
In EUR ’000	259,287	-211,761	-353,371	348,380	44,705	-39,942
in %	9.18	-7.49	-12.51	12.33	1.58	-1.41

In the previous year, the following effects resulted from possible fluctuations of the respective measurement parameters:

	Capitalisation rate [1]		Market Rent		Vacancy rate	
	-0.5 PP	+0.5 PP	-10.0%	+10.0%	-1.0 PP	+1.0 PP
Change in value						
In EUR ’000	248,370	-210,959	-316,190	306,725	41,227	-41,419
in %	10.17	-8.64	-12.95	12.56	1.69	-1.70

[1] the change in value for 2016 has been adjusted

The following overview presents the geographical distribution of the property portfolios broken down by rental area, market values and the main parameters used in the valuation methods outlined above:

	Total rental area in sqm	Discount rate in %	Capitalisation rate in %	Actual rent multiplier	Stabilised vacancy rate in %	Market value 2017 in EUR ’000
Lower Saxony	1,090,759	5.28	4.69	15.12	2.32	**959,354**
North Rhine Westphalia	707,187	4.76	4.55	15.81	1.56	**655,344**
Saxony	444,840	5.21	5.09	14.82	3.57	**324,585**
Saxony-Anhalt	197,532	5.47	5.00	13.33	0.43	**137,206**
Brandenburg	216,165	5.54	4.87	13.68	0.90	**168,784**
Other	476,271	5.22	4.16	19.88	3.35	**580.245**
Total	**3,132,754**	**5.16**	**4.62**	**16.04**	**2.32**	**2,825,518**

In the previous year, the geographical distribution of the property portfolios was as follows:

	Total rental area in sqm	Discount rate in %	Capitalisation rate in %	Actual rent multiplier	Stabilised vacancy rate in %	Market value 2016 in EUR ’000
Lower Saxony	1,032,594	5.61	4.63	14.90	4.27	**807,767**
North Rhine Westphalia	643,197	4.82	4.39	15.45	3.41	**548,790**
Saxony	454,108	5.53	4.89	14.31	4.74	**305,853**
Saxony-Anhalt	197,876	5.72	4.87	13.73	5.65	**128,306**
Brandenburg	224,581	5.63	4.88	14.54	5.42	**163,595**
Other	433,135	5.51	4.39	18.45	3.36	**487,677**
Total	**2,985,491**	**5.41**	**4.59**	**15.57**	**4.10**	**2,441,988**

8. NOTES TO THE CONSOLIDATED BALANCE SHEET (continued)

8.3 Investment properties (continued)

Project development properties

The determination of the fair value of property under construction – which are held in the long term for the purpose of generating gross rental income and capital appreciation after completion – takes place using the residual value method, since the value of these properties is primarily determined by the value of the specific development concept. In the case of the residual value method, an indicative market value of the finished and leased object is initially determined on the basis of the future expected annual net income using the DCF method. All remaining costs that are incurred in connection with the preparation of the project are deducted from this value. These possible costs include all construction costs, building ancillary costs, fees, financing costs, marketing costs and incidental acquisition costs. There is also a risk deduction for risk and profit.

The following overview presents the most significant assumptions used to determine the fair values of investment properties using the residual value method:

Valuation parameters	Unit	Average	Range
Capitalisation rate	%	3.30	—
Calculated construction costs of the net rentable area	in EUR/sqm	3,000.00	—
Risk deduction for risk and profit	%	15.00	—
Multiplier gross annual profit		27.5	—

Currently the residual value method is applied only for project development. For this reason there is no range for the valuation parameters.

The risk deduction for risk and profit refers to the yet-to-be-generated added value of the respective project.

The chosen interest rate, underlying market rents and calculated construction costs were identified as the main value drivers influenced by the market. The effects of potential fluctuations in these parameters are presented separately in the table below:

	Capitalisation rate		Market Rent		Calculated building costs [1]	
	-0.5 PP	+0.5 PP	-10%	+10%	-10%	+10 %
Change in value						
In EUR ’000	80,390	-57,510	40,310	40,290	21,290	-21,310
in %	41.65	-29.80	-20.88	20.87	11.03	-11.04

[1] Without consideration of potential project guarantuees

8.4 Loans to associated companies

As in the previous year, loans to associates have been written down in full.

8.5 Investments in associates and joint ventures

Two companies were included in the consolidated financial statements using the equity method as at the balance sheet date (previous year: five companies). Three associates (previous year: four) have not been included at equity due to materiality considerations.

In EUR ’000	2017	2016
Carrying amounts 01.01.	**497**	**353,343**
Share of gains and losses (at-equity-result)	**225**	11,185
Other results attributable to the Group	**0**	-1,590
Dividends received	**-217**	-9,059
Reclassifications (+/-)	**0**	-353,382
Disposals ACCENTRO (–)	**-480**	0
Carrying amounts 31.12.	**25**	**497**

8. NOTES TO THE CONSOLIDATED BALANCE SHEET (continued)

8.5 Investments in associates and joint ventures (continued)

In connection with the sale of the majority of the investment in ACCENTRO, the investments in Wohnei-gentum Berlin GbR, SIAG Sechzehnte Wohnen GmbH & Co. KG and Malplaquetstr. 23 Grundstücksverwal-tungsgesellschaft mbH were disposed of. The remaining 6.2 percent interest in ACCENTRO will continue to be recognised as an associate in the consolidated financial statements due to its ability to exercise significant influence through a member of the Supervisory Board. However, it will be included in non-current assets held for sale due to the proposed disposal (see Note 8.11).

In the previous year, ADLER transferred the entire investment in conwert Immobilien Invest SE (conwert) to the shareholders of conwert in the takeover offer announced on 5 September 2016 by Vonovia SE (Vonovia). As part of the agreed-upon Tender Commitment Agreement with Vonovia, ADLER has irrevocably undertaken to accept the takeover offer from Vonovia. Due to the tender commitment agreement with Vonovia, the shares were initially recognised as non-current assets held for sale for the first time in the third quarter of 2016 (reclassification). In January 2017, return from the transfer of the shares was received. Please refer to the comments under Note 8.11 "Non-current assets held for sale".

The Group still holds investments in two other associates and joint ventures that are not of material significance. The carrying amounts and the share of profit and other comprehensive income of these associates are presented in aggregated form in the table below:

In EUR '000	2017	2016
Carrying amount of shares on not-vital-at-equity consolidated companies	**25**	**497**
Group's share in the result of non-vital-at-equity companies:		
– Profit from continuing operations	0	532
– Other results	0	0
Total result	**0**	**532**

The prorated share of profit and loss at the companies included using the equity method has been recognised in full in 2017. There are no accumulated unrecognised losses.

8.6 Other financial investments and other non-current assets

Other non-current assets mainly include advance payments made.

8.7 Deferred taxes

Deferred tax assets (+) and liabilities (-) are composed as follows:

In EUR '000	2017	2016
Tax loss carryforwards (deferred tax assets)	**67,925**	52,298
Valuation of other liabilities (deferred tax assets)	**5,094**	5,953
Valuation of pension provisions (deferred tax assets)	**234**	499
Valuation of (convertible) bonds (deferred tax assets)	**0**	8,341
Valuation of financial liabilities (deferred tax assets)	**9,954**	5,322
Valuation of investment properties/inventories (deferred tax liabilities)	**-235,525**	-169,515
Valuation of (convertible) bonds (deferred tax liabilities)	**-7,239**	-12,335
Accrual of financing costs (deferred tax liabilities)	**-5,145**	-5,126
Other	**130**	1,828
Total deferred tax assets	**83,337**	74,241
Total deferred tax liabilities	**-247,909**	-186,976
	-83,337	-73,833
Offsetting	**83,337**	73,833
Reported deferred tax assets	**0**	**408**
Reported deferred tax liabilities	**-164,571**	**-113,142**

8. NOTES TO THE CONSOLIDATED BALANCE SHEET (continued)

8.7 Deferred taxes (continued)

Deferred tax assets for tax loss carryovers are recognised at the amount at which the corresponding tax benefits are likely to be realised through future taxable income (recognised at no less than the value of deferred tax liabilities). The loss carryovers exclusively relate to Germany and are therefore not expected to expire. In view of this, the maturity structures of those loss carryovers which have not been capitalised have not been disclosed.

No deferred tax assets have been recognised for corporate tax loss carryovers of around EUR 183.9 million (previous year: around EUR 140.3 million) and trade tax loss carryovers of around EUR 160.5 million (previous year: around EUR 147.8 million) as their realisation is not sufficiently certain.

No deferred tax liabilities have been recognised on amounts totalling EUR 23.2 million (previous year: EUR 15.9 million) in connection with shareholdings in group companies. This is due to the Group's ability to control their reversal, which is not expected to be the case in the foreseeable future.

8.8 Inventories

Inventories include an amount of EUR 2,941k for properties acquired for sale (previous year: EUR 219,523k), an amount of EUR 0 for advance payments (previous year: EUR 7,486k) and an amount of EUR 37k for other inventories (previous year: EUR 49k). The portfolio of inventory properties acquired for sale developed as follows:

In EUR '000	2017	2016
Costs		
As at 01.01.	**226,031**	165,330
Additions through acquisition (+)	**0**	0
Additions (+)	**129,371**	99,950
Disposals (-)	**-66,993**	-79,756
Disposals ACCENTRO (–)	**-279,081**	0
Reclassifications (+/-)	**0**	40,507
As at 31.12.	**9,328**	**226,031**
Amortisation		
As at 01.01.	**6,508**	6,508
Additionals (+)	**0**	0
Write-ups (-)	**0**	0
Disposals (-)	**0**	0
Disposals ACCENTRO (-)	**-121**	0
As at 31.12.	**6,387**	**6,508**
Carrying amounts 01.01.	**219,523**	158,822
Carrying amounts 31.12.	**2,941**	**219,523**

In the context of the loss of control of ACCENTRO due to the sale of the majority of the investment as at 30 November 2017, the majority of the properties acquired for sale and all advance payments made have been disposed of (see "Disposal of ACCENTRO" in Note 4.4).

Inventories at the ADLER Group mainly comprise properties acquired for sale. These are recognised at the lower of cost and net realisable value. The costs include the purchase price of the property plus directly allocable incidental costs, such as brokers' fees, property transfer tax, notary fees and deed registration fees. Renovation costs resulting in a material improvement of the property are capitalised. The net realisable value is equivalent to the sales proceeds achievable in the ordinary course of business less the estimated costs through to completion and sales-related expenses still to be incurred.

No material write-ups or write-downs were recognised on properties recognised under inventories in the financial year under report.

8. NOTES TO THE CONSOLIDATED BALANCE SHEET (continued)

8.8 Inventories (continued)

The carrying amount of inventories pledged as securities for liabilities amounts to EUR 0 (previous year: EUR 216,080k). Inventory properties with total carrying amounts of EUR 0 (previous year: EUR 99,667k) are only expected to be sold after more than twelve months.

8.9 Trade receivables, income tax claims and other current assets

Current trade receivables comprise the following items:

In EUR '000	2017	2016
Receivables from company disposals and sale of land	**305**	3,347
Rent receivables	**10,326**	7,523
Other	**87**	879
Total	**10,717**	**11,749**

As rent payments are always required in advance, the rent receivables stated here are mostly overdue. In view of this, individual allowances of 40 percent and 90 percent per receivable have been recognised for sitting tenants and for tenants who have moved out respectively.

Trade receivables were structured as follows as at the balance sheet date:

In EUR '000	2017	2016
Trade receivables	**10,717**	11,749
– of which not impaired as of the reporting date and not overdue	**1,594**	2,020
– of which not impaired as of the reporting date and not overdue by up to 30 days	**0**	128
– of which not impaired as of the reporting date and not overdue between 31 to 60 days	**44**	72
– of which not impaired as of the reporting date and not overdue between 61 to 90 days	**0**	60
– of which not impaired as of the reporting date and not overdue between 91 to 180 days	**284**	87
– of which not impaired as of the reporting date and not overdue between 181 to 360 days	**0**	342
– of which not impaired as of the reporting date and not overdue above 360 days	**13**	1,517
– Net value of impaired trade receivables	**8,782**	7,523

Impairments of trade receivables developed as follows:

In EUR '000	2017	2016 [1]
As at 01.01.	**61,941**	**61,495**
Change in the scope of consolidation	**-38**	0
Contributions (depreciation)	**7,815**	7,147
Utilisation	**-8,168**	-6,701
As at 31.12.	**61,551**	**61,941**

[1] the opening value 2016 has been adjusted

8. NOTES TO THE CONSOLIDATED BALANCE SHEET (continued)

8.9 Trade receivables, income tax claims and other current assets (continued)

Other current assets comprise the following items:

In EUR '000	2017	2016
Purchase price receivable ACCENTRO including interest claims	**161,729**	0
Current securities	**18,191**	78
Earmarked financial assets	**38,984**	14,785
Short-term loans to third parties	**17,392**	30,124
Notary escrow account	**0**	17
Sales tax receivables	**0**	1,331
Advance payment of financing costs	**772**	588
Receivables reductions in purchase price	**190**	0
Other current assets	**6,250**	7,163
Total	**243,508**	**54,086**

Current securities comprise temporary investments of surplus liquidity.

Earmarked financial assets comprise bank balances with specific use restrictions that should only be used for the repayment of certain financial liabilities, as security for specific obligations or for particular maintenance measures. ADLER can not specify the disposal.

Impairment losses of EUR 58k have been recognised on other current assets (previous year: EUR 55k). All items within other current assets are of a short-term nature as they mainly result from contractual arrangements due to be settled within one year.

8.10 Cash and cash equivalents

Cash and cash equivalents include cash on hand and credit balances at banks.

Cash and cash equivalents amounted to EUR 368,233k as at the balance sheet date (previous year: EUR 123,911k), of which an amount of EUR 276,077k was subject to restrictions on disposal (previous year: EUR 13,370k). ADLER can dispose of these resources, but they are intended for a special use. In particular these are credit accounts on which funds are accumulated, which are then used for interest payment and repayment. The year-on-year increase of EUR 259,752k was due to the deposit of purchase prices for the repurchase of borrower's note loans in the 2018 financial year.

Due to the specific restrictions on disposal, bank credit balances of EUR 38,984k have been reported for the year under report under other current assets (previous year: EUR 14,785k).

8.11 Non-current assets and liabilities held for sale

In connection with the sale of the majority of the investment in ACCENTRO, ADLER carried out a transitional consolidation on 30 November 2017 and included the remaining 6.2 percent interest in ACCENTRO as an associated company in accordance with IAS 28 in the consolidated financial statements. Shares were measured in accordance with IFRS 10 at fair value (stock market price) amounting to EUR 12,639k at the date of transitional consolidation and reported under non-current assets held for sale (see Note 4.4). As at the balance sheet date, the fair value less costs to sell was higher than the book value, meaning that no valuation allowance had to be made. ADLER also has the option to sell the remaining holding in ACCENTRO to the buyer at the same price agreed for its 80 percent holding.

In December 2016, the ADLER Group tendered its shareholding of approx. 26 percent in conwert within the framework of the voluntary takeover bid successfully addressed by Vonovia SE to shareholders in conwert. With Vonovia's approval, it selected the option of cash consideration. In January 2017, the consideration was received for the assignment of the conwert shares within the voluntary takeover bid addressed by Vonovia to conwert's shareholders. The shares were measured at the lower of their carrying amount and their fair value less costs to

8. NOTES TO THE CONSOLIDATED BALANCE SHEET (continued)

8.11 Non-current assets and liabilities held for sale (continued)

sell. As of 31 December 2016, fair value less costs to sell as based on the consideration offered in Vonovia's voluntary takeover bid was lower than the previous carrying amount, as a result of which it was necessary to recognise an impairment loss. Apart from the reversal of the reserves recognised in equity for the conwert shares, the retirement of the shares at a carrying amount of EUR 416,260k has therefore not impacted on earnings in the 2017 financial year. The reversal of the reserves recognised in equity for the con-wert shares led to expenses of EUR 1,589k, which have been recognised in the financial result in line with the impairment loss recognised in the previous year.

The other non-current assets held for sale involve an amount of EUR 10,943k for properties for which notarised purchase agreements were available as at the balance sheet date (previous year: EUR 18,428k). Liabilities relating to the properties sold have accordingly been reported as liabilities held for sale. The disposal of the non-current assets held for sale in the previous year did not have any material impact on earnings, as the assets were already measured at fair value. This corresponded to the sale price for the properties less related expenses.

8.12 Capital stock

The fully paid up share capital at ADLER amounted to EUR 57,548k as at 31 December 2017 (previous year: EUR 47,702k) and was divided into 57,547,740 (previous year: 47,702,374) no-par bearer shares with equal voting rights.

At the Annual General Meeting of ADLER on 7 June 2017 it was decided to increase the capital stock by EUR 4,773k from company funds by issuing 4,773,135 no-par ordinary shares (bonus shares). The new shares were attributable to shareholders in accordance with their share of existing capital stock and have a dividend entitlement from 1 January 2017. The issue of bonus shares has changed the conversion prices and conversion ratios of outstanding convertible bonds.

Due to the exercising of conversion rights, capital stock increased by EUR 5,072k.

The number of shares outstanding is as follows:

Amount	2017	2016
As at 01.01.	**47,702,374**	46,103,237
Conversion of convertible bonds	**5,072,231**	1,599,137
Non-cash capital increase through company acquisition	**4,773,135**	0
As at 31.12.	**57,547,740**	**47,702,374**

Authorisation to acquire treasury stock

By resolution adopted by the Extraordinary General Meeting of ADLER Real Estate Aktiengesellschaft on 15 October 2015, the Management Board is authorised until 14 October 2020 to acquire and dispose of treasury stock and to use the treasury stock thereby acquired to the exclusion of shareholders' subscription rights. The treasury stock acquired on the basis of this resolution may also be retired. The full wording of the resolution is stated in the invitation to the General Meeting published in the Federal Gazette (Bundesanzeiger) on 8 September 2015.

The company has acquired 1,391,902 treasury shares through three share buyback programmes up to the reporting date. This equates to a stake of 2.42 percent in the capital stock as at the reporting date.

Authorised Capital 2015/I

Pursuant to § 4 (3) of the Articles of Association, the Management Board is authorised until 21 May 2020, subject to the approval of the Supervisory Board, to increase the company's capital stock on one or several occasions by a total of up to EUR 13,300,000 by issuing up to 13,300,000 new no-par bearer shares in return for cash contributions or contributions in kind. The Management Board is authorised, subject to the approval of the Supervisory Board, to exclude shareholders' subscription rights in the cases listed in § 4 (3) of the Articles of Association.

8. NOTES TO THE CONSOLIDATED BALANCE SHEET (continued)

8.12 Capital stock (continued)

Authorised Capital 2017/I

Pursuant to § 4 (2) of the Articles of Association, the Management Board is authorised until 9 May 2022, subject to the approval of the Supervisory Board, to increase the company's capital stock on one or several occasions by a total of up to EUR 12,500,000 by issuing up to 12,500,000 new no-par bearer shares in return for cash contributions or contributions in kind (authorised capital 2017/I). The Management Board is authorised, subject to the approval of the Supervisory Board, to exclude shareholders' subscription rights in the cases listed in § 4 (2) of the Articles of Association.

Contingent Capital 2012/I

Pursuant to § 4 (4) of the Articles of Association, the company's share capital is contingently increased by up to EUR 8,250,000 by issuing up to 8,250,000 new no-par bearer shares.

The contingent capital increase exclusively serves to issue shares to the bearers of warrant or convertible bonds issued until 27 June 2017 on the basis of the authorisation granted by the Annual General Meeting on 28 June 2012 in the version as amended by resolution of the Annual General Meeting on 15 October 2013.

In accordance with the terms and conditions of the respective warrant and/or convertible bonds, the contingent capital increase serves to issue shares to bearers of warrant and/or conversion bonds furnished with warrant and/or conversion obligations. The contingent capital increase is only executed to the extent that the bearers of warrant and/or convertible bonds exercise their option and conversion rights or that the bearers of warrant or convertible bonds obliged to exercise their options or convert their bonds meet such obligations to exercise their options or convert their bonds, to the extent that the option or conversion rights are not satisfied by issuing treasury stock or that other forms of settlement are not drawn on to satisfy the respective claims. The new shares enjoy dividend entitlement for all financial years for which the Annual General Meeting has not yet adopted any resolutions in respect of the appropriation of profit.

Following the exercising of conversion rights in connection with the 2013/2017 convertible bond issued on 14 June 2013 (ISIN DE000A1TNEE3), which matures on 27 June 2017, and the exercising of conversion rights in connection with the 2013/2018 convertible bond issued on 17 December 2013 (ISIN DE000A1Y-CMH2), Contingent Capital 2012/I still amounted to EUR 1,522,740 at the balance sheet date.

Contingent Capital 2015/I

Pursuant to § 4 (5) of the Articles of Association, the company's share capital is contingently increased by up to EUR 4,850,000 by issuing up to 4,850,000 new no-par bearer shares.

The contingent capital increase exclusively serves to issue shares to the bearers of warrant or convertible bonds issued until 21 May 2020 on the basis of the authorisation granted by the Annual General Meeting on 22 May 2015 in the version set out in the authorisation adopted by the Annual General Meeting on 9 June 2016.

In accordance with the terms of the warrant and convertible bonds, the contingent capital increase also serves to issue shares to the bearers of warrant or convertible bonds furnished with option or conversion obligations. The contingent capital increase is only executed to the extent that the bearers of warrant and/or convertible bonds exercise their option and conversion rights or that the bearers of warrant or convertible bonds obliged to exercise their options or convert their bonds meet such obligations to exercise their options or convert their bonds, to the extent that the option or conversion rights are not satisfied by issuing treasury stock or that other forms of settlement are not drawn on to satisfy the respective claims. The new shares enjoy dividend entitlement for all financial years for which the Annual General Meeting has not yet adopted any resolutions in respect of the appropriation of profit.

Following the exercising of conversion rights in connection with the 2016/2021 convertible bond issued on 19 July 2016 (ISIN A161XW6), Contingent Capital 2015/I still amounted to EUR 5,334,944 at the balance sheet date.

8. NOTES TO THE CONSOLIDATED BALANCE SHEET (continued)

8.12 Capital stock (continued)

Contingent Capital 2015/II

Pursuant to § 4 (6) of the Articles of Association, the company's share capital is contingently increased by up to EUR 11,666,666 by issuing up to 11,666,666 new no-par bearer shares.

The contingent capital increase exclusively serves to issue shares to the bearers of the EUR 175 million mandatory convertible bonds that were issued to part finance the acquisition of MountainPeak Trading Limited on 28 December 2015. The contingent capital increase is executed only to the extent that the bearers of the EUR 175 million mandatory convertible bonds exercise their conversion rights or the mandatory convertible bonds are converted as required at the end of the term. The new shares enjoy dividend entitlement from the beginning of the financial year in which they are issued.

8.13 Capital reserve

The capital reserve mainly relates to the premiums paid on capital increases in previous years offset against the costs of the respective capital increases. Furthermore, the capital reserve includes the difference between the imputed nominal value of treasury stock and the acquisition or issue price of such shares, as well as the equity component of the convertible bonds issued net of allocable transaction costs and income tax effects. Moreover, differential amounts arising from acquisitions of shares not leading to a change of status are also recognised in the capital reserve.

An amount of EUR 4,240k of the increase in the capital reserve resulted from the exercising of conversion rights in connection with convertible bonds.

The issue of bonus shares in June 2017 led to a reduction in the capital reserve by EUR 4,773k. Following the sale of the majority of its shareholding in ACCENTRO, ADLER acquired additional shares in Magnus-Relda Holding Vier GmbH – an increase in shareholding without a change of status. As a result, the capital reserve has been reduced by EUR 1,369k, which is the amount by which the purchase price exceeds the carrying amount of the non-controlling interests.

8.14 Retained earnings

Retained earnings include adjustments in the opening balance sheet due to the conversion of accounting from the German Commercial Code (HGB) to International Financial Reporting Standards (IFRS) implemented in 2005 (first-time adoption), items resulting from changes to accounting policies pursuant to IAS 8 and current items resulting from the remeasurement of pension provisions. In addition, changes in the fair value of available-for-sale financial assets and shares in other comprehensive income and companies accounted for using the equity method are recognised. In the financial year, profits and losses from the remeasurement of pension provisions amounting to EUR 577k (previous year: EUR -563k) and changes in value of available-for-sale financial assets amounting to EUR -966k after netting with the related taxes were transferred to retained earnings. Reserves amounting to EUR 1,589k recognised directly in equity for the shares in conwert were reversed in the course of the disposal of the shares.

8.15 Currency translation reserve

The currency translation reserve includes the accumulated exchange rate difference between the initial consolidation in the consolidated balance sheet and the subsequent consolidations using the respective reporting date rates of Adler McKinney LLC. This amount is directly recognised in equity in the currency translation reserve. The change in the currency translation reserve by EUR -4k was attributable to the subsequent consolidation of Adler McKinney LLC.

8.16 Minority interests

This item comprises the share of equity and annual earnings of consolidated subsidiaries. The consolidated net income attributable to shareholders in the parent company corresponds to the difference between the consolidated net income before non-controlling interests and the non-controlling interests reported in the income statement.

8. NOTES TO THE CONSOLIDATED BALANCE SHEET (continued)

8.16 Minority interests (continued)

Non-controlling interests developed as follows in the 2017 financial year:

In EUR '000	2017	2016
Subsidiary WESTGRUND	**39,723**	31,745
Subsidiary ACCENTRO	**0**	17,276
Subsidiary JADE	**9,445**	8,016
WBR Wohnungsbau Rheinhausen GmbH	**8,764**	7,606
Other	**18,992**	6,405
Carrying amounts 31.12.	**76,924**	**71,048**

The development in non-controlling interests is presented separately in the statement of changes in equity. The change in the shares of the non-controlling shareholders in the WESTGRUND subgroup is, in addition to the allocation of the profit share, determined by the fact that ADLER increased its stake in WESTGRUND further in the first quarter without any change of status. This led to a reduction in non-controlling interests in the WESTGRUND subgroup by EUR 488k.

The shares amounting to EUR 18,816k of the non-controlling interests in the ACCENTRO subgroup were disposed of due to the loss of controlling influence over ACCENTRO with effect from 30 November 2017 (see Note 4.4.).

In the course of the acquisition of property and project development companies, the shares of non-controlling interests increased by a total of EUR 8,258k. Further details can be found in the Consolidated Statement of Changes in Equity.

The key financials of those subsidiaries with non-controlling interests which are of material relevance to the Group are presented in the following tables. The amounts are presented prior to consolidation:

Combined balance sheets	Subsidiary WESTGRUND	
Headquarters	Berlin	Berlin
Minority interest %	3.23	3.32
In EUR '000	2017	2016
Current assets [1]	**89,500**	95,757
Current liabilities [1]	**62,669**	63,631
Net current assets	**26,831**	**32,126**
Investment properties	**1,111,000**	1,001,090
Non-current assets	**477**	333
Non-current liabilities	**533,514**	533,990
Net fixed assets	**577,963**	**467,433**
Equity	**604,794**	**499,559**

[1] Includes non-current assets and liabilities held for sale

8. NOTES TO THE CONSOLIDATED BALANCE SHEET (continued)

8.16 Minority interests (continued)

Combined statement of comprehensive income In EUR '000	Subsidiary WESTGRUND 2017	 2016
Revenue	**98,313**	90,110
Annual result	**103,894**	**107,568**
Other comprehensive income	**1,340**	-161
Net result	**105,234**	**107,407**
Profit or loss attributable to non-controlling interests	**5,185**	173

Combined cash flow statement In EUR '000	Subsidiary WESTGRUND 2017	 2016
Cash flow from operating activities	**23,706**	24,000
Cash flow from investing activities	**-6,900**	-3,813
Cash flow from financing activities	**231**	-11,172
Change in cash and cash equivalents	**17,037**	**9,015**

8.17 Pension provisions

The projected unit credit method was used for the recognition and measurement of pension provisions as at 31 December 2017. This accounts for both the pensions and known pension entitlements at the balance sheet date and any increases in pension and salaries expected in future.

The calculation was based on the following material actuarial assumptions:

In EUR '000	31.12.2017	31.12.2016
Discount rate	**1.80%**	1.00%
Future salary increases	**0.00% to 2.50%**	0.00% to 2.50%
Future pension increases	**1.5% to 1.75%**	1.5% to 1.75%
Best-estimate actuarial assumptions	**Mortality tables 2005 G by Dr. Klaus Heubeck**	Mortality tables 2005 G by Dr. Klaus Heubeck

As the pension provisions at ADLER Real Estate Service GmbH solely comprise historic commitments to employees who have left the company (vested claims and current benefits), the personnel turnover rate is 0 percent (previous year: 0 percent). A customary personnel turnover rate was used to measure the pension provision at WBG GmbH.

Pension provisions developed as follows:

In EUR '000	2017	2016
Pension provisions at 01.01.	**4,954**	**4,268**
Actuarial gains/losses	**-821**	824
Acquisitions	**0**	0
Acquisition of plan assets	**0**	0
Interest expense	**59**	105
Pension payments	**-255**	-250
Addition	**2**	35
Change in plan assets at 31.12.	**50**	-28
Pension provisions at 31.12.	**3,989**	**4,954**

8. NOTES TO THE CONSOLIDATED BALANCE SHEET (continued)

8.17 Pension provisions (continued)

Plan assets developed as follows:

In EUR '000	2017	2016
Plan assets at 01.01.	**1,143**	**1,115**
Acquisitions	**0**	0
Interest income from plan assets	**11**	22
Income from plan assets (excl. interest income)	**103**	1
Contributions to plan assets	**0**	31
Pension payments from plan assets	**-105**	-26
Actuarial gains/losses	**-59**	0
Plan assets at 31.12.	**1,093**	**1,143**

Actuarial gains of EUR 821k (excluding deferred taxes) were recognised in other comprehensive income in 2017 (previous year: loss of EUR 824k).

Sensitivity analysis: if all other assumptions remain unchanged, an increase or decrease in material actuarial assumptions would have had the following impact on the DBO as of 31 December 2017:

In EUR '000		2017	2016
Acturial interest	Increase of 0.5 PP	**-305**	-404
	Decrease of 0.5 PP	**339**	450
Pension increase	Increase of 0.25 PP	**64**	65
	Decrease of 0.25 PP	**-62**	-63
Income trend	Increase of 0.25 PP	**1**	1
	Decrease of 0.25 PP	**-1**	-1

Of pension provisions, an amount of EUR 255k is due to mature within one year (previous year: EUR 250k). This amount has been uniformly reported together with the other pension obligations under non-current liabilities.

As the commitments mainly relate to employees who have left the company and no new commitments are being made, an annual disbursement of around EUR 255k is expected in future years as well.

8.18 Other provisions

Other provisions developed as follows in the 2017 and 2016 financial years:

In EUR '000	As at 01.01.2017	Disposal ACCENTRO	Utilisation	Reversal	Addition	As at 31.12.2017	Non-current
Provisions for personnel obligations	**1,695**	-145	-210	-82	177	**1,435**	1,435
Provisions for warranties	**1,802**	-1,140	-139	-522	122	**123**	111
Miscellaneous other provisions	**2,050**	-531	-1,038	-329	0	**152**	118
Total	**5,547**	**-1,816**	**-1,387**	**-933**	**299**	**1,709**	**1,664**

In EUR '000	As at 01.01.2016	Additions through acquisitions	Utilisation	Reversal	Addition	As at 31.12.2016	Non-current
Provisions for personnel obligations	504	0	-158	-25	1,359	1,695	1,479
Provisions for warranties	1,318	0	-201	-95	780	1,802	8
Miscellaneous other provisions	1,622	0	-540	-108	1,098	2,050	135
Total	**3,444**	**0**	**-899**	**-228**	**3,237**	**5,547**	**1,622**

8. NOTES TO THE CONSOLIDATED BALANCE SHEET (continued)

8.18 Other provisions (continued)

The provision for warranties covers statutory and contractual warranty obligations upon the sale of properties.

Non-current provisions for personnel obligations include amounts of EUR 110k for early retirement commitments (previous year: EUR 230k), EUR 1,279k (previous year: EUR 1,208k) for the SAR programme and EUR 46k for anniversary provisions (previous year: EUR 41k).

8.19 Liabilities from convertible bonds

In EUR '000	2017	2016
Convertible bond 2013/2017	**0**	9,009
Convertible bond 2013/2018	**3,990**	4,036
Mandatory convertible bond 2015/2018	**777**	1,594
Convertible bond 2016/2021	**121,469**	116,897
ACCENTRO convertible bond 2014/2019	**0**	13,888
Total	**126,236**	**145,424**
– of which non-current	**119,731**	143,870
– of which current	**6,505**	1,554

Due to the issuing of bonus shares, the conversion prices and conversion ratios of outstanding convertible bonds changed as follows:

Description	Nominal value per unit	Old strike price	New strike price	Old conversion rate	New conversion rate
Convertible bond 2013/2017	2.00	2.00	**1.8182**	1.0000	**1.0999**
Convertible bond 2013/2018	3.75	3.75	**3.4091**	1.0000	**1.0999**
Mandatory convertible bond 2015/2018	100,000.00	16.50	**15.0000**	6,060.6061	**6,666.6666**
Convertible bond 2016/2021	13.79	13.79	**12.5364**	1.000	**1.0999**

At the end of the subscription period on 15 July 2016, ADLER placed ten million convertible bonds 2016/2021 with a term of five years and an interest rate of 2.5 percent p.a. The net issue proceeds were being used to refinance existing loans and bonds with comparatively high interest rates, to finance property acquisitions and to modernise the proprietary property portfolio.

In December 2015, ADLER issued a mandatory convertible bond with a total nominal amount of EUR 175,000k and a three-year term. The mandatory convertible bond furnishes its bearers with conversion rights to an initial total of up to 10,606,060 new no-par bearer shares in ADLER from its contingent capital. The initial conversion price amounts to EUR 16.50 per share. Should the conversion right not be exercised by the end of the term, the bonds are automatically converted into new no-par bearer shares in ADLER at the conversion price then applicable. Given the certainty that the bonds will be converted into shares in ADLER, pursuant to IAS 32 the mandatory convertible bond only constitutes debt in the amount of the present value of interest payable. This amount has been recognised under convertible bond liabilities. Following the deduction of transaction costs, the remaining amount of EUR 172,540k was allocated to the capital reserve.

In June 2013, ADLER issued its 2013/2017 convertible bond with a total number of 5,000,000 bonds with a nominal value of EUR 2.00 per bond. The convertible bond totals EUR 10,000k, has an interest rate of 6 percent and matures on 30 June 2017. The outstanding convertible bonds have nearly completely been converted into ADLER shares.

In December 2013, ADLER issued its 2013/2018 convertible bond with a total number of 3,000,000 bonds and a nominal value of EUR 3.75 per bond. The convertible bond totals EUR 11,250k, has an interest rate of 6 percent and matures on 27 December 2018.

Most of the convertible bonds 2014/2019 issued by ACCENTRO were acquired by ADLER in the first quarter of 2017 and sold together with the shares in ACCENTRO effective 30 November 2017.

8. NOTES TO THE CONSOLIDATED BALANCE SHEET (continued)

8.19 Liabilities from convertible bonds (continued)

The non-current liabilities relate to the debt capital component of the convertible bonds after deducting proportionate transaction costs if the remaining term is longer than one year and providing that no change has been made as at the balance sheet date. The current liabilities from convertible bonds include the interest claims of the bondholders as at the balance sheet date.

8.20 Liabilities from bonds

These liabilities were structured as follows as at the balance sheet date:

In EUR '000	2017	2016
Bond 2013/2018	**36,349**	35,884
Bond 2014/2019	**0**	129,761
Bond 2015/2020	**499,992**	341,747
ACCENTRO Bond 2013/2018	**0**	10,443
Bond 2017/2021	**490,370**	0
Bond 2017/2024	**293,608**	0
Total	**1,320,319**	**517,735**
– of which non-current	**1,277,640**	509,454
– of which current	**42,679**	8,281

In March 2013, ADLER issued a bearer bond (2013/2018) of EUR 35,000k with an interest rate of 8.75 percent. This bond has a five-year term and matures on 3 April 2018.

In April 2014, ADLER issued a bearer bond (2014/2019) with a total amount of EUR 100,000k at an interest rate of 6.00 percent. In January 2015, this was increased by EUR 30,000k to EUR 130,000k. The bond was terminated and prematurely repaid on 10 May 2017.

In April 2015, ADLER issued a bearer bond of EUR 300,000k with an interest rate of 4.75 percent that was increased by a further EUR 50,000k in October 2015. A further increase of EUR 150.00m was made in April 2017. This bond has a five-year term and matures on 8 April 2020.

In the first quarter, ACCENTRO decided to prematurely repay its 2013/2018 bond. This bond, which had a total nominal volume of EUR 10m and a coupon of 9.25 percent, was fully repaid on 26 June 2017 at a price of 101.5 percent plus interest accumulated on the nominal amount as at the repayment date.

On 6 December 2017, ADLER issued a corporate bond of EUR 800k in two tranches. The first tranche (2017/2021) with a coupon of 1.500 percent and a volume of EUR 500 million runs until December 2021 and was 99.520percent issued. The second tranche (2017/2024) with a coupon of 2.125percent and a volume of EUR 300 million expires in February 2024 and was 99.283percent issued. On average, the interest on the bond is 1.734 percent.

Nominal bond amounts have been recognised under non-current liabilities less transaction costs, which are expensed on a time-apportioned basis using the effective interest method if the remaining term is longer than one year. Bondholders' interest claims as at the balance sheet date have been recognised under current liabilities.

8.21 Financial liabilities

Non-current liabilities to banks include liabilities relating to the acquisition and financing of investment properties. The liabilities to finance investment properties have terms that are in most cases medium to long-term and mostly also have fixed interest rates. Non-current loans with floating interest rates are largely hedged with interest swaps.

Non-current financial liabilities to banks amounted to EUR 749,188k as at the balance sheet date (previous year: EUR 1,312,502k). The repayment compared with the previous year is due to the repurchase/special repayments

8. NOTES TO THE CONSOLIDATED BALANCE SHEET (continued)

8.21 Financial liabilities (continued)

of higher-interest promissory note loans in the amount of EUR 390,447k (nominal) in the first, second and fourth quarters of 2017. In addition, borrower's note loans amounting to EUR 225,625k (nominal) – which were bought back in January and February 2018 – were reclassified from non-current to current financial liabilities.

In the course of the acquisition of ADP, AFP II and AFP III, non-current financial liabilities in the amount of EUR 68,865k were assumed. A long-term loan of EUR 22,000k was arranged to replace the intra-group financing for the property portfolio in Osterholz-Scharmbeck and Schwanewede acquired in the first quarter of 2017. In the course of the acquisition of the project development companies RIV Harbor West MI 1 GmbH, RIV Harbor East WA 1 GmbH, RIV Total MI 2 GmbH, RIV Central WA 2 GmbH, RIV Square West MI 3 GmbH, RIV Square East WA 3 GmbH, RIV Channel MI 4 GmbH and RIV Kornspeicher GmbH, non-current financial liabilities in the amount of EUR 43,859k were assumed.

Current financial liabilities to banks amounted to EUR 278,676k as at the balance sheet date (previous year: EUR 320,328k). EUR 199,707k (including interest) of the reduction compared with the end of the previous year was due to repayment of the loan to finance the acquisition of conwert shares. In addition to promissory note loans repurchased in January and February 2018, current financial liabilities include short-term interest payable and repayments due within one year.

Liabilities to banks are largely secured with land charges. Further security includes the assignment of gross rental income, the pledging of bank credit balances and shareholdings and letters of subordination.

When taking up borrowing facilities or taking over loan agreements upon company acquisitions, the company has in some cases provided the financing banks with undertakings to comply with specified key financials (covenants). These include requirements typical to the industry in terms of loan-to-mortgage lending value, interest and capital coverage, overall debt-to-equity ratio, minimum total rental income and minimum investment amounts. Failure to comply with these covenants may result in the termination of the respective facilities or the mandatory deposit of additional security.

Financial liabilities are secured by assets as follows:

In EUR '000	2017	2016
Investment properties	**1,018,151**	1,309,993
Investments in associated companies	**0**	199,243
Properties in inventories	**0**	99,259
Deposits with banks	**303,017**	66,000
Rent receivables	**10,003**	8,099

Until the sale at the beginning of January, the shares held in the associate conwert, which were reported under non-current assets held for sale, were assigned to the bank by MountainPeak Trading Limited as security for its financial liabilities.

8.22 Other non-current liabilities

Other non-current liabilities mainly include the non-current purchase price liabilities from the acquisition of the "Wasserstadt Mitte" property project development at EUR 16,807k, non-current lease liabilities at EUR 11,876k (previous year: EUR 5,286k), the negative fair values of long-term interest hedges at EUR 5,701k (previous year: EUR 7,170k) – further information about these can be found in Note 10.3, "Derivative financial instruments and hedge accounting" – and the liability to the Federal and State Government Employees Retirement Fund (VBL) at EUR 7,492k (previous year: EUR 8,745k). The obligation to the VBL results from the acquisition of JADE and was measured at fair value as at the balance sheet date. Distribution claims on the part of non-controlling interests have been recognised at EUR 3,922k (previous year: EUR 3,922k).

Current and non-current lease liabilities result in the amount of EUR 5,299k (previous year: EUR 5,300k) from the acquisition of WESTGRUND. Leasehold contracts generally provide for preferential rights of renewal in the event of a renewed leasehold following the expiry of the contract or for the first right of refusal in the event of

8. NOTES TO THE CONSOLIDATED BALANCE SHEET (continued)

8.22 Other non-current liabilities (continued)

the land being sold. The ground rent is mainly index-based. The carrying amounts are determined by discounting future cash flows with property-specific rates of 4.0 percent to 7.8 percent. Lease obligations in the amount of EUR 6,591k are based on leasehold agreements taken over as part of the acquisition of ADP, AFP II and AFP III. The carrying amounts are determined by discounting future cash flows with property-specific discount rates of 5.5 to 6.1 percent.

The carrying amounts and minimum lease payments are structured by maturity as follows:

In EUR '000	Carrying amount 2017	Minimum lease payments 2017	Carrying amount 2016	Minimum lease payments 2016
Up to one year	**15**	**742**	14	353
1 to 5 years	**69**	**2,966**	61	1,413
More than 5 years	**11,806**	**112,167**	5,225	43,177
	11,890	**115,875**	5,300	44,943
Excl. future interest costs	**—**	**-103,985**	—	-39,643
Total	**11,890**	**11,890**	**5,300**	**5,300**

8.23 Trade payables, income tax liabilities and other current liabilities

All of the trade payables of EUR 29,125k (previous year: EUR 22,492k) are current and owed to third parties. These items mainly relate to letting liabilities but also include unbilled maintenance measures and advisory services.

The income tax liabilities of EUR 2,516k (previous year: EUR 13,969k) involve corporate income and trade tax obligations for the current and previous financial years. EUR 9,269k of the decrease is attributable to ACCENTRO.

Other current liabilities comprise the following items:

In EUR '000	2017	2016
Purchase price liabilities	**6,250**	0
Advance payments received for inventory properties	**3,074**	9,299
Deferred rental income	**4,775**	3,705
Prepayment compensations	**0**	2,600
Security deposits received	**86**	598
Personnel obligations	**823**	1,061
Other current liabilities	**2,956**	9,668
Total	**17,964**	**26,931**

The short-term purchase price liabilities amounting to EUR 5,000k relate to the acquisition of the property project development "Wasserstadt Mitte", and EUR 1,250k to the acquisition of ADP, AFP II and AFP III.

Advance payments received for properties relate to disposals for which the benefits and obligations have not yet been transferred.

Deferred rental income mainly involves rent payments from social security authorities for the January of the following financial year.

9. NOTES TO THE STATEMENT OF INCOME AND ACCUMULATED EARNINGS

9.1 Gross rental income

Gross rental income is structured as follows:

In EUR '000	2017	2016
Net income	**170,282**	160,934
Income from charged operating costs	**91,628**	81,245
Other income from property management	**2,478**	3,623
Total	**264,388**	**245,802**

9.2 Expenses from property lettings

Expenses from property lettings are broken down as follows:

In EUR '000	2017	2016
Apportionable and non-apportionable operating costs	**115,562**	108,697
Maintenance	**21,903**	27,069
Other property management expenses	**1,124**	1,005
Total	**138,589**	**136,771**

9.3 Income from the sale of properties

Income from the sale of properties is structured as follows:

In EUR '000	2017	2016
Income from the disposal of inventory properties	**1,392**	925
Income from the disposal of investment properties	**33,462**	40,980
Brokerage revenue	**0**	0
Total	**34,854**	**41,905**

9.4 Expenses from the sale of properties

Expenses from the sale of properties are structured as follows:

In EUR '000	2017	2016
Carrying amount of disposed inventory properties	**554**	780
Carrying amount of disposed investment properties	**32,761**	40,468
Costs of disposal	**750**	1,160
Purchased services for brokerage revenue	**0**	0
Total	**34,065**	**42,408**

9.5 Personnel expenses

Personnel expenses include the following items:

In EUR '000	2017	2016
Wages, salaries and other benefits	**18,098**	14,177
Social security contributions	**3,136**	2,143
Old-age pension expenses	**-933**	374
Total	**20,302**	**16,694**

In the year under review, old-age pension expenses include a reversal of other non-current liabilities for obligations to the Federal and State Government Employees Retirement Fund (VBL) amounting to EUR 1,186k.

9. NOTES TO THE STATEMENT OF INCOME AND ACCUMULATED EARNINGS (continued)

9.5 Personnel expenses (continued)

Stock appreciation right programme

ADLER introduced a stock appreciation right (SAR) programme in the 2015 financial year. This aims to retain the beneficiaries at the company and to enable them to participate in the company's value growth. Based on a resolution adopted by the Supervisory Board, the rules of the scheme provide for a total volume of 559,178 stock appreciation rights. These rights entitle their beneficiaries to compensation whose amount is dependent on ADLER's share price performance. Rights are in all cases granted by concluding individual agreements between the company and the beneficiary or a framework decision of the Supervisory Board. These agreements provide for cash settlement.

The exercising of the rights granted by the stock appreciation programme is dependent on the beneficiary completing a specified period of service. Should the beneficiary prematurely leave the company for whatever reason, then their entitlement to as-yet unvested SAR rights is forfeited without replacement. The beneficiary is entitled to one-third of the stock appreciation rights thereby granted for the first time and then in full at the end of one year. Entitlement to the remaining two-thirds of the stock appreciation rights is granted on a quarterly basis at an amount of one-twelfth per quarter through to the expiry of a three-year period.

The details of this share-based compensation scheme are as follows:

Valuation as at 31.12.2017	Total	Of which Board
Number of fully earned SAR	210,849	36,671
Proportional recorded number of SAR in expenses	338,937	72,578
Fair value per SAR in EUR	3,77	2,01
Expenses in the reporting period in EUR '000	71	46
Provision for due date in EUR '000	**1,279**	**146**
of which intrinsic value for the earned SAR in EUR '000	830	50

Valuation as at 31.12.2016	Total	Of which Board
Number of fully earned SAR	66,667	6,667
Proportional recorded number of SAR in expenses	244,947	76,080
Fair value per SAR in EUR	4,80	3,29
Expenses in the reporting period in EUR '000	1,142	247
Provision for due date in EUR '000	**1,208**	**247**
of which intrinsic value for the earned SAR in EUR '000	428	5

9. NOTES TO THE STATEMENT OF INCOME AND ACCUMULATED EARNINGS (continued)

9.5 Personnel expenses (continued)

The structure of share-based compensation, including the parameters used for measurement purposes, is presented in the following table:

Structure/valuation parameter 2017	Total	Of which Board
Maximum amount of granted SARs	**559,178**	**253,000**
Balance/Payment	**in cash**	**in cash**
Structure	**in EUR/SAR**	**in EUR/SAR**
SARs granted at the beginning of reporting period		
Total number	407,000	143,000
Weighted basis price	10.20	12.29
SARs granted in the reporting period		
Total number	143,000	110,000
Weighted basis price	13.27	13.38
SARs contractually vested in the reporting period		
Total number	137,513	29,337
Weighted basis price	10.42	11.81
SARs forfeited in the reporting period		
Total number	147,000	147,000
Weighted basis price	12.84	12.84
SARs exercised in the reporting period		
Total number	0	0
Weighted basis price	—	—
Weighted average share price upon excercise	—	—
Exercise date	—	—
SARs outstanding at the end of reporting period		
Total number	403,000	106,000
Weighted basis prices	10.33	12.66
Min basis price	6.76	11.58
Max basis price	13.93	13.93
Weighted average remaining term in years	1.26	1.72
SARs exercisable		
Total number	—	—
Weighted basis price	—	—
Value determination		
Weighted average fair value of the option	3.60	2.07
Applied pricing model	Binomial model	Binomial model
Weighted average share price	13.29	13.29
Weighted average basis price	10.33	12.66
Anticipated yearly volatility	26.3%	26.3%
Anticipated dividend	0.00	0.00
Risk-free yearly interest rate	-0.64%	-0.64%

9. NOTES TO THE STATEMENT OF INCOME AND ACCUMULATED EARNINGS (continued)

9.5 Personnel expenses (continued)

Expected volatility has been estimated in reference to the historic volatility of daily equity return logarithms over periods of one year, one and a half years, two years and two and a half years, depending on the remaining period of stock appreciation rights.

Structure/valuation parameter 2016	Total	Of which Board
Maximum amount of granted SARs	**500,000**	**130,000**
Balance/Payment	**in cash**	**in cash**
Structure	in EUR/SAR	in EUR/SAR
SARs granted at the beginning of reporting period		
Total number	220,000	60,000
Weighted basis price	8.01	9.54
SARs granted in the reporting period		
Total number	210,000	110,000
Weighted basis price	13.50	13.48
SARs contractually vested in the reporting period		
Total number	66,667	6,667
Weighted basis price	8.07	13.75
SARs forfeited in the reporting period		
Total number	51,666	40,000
Weighted basis price	7.44	7.44
SARs exercised in the reporting period		
Total number	8,334	0
Weighted basis price	7.44	—
Weighted average share price upon excercise	14.18	—
Exercise date	30.09.2016	—
SARs outstanding at the end of reporting period		
Total number	370,000	130,000
Weighted basis prices	11.22	13.52
Min basis price	7.44	12.74
Max basis price	13.90	13.90
Weighted average remaining term in years	2.03	2.13
SARs exercisable		
Total number	—	—
Weighted basis price	—	—
Value determination		
Weighted average fair value of the option	4.80	3.29
Applied pricing model	Binomial model	Binomial model
Weighted average share price	14.49	14.49
Weighted average basis price	11.22	13.52
Anticipated yearly volatility	37.17%	37.17%
Anticipated dividend	0.00	0.00
Risk-free yearly interest rate	-0.80%	-0.80%

Expected volatility has been estimated in reference to the historic volatility of daily equity return logarithms over a two-year period. This period approximates to the remaining term of the stock appreciation rights as at the measurement date.

9. NOTES TO THE STATEMENT OF INCOME AND ACCUMULATED EARNINGS (continued)

9.6 Other operating income

Other operating income is structured as follows:

In EUR '000	2017	2016
Reversal of provisions and of provision-like liabilities	**1,738**	1,225
Insurance claims	**1,588**	1,945
Other	**6,182**	4,757
Total	**9,508**	**7,927**

9.7 Other operating expenses

Other operating expenses are structured as follows:

In EUR '000	2017	2016
Legal and consulting expenses	**9,696**	7,823
Impairment and write-downs of receivables	**9,678**	6,286
General and administrative expenses	**1,801**	3,684
Purchased services	**1,001**	2,415
Office and IT expenses	**4,945**	2,152
Cost of premises	**1,514**	1,396
Public relations	**737**	595
Miscellaneous other expenses	**9,163**	6,039
Total	**38,535**	**30,390**

Legal and consulting expenses mainly comprise consulting expenses relating to transactions and strategic and management consulting services.

Impairment and write-downs of receivables mainly result from impairment of due rent receivables from existing rental contracts (40 percent impairment) and terminated rental contracts (90 percent impairment).

General and administrative expenses mainly comprise expenses for asset management services for the acquired property companies.

9.8 Income from fair value adjustments of investment properties

These items include gains and losses on the fair value measurement of investment properties as at the balance sheet date. Further information can be found in Note 8.3.

9.9 Depreciation and amortisation

This item includes the amortisation of intangible assets and depreciation of property, plant and equipment at an amount of EUR 826k (previous year: EUR 560k).

9.10 Financial income

Financial income is structured as follows:

In EUR '000	2017	2016
Loan interest, associated companies	**182**	159
Loan interest, third parties	**2,802**	425
Income from current deposits	**143**	1,309
Other	**2,265**	616
Total	**5,392**	**2,509**

9. NOTES TO THE STATEMENT OF INCOME AND ACCUMULATED EARNINGS (continued)

9.10 Financial income (continued)

In the year under review, other financial income of EUR 2,035k includes income from fair value adjustments to interest swaps.

9.11 Financial costs

Financial costs are structured as follows:

In EUR '000	2017	2016
Interest on bank loans	**50,391**	57,065
Bond interest	**33,043**	31,751
Convertible bond interest	**8,902**	4,951
Adjustment of shares conwert	**1,589**	16,101
Other	**64,850**	13,008
Total	**158,775**	**122,876**

ADLER changed the presentation of financial costs in the year under review and adjusted the figures for the previous year accordingly. In the 2016 financial year, financing costs including prepayment penalties were shown in the respective expenses for bank loans, bonds and convertible bonds. Starting in the 2017 financial year, these expenses will be reported under other expenses so that interest expenses for bank loans, bonds and convertible bonds will be presented without these influences.

The interest expenses for bonds include transaction costs of EUR 1,920k that required immediate recognition as expenses due to the premature repayment of the 2014/2019 bond.

Reserves (OCI) amounting to EUR 1,589k recognised directly in equity for the shares in conwert – which were written down to the selling price less transaction costs in the previous year – were reversed in the course of the disposal of the shares. Reference is made in this respect to the comments in Note 8.11, “Non-current assets held for sale”.

Other financial costs include an amount of EUR 62,670k for prepayment penalties for early repayments of financial liabilities with higher interest rates (previous year: EUR 11,188k). In the previous year, other financial costs also mainly related to interest swap expenses.

9.12 Net income from at-equity valued investment associates

In the previous year, the result was largely attributable to the prorated income amounting to EUR 10,653k of conwert Immobilien Invest SE. Following the sale of shares in ACCENTRO, there are no longer any significant investments in associated companies accounted for using the equity method. Further details can be found in Note 8.5.

9.13 Income taxes

Taxes on income are structured as follows:

In EUR '000	2017	2016
Current income tax expense	**1,074**	253
Income tax expense (income) from other accounting periods	**123**	1,230
Actual income tax expense	**1,197**	**1,483**
Deffered tax expense (income), loss carry-forwards	**-16,237**	-12,768
Deferred tax expense (income), temporary differences	**67,106**	57,321
Deferred taxes	**50,869**	**44,553**
Total	**52,066**	**46,036**

9. NOTES TO THE STATEMENT OF INCOME AND ACCUMULATED EARNINGS (continued)

9.13 Income taxes (continued)

Current tax expenses are determined on the basis of taxable income for the financial year under report. For the 2017 financial year, the tax rate for domestic companies, which combines corporate income tax and the solidarity surcharge, amounts to 15.8 percent (previous year: 15.8 percent). Including the trade tax rate of around 14.4 percent (previous year: 14.4 percent), the group tax rate therefore amounts to 30.2 percent (previous year: 30.2 percent). The expected implications of the extended trade tax reduction for the domestic trade tax charges are accounted for when measuring deferred taxes.

The tax on the Group's pre-tax profit deviates from the theoretical tax rate that would result from applying the group tax rate of 30.175 percent (previous year: 30.175 percent) as follows:

In EUR '000	2017	2016
Earnings before taxes	**158,437**	158,772
Expected income tax 30.175% (previous year: 30.175%)	**47,808**	47,909
Reconciliation due to tax effects:		
Income taxes, previous years	**123**	1,532
Derecognition of deferred tax assets, previous years	**2,157**	153
Sales proceeds exempt from taxes	**-569**	-909
Different tax rates	**-19,228**	-16,788
Utilisation of loss carry forwards not capitalised as deferred taxes	**-4,963**	-8,647
Non-deductible expenses	**9,396**	11,637
Unrecognised deferred tax assets on losses	**18,611**	7,570
Deferred taxes on loss carry forwards acquired	**-2,297**	-78
Trade tax effects	**4,495**	4,306
Change of tax rate	**0**	-3,028
Deferred taxes, previous years	**-166**	3,397
Other	**-3,301**	-1,018
Total	**52,066**	**46,036**

9.14 Earnings after taxes from discontinued operations

In EUR '000	2017	2016
Income from property lettings	**7,170**	6,597
Expenses from property lettings	**-2,068**	-2,032
Earnings from property lettings	**5,102**	**4,565**
Income from the sale of properties	**94,360**	118,508
Expenses from the sale of properties	**-69,732**	-81,610
Earnings from the sale of properties	**24,628**	**36,898**
Personnel expenses	**-2,876**	-2,954
Other operating income	**24,449**	767
Other operating expenses	**-3,690**	-5,314
Income from fair value adjustments of investment properties	**0**	0
Depreciation and amortisation	**-347**	-614
Earnings before interest and taxes (EBIT)	**47,266**	**33,348**
Financial income	**324**	294
Financial expenses	**-6,357**	-5,502
Income from at-equity valued investment associates	**225**	532
Earnings before taxes (EBT)	**41,458**	**28,672**
Income taxes	**-5,198**	-7,632
Earnings after tax from discontinued operations	**36,260**	**21,040**

9. NOTES TO THE STATEMENT OF INCOME AND ACCUMULATED EARNINGS (continued)

9.14 Earnings after taxes from discontinued operations (continued)

Other operating income included the earnings from the sale of ACCENTRO of EUR 22,556k (see Note 4.4, “Disposal of ACCENTRO”).

9.15 Earnings per share

Earnings per share reflects the amount of earnings generated in a given period that are attributable to each share. This involves dividing consolidated net income by the weighted number of shares outstanding. This key figure is diluted by what are known as “potential shares” (e.g. from convertible bonds). Pursuant to IAS 33.23, all potential shares that may result from the conversion of a convertible bond must be treated as shares already issued and should be included in the calculation of basic earnings per share. This increases the number of outstanding shares by the potential shares that would result from the actual conversion of the mandatory convertible bonds. Overall, the existing mandatory convertible bonds entitle their holders to subscribe 11,666,666 shares.

The number of no-par ordinary shares has increased due to the issue of 4,773,135 bonus shares. Accordingly, the number of potential no-par ordinary shares from convertible bonds has also increased due to the issuing of bonus shares and the resultant adjustments to conversion prices and conversion ratios. Pursuant to IAS 33.64, the calculation of basic and undiluted earnings per share therefore has to be retrospectively corrected for all periods presented.

The income per share is structured as follows:

	2017 Continuing operations	2017 Discontinued operations	2017 Total
Consolidated net earnings (in EUR ’000)	106,371	36,260	140,631
Consolidated net earnings without non-controlling interests	92,112	34,642	126,754
Expenses incl. deferred taxes on convertibles	3,420	0	3,420
Consolidated net earnings without non-controlling interests (diluted)	95,532	34,642	130,174
Number of shares (in thousands)			
Weighted number of subscribed shares	66,444	66,444	66,444
Effect of conversion of convertibles	6,801	6,801	6,801
Weighted number of shares (diluted)	73,245	73,245	73,245
Earnings per share (in EUR)			
Basic earnings per share	1.39	0.52	1.91
Diluted earnings per share	1.30	0.47	1.78

	2016 Continuing operations	2016 Discontinued operations	2016 Total
Consolidated net earnings (in EUR ’000)	112,736	21,040	133,776
Consolidated net earnings without non-controlling interests	102,812	18,136	120,948
Expenses incl. deferred taxes on convertibles	1,076	0	1,076
Consolidated net earnings without non-controlling interests (diluted)	103,888	18,136	122,024
Number of shares (in thousands)			
Weighted number of subscribed shares [1)]	63,098	63,098	63,098
Effect of conversion of convertibles [1)]	6,314	6,314	6,314
Weighted number of shares (diluted) [1)]	69,412	69,412	69,412
Earnings per share (in EUR)			
Basic earnings per share	1.63	0.29	1.92
Diluted earnings per share	1.50	0.26	1.76

1) Adjusted

10. DISCLOSURES ON FINANCIAL INSTRUMENTS AND FAIR VALUES

10.1 Additional disclosures on financial instruments

(A) Classification

The ADLER Group bases its classification of financial instruments as required by IFRS 7 on the respective balance sheet items. The tables below show the reconciliation of the carrying amounts for each IFRS 7 category (balance sheet item) and the IAS 39 measurement categories as of the individual balance sheet dates:

31.12.2017 In EUR '000	Category according to IAS 39	Total carrying amount	Carrying amount of financial instruments	Amortised cost	Fair value directly to equity	Fair value through profit or loss	Fair value for comparative purposes
Assets							
Other financial investments	Afs	28	28	0	28	0	28
Other non-current assets	Lar	205	205	205	0	0	205
Trade receivables	Lar	10,717	10,717	10,717	0	0	10,717
Other current assets	Lar; Afs	243,508	241,276	223,171	18,105	0	241,276
Cash and cash equivalents	Lar	368,233	368,233	368,233	0	0	368,233
Liabilities							
Financial liabilities to banks and (convertible) bonds	FLAC	2,475,248	2,475,248	2,475,248	0	0	2,544,592
Trade payables	FLAC	29,125	29,125	29,125	0	0	29,125
Other liabilities	FLAC; Lafv	64,308	57,999	44,648	0	13,351	57,999
of which aggregated by IAS 39 categories							
Loans and receivables	Lar	—	602,326	602,326	0	0	602,326
Available-for-sale financial assets	Afs	—	18,133	0	18,133	0	18,133
Financial liabilities at fair value through profit or loss	Lafv	—	13,351	0	0	13,351	13,351
Financial liabilities carried at cost	FLAC	—	2,549,021	2,549,021	0	0	2,618,365

Abbreviation	IFRS 7 category
Lar	Loans and receivables
Aafv	Financial assets at fair value through profit or loss
Afs	Available for sale financial asset
FLAC	Financial Liabilities measured at amortised costs
Lafv	Financial liabilities at fair value through profit or loss
LafvOCI	Financial liabilities at fair value through other comprehensive income

10. DISCLOSURES ON FINANCIAL INSTRUMENTS AND FAIR VALUES (continued)

10.1 Additional disclosures on financial instruments (continued)

31.12.2016 In EUR '000	Category according to IAS 39	Total carrying amount	Carrying amount of financial instruments	Amortised cost	Fair value directly to equity	Fair value through profit or loss	Fair value for comparative purposes
Assets							
Other financial investments	Afs	69	69	0	69	0	69
Other non-current assets	Lar	48	48	48	0	0	48
Trade receivables	Lar	11,749	11,749	11,749	0	0	11,749
Other current assets	Lar	54,086	52,025	52,025	0	0	52,025
Cash and cash equivalents	Lar	123,911	123,911	123,911	0	0	123,911
Liabilities							
Financial liabilities to banks and (convertible) bonds	FLAC	2,303,542	2,303,542	2,303,542	0	0	2,575,006
Trade payables	FLAC	22,492	22,492	22,492	0	0	22,492
Other liabilities	FLAC, Lafv	52,608	47,226	31,105	0	16,121	47,226
of which aggregated by IAS 39 categories							
Loans and receivables	Lar	—	187,733	187,733	0	0	187,733
Available-for-sale financial assets	Afs	—	69	0	69	0	69
Financial liabilities at fair value through profit or loss	Lafv	—	16,121	0	0	16,121	16,121
Financial liabilities carried at cost	FLAC	—	2,357,139	2,357,139	0	0	2,628,603

Abbreviation	IFRS 7 category
Lar	Loans and receivables
Aafv	Financial assets at fair value through profit or loss
Afs	Available for sale financial asset
FLAC	Financial Liabilities measured at amortised costs
Lafv	Financial liabilities at fair value through profit or loss
LafvOCI	Financial liabilities at fair value through other comprehensive income

10. DISCLOSURES ON FINANCIAL INSTRUMENTS AND FAIR VALUES (continued)

10.1 Additional disclosures on financial instruments (continued)

In the financial year under report, liabilities from advance operating cost payments amounting to EUR 72,689k (previous year: EUR 51,118k) were netted against an amount of EUR 70,502k (previous year: EUR 47,378k) for receivables from unbilled services, with the net amount being recognised under liabilities.

(B) Fair value disclosures

Financial assets and liabilities measured at fair value can be classified and assigned to levels according to the significance of the factors and information used in their measurement. Assets and liabilities are classified based on the significance of the input factors for their overall measurement. This in turn is based on those input factors in the lowest level relevant or significant for overall measurement. The measurement levels are hierarchically structured in line with their input factors:

- Level 1: prices listed for identical assets or liabilities on active markets (adopted unchanged)
- Level 2: input factors that are not prices considered in Level 1, but that can be observed directly or indirectly for the asset or liability (e.g. in deriving prices)
- Level 3: factors not based on observable market data for the measurement of the asset or liability (non-observable input factors)

	Overview of the calculation methods used to determine fair values			
31.12.2017 In EUR '000	**Total Carrying amount**	**of which Level 1**	**of which Level 2**	**of which Level 3**
Assets				
Investment properties	3,018,518	0	0	3,018,518
Other financial investments classified as AfS	28	0	0	28
Other current assets classified as AfS	18,105	18,105	0	0
Non-current assets held for sale IFRS 5	23,582	23,582	0	0
Equity and liabilitiess				
Derivative financial liabilities measured at fair value through profit or loss	5,859	0	5,859	0
Other non-current liabilities	7,492	0	0	7,492
Liabilities held for sale IFRS 5	829	0	0	829

	Overview of the calculation methods used to determine fair values			
31.12.2016 In EUR '000	**Total carrying amount**	**of which level 1**	**of which level 2**	**of which level 3**
Assets				
Investment properties	2,441,988	0	0	2,441,988
Other financial investments classified as AfS	69	0	0	69
Non-current assets held for sale IFRS 5	434,688	422,720	0	11,968
Equity and liabilities				
Derivative financial liabilities measured at fair value through profit or loss	7,376	0	7,376	0
Other non-current liabilities	8,745	0	0	8,745
Liabilities held for sale IFRS 5	7,553	0	0	7,553

Trade receivables, other current assets and cash and cash equivalents have short residual terms. Their carrying amounts as of the balance sheet date therefore approximate to their fair values. The same applies for current liabilities to banks, trade payables and other current liabilities.

The fair value of non-current liabilities to banks and of other non-current liabilities is determined by discounting future cash flows. Discounting is based on a market interest rate that is congruent in respect of its term and risk.

10. DISCLOSURES ON FINANCIAL INSTRUMENTS AND FAIR VALUES (continued)

10.1 Additional disclosures on financial instruments (continued)

The fair values of bond and convertible bond liabilities are determined by reference to their market prices as of 31 December 2017.

(C) Net result from financial instruments

The net result from financial instruments broken down into individual IAS 39 measurement categories is presented in the following table. Interest income and interest expense from financial instruments represent a component of the net result. The gains and losses are due to impairments and reversals.

		Net result 2017			Net result 2016 [1]		
In EUR '000	Category accroding to IAS 39	Interest	Profit/ Loss	Total	Interest	Profit/ Loss	Total
Loans and receivables	Lar	**3,142**	**-9,643**	**-6,501**	2,680	-7,147	-4,467
Available for sale financial assets	Afs	**405**	**-966**	**-561**	0	162	162
Financial liabilities at fair value through profit or loss	Lafv	**2,035**	**1,186**	**3,221**	-940	-375	-1,315
Financial liabilities at fair value through other comprehensive income	LafvOCI	**0**	**0**	**0**	0	-399	-399
Financial liabilities measured at amortised cost	FLAC	**-157,158**	**1,711**	**-155,447**	-106,521	819	-105,702
Total		**-151,576**	**-7,712**	**-159,288**	**-104,781**	**-6,940**	**-111,721**

[1] Adjusted statement due to sale of trading, see comments in the notes for the group financial statements (2.1 Basis of preparation)

Interest income and interest expenses are presented in the corresponding line items in the consolidated income statement. Any gains and losses relating to financial assets measured at fair value are recorded in other comprehensive income. All other income and expenses are recognised as appropriate in personnel expenses, other operating income or expenses.

10.2 Financial risk management and IFRS 7 disclosures

The material risks monitored and managed by the Group's financial risk management include interest rate, default, liquidity and financing risks.

(A) Interest rate risk

Virtually all of the interest rate risks to which the ADLER Group is exposed are in the euro area.

Interest rate risks arise upon the conclusion of credit facilities with floating interest rates, in the context of follow-up financing or in the event of any significant change in capital market conditions. To a limited extent, changes in interest rates may therefore lead to higher interest payments. However, ADLER predominantly finances its business with financial liabilities that have interest rates that are either fixed permanently or for longer periods of time. The Group thus basically pursues a risk-averse financing policy.

The interest risk for all of the Group's current and non-current financial liabilities with floating interest rates is determined in a sensitivity analysis which also takes account of fixed-interest periods. By analogy with the interest rate scenarios used to determine the value of investment properties, two interest scenarios have been referred to for the sensitivity analysis of loans. Based on the financial liabilities outstanding as of 31 December, any increase/decrease in the loan interest rate by 0.5 percent would have led to the following increase/decrease in interest expenses:

Interest rate risk sensitivity analysis	31.12.2017		31.12.2016	
Change in interest rate	**+ 50 bp**	**-50 bp**	+ 50 bp	-50 bp
Effect on interest expense in EUR '000	**259**	**-259**	785	-785

10. DISCLOSURES ON FINANCIAL INSTRUMENTS AND FAIR VALUES (continued)

10.2 Financial risk management and IFRS 7 disclosures (continued)

Given the low impact on the carrying amount and income and the currently favourable capital market conditions, the Group's interest rate risk, taking due account of existing interest rate sensitivities, is assessed as moderate.

To reduce its interest rate risk further, ADLER deploys interest rate hedging instruments in the form of swaps (please see Note 10.3 "Derivative financial instruments and hedge accounting"). Had the interest rate level as of 31 December 2017 been 100 base points higher/lower, then the fair values of derivatives (EUR -5,859k; previous year: EUR -7,376k) would have changed by EUR +5,448k (previous year: EUR +4,887k) or EUR -5,583k (previous year: EUR -5,287k).

(B) Credit risk

Default risk refers to the risk of contractual partners failing to meet their contractually agreed payment obligations. The maximum default risk corresponds to the carrying amounts of financial assets.

This risk is managed centrally at group level for the overal Group. Defined regulations are in place to ensure that transactions are only concluded with business partners who have demonstrated adequate payment behaviour in the past. Trade receivables are mainly owed by large numbers of customers (tenants). In the tenant selection process, priority is accorded to those with a pre-existing sound credit history. The Group does not have any significant clusters of potential credit risks.

(C) Liquidity risk

Responsibility for liquidity risk management rests with the Management Board, which has developed a suitable concept for managing the company's short, medium and long-term financing and liquidity requirements. The Group manages liquidity risks by continually monitoring its expected and actual cash flows and aligning the maturity profiles of financial assets and liabilities. Liquidity management aims to ensure that the Group is always able to meet its payment obligations by maintaining adequate liquidity reserves and optimising group-internal liquidity flows.

In credit agreements assumed in the context of acquisitions, the Group has in some cases undertaken to comply with contractually agreed financial covenants. Among other aspects, these relate to the generation of cash flows on a property company level. Asset management for these portfolios is geared to ensure compliance with these financial covenants.

Similarly, credit terms have also been agreed for the bonds issued. Any failure to comply with these terms could also lead to a liquidity risk. Infringement of the credit terms, such as a change of control, may result in the premature termination and repayment of these bonds and convertible bonds.

The ADLER Group had cash and cash equivalents of EUR 368,233k at the balance sheet date (previous year: EUR 123,911k). In addition, earmarked cash and cash equivalents of EUR 38,984k are subject to restrictions on disposal and have been recognised under other assets (previous year: EUR 14,785k).

10. DISCLOSURES ON FINANCIAL INSTRUMENTS AND FAIR VALUES (continued)

10.2 Financial risk management and IFRS 7 disclosures (continued)

The following liquidity analyses present the contractually agreed (undiscounted) cash flows for primary financial liabilities and derivative financial instruments, including interest payments, as of the respective balance sheet date. The analyses include all financial instruments held on the respective reporting date. Budget figures for future new liabilities are not included. Floating-rate interest payments have been calculated by reference to the relevant spot rates on the respective balance sheet dates. With regard to outflows of cash for convertible bonds, it has been assumed that these will not be converted.

31.12.2017 In EUR '000	Cash outflows					
	2018	**2019**	**2020**	**2021**	**2022**	**> 2022**
Liabilities to banks	**296,473**	47,880	88,824	302,777	82,159	295,655
Liabilities from bonds	**69,787**	37,625	525,750	513,875	6,375	312,750
Liabilities from convertible bonds	**7,825**	3,447	3,447	141,347	0	0
Trade payables	**29,125**	0	0	0	0	0
Other liabilities	**11,863**	17,187	380	380	380	10,060
Total	**415,073**	**106,139**	**618,402**	**958,379**	**88,914**	**618,465**

31.12.2016 In EUR '000	Cash outflows					
	2017	**2018**	**2019**	**2020**	**2021**	**> 2021**
Liabilities to banks	**376,235**	121,660	84,051	106,441	271,352	929,586
Liabilities from bonds	**28,463**	73,207	150,525	358,313	0	0
Liabilities from convertible bonds	**13,974**	8,864	17,352	3,448	141,348	0
Trade payables	**22,492**	0	0	0	0	0
Other liabilities	**23,606**	1,112	436	434	433	11,187
Total	**464,770**	**204,843**	**252,363**	**468,635**	**413,132**	**940,773**

Further information about outflows of cash for lease liabilities can be found in Note 8.22, "Other non-current financial liabilities".

(D) Financing risk

In making further acquisitions, the Group depends on the granting of loans or capital increases. Expiring loans also have to be extended or refinanced. In all cases, the Group faces the risk that such facilities cannot be extended, or only on different terms. Furthermore, within the scope of consolidation there are loan agreements with a total carrying amount of around EUR 863 million on which the banks have imposed requirements in the form of financial covenants (previous year: EUR 1,469 million). Depending on the property to which such agreements apply, the Group must achieve a debt service coverage ratio (DSCR) of between 103 percent and 127 percent (previous year: between 103 percent and 111 per cent), an interest coverage ratio (ICR) of 1.16 to 2.30 (previous year: 1.16 to 2.30), a loan-to-value (LTV) ratio of between 74 percent and 80 percent (previous year: between 55 percent and 80 percent) or a loan-to-mortgage-lending-value (LTMLV) ratio of no more than 80 percent (previous year: no more than 80 percent). Individual credit agreements require a minimum amount of maintenance work or rental income. Should the maintenance measures agreed in the loan agreement not be carried out, the company must maintain a cash reserve of the same amount on restricted accounts. Failure to comply with such covenants entitles the lenders to impose various sanctions, which may also include terminating the respective facility.

Similarly, credit terms have also been agreed for the convertible and corporate bonds issued. Failure to comply with such terms may result in a liquidity risk. In some cases, failure to comply with the terms may lead to the termination and premature repayment of these convertible and corporate bonds.

10.3 Derivative financial instruments and hedge accounting

Derivative financial instruments are used at the Group to hedge interest rate risks for floating-rate loan agreements. No material creditworthiness risk is involved, as the interest hedges are concluded with the financing banks.

10. DISCLOSURES ON FINANCIAL INSTRUMENTS AND FAIR VALUES (continued)

10.3 Derivative financial instruments and hedge accounting (continued)

The fair values of the interest hedge contracts amounted to EUR -5,859k as of the balance sheet date (previous year: EUR -7,376k). The fair values and nominal values of the interest hedge contracts broken down by maturity are presented below:

In EUR ’000	Fair Values 2017	Fair Values 2016	Nominal 2017	Nominal 2016
Up to 1 year	**-158**	-206	**1,411**	1,411
Due between 1 and 5 years	**-3,430**	-4,745	**91,534**	36,219
Due between 5 and 10 years	**-2,271**	-2,425	**50,030**	51,202
Total	**-5,859**	**-7,376**	**142,975**	**88,832**

The interest hedge contracts are measured upon addition at fair value, which is determined as of the contract date. Subsequent measurement is based on the fair value as of the respective balance sheet date.

The fair values of interest hedges broken down by balance sheet item are presented below:

Balance sheet item In EUR ’000	Hedging relationship under IAS 39	31.12.2017	31.12.2016
Other current liabilities (measured at fair value through profit or loss)	no	**-158**	-206
Other non-current liabilities (measured at fair value through profit or loss)	no	**-5,701**	-7,170
Total		**-5,859**	**-7,376**

The method used to recognise gains and losses depends on whether the derivative interest hedge is included in a cash flow hedge as defined in IAS 39. Fluctuations in the fair values of derivatives not included in IAS 39 hedges are recognised through profit or loss in the interest result. In the financial year under report, a financial income of EUR 2,035k was recognised for derivatives not included in hedge relationships (previous year: EUR -896k).

In cash flow hedges, the effective portion of the fair value hedge, net of deferred taxes, is recognised in equity in the cash flow hedge reserve. The interest hedges included in cash flow hedges expired in the previous year. The cash flow hedge reserve was therefore reclassified to the income statement.

Within the framework of the sale of the overwhelming majority of its shares in ACCENTRO, ADLER has been granted the option to sell the remaining shares at a hedged price per share to the partnership advised by Vestigo Capital Advisors LLP. An option premium was not payable by ADLER. The option serves to hedge the expected sale of the interest retained in ACCENTRO (cash flows from a highly probable underlying transaction). There is a 1:1 relationship (critical terms match), so a highly effective hedge exists. As of the balance sheet date, the price of ACCENTRO shares is above the sighted selling price, therefore the value of the hedging instrument came to EUR 0k. Since the put option resulted in no obligation for ADLER, the fair value of the option cannot be negative.

11. CAPITAL RISK MANAGEMENT

The Group manages its capital with the objective of maximising the earnings of shareholders by optimising the ratio of equity to debt. This ensures that all group companies can continue to operate as going concerns. Consolidated equity as posted in the balance sheet is referred to as an important key figure for capital management.

As a stock corporation, the company is subject to the minimum capital requirements set out in the German Stock Corporation Act (AktG). Furthermore, the Group is subject to both standard and industry-specific minimum capital requirements imposed by lenders, especially for the financing of specific property projects. These minimum capital requirements are continually monitored and were met in the year under report and the previous year.

11. CAPITAL RISK MANAGEMENT (continued)

Risk management reviews the Group's capital structure on a quarterly basis. Accounting ratios are identified and projected in order to ensure compliance with external capital requirements and the financial covenants applicable to numerous credit agreements. These also include property-specific debt service ratios, loan-to-value figures and contractually defined balance sheet and income ratios.

The year-end equity ratio was determined as follows:

In EUR '000	31.12.2017	31.12.2016
Equity (incl. non-controlling interest)	**1,037,500**	914,222
Total assets	**3,778,967**	3,430,477
Equity ratio in %	**27.5**	**26.6**

Excluding convertible bonds, the ratio of net financial liabilities to assets net of cash (LTV) amounted to 58.1 percent (previous year: 61.3 percent). Further details can be found in the disclosures on the asset position in the Group Management Report.

12. OTHER DISCLOSURES

12.1 Minimum lease payments from operating leases

Disclosures on operating leases pursuant to IAS 17.56 in EUR '000	Comparative period 2016	Reporting period 2017	2018	2019 to 2022	from 2023
			up to1 year	1–5 years	more than 5 years
Total future minimum lease payments based on operating leases that cannot be cancelled as the lessor	160,533	**170,069**	44,626	747	71

The claims to minimum lease payments from long-term operating leases generally result from leasing commercial properties. In the residential property segment, lease contracts are generally subject to the three-month statutory term of notice. There are no more far-reaching claims to minimum lease payments. Minimum lease payments include rental income, excluding allocable operating costs.

12.2 Other financial obligations and contingent liabilities

(A) Other financial obligations

The Group had the following significant financial obligations at the balance sheet date:

In EUR '000	2017	2016
Rental and lease obligations		
Due within one year	**5,734**	5,745
Due between 1 and 5 years	**9,605**	10,046
Due in more than 5 years	**1,899**	4,268
	17,238	20,059
Management contracts, support agreements		
Due within one year	**3,649**	13,222
Due between 1 and 5 years	**13,348**	4,748
Due in more than 5 years	**0**	2,960
	16,997	20,930
Obligations from acquisitions/project developments		
Acquisition of properties/property companies	**0**	58,040
Acquisition of companies	**0**	0
Unpaid construction expenses	**155,707**	0
	155,707	58,040
Total	**189,942**	**99,029**

12. OTHER DISCLOSURES (continued)

12.2 Other financial obligations and contingent liabilities (continued)

Rental and lease obligations chiefly relate to the rental of office space in non-cancellable operating leases. There are no purchase options or extension options beyond the fixed lease terms.

Outstanding construction costs are due to property development projects that have already been started. The outstanding construction costs are taken from the residual value appraisals for these projects (see Note 8.3) and thus represent an estimate of the costs incurred until the completion of the respective project.

(B) Contingent liabilities

In connection with the divested stake in conwert Immobilien Invest SE, the Austrian Takeover Board has determined in review proceedings pursuant to § 33 Übernahmegesetz (ÜbG – Takeover Act) which are now legally binding that the company achieved a controlling stake in conwert by mutual agreement with other persons within the meaning of § 1 clause 6 ÜbG and then failed to make a mandatory bid as required pursuant to § 33 (1) clause 2 ÜbG. The company could therefore be confronted in future with restitution proceedings and administrative penalties. As far as can be seen, proceedings of this nature have not been conducted in Austria in the past. From a current perspective, neither the number nor the specific structure of such cases can be determined. ADLER AG continues to reject the determinations of the Takeover Commission as ascertained in its review as inaccurate and erroneous, due to being verifiable by any second instance.

12.3 Related-party disclosures

Pursuant to IAS 24 “Related Party Disclosures”, related parties are defined as closely related companies and persons, including parent companies and subsidiaries, subsidiaries of a common parent company, associates, legal entities influenced by the management, as well as the company’s own management. Transactions between ADLER AG and its subsidiaries are eliminated through consolidation and are therefore not disclosed in the notes.

The following material transactions were executed between the Group and related parties:

A member of the company’s Supervisory Board is the Managing Director of KvU Land und Jagd Beteiligungen GmbH (hereinafter “KvU”), which holds minority interests in twenty-two of ADLER’s property companies. In the year under report, the Group and KvU, which constitutes a related party, executed transactions in the form of loan agreements. The loans granted by ADLER and its subsidiaries, including accrued interest claims, were valued as follows at the balance sheet date:

Loan provider in the ADLER Group In EUR ’000	2017	Of which interest 2017	2016	Of which interest 2016
ADLER Real Estate AG	**503**	**27**	476	29
Magnus Zweite Immobilienbesitz und Verwaltungs GmbH	**3,849**	**196**	3,653	196
Magnus Dritte Immobilienbesitz und Verwaltungs GmbH	**33**	**2**	31	2
Münchner Baugesellschaft mbH	**57**	**3**	54	3
Magnus Fünfte Immobilienbesitz und Verwaltungs GmbH	**5,099**	**273**	4,826	273
Total	**9.541**	**501**	**9.040**	**503**

The loans have indefinite terms and may be terminated by ADLER at any time with a notice period of one month to the end of the quarter. No write-downs were recognised on the loan receivables in the financial year under report. In addition to the loan receivables, the Group reports a liability of EUR 121k due to KvU.

In the previous year, the company sold 5.1 percent of the shares held in WESTGRUND Immobilien GmbH, WESTGRUND Immobilien II. GmbH, WESTGRUND Immobilien Beteiligung III. GmbH, WESTGRUND Immobilien IV. GmbH, WESTGRUND Immobilien VI. GmbH, WESTGRUND VII. GmbH, WESTGRUND VIII. GmbH, WESTGRUND Wolfsburg GmbH, WESTGRUND Brandenburg GmbH, WESTGRUND Niedersachsen Nord GmbH and WESTGRUND Niedersachen Süd GmbH as well as all of the shares held in Liaen Lorentzen Partners AG, Zug/Switzerland to Manoir des Aiglons S.à r.l., Luxembourg, at a total price of EUR 4,000k. No receivables are outstanding in this respect. Furthermore, in connection with the shares thereby

12. OTHER DISCLOSURES (continued)

12.3 Related-party disclosures (continued)

transferred the company undertook to provide the buyer with a minimum profit distribution of EUR 380k in total (before taxes) per year for a ten-year period. These dividend claims have been recognised under non-current other liabilities. In the year under review, ADLER also granted a loan of EUR 277k to Manoir des Aiglons S.à r.l., which, including accrued interest claims, was valued at EUR 278k as at the balance sheet date. The loan has a term until 31 March 2018. The company in question is a related party as one member of ADLER's Supervisory Board is the Managing Director and a shareholder in Manoir des Aiglons S.à r.l.

In the year under review, ADLER received services from Consortium Finance Limited of EUR 317k for public capital market consulting services. In this regard, a bonus of EUR 450k and expenses of EUR 358k were also paid to Consortium Finance Limited. No liabilities are outstanding in this respect. ADLER also granted the Consortium Finance Limited an interest-bearing loan (interest rate 1 percent) of EUR 400k, which was due for repayment on 1 January 2018. The company in question is a related party as a member of ADLER's Management Board is the Managing Director and a shareholder in Consortium Finance Limited.

The Group had the following material loan receivables, including interest claims, due from unconsolidated companies, associates or joint ventures, as of the balance sheet date:

In EUR '000	2017	2016
MRT (Mountleigh Roland Ernst B.V.)	**2,616**	2,560
Stovago B.V.	**987**	861
SIAG Sechzehnte Wohnen GmbH & Co. KG	**0**	17
Total nominal value	**3,603**	**3,438**
Accumulated value adjustment	**-3,603**	-3,421
Carrying amounts as of 31.12.2017	**0**	**17**

The Group's other business relationships with unconsolidated companies, associates and joint ventures are of subordinate overall significance.

The Supervisory Board and Management Board hold the key management positions at ADLER AG. The compensation paid to these persons is structured as follows:

In EUR '000	2017	2016
Supervisory Board remuneration	**225**	180
Management Board remuneration	**1,001**	872

In addition to their regular compensation, in the financial year under review the members of the Management Board received a total of 110,00 SARs within the programme introduced in 2015. These had an average fair value of EUR 2.07 per SAR. Detailed disclosures on these rights can be found in Note 9.5, "Personnel expenses".

Individualised disclosure of Management Board compensation pursuant to § 314 (1) No. 6a, Sentences 5 to 9 of the German Commercial Code (HGB) has been waived as the 2016 Annual General Meeting passed a resolution valid for a period of five years.

12.4 Auditor's fee

The total fee invoiced by the auditor for the financial year under report is structured as follows:

In EUR '000	2017	2016
Audit of financial statements	**661**	715
Other assurance service	**142**	61
Other services	**29**	30
Total	**832**	**806**

12. OTHER DISCLOSURES (continued)

12.4 Auditor's fee (continued)

Of financial statement audit fees, an amount of EUR 57k relates to the previous year (previous year: EUR -48k). Other assurance services include services provided in the context of capital market transactions (issuing of comfort letters and examination of profit forecasts). Other services include support for selected accounting issues. In addition, the audit firm only carried out audits of financial statements of controlled companies.

12.5 Employees

The average number of employees was as follows:

Number	2017	2016
Board members	**3**	2
Full-time employees	**497**	317
Total	**500**	**319**

12.6 Notes to the consolidated cash flow statement

Financial funds correspond to cash and cash equivalents. Overall, cash and cash equivalents increased by EUR 244,322k (previous year: EUR 74,409k). The Group was at all times able to meet its payment obligations.

Furthermore, earmarked liquid funds of EUR 38,984k with restrictions on disposability were recognised under other assets (previous year: EUR 14,785k).

Cash flows are subdivided into cash flows from operating, investing and financing activities. The indirect method has been used to present the cash flow from operating activities.

Net of non-cash income and expenses and including changes in working capital and investments in inventory properties (trading portfolio), the ADLER Group generated a net inflow of funds of EUR 36,348k from operating activities (previous year: EUR 100,550k). Of this amount, EUR 66,221k (previous year: EUR 80,239k) is attributable to continuing operations and EUR -29,873k (previous year: EUR 20,311) to the discontinued Trading segment.

Net cash flow from investing activities came to EUR 212,676k (previous year: EUR -79,499k). Continuing operations accounted for EUR 212,766k (previous year: EUR -80,738k) of this amount and the discontinued Trading segment accounted for EUR -90k (previous year: EUR 1,239k). The net cash flow of EUR 416,260k mainly resulted from the sale of shares in conwert Immobilien Invest SE and EUR 20.0 million from the sale of shares to ACCENTRO Real Estate AG. This item was countered by an outflow of funds for the acquisition of subsidiaries, net of cash and cash equivalents acquired, of EUR 154,061k and investments in existing holdings (investment properties) of EUR 79,081k.

Net cash flows from financing activities came to EUR -4,702k (previous year: EUR 53,358k). Of this amount, EUR -17,284k (previous year: EUR 56,230k) was attributable to continuing operations and EUR 12,582k (previous year: EUR -2,872k) to the discontinued Trading segment. This was the extent by which more funds were required for interest payments and repayments of existing financing facilities than were received by the funds from taking up new liabilities. Repayments particularly included current liabilities of EUR 199,707k, which had served to finance the acquisition of the conwert shares and liabilities from bonds of EUR 142,100k. Furthermore, non-current promissory note bond liabilities of EUR 390,447k (nominal) were prematurely redeemed. In addition, comparatively high prepayment penalties and loan commitment fees negatively impacted cash flow from financing activities. These items were countered by the inflow of EUR 150 million due to tapping the existing 2015/2020 corporate bond and the issue of 2017/2021 and 2017/2024 corporate bonds amounting to EUR 800,000k.

Due to the amendments to IAS 7, ADLER is making additional disclosures on its liabilities arising from financing activities for the first time in the year under review. Changes from financing cash flows, changes arising from obtaining or losing control of subsidiaries or other businesses, changes due to accrued interest,

12. OTHER DISCLOSURES (continued)

12.6 Notes to the consolidated cash flow statement (continued)

changes due to the effective interest method, changes from exercising conversion rights and changes due to reclassifications in a reconciliation statement between the opening and closing balances in the statement were presented. There were no material implications from changes in foreign exchange rates.

In EUR '000	31.12.2016	cash effective	not cash effective Acquisitions/ sale	Interest liabilities	Amortisation effective interest method	Conversions	Regroupings	31.12.2017
Non-current liabilities								
Liabilities from convertibles	**143,870**	-35,178	22,883	0	2,666	-9,743	-4,767	**119,731**
Liabilities from bonds	**509,454**	797,029	0	0	5,199	0	-34,042	**1,277,640**
Liabilities to banks	**1,312,502**	-393,529	26,164	123	11,685	0	-207,757	**749,188**
Current liabilities								
Liabilities from convertibles	**1,554**	-4,712	0	4,896	0	0	4,767	**6,505**
Liabilities from bonds	**8,281**	-28,954	0	29,310	0	0	34,042	**42,679**
Liabilities to banks	**320,328**	-236,314	-51,891	37,592	1,203	0	207,757	**278,676**
Total liabilities from financing	**2,295,989**	**98,342**	**-2,844**	**71,921**	**20,753**	**-9,743**	**0**	**2,474,419**

12.7 Management Board and Supervisory Board

The Management Board of ADLER Real Estate Aktiengesellschaft, Berlin, comprises the members Tomas de Vargas Machuca, Master of Science in Economics; Maximilian Rienecker, Master of Science in Management; and Sven-Christian Frank, lawyer. Frank has been COO of the Management Board since 9 June 2016, while Vargas Machuca and Rienecker were appointed as co-CEOs on 22 December 2017. The former Chief Executive Officer, Arndt Krienen, lawyer, was on leave on 22 December 2017 and was dismissed as a member of the Management Board with effect from 27 December 2017.

The Supervisory Board of ADLER Real Estate AG consists of the following members:

Dr Dirk Hoffmann, Rum/Austria, lawyer and banker, Chairman

Thomas Katzuba von Urbisch, Monte Carlo/Monaco, lawyer and businessman, Deputy Chairman

Thilo Schmid, Blotzheim/France, project controller

12. OTHER DISCLOSURES (continued)

12.7 Management Board and Supervisory Board (continued)

The following members of the Supervisory Board of ADLER Real Estate Aktiengesellschaft, Berlin, held the following further positions on supervisory boards and other supervisory bodies as defined in § 125 (1) Sentence 5 of the German Stock Corporation Act (AktG):

Dr Dirk Hoffmann

WESTGRUND AG, Berlin (Supervisory Board Chairman since 2 January 2018, Advisory Board Member since 21 December 2017)

Squadra Immobilien GmbH & Co. KGaA, Frankfurt am Main (Supervisory Board Chairman)

ACCENTRO Real Estate G, Berlin (Deputy Supervisory Board Chairman)

Thilo Schmid

Jedox AG, Freiburg (Supervisory Board member)

DTH S.A., Luxembourg (Member of the Board)

Mindlab Solutions GmbH, Stuttgart (Advisory Board member)

Cynora GmbH, Bruchsal (Advisory Board member)

Thomas Katzuba von Urbisch and the members of the Management Board do not hold any positions on other supervisory boards as defined in § 125 (1) Sentence 5 of the German Stock Corporation Act (AktG).

12.8 Events after the balance sheet date

At the beginning of December 2017, ADLER received a total of EUR 800 million (excluding transaction costs incurred) from the issue of two bonds. These funds are to be used to repay higher-interest promissory note loans from subsidiaries with a volume of EUR 675 million. This was already implemented in the 2017 financial year at a level of EUR 400 million. Further repurchases are planned for early 2018 or have already been made. The repurchased promissory note loans are to be passed on to the subsidiaries at the beginning of 2018 and replaced by corresponding inter-company financing. This is intended to improve the Group’s balance sheet structure and reduce the current interest charge.

On 17 February 2018, ADLER Real Estate AG announced its intention to acquire up to 70 percent of Brack Capital Properties N.V. (BCP), a company incorporated under Dutch law whose shares are traded on the Tel Aviv Stock Exchange, Israel, and which has a balance sheet total of approximately EUR 1.6 billion.

As a result, ADLER signed an agreement with Redzone Empire Holding Limited to acquire 41.04 percent of the shares in BCP. In addition, members of the Senior Management of BCP have irrevocably undertaken to tender their shares to ADLER (which make up a total of 5.62 percent of BCP) as part of a public purchase offer that ADLER published on 19 February 2018 upon the acquisition of up to 25.8 percent additional shares (special tender offer).

BCP owns a property portfolio of more than 11,000 residential units in Germany which focuses on larger cities in Germany, including Leipzig (30 percent), Bremen(10 percent) Dortmund, Hanover and Kiel (9 percent each). The existing ADLER portfolio will be positively complemented by the BCP portfolio. BCP also brings project developments in the centre of Düsseldorf and in Aachen for around 2,000 new residential units, which ADLER intends to continue.

The acquisition of the shares will be financed in the amount of approximately EUR 350 million through existing cash, the proceeds from the sale of shares in ACCENTRO Real Estate AG and the sale of existing non-core assets. A bridging loan is also available.

On March 22, ADLER Real Estate AG had successfully completed the Special Tender Offer to the sharesholders of Brack Capital Properties N.V., in the following of which ADLER AG is now to acquire 70 percent of the

12. OTHER DISCLOSURES (continued)

12.8 Events after the balance sheet date (continued)

shares in the company. As the closing of the transaction is expected to take place not before early April, a detailed description of the impact of the acquisition on ADLER´s key operational and financial metrics will be published in the forthcoming quarterly financial reports.

At the time of the closing of this report the additional acceptance period had not ended yet.

No further events with the potential to significantly influence the earnings, asset and financial position of ADLER Real Estate AG occurred between the end of the period under report and the editorial deadline for this report. The company’s business performance up to the reporting date confirms the statements made in its report on expected developments.

12.9 Declaration of Conformity with the German Corporate Governance Code

The Declaration of Conformity of ADLER AG was most recently submitted by the Management Board in February 2018. It is permanently available to shareholders at:

http://adler-ag.com/investor-relations/corporate-governance/entsprechenserklaerung

The Declaration of Conformity of WESTGRUND AG was most recently submitted by that company’s Management Board in September 2017. It is permanently available to shareholders at:

http://www.westgrund.de/investor-relations/corporate-governance/entsprechenserklaerung

Berlin, 22 March 2018



Tomas de Vargas Machuca	Maximilian Rienecker	Sven-Christian Frank
Co-CEO	Co-CEO	COO

AFFIRMATION BY THE LEGAL REPRESENTATIVES

"We hereby affirm to the best of our knowledge, pursuant to the applicable accounting principles for interim financial reporting, with due regard for the requirements of § 37w of the Securities Trading Act, that the interim consolidated financial statements convey a true and fair view of the Group's financial, earnings and liquidity position, that the course of business, including the results of operations and the position of the Group, is represented in the combined management report in such a manner as to convey a true and fair view and that all essential opportunities and risks foreseeable for the Group in the remainder of the financial year are described.

Berlin, 22 March 2018

Tomas de Vargas Machuca Vorstand	Maximilian Rienecker Vorstand	Sven-Christian Frank Vorstand

LEGAL REMARK

This report contains future-oriented statements that reflect the current management's views of ADLER Real Estate AG regarding future events. Every statement in this report that reflects intentions, assumptions, expectations or predictions, as well as the assumptions on which they are based, constitutes such a future-oriented statement. These statements are based on plans, estimates and forecasts currently available to the management of ADLER Real Estate AG. Therefore, they only apply to the day on which they are made. By their nature, future-oriented statements are subject to risks and uncertainty factors, and the actual developments can deviate considerably from the future-oriented statements or the events implicity expressed in them. ADLER Real Estate AG is not obligated, nor does it intend, to update such statements in view of new information or future events.

AUDITOR‘S REPORT

This is a convenience translation of the german original. Solely the original text in german language is authoritative.

To the ADLER Real Estate Aktiengesellschaft, Berlin

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND THE COMBINED MANAGEMENT REPORT

Audit Opinions

We have audited the consolidated financial statements of ADLER Real Estate Aktiengesellschaft, Berlin, and its subsidiaries (the Group), which comprise of the consolidated statement of financial position as at 31 December 2017, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from 1 January to 31 December 2017, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In addition, we have audited the combined management report of ADLER Real Estate Aktiengesellschaft, Berlin, for the financial year from 1 January to 31 December 2017. The Group declaration on corporate governance pursuant to § 315d HGB (German Commercial Code) published on the Group website, which is referred to in the combined management report in section 6, was not examined in terms of content in accordance with German legal requirements.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315e (1) HGB and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at 31 December 2017 and of its financial performance for the financial year from 1 January to 31 December 2017, and
- the accompanying combined management report as a whole provides an appropriate view of the Group’s position. In all material aspects, this combined management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the combined management report does not cover the content of the corporate governance statement published on the Group’s website in accordance with § 315d HGB to which section 6 of the combined management report refers.

Pursuant to § 322 (3) Sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the combined management report.

Basis for the Audit Opinions

We conducted our audit of the consolidated financial statements and the combined management report in accordance with § 317 HGB and the EU Audit Regulation (No. 537/2014, referred to subsequently as “EU Audit Regulation”) and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW). Our responsibilities under those requirements and principles are further described in the “Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements and the combined management report’ section of our auditor’s report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and the combined management report.

Key Audit Matters in the Audit of the Consolidated Financial Statements

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements for the financial year from 1 January to 31 December 2017. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our audit opinion thereon, we do not provide a separate audit opinion on these matters.

In the following, we present what we consider to be the key audit matters:

1. Recoverability of goodwill
2. Fair value adjustments of investment properties
3. Sale of the majority of shares in ACCENTRO Real Estate AG, Berlin

ref 1) Recoverability of goodwill

a) Financial Statement Risk

As of the balance sheet date, the consolidated balance sheet recognises goodwill with a carrying amount of EUR 101.2 million.

The information provided for the Group on goodwill is contained in sections 5.3, 6 and 8.1 of the notes to the consolidated financial statements.

In accordance with IAS 36.90, cash-generating units to which goodwill has been allocated are subject to an impairment test at least once a year.

The carrying amount for each group of cash-generating units is compared with the recoverable amount. The recoverable amount is the higher of value in use calculated using the discounted cash flow method and fair value less costs to sell. As the value in use was higher than the carrying amount for the groups of cash-generating units as at 31 December 2017, it was not necessary to additionally determine fair value less costs to sell. However, the result is largely dependent on expectations about the future development of the respective operating business, the resulting cash flows and the discount rate used. Yield compression (the different dynamics of property purchase price and rental price trends), which is still observable, also had an impact in the 2017 financial year. This is because the greater rate of increase in the carrying amounts of investment properties compared with expected cash flows reduces the difference between the value in use and the carrying amount for the group of cash-generating units. The result of the impairment test is therefore largely subject to the influence of estimated values. In our view, these matters were of particular importance for our audit because even small changes to the assumptions for expected cash flows or the discount rate can have a material impact on the recoverable amount. IAS 36 also requires extensive disclosures.

b) Audit Approach and Conclusions

As part of our audit, in addition to checking the appropriateness of the calculation model, we conducted a plausibility check of the underlying planning assumptions on which the impairment test of significant goodwill is based using historic trends and industry-specific market developments. As a significant part of the value in use is derived from cash flow forecasts for the period after the detailed planning period (phase of perpetuity figures), we carefully scrutinised the sustained increase in target rents recognised during the phase in which perpetuity figures were applied. In doing so, we also examined this for potentially biased exercise of judgement. In addition to a plausibility check of the underlying planning, we assessed the adherence to the planning by means of a comparison with the previous year's planning for the realized actual figures. Regarding the discount rate used, we assessed the appropriateness of the discount rate provided by an external expert with respect to the individual parameters used and in the sense of an overall critical assessment. The impairment test carried out on the balance sheet date showed that the recoverable amount was higher than the carrying amount for the cash-generating units under review. We validated the calculation results of the client on the basis of supplementary analyses, which also include sensitivity analyses. We also checked the completeness and appropriateness of the disclosures in the notes to the consolidated financial statements required by IAS 36.

We have no evidence or findings to suggest that the judgement of the legal representatives was not appropriate and reasonable with respect to the measurement parameters and assumptions used. The disclosures in the notes to the consolidated financial statements in accordance with IAS 36, including those regarding sensitivity, are complete and appropriate.

ref 2) Fair value adjustments of investment properties

a) Financial Statement Risk

As of the balance sheet date, the consolidated balance sheet for investment properties reports a carrying amount of EUR 3,018.5 million. ADLER Real Estate Aktiengesellschaft, Berlin measures investment properties at fair value in accordance with IAS 40 in conjunction with IFRS 13. In the past financial year, increases in the fair value amounting to EUR 235.4 million were recognised in the consolidated income statement.

The information provided by the Company on investment properties is contained in sections 5.2, 6 and 8.3 of the notes to the consolidated financial statements. In addition, further information on opportunities and risks is provided in Chapter 7 of the combined management report.

The fair values of investment properties are determined by reference to surveys compiled by external experts on the basis of current market data and using internationally recognised valuation methods. Discounted cash flow methods are used for discounting future expected cash surpluses of an asset using a market-based, property-specific discount and capitalisation rate as at the balance sheet date of 31 December 2017.

From our point of view, the fair value of investment properties was of particular importance, since the recognition and valuation of this significant item is based to a large extent on estimates and assumptions. Small changes to the parameters relevant to the valuation could lead to material changes in the resulting relative fair values. The significant parameters in the past financial year were the discount and capitalisations rates and future rental income. Their development reflects the different dynamics of property purchase price and rental price trends (yield compression), which is the main driver for the increase in fair values compared to the previous year as of 31 December 2017.

In addition, IAS 40 and IFRS 13 require a variety of note disclosures whose completeness and adequacy is to be ensured.

b) Audit Approach and Conclusions

In particular, our audit actions included the assessment of the valuation process for compliance with IAS 40 in conjunction with IFRS 13, the correctness and adequacy of the data used for the property holdings and the adequacy of the valuation-relevant parameters such as the discount and capitalisation rates, sustainable rental income, property management expenses and vacancy rates. We are also satisfied with the qualification and objectivity of external surveyors commissioned by ADLER Real Estate Aktiengesellschaft, Berlin. With the knowledge that relatively small changes to the valuation-relevant parameters could have material implications on the amount of investment properties, we have also audited the sensitivity analyses performed by ADLER Real Estate Aktiengesellschaft, Berlin and mathematically reconstructed the effects of possible fluctuations in these parameters. We also assessed the adequacy of the accompanying notes to the consolidated financial statements.

ADLER Real Estate Aktiengesellschaft, Berlin has implemented an appropriate set of rules suitable for determining fair values in accordance with IAS 40 and IFRS 13. In our view, the assessments underlying the accounting made by the legal representatives are adequately documented and substantiated, and allow for appropriate presentation of the information in the consolidated financial statements. The disclosures in the notes to the consolidated financial statements in accordance with IAS 40 and IFRS 13 are complete and appropriate.

ref 3) Sale of the majority of shares in ACCENTRO Real Estate AG, Berlin

a) Financial Statement Risk

On 20 October 2017, ADLER Real Estate Aktiengesellschaft, Berlin reached an agreement on the sale of 19,915,333 shares (representing around 80% of the ownership share) in the commercial property company ACCENTRO Real Estate AG as well as the sale of all convertible bonds of this company. This equates to a total stake of around 82 percent on a fully diluted basis. The remaining 1,549,896 shares in ACCENTRO Real Estate AG (representing around 6% of the ownership share) will continue to be held with the same acquirer granting a sale option to ADLER Real Estate AG, Berlin. For this reason, the subgroup ACCENTRO was classified as a disposal group (IFRS 5) during the year and classified as a discontinued operation with effect from 30. November 2017 when all conditions of the sale agreement and loss of control became effective. Overall, there was a gain on disposal at Group level of EUR 22.6 million. The remaining shares in ACCENTRO Real Estate AG have since been recognised in non-current assets held for sale, the subsequent measurement of which is generally at the lower end of carrying amount and fair value less costs to sell.

The information provided by the Company regarding the deconsolidation of the ACCENTRO subgroup is contained in section 4.4 of the notes to the consolidated financial statements.

In our view, these matters were of particular importance due to the complexity of the underlying contractual arrangements and the material impact on the Group.

b) Audit approach and conclusions

In order to audit the appropriate accounting treatment of the sale of the shares in ACCENTRO Real Estate AG, Berlin and the earnings on disposal recognised under discontinued operations, we examined the provisions of the underlying sales agreement in the course of our audit. We closely examined the criterion of loss of control and the time at which the requirements for deconsolidation were met. Moreover, we reconfirmed the amount of consideration received on the basis of payment confirmations and assessed the recoverability of the deferred purchase price claim based on the verification of security interests in the sales agreement. We also reviewed the measurement of the retained investment at fair value based on the quoted market price of the shares at the time of loss of control. In this context, we have also examined the requirements for the classification as a disposal group (IFRS 5), and reviewed the resulting effects on the measurement of assets and liabilities and the classification as a discontinued operation.

Taking into consideration the information available to us, in our view the measurement assumptions used by the legal representatives are suitable overall for the sale of ACCENTRO Real Estate AG, Berlin, shares to be presented suitably, the related measurement of the retained shares to be reported correctly and the total gain on disposal to be calculated appropriately. We have no evidence or findings to suggest that the judgement exercised by the legal representatives regarding the year-to-date classification of ACCENTRO Real Estate AG, Berlin, as a disposal group and its classification and measurement as a discontinued operation was not appropriate.

Other information

The executive directors are responsible for the other information. This other information includes:

- the Group's corporate governance declaration pursuant to § 315d HGB published on the Group's website, which is referred to in the combined management report in section 6,
- the confirmation pursuant to § 297 (2) sentence 4 HGB regarding the consolidated financial statements and the confirmation pursuant to § 289 (1) sentence 5 HGB in conjunction with § 315 (1) sentence 5 HGB,
- the other parts of the annual report, with the exception of the audited consolidated financial statements and combined management report and our auditor's report,
- the corporate governance report pursuant to No. 3.10 of the German Corporate Governance Code.

Our audit opinions on the consolidated financial statements and the combined management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, the combined management report or to our knowledge obtained in the audit, or
- otherwise appears be materially misstated.

Responsibility of the Executive Directors and the Supervisory Board for the consolidated financial statements and the combined management report

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with the IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e (1) HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the combined management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a combined management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the combined management report.

The Supervisory Board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and the combined management report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and the combined management report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the combined management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the consolidated financial statements and on the combined management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this combined management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the combined management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the combined management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the combined management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the combined management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.
- Evaluate the consistency of the combined management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.

- Perform audit procedures on the prospective information presented by the executive directors in the combined management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other legal and regulatory requirements

Further information pursuant to Article 10 of the EU Audit Regulation

We were elected as auditor by the Annual General Meeting on 7 June 2017. We were engaged by the Supervisory Board on 30 October 2017. We have been been the group auditor the of ADLER Real Estate Aktiengesellschaft, Berlin without interruption since the financial year 2010.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

Auditor responsible

The German Public Auditor responsible for the engagement is Mr. Julian Breidthardt.
Hamburg, 22 March 2018

Ebner Stolz GmbH & Co. KG

Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft

Götze Auditor	Breidthardt Auditor

Consus Real Estate AG

Unaudited Consolidated Interim Financial Statements of Consus Real Estate AG as of and for the three-month period ended March 31, 2020

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in k€	Note	01/01/ - 31/03/2020 (unaudited)	01/01/ - 31/03/2019* (unaudited)
Income from letting activities	2.8.1	**4,940**	3,342
Income from real estate inventory disposed of		**—**	—
Income from property development	2.8.2	**115,526**	89,680
Income from service, maintenance and management activities		**5,242**	1,282
Total income		**125,709**	94,305
Change in project related inventory	2.8.2	**102,688**	38,243
Overall performance		**228,397**	132,548
Expenses from letting activities	2.8.1	**-1,755**	-2,389
Cost of materials		**-136,786**	-69,553
Net income from the remeasurement of investment properties		**—**	—
Other operating income		**1,472**	5,203
Personnel expenses		**-18,658**	-13,822
Other operating expenses	2.8.3	**-26,714**	-24,630
EBITDA (Earnings before interest, taxes, depreciation and amortization)		**45,955**	27,355
Depreciation and amortization		**-2,309**	-1,470
EBIT * (Earnings before interest and taxes)		**43,647**	25,885
Financial income	2.8.4	**9,796**	11,813
Financial expenses	2.8.4	**-80,419**	-51,401
Share of profit or loss of associates accounted for using the equity method		**—**	—
EBT (Earnings before taxes)		**-26,977**	-13,703
Income tax expenses	2.8.5	**8,140**	4,110
Net income (Earnings after taxes) from continued operations		**-18,836**	-9,593
Discontinued operations			
Net income (Earnings after taxes) from discontinued operations		**—**	—
Consolidated net income		**-18,836**	-9,593
** including interest expenses that are capitalized in accordance with IAS 23 (refer to note 2.8.2)*			
Other comprehensive income		**398**	217
thereof non-recycling		**—**	—
thereof will be reclassified to profit or loss		**398**	217
Total comprehensive income		**-18,439**	-9,376
Of the net income from continuing operations for the period, the following is attributable to:			
Non-controlling interests		**-5,281**	-3,579
Shareholders of the parent company		**-13,555**	-6,014
Of the total comprehensive income from continuing operations for the period, the following is attributable to:			
Non-controlling interests		**-5,255**	-3,579
Shareholders of the parent company		**-13,183**	-5,797
Total comprehensive income for the period attributable to shareholders of the parent company arises from:			
Continuing operations		**-13,183**	-5,797
Discontinued operations		**—**	—
Total comprehensive income for the period attributable to non-controlling interests arises from:			
Continuing operations		**-5,255**	-3,579
Discontinued operations		**—**	—
Earnings per share from continued operations (basic) in EUR	2.8.6	**-0.10**	-0.04
Earnings per share from continued operations (diluted) in EUR	2.8.6	**-0.10**	-0.04

* Prior year figures adjusted (2.6.2)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

in k€	Note	31/03/2020 (unaudited)	31/12/2019
Non-current assets			
Investment property		**401,905**	384,044
Property, plant and equipment		**11,396**	11,076
Right-of-use assets		**11,966**	17,144
Goodwill		**1,036,489**	1,036,489
Other intangible assets		**4,935**	4,919
Investments accounted for using the equity method		**20,570**	21,046
Receivables from related parties	2.11	**190**	184
Financial assets	2.8.9	**64,067**	73,559
Other assets	2.8.9	**194**	194
Contract assets	2.8.7	**18,536**	13,856
Deferred tax assets		**—**	—
Total non-current assets		**1,570,247**	1,562,511
Current assets			
Inventory	2.8.8	**2,565,951**	2,472,621
Trade and other receivables		**47,501**	41,663
Receivables from related parties	2.11	**109,641**	109,082
Tax receivables		**7,887**	11,572
Financial assets	2.8.9	**35,636**	31,101
Other assets	2.8.9	**29,802**	28,707
Contract assets	2.8.7	**381,073**	321,347
Cash and cash equivalents	2.8.12	**164,220**	150,613
Assets held for sale		**26,100**	26,100
Total current assets		**3,367,811**	3,192,805
Total Assets		**4,938,058**	4,755,315
Equity			
Subscribed capital		**136,582**	136,582
Capital reserves		**877,132**	877,132
Other Reserves		**-94,763**	-81,606
Non-controlling interests		**127,005**	132,286
Total Equity		**1,045,956**	1,064,394
Non-current liabilities			
Financing liabilities		**1,791,932**	1,655,621
Provisions		**3,086**	2,843
Liabilities to related parties	2.11	**27,500**	27,500
Other liabilities		**30,933**	32,572
Deferred tax liabilities		**91,079**	111,232
Total non-current liabilities		**1,944,530**	1,829,767
Current liabilities			
Financing liabilities		**1,188,852**	1,194,880
Provisions		**7,679**	7,426
Trade payables		**110,430**	97,576
Liabilities to related parties	2.11	**59,080**	53,299
Tax payables		**56,241**	53,038
Prepayments received	2.10.2	**377,327**	305,777
Other liabilities		**105,847**	95,993
Contract liabilities	2.8.7	**42,116**	53,166
Liabilities included in a disposal group classified as held for sale		**—**	—
Total current liabilities		**1,947,572**	1,861,154
Total equity and liabilities		**4,938,058**	4,755,315

CONSOLIDATED CASH FLOW STATEMENT

in k€	Note	01/01/ - 31/03/2020 (unaudited)	01/01/ - 31/03/2019* (unaudited)
Operating activities			
Net profit		**-18,836**	-9,593
Tax expense	2.8.5	**-8,140**	-4,110
Profit (loss) before tax		**-26,977**	-13,703
Adjustments to reconcile profit before tax to net cash flows:			
Depreciation and impairment of property, plant and equipment		**709**	892
Amortisation and impairment of intangible assets		**413**	23
Depreciation on right-of-use asset		**1,186**	555
Financial income	2.8.4	**-9,796**	-11,813
Financial expenses	2.8.4	**80,419**	51,401
Other non-cash adjustments		**-9,674**	-2,511
		36,281	24,844
Working capital adjustments			
Decrease/ (increase) in rent and other receivables		**-11,225**	11,522
Decrease / (increase) prepayments, accrued income and other assets		**4,027**	-5,622
Decrease/ (increase) in inventories and contractual assets	2.8.7	**-212,191**	-399,511
(Decrease) / increase in prepayments on development projects		**54,455**	52,215
Decrease / (increase) in investment property		**4,350**	-6,467
(Decrease) / increase in trade, other payables and accruals, contractual liabilities and other liabilities		**92,128**	303,693
Income tax paid		**-1,324**	117
Net cash flow from operating activities		**-33,499**	-19,209
Investing activities			
Purchase of investment property		**-10,168**	—
Loans granted		**—**	-1,841
Capital expenditure on investment property		**-8,580**	-9,190
Proceeds from the sale of PPE & intangibles		**650**	—
Expenditure on other fixed assets		**-1,694**	-325
Interest received	2.8.4	**1,270**	2,377
Change in financial assets		**-6,002**	-1,442
Net cash flow from investing activities		**-24,524**	-10,421
Financing activities			
Proceeds from borrowings		**157,417**	66,181
Repayment of borrowings		**-60,788**	-28,562
Principal elements of lease payments		**-1,156**	-781
Interest paid	2.8.4	**-23,842**	-29,980
Net cash flow from financing activities		**71,631**	6,858
Cash effective change in cash and cash equivalents from discontinuing operations		**—**	—
Net increase / (decrease) in cash and cash equivalents		**13,608**	-22,772
Effect of exchange rate changes on cash and cash equivalents		**—**	137
Cash and cash equivalents at the beginning of the year		**150,613**	91,603
Cash and cash equivalents at 31 December 2019		**164,220**	68,968

* Prior year figures adjusted (2.6.2)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

in k€	Note	Subscribed capital	Capital reserves	Retained earnings	Other reserves	OCI	Total	NCI	Total Equity
01/01/2020		**136,582**	**877,132**	**-44,059**	**-36,149**	**-1,397**	**932,108**	**132,286**	**1,064,394**
Profit for the period		—	—	-13,555		—	-13,555	-5,281	-18,836
Other comprehensive income		—	—	—	—	398	398	—	398
Total comprehensive income for the period		—	—	-13,555	—	398	-13,157	-5,281	-18,439
		—	—	—	—	—	—	—	—
Conversion Notice Convertible Loan		—	—	—	—	—	—	—	—
Transactions with minority shareholders without change of control		—	—	—	—	—	—	—	—
Consolidation of entities with minority interest		—	—	—	—	—	—	—	—
Effects from PPA finalization		—	—	—	—	—	—	—	—
Guaranteed dividend		—	—	—	—	—	—	—	—
31/03/2020		**136,582**	**877,132**	**-57,614**	**-36,149**	**-999**	**918,951**	**127,005**	**1,045,956**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

in k€	Note	Subscribed capital	Capital reserves	Retained earnings	Other reserves	OCI	Total	NCI	Total Equity*
01/01/2019		134,040	904,233	-22,531	-36,149	-1,828	977,765	148,705	1,126,470
Profit for the period		—	—	-6,014	—	—	-6,014	-3,579	-9,593
Other comprehensive income		—	—	—	—	266	266	-49	217
Total comprehensive income for the period		—	—	-6,014	—	266	-5,748	-3,628	-9,376
Conversion Notice Convertible Loan		487	3,231	—	—	—	3,717	—	3,717
Transactions with minority shareholders without change of control		—	—	—	—	—	—	—	—
Consolidation of entities with minority interest		—	—	—	—	—	—	—	—
Effects from PPA finalization		—	—	—	-1,238	—	-1,238	-837	-2,074
Guaranteed dividend		—	—	—	—	—	—	—	—
31/03/2019		134,527	907,464	-28,545	-37,387	-1,562	974,496	144,241	1,118,736

* Prior year figures adjusted (2.6.2)

CONDENSED NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2020

2.1 INFORMATION ON THE COMPANY

Consus Real Estate AG ('the Company', 'Consus' or 'the Parent Company', together with its subsidiaries 'the Group') is a public limited company incorporated under the laws of the Federal Republic of Germany.

The registered address of the Company is Kurfürstendamm 188—189, 10707 Berlin. The Company is registered under the commercial register number HRB 191887B in the commercial register of the district court of Berlin-Charlottenburg.

The condensed interim consolidated financial statements as at and for the three months ended 31 March 2020, comprise the Company and its subsidiaries.

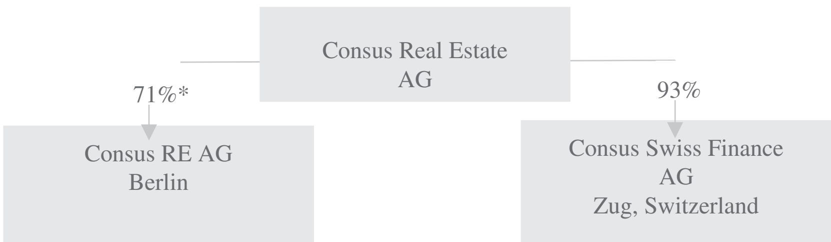
2.2 BUSINESS ACTIVITIES

The Company specializes in the acquisition, development, management, use and sale of real estate and land rights in Germany through a number of shareholdings.

The Group focuses its business activities primarily on the functions of real estate development as well as some investment property, in which it covers the entire value chain together with experienced partners.

The Company has been operating within the real estate sector since November 2016.

The Group's principal subsidiaries as at 31 March 2020 are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the group, and the proportion of ownership interests held equals the voting rights held by the group. Germany is their principal place of business.



* 75% on a fully diluted basis

Note: Consus RE AG was formerly CG Gruppe AG. Name changed on 19 March 2020. Consus Swiss Finance AG was formerly SSN Group AG. Name changed on 21 August 2019.

Consus RE AG (formerly CG Gruppe) and Consus Swiss Finance AG (formerly SSN Group) together are referred to as Consus Development.

General information on the Condensed Interim Consolidated Financial Statements

The Condensed Interim Consolidated Financial Statements of Consus Real Estate AG have been prepared in accordance with the provisions of International Financial Reporting Standards (IFRS) for interim reporting adopted and issued by the International Accounting Standards Board (IASB), as adopted by the European Union. Based on the option under IAS 34.10, the notes to the interim financial statements were presented in condensed form.

They do not include all of the information required for full annual financial statements, and should be read in conjunction with the Consolidated Financial Statements of the Group for the year ended 31 December 2019. Selected explanatory notes are included to explain events and transactions that are significant for understanding the changes in the Group's financial position and performance since the last annual consolidated financial statements as at and for the year ended 31 December 2019.

2.3 ACCOUNTING POLICIES

The Condensed Interim Consolidated Financial Statements have been prepared in thousands of Euro (€). Rounding differences may occur in respect of individual amounts or percentages. The Condensed Interim Consolidated Financial Statements are comprised of the Condensed Interim Consolidated Statements of Comprehensive Income, the Condensed Interim Consolidated Statements of Financial Position, the Condensed Interim Consolidated Statements of Changes in Equity and the Condensed Interim Consolidated Statements of Cash Flows as at and for the three months period ended 31 March 2020.

The Condensed Interim Consolidated Statement of Comprehensive Income is prepared according to the nature of expense method. The presentation of the Condensed Interim Consolidated Statement of Financial Position distinguishes between current and non-current assets and current and non-current liabilities. Assets and liabilities falling due within one year are classified as current.

The Company's condensed interim consolidated financial statements and those of its subsidiaries are prepared according to uniform accounting policies. In the process, the principles are consistent with those followed in the preparation of the Group's consolidated financial statements for the year ended 31 December 2019, except for the adoption of new standards, interpretations and amendments adopted with effect from 1 January 2020 (see section 2.6.1). These Condensed Interim Financial Statements shall therefore be read together with the Group's consolidated financial statements 2019.

2.4 GOODWILL IMPAIRMENT TEST

The goodwill arising from the acquisition of Consus RE AG, including Diplan, and Consus Swiss Finance Group totalling € 1,036,489 thousand (year end 2019: € 1,036,489 thousand) was tested for impairment in accordance with the regulations of IAS 36.12 due to market developments observed amongst others as impact of the Corona pandemic. For details of the impairment test we refer to section 2.1.6 I. "Goodwill Impairment Test" of the consolidated financial statements as of 31 December 2019. Compared to year end 2019 the following material changes were made to the goodwill impairment test:

- Increase in unit-specific weighted average costs of capital (WACC after taxes) from 4.60 % as of 31 December 2019 to 5,74% as of 31 March 2020.
- Increase of terminal value free cash flows caused by the reorganisation of the business, see section 2.13 "Events after the reporting date".

The following assumptions underlying the calculation of value in use are inherently uncertain:

- Cash Flow Forecast: The planning is based on contractually fixed cash flows, experience from previous years, the investments plan of the cash-generating units and external forecasts regarding the development of the property market, taking into account the specific circumstances of each cash-generating unit. If the long-term net cash flows (free cash flows) for the CGU Consus RE decrease by 18.9 % or by 10.6 % for the CGU Consus Swiss Finance, then the value in use corresponds to the net carrying amount.
- Discount rate: The discount rate was determined based on the assumed weighted average cost of capital typical for the industry. If the discount rate after taxes for the CGU Consus RE increases to 6.62 % or 6.18 % for the CGU Consus Swiss Finance, accordingly, the value in use corresponds to the net carrying amount.

2.5 FAIR VALUE MEASUREMENTS

When determining the fair value of assets and liabilities, the Group uses directly observable market data. If no observable market data is available, fair values are determined using valuation techniques. For the valuation of real estate inventory for example future expenses as well as the future selling price are key inputs. Deriving the fair value of financial liabilities heavily depends on inputs such as the applied market interest rates.

The fair value hierarchy categorizes the inputs used in valuation techniques into three levels, based on their proximity to the market:

Level 1: The (unadjusted) quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2: Inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly (i.e. the price) or indirectly (i.e. derived from the price).

2.5 FAIR VALUE MEASUREMENTS (continued)

Level 3: Measurement parameters based on unobservable inputs for the asset or liability.

In case the inputs used to measure fair value are categorized into different levels of the fair value hierarchy, the fair value measurement is categorized in its entirety in the level of the lowest level input that is significant to the entire measurement.

The fair value hierarchy can be summarized as follows:

Fair value hierarchy	Level I	Level II	Level III
Purchase price allocation in the context of business combinations			X
Investment properties			X
Financing liabilities		X	
Derivatives			X
Assets held for sale		X	

2.6 CHANGES IN ACCOUNTING POLICIES AND OTHER ADJUSTMENTS

2.6.1 NEW ACCOUNTING STANDARDS, INTERPRETATIONS AND AMENDMENTS

Consus has fully implemented all new standards, interpretations and amendments with effect from 1 January 2020. The amendments of IFRS 3 will be considered for future business combinations. The amendments of the interest rate benchmark reform at IFRS 9, IAS 39 and IFRS 7 did not have impacts on the assessment of derivatives, because Consus did not apply hedge accounting.

2.6.2 ADJUSTMENTS OF PRIOR YEAR FINANCIAL INFORMATION IN ACCORDANCE WITH IAS 8.41

The prior year changes in the application of IFRS 15 “Revenue from contracts with customers”, the presentation of contract assets and the accounting of a put option resulted in adjustments of the Condensed Financial Statements of the prior period.

The following table summarizes the impact of the changes in the application of IFRS 15 to the Statement of Comprehensive Income for the period 1 January to 31 March 2019. Line items not presented are not affected.

Statement of Comprehensive Income

in k€	01/01/-31/3/2019 (as originally presented)	Changes	01/01/-31/03/2019
Income from property development	113,788	-24,108	89,680
Change in project related inventory	13,649	24,593	38,243
Income tax expenses	4,256	-146	4,110
Consolidated net income	-9,932	339	-9,593
Effect on earnings per share (undiluted) from IFRS 15 correction in EUR	-0,05	0,00	-0,04
Effect on earnings per share (diluted) from IFRS 15 correction in EUR	-0,05	0,00	-0,04

For further details we refer to sections 2.1.5 of the Group’s consolidated financial statements for the year ended 31 December 2019.

2.7 SCOPE OF CONSOLIDATION

Compared to the Group’s consolidated financial statement for the year ended 31 December 2019 the scope of consolidation remained materially unchanged as of 31 March 2020.

2.8 SELECTED EXPLANATORY NOTES

2.8.1 RESULT FROM LETTING ACTIVITIES

The following breakdown shows the result from letting activities for the three months ended 31 March 2020.

in k€	01/01/ – 31/03/2020	01/01/ – 31/03/2019
Rental income	**4,940**	3,342
Income from recharged operating costs	**—**	
Income from other goods and services	**—**	
Income from letting activities	**4,940**	3,342
Expenses from operating costs	**-1,755**	-1,855
Maintenance expenses	**—**	—
Other services	**—**	-534
Expenses related to letting activities	**-1,755**	-2,389
Net operating income from letting activities	**3,185**	953

Rental income remained on a similar level as in Q1 2019 and does not belong to the core business of the Company.

2.8.2 INCOME FROM PROPERTY DEVELOPMENT / CHANGE IN PROJECT RELATED INVENTORY

During the first three months of 2020 no new forward sales contracts were signed. Income from property development resulted from the building progress on existing forward sales projects.

The change in inventory relates to the capitalized production costs for the inventory properties, which include k€ 34,291 in capitalized interest on borrowed capital.

2.8.3 OTHER OPERATING EXPENSES

Other operating expenses break down as follows:

in k€	01/01/ – 31/03/2020	01/01/ – 31/03/2019
Write-offs and allowances on receivables	**-595**	-155
Consulting and audit fees	**-6,788**	-3,284
Admin expenses	**-1,300**	-7,295
Utility expenses for office space	**-1,467**	-1,163
Marketing expenses	**-6,898**	-3,303
Car and travel expenses	**-1,907**	-1,771
Other taxes	**-1,497**	-1,752
Other expenses	**-6,263**	-5,907
Total	**-26,714**	-24,630

During Q1 2020 the increase in operating expenses was primarily in consulting and audit fees, admin expenses and marketing expenses compared to the respective prior year quarter, while other expenses decreased. The increase in consulting and audit fees is predominantly caused by the restructuring of the group and the impact of the strategic stake acquisition by ADO Properties as well as the implementation of new software tools. The admin expenses are not comparable between the quarters due to a change in composition. The increase in marketing expenses mainly relates to the rebranding of the subsidiaries in line with the new corporate identity for the group.

2.8 SELECTED EXPLANATORY NOTES (continued)

2.8.4 FINANCIAL INCOME AND FINANCIAL EXPENSES

Financial result can be broken down as follows:

in k€	01/01/ – 31/03/2020	01/01/ – 31/03/2019
Interest income from bank deposits	—	287
Income from fair value changes of derivatives	**6,625**	10,496
Interest income from late payments	—	—
Interest income from loans	**1,871**	477
Other financial income	**1,299**	553
Total financial income	**9,796**	11,813
Expense from fair value measurement of embedded derivatives	**-11,621**	-439
Interest expense from embedded derivates	—	—
Expense from derecognition of derivatives	**-399**	—
Interest expense from loans	**-63,948**	-45,394
Interest expense on lease liabilities	**-97**	-99
Other financial expenses	**-4,355**	-5,469
Total financial expenses	**-80,419**	-51,401
Financial result	**-70,623**	-39,588

The increase of interest expense from loans is in part driven by the coupon on the Consus senior secured bond issued in two tranches of € 400 million in Q2 2019 and € 50 million in Q4 2019, as well as an overall increase in debt. In addition, the fair value measurement of embedded derivatives resulted in a charge of € 11,621 thousand.

2.8.5 INCOME TAXES

Income tax expense and income is broken down by origin as follows:

in k€	01/01/ – 31/03/2020	01/01/ – 31/03/2019*
Current income taxes for the period	**-1,011**	-165
Aperiodical income taxes	**-4,889**	—
Deferred taxes	**14,040**	4,274
Aperiodical deferred taxes	—	—
Tax result	**8,140**	4,110

* Prior year figures adjusted

2.8 SELECTED EXPLANATORY NOTES (continued)

2.8.6 EARNINGS PER SHARE

Basic earnings per share from continuing operations is calculated by dividing the income/loss from continuing operations attributable to the shareholders of the parent company by the weighted average number of undiluted shares in the respective financial year. Basic earnings per share from continuing and discontinued operations is calculated by dividing the consolidated income/loss for the period attributable to shareholders of the parent company by the undiluted weighted average number of shares in the respective financial year. The weighted average number of ordinary shares is calculated from the number of shares in circulation at the beginning of the period adjusted by the number of shares issued during the period and multiplied by a time-weighting factor. The time-weighting factor reflects the ratio of the number of days on which shares were issued and the total number of days in the period.

in k€	**01/01/ – 31/03/2020**	**01/01/ – 31/03/2019***
Consolidated net income/loss for the period from continuing operations	-18,836	-9,593
Income/loss from continuing operations attributable to non-controlling interests	-5,281	-3,579
Income/loss from continuing operations attributable to shareholders	**-13,555**	-6,014
Weighted average number of shares issued, in thousands	**136,582**	134,281
Basic earnings per share from continuing operations in EUR	**-0.10**	-0.04
Number of dilutive potential shares, in thousands	**—**	—
Diluted earnings per share from continuing operations in EUR	**-0.10**	-0.04
Consolidated net income/loss for the period from discontinued operations attributable to shareholders	**—**	—
Weighted average number of shares issued, in thousands	**136,582**	134,281
Basic earnings per share from discontinued operations in EUR	**—**	—
Number of dilutive potential shares, in thousands	**—**	—
Diluted earnings per share from discontinued operations in EUR	**—**	—
Consolidated net income/loss for the period from continuing and discontinued operations attributable to shareholders	**-13,555**	-6,014
Weighted average number of shares issued, in thousands	**136,582**	134,281
Basic earnings per share from continuing and discontinued operations in EUR	**-0.10**	-0.04
Number of dilutive potential shares, in thousands	**—**	—
Diluted earnings per share from continuing and discontinued operations in EUR	**-0.10**	-0.04

* Prior year figures adjusted

2.8.7 CONTRACT BALANCES

The timing of revenue recognition, invoicing and cash collections results in billed accounts receivables, unbilled receivables (contract assets) and customer advances (contract liabilities) on the Statement of Financial Position. In the Group's development activities, amounts are billed as work progresses in accordance with agreed-upon contractual term, either at periodic intervals or upon achievement of contractual milestones. Generally, billing occurs subsequent to revenue recognition resulting in contract assets. However, the Group sometimes receives advances from its customers before revenue is recognized, resulting in contract liabilities. These assets and liabilities are reported on the Consolidated Statement of Financial Position on a contract-by-contract basis at the end of each reporting period. Changes in the contract asset and liability balances during the financial year 2019 were not materially impacted by other factors besides as laid out below.

2.8.7 CONTRACT BALANCES (continued)

The following table provides information about contract assets and contract liabilities from contracts with customers:

in k€	Book value as of: 31/03/2020	31/12/2019
Net contract assets – non-current	**18,536**	13,856
Gross contract assets – non-current	**18,536**	13,856
Prepayments received on non-current contract balances	**—**	—
Net contract assets – current	**381,073**	321,347
Gross contract assets – current	**721,185**	619,430
Prepayments received on current contract balances	**-340,112**	-298,083
Net contract liabilities	**-42,116**	-53,166
Gross contract liabilities – current	**140,946**	131,855
Prepayments received on current contract liabilities	**-183,062**	-185,021
Net contract assets (liabilities)	**357,493**	282,037

No impairments for credit risks in accordance with IFRS 9 were made in respect of contract assets in the financial quarter. This is due to the circumstances that the credit default risk of the contractual partners is relatively low. Furthermore, the value-at-risk can be regarded as relatively low due to the hedging of the development projects.

2.8.8 INVENTORY

Inventory also includes the land from forward sales and can be broken down as follows:

in k€	31/03/2020	31/12/2019
Carrying amount of inventories	**2,565,951**	2,472,621
- thereof Real Estate “Institutional”	**1,626,533**	1,528,728
- thereof Real Estate “Parking”	**31,737**	26,822
- thereof Real Estate “Apartments for sale”	**892,643**	871,977
- thereof Real Estate “Other construction work”	**1,606**	33,582
- thereof other inventory: not development	**13,432**	11,513

Virtually all of the inventory is pledged as underlying security provided for loan agreements.

2.8.9 OTHER ASSETS

Other Assets can be broken down as follows:

in k€	31/03/2020	31/12/2019
Accruals	**4,726**	3,150
Receivables from other taxes	**12,885**	10,291
Prepayments made	**919**	3,809
Assets recognized from costs to obtain or fulfil a contract	**8,067**	8,926
Other assets	**3,399**	2,725
Total	**29,996**	28,900

Accrued costs for obtaining Forward Sales contracts were recorded as other assets in prior periods with a remaining book value of € 8.1 million at the end of the quarter. The asset is amortised on a straight-line basis over the lifetime of the specific contract to which it relates. The corresponding expenses accounted for as other operating expenses during the period amounted to € 0.9 million.

2.8 SELECTED EXPLANATORY NOTES (continued)

2.8.9 OTHER ASSETS (continued)

Financial assets can be broken down as follows:

in k€	31/03/2020 current	31/03/2020 non-current	31/12/2019
Other loans	**12,311**	**10,340**	18,321
Restricted cash	**39**	**42,509**	42,092
Deposits	**162**	**115**	247
Derivative financial instruments	**691**	**10,659**	21,468
Other financial assets	**22,433**	**41**	22,127
Shares in non-consolidated companies	**—**	**404**	404
Total	**35,636**	**64,067**	104,659

2.8.10 FINANCIAL INSTRUMENTS

During 2019, the company placed a bond, in two tranches, with a total nominal amount of € 450,000 thousand, from which a derivative (option for early repurchase of the bond) was split off with a fair value at the time of issue totalling € 13,397 thousand. The bond is measured at amortized cost using the effective interest method and had a book value of € 456,018 thousand as of 31 March 2020. The carrying amount of the derivative shown as a financial asset was € 6,295 thousand as of 31 March 2020. The nominal amount of the convertible bonds as of 31 March 2020 was € 173,700 thousand and the book values as of 31 March 2020 was € 166,782. The embedded derivative had a fair value of € 8,109 thousand at the end of Q1 2020, which was shown in the financing liabilities. The convertible bond is valued using an option price model. Key input factors in the valuation are the share price and the volatility of the share price.

In some cases, the bonds concluded by Consus Development contain embedded derivatives, which must be measured at fair value through profit or loss separately from their host contract. These embedded derivatives are termination options that allow Consus Development to repay the respective bonds before the actual due date. Termination options are assessed using an option pricing model (binomial model). The main input factors in the option price model used are volatility and the refinancing interest rate on the valuation date. As at 31 March 2020, the market value of the derivatives was € 5.1 million.

The following abbreviations are used for the measurement categories:

- FVTPL: Fair Value through Profit and Loss
- AC: amortized cost
- Debt FVOCI: Debt investments at Fair Value through Other Comprehensive Income
- Equity FVOCI: Equity investments at Fair Value through Other Comprehensive Income

2.8 SELECTED EXPLANATORY NOTES (continued)

2.8.10 FINANCIAL INSTRUMENTS (continued)

Financial assets and liabilities by measurement category and class are shown in the following table.

Valuation categories acc. to IFRS 9 – 31/03/2020

in k€	Category acc. to IFRS 9	Carrying value as of 31/03/2020	Nominal value	Amortised costs	Fair value through P/L	Fair value through equity	Fair value as of 31/03/2020	Fair value hierarchy level
Non-current financial assets: Investments	FVOCI – equity	**395**	—	—	—	**395**	**395**	**3**
Non-current financial assets: Other	Amortised cost	**53,013**	—	**53,013**	—	—	**53,013**	**2**
Other non-current financial assets (derivatives)	FVTPL	**10,659**	—	—	**10,659**	—	**10,659**	—
Trade and other receivables	Amortised cost	**47,501**	—	**47,501**	—	—	**47,501**	**2**
Current financial assets: Other	Amortised cost	**34,945**	—	**34,945**	—	—	**34,945**	**2**
Other current financial assets; Derivatives	FVTPL	**691**	—	—	**691**	—	**691**	**3**
Receivables from related entities	Amortised cost	**109,831**	—	**109,831**	—	—	**109,831**	**2**
Cash and cash equivalents	Amortised cost	**164,220**	**164,220**	—	—	—	—	**1**
Total financial assets		**421,255**	**164,220**	**245,290**	**11,350**	**395**	**257,035**	
Financing liabilities	Amortised cost	**2,972,674**	—	**2,972,674**	—	—	**2,846,986**	**2**
Trade payables	Amortised cost	**110,430**	—	**110,430**	—	—	**110,430**	**2**
Liabilities to related entities	Amortised cost	**86,580**	—	**86,580**	—	—	**86,580**	**2**
Financing liabilities: Derivatives	FVTPL	**8,109**	—	—	**8,109**	—	**8,109**	**3**
Other liabilities	Amortised Cost	**81,621**	—	**81,621**	—	—	**81,621**	**2**
Total financial liabilities		**3,259,414**	—	**3,251,305**	**8,109**	—	**3,133,726**	
Financial Assets measured at fair value through OCI – debt instrument	FVOCI-debt instrument	—	—	—	—	—	—	
Financial Assets measured at fair value through OCI – equity instrument	FVOCI-equity instrument	**395**	—	—	—	**395**	**395**	
Financial Asset measured at fair value through profit and loss	FVTPL	**11,350**	—	—	**11,350**	—	**11,350**	
Financial asset measured at amortised cost	Amortised cost	**409,510**	**164,220**	**245,290**	—	—	**245,290**	
Financial Liabilities at cost	Amortised cost	**3,251,305**	—	**3,251,305**	—	—	**3,125,617**	
Financial Liabilities held for trading	FVTPL	**8,109**	—	—	**8,109**	—	**8,109**	

2.8.10 FINANCIAL INSTRUMENTS (continued)

Valuation categories acc. to IFRS 9 – 2019

in k€	Category acc. to IFRS 9	Carrying value as of 31/12/2019	Nominal value	Amortised costs	Fair value through P/L	Fair value through equity	Fair value as of 31/12/2019	Fair value hierarchy level
Non-current financial assets: Investments	FVOCI – equity	404	—	—	—	404	404	3
Non-current financial assets: Other	Amortised cost	52,359	—	52,359	—	—	52,359	2
Other non-current financial assets (derivatives)	FVTPL	20,796	—	—	20,796	—	20,796	0
Trade and other receivables	Amortised cost	41,663	—	41,663	—	—	41,663	2
Current financial assets: Other	Amortised cost	30,429	—	30,429	—	—	30,429	2
Other current financial assets; Derivatives	FVTPL	672	—	—	672	—	672	3
Receivables from related entities	Amortised cost	109,266	—	109,266	—	—	109,443	2
Cash and cash equivalents	Amortised cost	150,613	150,613	—	—	—	150,613	1
Total financial assets		406,202	150,613	233,717	21,468	404	406,378	
Financing liabilities	Amortised cost	2,836,299	—	2,836,299	—	—	2,906,123	2
Trade payables	Amortised cost	97,576	—	97,576	—	—	97,576	2
Liabilities to related entities	Amortised cost	80,799	—	80,799	—	—	80,791	2
Financing liabilities: Derivatives	FVTPL	14,202	—	—	14,202	—	14,202	3
Other liabilities	Amortised Cost	78,091	—	78,091	—	—	78,091	2
Total financial liabilities		3,106,966	—	3,092,765	14,202	—	3,176,783	
Financial Assets measured at fair value through OCI – debt instrument	FVOCI-debt instrument	—	—	—	—	—	—	
Financial Assets measured at fair value through OCI – equity instrument	FVOCI-equity instrument	404	—	—	—	404	404	
Financial Asset measured at fair value through profit and loss	FVTPL	21,468	—	—	21,468	—	21,468	
Financial asset measured at amortised cost	Amortised cost	389,899	150,613	233,717	—	—	389,899	
Financial Liabilities at cost	Amortised cost	3,092,765	—	3,092,765	—	—	3,162,581	
Financial Liabilities held for trading	FVTPL	14,202	—	—	14,202	—	14,202	

Liquidity risk exposure for the Group was as follows:

in k€	Carrying value as of 31/03/2020	Maturities < 1 year	1 – 5 years	> 5 years
Liabilities to financial institutions	**2,980,784**	1,339,695	1,922,295	112,885
Trade payables	**110,430**	110,430	—	—
Liabilities to related parties	**86,580**	59,080	27,500	—
Other financial liabilities	**81,621**	79,954	1,667	—
Total	**3,259,414**	1,589,158	1,951,462	112,885

in k€	Carrying value as of 31/12/2019	Maturities < 1 year	1 – 5 years	> 5 years
Liabilities to financial institutions	2,850,501	1,360,244	1,826,351	113,439
Trade payables	97,576	97,576	—	—
Liabilities to related parties	80,799	53,299	27,500	—
Other financial liabilities	78,091	77,923	168	—
Total	3,106,966	1,589,041	1,854,019	113,439

2.8.11 LEASE INFORMATION (IFRS 16)

Due to changes in the assessment of the probability to extend lease contracts, the Company's right-of-use assets and lease liabilities were each reduced by € 5,693 thousand with an impact on the consolidated statement of

2.8 SELECTED EXPLANATORY NOTES (continued)

2.8.11 LEASE INFORMATION (IFRS 16) (continued)

comprehensive income of zero. The change in assessment is caused by the restructuring of the Group and especially the exit of the former Consus RE AG CEO Christoph Gröner.

2.8.12 CASH AND CASH EQUIVALENTS

Cash and cash equivalents exclusively comprise balances with banks. The cash and cash equivalents are always available and represent the financial resources of the Company.

in k€	31/03/2020	31/12/2019
Bank deposits	**164,170**	150,580
Cash at hand	**50**	32
Cash and cash equivalents	**164,220**	150,613
- thereof restricted	**148,673**	139,457

Restricted cash and cash equivalents are subject to restrictions, particularly with regard to their use for the financed properties and as a minimum to secure future interest payments. Cash and cash equivalents with a fixed purpose have a remaining term of no more than 3 months and are reported as restricted cash. There are no discretionary approval provisions from third parties in this connection.

A smaller proportion is subject to transfer controls, i.e. these funds must be held by certain group companies in accordance with the respective loan agreement.

2.9 SEGMENT INFORMATION

2.9.1 OPERATING SEGMENTS

For management purposes, the Group is organized into business units based on its organizational structure and has two reportable segments, as follows:

- Consus RE (formerly CG Gruppe): Principal business activities include the development of real estate for residential use as well as commercial use. Furthermore, Consus RE is engaged in the renting of commercial and residential real estate as well as complementary services.
- Consus Swiss Finance: Principal business activities include the development of real estate for residential use as well as commercial use. Furthermore, Consus Swiss Finance is engaged in planning, construction and building services as well as the renting of commercial and residential real estate.

The chief operating decision makers monitor the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on revenue, Net Loan to Value (Net-LTV) as well as Net Asset Values (NAV) and is measured consistently with values reported in the IFRS consolidated financial statements of the Group.

Net Loan to Value (Net LTV)
31/03/2020

in k€	Consus RE	Consus Swiss Finance	Other	Total
Investment property (IAS 40)	**400,335**	**1,570**	**—**	**401,905**
Prepayments on investment property (IAS 40)	**—**	**—**	**—**	**—**
Owner occupied real estate (IAS 16)	**—**	**—**	**—**	**—**
Non-current assets held-for-sale (IFRS 5)	**—**	**26,100**	**—**	**26,100**
Inventory (IAS 2) – Property under construction	**1,522,081**	**1,043,871**	**—**	**2,565,951**
Contract assets	**293,910**	**105,699**	**—**	**399,609**
Real Estate assets	**2,216,325**	**1,177,240**	**—**	**3,393,565**
Liabilities to financial institutions	**1,352,111**	**963,839**	**664,834**	**2,980,784**
Cash and cash equivalents	**76,714**	**87,065**	**442**	**164,220**
Net debt	**1,275,397**	**876,774**	**664,392**	**2,816,563**
Net loan to Value (Net LTV) in %	**58%**	**74%**		**83%**

2.9 SEGMENT INFORMATION (continued)

2.9.1 OPERATING SEGMENTS (continued)

Net Loan to Value (Net LTV)
31/12/2019

in k€	Consus RE	Consus Swiss Finance	Other	Total
Investment property (IAS 40)	382,474	1,570	—	384,044
Prepayments on investment property (IAS 40)	—	—	—	—
Owner occupied real estate (IAS 16)	—	—	—	—
Non-current assets held-for-sale (IFRS 5)	—	26,100	—	26,100
Inventory (IAS 2) – Property under construction	1,457,730	1,014,892	—	2,472,621
Contract assets	241,331	93,871	—	335,203
Real Estate assets	2,081,535	1,136,433	—	3,217,968
Liabilities to financial institutions	1,265,482	928,379	656,639	2,850,501
Cash and cash equivalents	67,045	83,275	293	150,613
Net debt	1,198,438	845,105	656,346	2,699,888
Net loan to Value (Net LTV) in %	58%	74%	—	84%

Net Asset Values (NAV)
31/03/2020

in k€	Consus RE	Consus Swiss Finance	Other	Total
Equity	**43,938**	**6,701**	**995,316**	**1,045,956**
Deferred tax liabilities	**53,176**	**48,552**	**-10,649**	**91,079**
Goodwill	**-724,634**	**-308,272**	**-3,582**	**-1,036,489**
Net Asset Value (NAV)	**-627,520**	**-253,019**	**981,085**	**100,546**

Net Asset Values (NAV)
31/12/2019

in k€	Consus RE	Consus Swiss Finance	Other	Total
Equity	62,581	17,834	983,979	1,064,394
Deferred tax liabilities	62,677	48,554	—	111,232
Goodwill	-724,634	-308,272	-3,582	-1,036,489
Net Asset Value (NAV)	-599,376	-241,884	980,397	139,137

2.9.2 DISAGGREGATION OF REVENUE

In the following table, revenue is disaggregated by timing of revenue recognition including a reconciliation of the disaggregated revenue to the Group's reportable segments.

Materially all revenues of Q1 2020 and the previous year were generated in Germany.

Due to the Group's business model, which is mainly based on the sale of larger development projects, the number of customers is limited. This indicates a certain dependence on individual larger customers.

2.9 SEGMENT INFORMATION (continued)

2.9.2 DISAGGREGATION OF REVENUE (continued)

01/01/ – 31/03/2020

in k€	Consus RE	Consus Swiss Finance	Other	Total
Total Income	**107,585**	**18,101**	**23**	**125,709**
Products transferred at a point in time	**—**	**—**	**23**	**23**
Products and services transferred over time	**107,585**	**18,101**	**—**	**125,686**

01/01/ – 31/03/2019*

in k€	Consus RE	Consus Swiss Finance	Other	Total
Total Income	62,124	32,181	—	94,305
Products transferred at a point in time	—	1,282	—	1,282
Products and services transferred over time	62,124	30,899	—	93,022

* Prior year figures adjusted

2.9.3 SEASONALITY OF OPERATIONS

The Group's segments are not exposed to material seasonality or cyclicality in its operations.

2.9.4 ADJUSTED EBIT AND EBITDA CALCULATION

The following adjusted EBITDA is not calculated in accordance with IFRS and is therefore a non-GAAP measure. The reduction in changes in inventories reflects all positive and negative effects resulting from the measurement of inventories and contract assets and liabilities in connection with past business combinations. Accordingly, adjusted EBITDA adjusts the fair value step-up and reduces the carrying amount while maintaining the actual costs incurred, i.e. it adjusts for the impact of the Purchase Price Allocation ("pre-PPA"). The strict minimum value principle at acquisition date is not applied.

One-off expenses are expenses and charges that are not capitalized and are not incurred in the ordinary course of business. Accordingly, one-off expenses are exceptional in nature or amount.

ADJUSTED EBITDA CALCULATION
01/01/ – 31/03/2020

in k€	Consus RE	Consus Swiss Finance	Other	Total
unadjusted EBITDA 31/03/2020	**32,598**	**19,765**	**-6,407**	**45,955**
Reduction of changes in inventory (PPA)	**578**	**2,961**	**—**	**3,539**
Income from real estate inventory disposed of (PPA)	**—**	**—**	**—**	**—**
One-offs	**5,208**	**97**	**832**	**6,137**
adjusted EBITDA 31/03/2020	**38,383**	**22,822**	**-5,575**	**55,630**

2.9 SEGMENT INFORMATION (continued)

2.9.4 ADJUSTED EBIT AND EBITDA CALCULATION (continued)

The difference between adjusted EBITDA and adjusted EBIT is the addition of elimination of step up amortization for the adjusted EBIT.

in k€	Consus RE	Consus Swiss Finance	Other	Total
unadjusted EBIT 31/03/2020	**30,944**	**19,126**	**-6,423**	**43,647**
Reduction of changes in inventory (PPA)	578	2,961	—	3,539
Income from real estate inventory disposed of (PPA)	—	—	—	—
Elimination of step up amortization	—	269	—	269
One-offs	5,208	97	832	6,137
adjusted EBIT 31/03/2020	**36,730**	**22,452**	**-5,591**	**53,591**

The adjusted one-off expenses in Q1 2020 mainly include expenses related to the departure of Christoph Gröner as CEO of Consus RE, project related costs for refinancing, reorganisation costs and costs for the implementation of new IT systems (Project Train).

ADJUSTED EBITDA CALCULATION
01/01/ – 31/03/2019*

in k€	Consus RE	Consus Swiss Finance	Other	Total
unadjusted EBITDA 31/03/2019	21,240	7,698	-1,582	27,355
Reduction of changes in inventory (PPA)	-1,662	460	—	-1,202
One-offs	1,088	—	—	1,088
adjusted EBITDA 31/03/2019	20,666	8,158	-1,582	27,241

* Prior year figures adjusted

The following adjusted EBIT follows the derivation of adjusted EBITDA with the addition of the elimination of the amortization of the PPA residual:

in k€*	Consus RE	Consus Swiss Finance	Other	Total
unadjusted EBIT 31/03/2019	20,059	7,414	-1,587	25,886
Reduction of changes in inventory (PPA)	-1,662	460	—	-1,202
One-offs	1,088	—	—	1,088
adjusted EBIT 31/03/2019	19,485	7,874	-1,587	25,772

* Prior year figures adjusted

2.10 CAPITAL MANAGEMENT

2.10.1 CAPITAL MANAGEMENT

The aim of the Group's capital management is to secure the continued existence of the company as a going concern while generating income for its shareholders and providing all other stakeholders with benefits to which they are entitled. The overriding objective is to ensure the Group's creditworthiness in order to foster the further growth of the Group.

The Group monitors capital on the basis of loan-to-value (LTV). LTV describes the ratio of net debt to the book value of investment property. Net debt is calculated by deducting cash and cash equivalents from financial liabilities.

2.10 CAPITAL MANAGEMENT (continued)

2.10.1 CAPITAL MANAGEMENT (continued)

The Group's goal is to maintain an appropriate level of leverage in order to ensure continued access to debt financing in the long term at economically appropriate costs. LTV as at 31 March 2020 and 31 December 2019 is calculated as follows:

in k€	31/03/2020	31/12/2019
Real Estate held as Investment property (IAS 40)	**401,905**	384,044
Non-current assets classified as held-for-sale (IFRS 5)	**26,100**	26,100
Inventories (IAS 2)	**2,565,951**	2,472,621
Contract Assets	**399,609**	335,203
Total Real Estate Assets	**3,393,565**	3,217,968
Financing liabilities	**2,980,784**	2,850,501
Cash and cash equivalents	**164,220**	150,613
Net debt	**2,816,563**	2,699,888
Net Loan to Value (Net – LTV)	**83%**	84%

2.10.2 PREPAYMENTS

Prepayments received by the Group on either contract assets/liabilities (development projects under the scope of IFRS 15) or on inventory (development projects under the scope of IAS 2) are included in the balances of the respective asset or liability balance. Since these prepayments constitute an important source of liquidity for the Group the following table provides a comprehensive overview.

in k€	31/03/2020	31/12/2019
Prepayments included in contract assets/liabilities	**523,174**	483,104
Prepayments received on land	**291,229**	277,325
Other prepayments received	**86,098**	28,453
Total	**900,501**	788,881

2.11 RELATED PARTIES

2.11.1 KEY MANAGEMENT PERSONNEL REMUNERATION

The members of Group's Supervisory Board and Management Board are the management of the Group in key positions within the meaning of IAS 24.9. The following tables provide an overview of the remuneration of the Management and the Supervisory Board.

Board Remuneration 01/01/ – 31/03/2020:

in k€	Accounted	Paid out
Management Board (Vorstand)	**311**	**259**
Short-term benefits	**311**	**259**
Supervisory Board	**45**	**80**
Short-term benefits	**45**	**80**

Board Remuneration 01/01/ – 31/03/2019:

in k€	Accounted	Paid out
Management Board (Vorstand)	311	179
Short-term benefits	311	179
Supervisory Board	45	133
Short-term benefits	45	133

2.11 RELATED PARTIES (continued)

2.11.2 OTHER RELATED PARTY TRANSACTIONS

Transactions with shareholders for the three months ended 31 March 2020 (three months ended 31 March 2019) were as follows:

in k€	31/03/2020	31/03/2019
Interest income	**85**	793
Income	**203**	742
Expenses	**-10,175**	—
Interest expenses	**-1,026**	-938
Financing receivables	**46,554**	38,734
Trade receivables	**15,174**	—
Other receivables	**48,109**	—
Trade payables	**-1,096**	—
Other liabilities	**-26,183**	—
Financing liabilities, including derivatives	**-59,302**	-13,696

2.12 CONTINGENT LIABILITIES AND OTHER FINANCIAL OBLIGATIONS

2.12.1 OBLIGATIONS TO ACQUIRE LONG-TERM ASSETS

As of 31 March 2020, there are no significant obligations to acquire tangible assets or investment property (31 December 2019: no significant obligations).

2.12.2 OTHER FINANCIAL OBLIGATIONS

The following table provides an overview of the aggregated amount of other financial obligations:

in k€	<1 year	1-5 years	>5 years	Total
Financial obligations as at 31/03/2020	**279,068**	**545**	**—**	**279,612**
Insurance contracts	**825**	**478**	**—**	**1,303**
Car insurance contracts	**305**	**20**	**—**	**324**
Office Rent	**462**	**—**	**—**	**462**
Leasing	**140**	**47**	**—**	**187**
Future obligations from pending purchase agreements	**277,337**	**—**	**—**	**277,337**

in k€	<1 year	1-5 years	>5 years	Total
Financial obligations as at 31/12/2019	292,077	475	—	292,553
Insurance contracts	1,300	448	—	1,749
Car insurance contracts	420	27	—	447
Office Rent	1,243	—	—	1,243
Leasing	77	—	—	77
Future obligations from pending purchase agreements	289,037	—	—	289,037

2.13 EVENTS AFTER THE REPORTING PERIOD

As part of its deleveraging strategy the Company announced on 8 May 2020 a significant sale of assets amounting to a transaction value of around € 690 million resulting in the reduction of project debt by around € 475 million. The agreed sales price represented a double digit premium to the market values as at 31 December 2019 of the respective projects. The gross development value ("GDV") of the development projects disposed of is € 2.3 billion. In addition, Consus has in principle decided to acquire the remaining 25% minority stake (on a fully diluted basis) in Consus RE AG (formerly CG Gruppe AG) for a preliminary consideration, subject to further steps, of 24.75 million Consus shares and € 27.5 million cash in order to simplify its corporate structure.

On 20 May 2020 a further significant asset sale was announced as part of Consus' deleveraging strategy with an impact on GDV of € 2.0 billion. The development projects were sold at a premium to the market values appraised as of 31 December 2019. This transaction results in a further reduction of project finance debt by around € 390 million.

2.13 EVENTS AFTER THE REPORTING PERIOD (continued)

The transactions are each subject to closing adjustments and conditions, and are each expected to close no later than Q3 2020. In the medium term, a portion of the proceeds will be reinvested in new development projects.

At 7 May 2020 Mr. Jens Jäpel, CDO of Consus Real Estate AG, retired from the management board and left the Company. At the same date he also retired from the management board of our subsidiary Consus RE AG.

The outbreak of the Corona virus and its rapid spread across many countries and continents increased financial, financing and liquidity risks as well as risks in the project development phases, e.g. in the area of financing, completion and sale of the Consus' projects. Consus does not assume at this point in time that the Coronavirus pandemic will have a material impact on the Group's business. Existing forward sales contracts are continuing largely unaffected; however, certain upfront sales and new forward sales are currently delayed and our plans, including these sales being completed as originally assumed, are dependent on the scale of negative impacts caused by the Coronavirus pandemic and the success of any counter measures. Consus will continue to assess any potential macro-economic and industry-related impacts as well as any impact on the Group's business, either directly or from reduced economic visibility, and will update the market as appropriate.

There were no other significant events after the balance sheet date.

RESPONSIBILITY STATEMENT

To the best of our knowledge and in accordance with the applicable accounting principles for interim financial reporting, the Condensed Interim Consolidated Financial Statements for the period from 1 January to 31 March 2020 present a true and fair view of the assets, liabilities, financial position and profit or loss of the Group and the interim management report presents a fair review of the development and performance of the business and the position of the Group, together with a description of the material risks and opportunities of the expected development of the Group. Berlin, 29 May 2020

Andreas Steyer	Benjamin Lee	Theodorus Gorens
CEO	CFO	Deputy CFO, CRO

Consus Real Estate AG

Audited Consolidated Financial Statements of Consus Real Estate AG as of and for the financial year ended December 31, 2019

1 CONSOLIDATED FINANCIAL STATEMENTS

1.1 CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	2019 in k€	2018 adjusted* in k€
Income from letting activities	2.2.1	**21,340**	32,796
Income from real estate inventory disposed of	2.2.2	**204,541**	163,515
Income from property development	2.2.4	**401,621**	278,992
Income from service, maintenance and management activities	2.5.1	**43,613**	10,199
Total income		**671,115**	485,502
Change in project related inventory	2.2.3	**192,700**	(19,003)
Overall performance		**863,815**	466,498
Expenses from letting activities	2.2.1	**(8,894)**	(16,083)
Cost of materials	2.2.6	**(525,215)**	(285,600)
Net income from the remeasurement of investment properties	2.2.5	**31,943**	25,631
Other operating income	2.2.7	**20,360**	13,241
Personnel expenses	2.2.8	**(67,024)**	(36,911)
Other operating expenses	2.2.9	**(78,551)**	(65,338)
EBITDA (Earnings before interest, taxes, depreciation and amortization)**		**236,435**	101,440
Depreciation and amortization	2.2.10	**(8,443)**	(2,175)
EBIT (Earnings before interest and taxes)**		**227,992**	99,265
Financial income	2.2.11	**28,160**	9,001
Financial expenses	2.2.11	**(244,666)**	(123,090)
Share of profit or loss of associates accounted for using the equity method	2.2.12	**—**	—
EBT (Earnings before taxes)		**11,486**	(14,824)
Income tax expenses	2.2.13	**(16,521)**	12,198
Net income (Earnings after taxes) from continued operations		**(5,035)**	(2,626)
Net income (Earnings after taxes) from discontinued operations		**—**	1,464
Consolidated net income		**(5,035)**	(1,162)
Other comprehensive income		**431**	(1,774)
thereof non-recycling		**(10)**	(30)
thereof will be reclassified to profit or loss		**441**	(1,744)
Total comprehensive income		**(4,604)**	(2,936)

* Prior year figures adjusted (2.1.5.3. – 2.1.5.5.)

	Note	2019 in k€	2018 adjusted* in k€
Of the net income from continuing operations for the period, the following is attributable to:			
Non-controlling interests	2.2.14	**15,848**	13,113
Shareholders of the parent company		**(20,883)**	(15,739)
Of the total comprehensive income from continuing operations for the period, the following is attributable to:			
Non-controlling interests		**15,852**	13,167
Shareholders of the parent company		**(20,456)**	(17,567)
Total comprehensive income for the period attributable to shareholders of the parent company arises from:			
Continuing operations		**(20,456)**	(17,567)
Discontinued operations	2.1.7.7	**—**	816
Total comprehensive income for the period attributable to non–controlling arises from:			
Continuing operations		**15,852**	13,167
Discontinued operations	2.1.7.7	**—**	648
Earnings per share from continued operations (basic) in EUR	2.2.14	**(0.15)**	(0.17)
Earnings per share from continued operations (diluted) in EUR	2.2.14	**(0.15)**	(0.17)

* Prior year figures adjusted (2.1.5.3. – 2.1.5.5.)

1.2 CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	31/12/2019	31/12/2018 adjusted*
Non-current assets			
Investment property	2.3.1	**384,044**	328,027
Property, plant and equipment	2.3.2	**11,076**	8,771
Right-of-use assets	2.3.20	**17,144**	—
Goodwill	2.3.3	**1,036,489**	1,036,920
Other intangible assets	2.3.2	**4,919**	6,158
Investments accounted for using the equity method		**21,046**	21,590
Receivables from related parties	2.6.3	**184**	—
Financial assets	2.3.4	**73,559**	10,037
Other assets	2.3.5	**194**	—
Contract assets	2.3.6	**13,856**	23,095
Deferred tax assets	2.3.15	**—**	—
Total non-current assets		**1,562,511**	1,434,598
Current assets			
Work-in-progress including acquired land and buildings	2.3.7	**2,472,621**	2,139,761
Trade and other receivables	2.3.8	**41,663**	53,933
Receivables from related parties	2.6.3	**109,082**	62,853
Tax receivables	2.3.9	**11,572**	8,644
Financial assets	2.3.4	**31,101**	38,439
Other assets	2.3.5	**28,707**	15,499
Contract assets	2.3.6	**321,347**	198,505
Cash and cash equivalents	2.3.10	**150,613**	91,603
Assets held for sale		**26,100**	1,329
Total current assets		**3,192,805**	2,610,565
Total Assets		**4,755,315**	4,045,163

* Prior year figures adjusted (2.1.5.3. – 2.1.5.5.)

** incl. interest expenses that are capitalized in accordance with IAS 23

	Note	31/12/2019 in k€	31/12/2018 adjusted* in k€
Equity	2.3.11		
Subscribed capital	(a), (b)	**136,582**	134,040
Capital reserves	(h)	**877,132**	904,233
Other Reserves	(i)	**(81,606)**	(60,508)
Non-controlling interests	(j)	**132,286**	148,341
Total Equity		**1,064,394**	1,126,106
Non-current liabilities			
Financing liabilities	2.3.12	**1,655,621**	1,049,150
Provisions	2.3.13	**2,843**	1,712
Liabilities to related parties	2.3.17	**27,500**	27,500
Other liabilities	2.3.14	**32,572**	43,388
Deferred tax liabilities	2.3.15	**111,232**	90,508
Total non-current liabilities		**1,829,767**	1,212,259
Current liabilities			
Financing liabilities	2.3.12	**1,194,880**	1.146,374
Provisions	2.3.13	**7,426**	4,735
Trade payables	2.3.16	**97,576**	41,913
Liabilities to related parties	2.3.17	**53,299**	43,196
Tax payables	2.3.18	**53,038**	44,389
Prepayments received	2.3.19	**305,777**	323,986
Other liabilities	2.3.14	**95,993**	70,047
Contract liabilities	2.3.6	**53,166**	32,158
Liabilities included in a disposal group classified as held for sale		**—**	—
Total current liabilities		**1,861,154**	1,706,799
Total equity and liabilities		**4,755,315**	4,045,163

* Prior year figures adjusted (2.1.5.3. – 2.1.5.5.)

** incl. interest expenses that are capitalized in accordance with IAS 23

1.3 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Subscribed capital in k€	Capital reserves in k€	Retained earnings in k€	Other reserves in k€
01/01/2019 adjusted*		**134,040**	**904,233**	**(22,531)**	**(36,149)**
IAS 8 Effect (IAS 23 Update)	2.1.5.2, 2.1.5.5	**—**	**—**	**(1,981)**	**—**
Adjusted balance at January 1,2019		**134,040**	**904,233**	**(24,512)**	**(36,149)**
Profit for the period		**—**	**—**	**(20,883)**	**—**
Other comprehensive income		**—**	**—**	**—**	**—**
Total comprehensive income for the period		**—**	**—**	**(20,883)**	**—**
Conversion Notice Convertible Loan	2.3.11(b),(h)	**2,541**	**16,436**	**—**	**—**
Transactions with minority shareholders without change of control	2.3.11(j), 2.6.3(b)	**—**	**(43,536)**	**—**	**—**
Consolidation of entities with minority interest	2.1.7	**—**	**—**	**—**	**—**
Effects from PPA finalization	2.1.7.2(b)	**—**	**—**	**1,335**	**—**
Guaranteed dividend	2.3.11(j)	**—**	**—**	**—**	**—**
31/12/2019		**136,582**	**877,132**	**(44,059)**	**(36,149)**
01/01/2018 adjusted*		79,850	574,714	(8,456)	—
Effect from initial application of IFRS 15 (net of tax)		—	—	4,279	—
Adjustment in accordance with IAS 8.41	2.1.5.3	—	—	(3,431)	—
Adjusted balance at January 1, 2018		79,850	574,714	(7,608)	—
Profit for the period		—	—	(14,923)	—
Other comprehensive income		—	—	—	—
Total comprehensive income for the period		—	—	(14,923)	—
Issue of share capital	2.3.11(a)	45,119	299,260	—	—
Conversion Notice Convertible Loan	2.3.11(a)	737	5,686	—	—
Transactions with minority shareholders without change of control	2.3.11(j), 2.6.3(b)	8,333	24,573	—	(8,649)
Deconsolidation of entities with minority interest	2.1.7	—	—	—	—
First Time Consolidation	2.1.7	—	—	—	—
Put Option	2.1.5.5	—	—	—	(27,500)
31/12/2018 adjusted*		134,040	904,233	(22,531)	(36,149)

* Prior year figures adjusted (2.1.5.3. – 2.1.5.5.)

	OCI in k€	Total in k€	NCI in k€	Total Equity in k€
01/01/2019 adjusted*	**(1,828)**	**977,765**	**148,705**	**1,126,470**
IAS 8 Effect (IAS 23 Update)	**—**	**(1,981)**	**(94)**	**(2,074)**
Adjusted balance at January 1,2019	**(1,828)**	**975,784**	**148,611**	**1,124,395**
Profit for the period	**—**	**(20,883)**	**15,848**	**(5,035)**
Other comprehensive income	**431**	**431**	**—**	**431**
Total comprehensive income for the period	**431**	**(20,452)**	**15,848**	**(4,604)**
Conversion Notice Convertible Loan	**—**	**18,977**	**—**	**18,977**
Transactions with minority shareholders without change of control	**—**	**(43,536)**	**(23,394)**	**(66,930)**
Consolidation of entities with minority interest	**—**	**—**	**3,689**	**3,689**
Effects from PPA finalization	**—**	**1,335**	**(1,963)**	**(628)**
Guaranteed dividend	**—**	**—**	**(10,505)**	**(10,505)**
31/12/2019	**(1,397)**	**932,108**	**132,286**	**1,064,394**
01/01/2018 adjusted*	—	646,108	169,901	816,009
Effect from initial application of IFRS 15 (net of tax)	—	4,279	3,409	7,688
Adjustment in accordance with IAS 8.41	—	(3,431)	(2,808)	(6,239)
Adjusted balance at January 1, 2018	—	646,956	170,503	817,459
Profit for the period	—	(14,923)	13,761	(1,162)
Other comprehensive income	(1,828)	(1,828)	54	(1,774)
Total comprehensive income for the period	(1,828)	(16,751)	13,815	(2,936)
Issue of share capital	—	344,379	—	344,379
Conversion Notice Convertible Loan	—	6,423	—	6,423
Transactions with minority shareholders without change of control	—	24,257	(30,279)	(6,022)
Deconsolidation of entities with minority interest	—	—	(26,861)	(26,861)
First Time Consolidation	—	—	21,527	21,527
Put Option	—	(27,500)	—	(27,500)
31/12/2018 adjusted*	(1,828)	977,765	148,705	1,126,470

* Prior year figures adjusted (2.1.5.3. – 2.1.5.5.)

1.4 CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	2019 in k€	2018 adjusted* in k€
Operating activities			
Net profit		**(5,035)**	(1,162)
Tax expense	2.2.13	**16,521**	(12,198)
Profit (loss) before tax		**11,486**	(13,360)
Adjustments to reconcile profit before tax to net cash flows:			
Depreciation and impairment of property, plant and equipment	2.3.2	**2,666**	1,723
Amortisation and impairment of intangible assets	2.3.2	**1,680**	477
Depreciation on right-of-use asset	2.3.20	**4,097**	—
Valuation gains on financial assets	2.3.4	**—**	(2,893)
Valuation gains on investment property	2.3.1	**(31,943)**	(25,631)
Financial income	2.2.11	**(28,160)**	(10,156)
Financial expenses	2.2.11	**244,666**	124,600
Other non-cash adjustments		**10,118**	2,443
		214,609	77,202
Working capital adjustments			
Decrease/(increase) in rent and other receivables	2.3.8	**(47,596)**	22,064
Decrease/(increase) prepayments, accrued income and other assets	2.3.5	**(31,153)**	(18,581)
Decrease/(increase) in inventories and contractual assets	2.3.6, 2.3.7	**(577,194)**	(335,111)
(Decrease)/increase in prepayments on development projects	2.3.19	**249,914**	356,326
Decrease in investment property	2.3.1	**48,832**	—
(Decrease)/increase in trade, other payables and accruals, contractual liabilities and other liabilities	2.3.14, 2.3.16 - 2.3.18	**77,542**	39,045
Income tax paid	2.2.13	**(9,056)**	(7,534)
Net cash flow from operating activities		**(74,102)**	133,411

* Prior year figures adjusted (2.1.5.3. – 2.1.5.5.)

	Note	2019 in k€	2018 adjusted* in k€
Investing activities			
Acquisition of consolidated entities, net of cash acquired		**(70,029)**	(18,653)
Loans granted	2.6.3	**(7,500)**	380
Capital expenditure on investment property	2.3.1	**(89,717)**	(13,069)
Proceeds from the sale of PPE & intangibles	2.3.2	**196**	339
Expenditure on other fixed assets	2.3.2	**(3,728)**	(22,234)
Sale of subsidiary, net of cash	2.1.7	**—**	94,944
Interest received	2.2.11	**3,344**	2,017
Change in financial assets	2.3.4	**(38,300)**	(20,093)
Net cash flow from investing activities		**(205,734)**	23,631
Financing activities			
Proceeds from issue of share capital	2.3.11(a), (b)	**—**	128,732
Proceeds from borrowings	2.3.12	**1,790,009**	535,933
Repayment of borrowings	2.3.12	**(1,144,555)**	(724,346)
Acquisition of additional shares in consolidated entities	2.1.7	**(13,795)**	—
Principal elements of lease payments	2.3.20	**(3,832)**	—
Interest paid	2.2.11	**(288,982)**	(77,090)
Net cash flow from financing activities		**338,845**	(136,771)
Cash effective change in cash and cash equivalents from discontinuing operations		**—**	—
Net increase/(decrease) in cash and cash equivalents		**59,010**	20,271
Effect of exchange rate changes on cash and cash equivalents		**—**	(8)
Cash and cash equivalents at the beginning of the year	2.3.10	**91,603**	71,340
Cash and cash equivalents at 31 December 2019		**150,613**	91,603

* Prior year figures adjusted (2.1.5.3. – 2.1.5.5.)

2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2.1 SUMMARY OF ACCOUNTING POLICIES

2.1.1 REPORTING ENTITY

Consus Real Estate AG (“the Company”, “Consus” or “the Parent Company”, together with its subsidiaries “the Group”) is a public limited company incorporated under the laws of the Federal Republic of Germany.

The registered address of the Company is Kurfürstendamm 188–189, 10707 Berlin. The Company is registered under the commercial register number HRB 191887B in the commercial register of the district court of Berlin-Charlottenburg.

The Company specializes in the acquisition, development, management, use and sale of real estate and land rights in Germany through a number of shareholdings.

The Group focuses its business activities primarily on the functions of real estate development and also as a real estate portfolio holder, in which it covers the entire value chain together with experienced partners.

The Company has been operating within the real estate sector since November 2016.

The Group’s principal subsidiaries at 31 December 2019 are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the group, and the proportion of ownership interests held equals the voting rights held by the group. The country of incorporation or registration is also their principal place of business.

* 75% on a fully diluted basis

Note : Consus RE AG was formerly CG Gruppe AG. Named changed on 19 March 2020.

Consus RE AG (formerly CG Gruppe) and Consus Swiss Finance AG (formerly SSN Group) together are referred to as Consus Development.

2.1.2 BASIS OF PREPARATION

The consolidated financial statements of Consus Real Estate AG have been prepared in accordance with the International Financial Reporting Standards (IFRS) adopted and issued by the International Accounting Standards Board (IASB), as adopted by the European Union. In addition, § 315e (3) in conjunction with (1) HGB was taken into account.

The consolidated financial statements are comprised of the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of cash flows and the consolidated statement of changes in equity as of December 31, 2019.

The statement of comprehensive income is prepared according to the nature of expense method. The presentation of the consolidated statement of financial position distinguishes between current and non-current assets as well as current and non-current liabilities. Assets or liabilities due within one year are classified as current. The assets and liabilities of the Company are reported individually in accordance with the going concern principle.

These consolidated financial statements were submitted to the Supervisory Board for review by the Executive Board on 29 April 2020.

The Company’s financial statements and those of its subsidiaries are prepared according to uniform accounting policies and as at the end of the same reporting period as the Company’s financial statements. In the process, the principles are consistently applied for all presented periods and reporting dates in the consolidated financial statements.

2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.1 SUMMARY OF ACCOUNTING POLICIES (Continued)

2.1.3 FUNCTIONAL AND PRESENTATION CURRENCY

The consolidated financial statements are presented in Euro, which is the Company's and most of the subsidiaries functional currency. There are a few companies in Switzerland without operational project business, who use the Swiss franc as their functional currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated. Rounding differences may occur in respect of individual amounts or percentages.

2.1.4 USE OF JUDGEMENTS AND ESTIMATES

The preparation of IFRS consolidated financial statements requires assumptions and estimates affecting the carrying amounts of the assets and liabilities recognized, income and expenses and the disclosure of contingent liabilities.

Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis.

Use of estimates and judgement applies to the following issues in particular:

Measurement of investment property

The input factors applied in the valuation models to determine the market values of investment property, such as expected cash flows, presumed development of rents, presumed vacancy rates, the discount rates and the capitalization rate represent significant measurement parameters and involve assumptions about the future. See section 2.2.5.

Please refer to section 2.3.1 for a sensitivity analysis, quantifying the impact of a deviation in the main input factors for the valuation on the fair value of investment property.

Deferred tax assets

The assessment of whether or not deferred tax assets can be recognized is based on the likelihood that future tax advantages can be realized. However, the actual amount of taxable income in future periods and the actual usefulness of deferred tax assets might deviate from expectations as at the date on which the deferred taxes were capitalized. See section 2.3.15.

Provisions

There is uncertainty regarding future increases, the amount, date and the probability of provisions as at the date of recognition and measurement. See section 2.3.13.

Measurement of financial liabilities

In measuring financial liabilities, estimates of future cash flows and any changes in terms and conditions are of particular significance. Furthermore, estimates are made for entity-specific risk premiums derived from the respective financing. See section 2.3.12.

Please refer to section 2.6.2 for a sensitivity analysis, quantifying the impact of a deviation in market interest rates on the carrying value of financial liabilities.

Goodwill impairment testing

The determination of the recoverable amount requires assumptions and estimates, especially on the future development of profits and sustainable growth rates. See section 2.3.3.

Revenue recognition

Both income from real estate inventory disposed of as well as income from property development underlie significant estimates and management judgements. Income from property development results from forward sales and strongly relies on the project calculation in order to measure project progress as well as projected revenues. The project calculation is subject to management estimates and assumptions. See section 2.2.2.

2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.1 SUMMARY OF ACCOUNTING POLICIES (Continued)

2.1.4 USE OF JUDGEMENTS AND ESTIMATES (Continued)

The company uses the cost to cost method to determine the project development at each balance sheet date. Therefore, the accrued costs (including fair value adjustments due to business combinations and accrued interests) are compared with the total project costs concerning the actual business plan. The margin of each project is calculated also on a project by project basis taking the agreed forward selling price for each real estate inventory into consideration. The forward sales price is generally subject to future uncertainties, such as guaranteed letting rates or price adjustment mechanisms, and is taken into account with the most probable outcome. Since the price adjustment mechanisms mainly take into account letting targets, the achievement of which appears largely certain in the current market environment, future reductions in sales revenues are highly unlikely. See section 2.2.4.

Similarly, income from real estate inventory disposed of underlies management estimates and assumptions. Revenue is measured at the transaction price agreed under the contract and might involve management estimates, e. g. amount and timing of contingent consideration and variable components. management assesses the respective probabilities of the possible scenarios at each balance sheet date.

Measurement of fair values

When determining the fair value of assets and liabilities, the Group uses directly observable market data. If no observable market data is available, fair values are determined using valuation techniques.

For the valuation of real estate inventory for example future expenses as well as the future selling price are key inputs. Deriving the fair value of financial liabilities heavily depends on inputs such as the applied market interest rates.

The fair value hierarchy categorizes the inputs used in valuation techniques into three levels, based on their proximity to the market:

Level 1: The (unadjusted) quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2: Inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly (i. e. the price) or indirectly (i. e. derived from the price)

Level 3: Measurement parameters based on unobservable inputs for the asset or liability

In case the inputs used to measure fair value are categorized into different levels of the fair value hierarchy, the fair value measurement is categorized in its entirety in the level of the lowest level input that is significant to the entire measurement.

The fair value hierarchy can be summarized as follows:

Fair value hierarchy	Level I	Level II	Level III
Purchase price allocation in the context of business combinations			**X**
Investment properties			**X**
Financing liabilities		X	
Derivatives			**X**
Assets held for sale		X	

2.1.5 CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

The following new and amended standards have been used for the first time in the reporting period. A number of other new standards are also effective from 1 January 2019 but they do not have a material effect on the Group's financial statements.

2.1.5.1 IFRS 16 – LEASES

The Group initially applied IFRS 16 Leases from 1 January 2019.

2.1.5.1 IFRS 16 – LEASES (Continued)

IFRS 16 "Leases" was published in January 2016 and it replaces IAS 17 "Leases", IFRIC 4 determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 evaluating the substance of transactions involving the legal form of a lease. IFRS 16 sets out the principles of the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – lease of "low value" assets (e. g. personal computers) and short-term leases (i. e., leases with a lease term on 12 months or less), these are applied by the group. At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i. e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i. e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset. The group applies the method described in IFRS 16. C5 (b) for first-time adoption, whereby the lease liability is recognized at the present value of the remaining lease payment and a right-of-use asset in the same amount, less any deferred lease payments, is capitalized.

Lessees will be obliged to remeasure the lease liability upon the occurrence of certain events (e. g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from previous accounting under IAS 17. Lessors will continue to classify all leases using the same classification principles as in IAS 17 and distinguish between two types of leases: operating and finance leases.

In addition, IFRS 16 obliges lessees and lessors to make more extensive disclosures than under IAS 17.

In the transition to IFRS 16, the Group decided to apply the relief provision to maintain the assessment of which transactions are leases. The Group only applied IFRS 16 to contracts entered before 1 January 2019 that were previously identified as leases in accordance with IAS 17 and IFRIC 4. In addition, the Group has taken advantage of the exemption to retrospectively determine the lease term for agreements with a renewal or termination option (use of hindsight).

Leases in which Consus is a lessee

Consus will recognize assets and liabilities for its operating leases of office space, vehicles, office and other equipment. The nature of expenses related to those leases will now change because Consus will recognize a depreciation charge for right-of-use assets and interest expense on lease liabilities.

Consus has applied IFRS 16 from 1 January 2019 using the modified retrospective method, according to which the cumulative effect of first-time application is recognised in retained earnings as of 1 January 2019. From 1 January 2019, rights of use and lease liabilities were recognized for € 12,133 thousand each, which had no effect on equity as of 1 January 2019.

Previously, Consus recognized operating lease expenses on a straight-line basis over the lease term, and recognized assets and liabilities only to the extent that there was a timing difference between actual lease payments and the expense recognized.

In the case of finance leases, an asset amounting to the fair value or the lower present value of the minimum lease payments and a corresponding liability were also previously recognised. Therfore there is no significant impact to the Group's finance leases.

Leases in which Consus is a lessor

There are no material changes for leases in which the Group acts as lessor. Consus will continue to classify all leases using the same classification principles as in IAS 17 and distinguishes between two types of lease: operating and finance leases.

2.1.5.1 IFRS 16 – LEASES (Continued)

Please refer to chapter 2.3.20 for the impact on the 2019 opening balance and the reconciliations.

2.1.5.2 IFRIC UPDATE: OVER TIME TRANSFER OF CONSTRUCTED GOODS (IAS 23 "BORROWING COSTS")

The Committee clarifies whether the entity has a qualifying asset as defined in IAS 23 and therefore, capitalizes any directly attributable borrowing costs. Applying IAS 23.8, an entity capitalizes borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. IAS 23.5 defines a qualifying asset as "an asset that necessarily takes a substantial period of time to get ready for its intended use or sale".

Inventory (work-in-progress) recognized for unsold units under construction within residential multi-unit real estate development projects generally represent a qualifying asset, as these units take a substantial period of time to get ready for their intended sale. However, these units are only qualifying assets until the first unit of a project is sold. This marks the point in time when the asset is ready for its intended sale in its current condition – e. g. the entity has found a suitable customer to sell the part-constructed unit to and, on signing a contract with a customer, will transfer the benefit of any work-in-progress relating to that unit to the customer.

The previous accounting policy of Consus was to capitalize interest for each unit in a residential multi-unit real estate development until the unit was sold or development was completed.

With the IFRIC Update, Consus will only recognize borrowing costs for inventory (work-in-progress) related to residential multi-unit real estate development until the first unit of the total project is sold (relevant date). For reasons of materiality, the adjustment was made as of 1 January 2019.

The impact of the IFRIC Update for IAS 23 on the opening balances in 2019 relate to

(1) Reversal of interest against contractual assets for FY2018;

(2) Increase in revenues as planned project costs are reduced due to not capitalized interest with a change in calculated project progress;

(3) Deferred tax effect

(4) Calculated delta booked against equity

The table below shows the impact of the IFRIC Update for IAS 23 for the following balance sheet items as at December 31, 2018:

	Impact of IAS 23 Update in k€
Contract assets (non-current)	2,871
Work-in-progress including acquired land and buildings	(4,465)
Other reserves	(1,114)
Deferred tax liabilities	(480)

Due to the non-capitalization of interest, both undiluted and diluted earnings per share deteriorated by EUR 0.11 in 2019.

2.1.5.3 CHANGES IN THE APPLICATION OF IFRS 15 "REVENUE FROM CONTRACTS WITH CUSTOMERS" IN ACCORDANCE WITH IAS 8.41

Consus differentiates between two different types of development projects for which revenue is recognized over time, forward sales of development projects to institutional investors and the forward sale of apartments primarily to individuals. In the past, both types were treated as if they only contain one material performance

2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.1 SUMMARY OF ACCOUNTING POLICIES (Continued)

2.1.5 CHANGES IN SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1.5.3 CHANGES IN THE APPLICATION OF IFRS 15 "REVENUE FROM CONTRACTS WITH CUSTOMERS" IN ACCORDANCE WITH IAS 8.41 (Continued)

obligation. Furthermore, adjustments from the purchase price allocation were recognised in the income statement. Due to a IFRIC agenda decision forward sales of development projects are now separated into two material performance obligations, one involving the sale of land and the other representing the development work performed. Whereas the development work continues to be accounted for over time on a percentage of completion basis, revenue for the sale of the land is now recognized at the point when the customer obtains control over the land, typically at the end of the forward sale.

For the accounting of forward sales of apartments to individuals still only one performance obligation is assumed.

For both, forward sales of development projects to institutional investors and forward sale of apartments to individuals the fair value step-up ("PPA") is treated as part of costs and impacts for over-time performance obligations the income statement over the project term, while for point-in-time performance obligations it is initially a component of the acquisition and production costs which is expensed at the time of revenue recognition.

Both changes have been adjusted retrospectively, thereby modifying the prior period numbers regarding the Consolidated Statement of Financial Position, Statement of Comprehensive Income, Consolidated Cash Flow Statement and Consolidated Statement of Changes in Equity as well as selected explanatory notes to the affected line items.

The impact of the changes in the application of IFRS 15 relates mainly to the following line items:

(1) Income from Property Development was primarily reduced due the different timing of revenues from the sale of land (previously over time vs. now point in time, typically at the end of the forward sale).

(2) Two effects primarily had an impact on Changes in Project Related Inventory.

   a) A positive impact on Changes in Project Related Inventory due to the removal of land from Work-in-Progress being deferred due to revenue recognition for land being deferred.

   b) A positive effect on inventories, as in the previous year, fair value adjustments from the purchase price allocation (PPA) were incorrectly eliminated from earnings when a plot of land was contributed to a development project.

(3) Contract assets decreased while Work-In-Progress increased primarily due to the reclassification of land previously recognized as part of Contract Assets.

(4) Due to the land asset value remaining in Work-in-Progress, the Prepayments Received related to land are now not netted off against Contract Assets and liabilities but are reclassified Non-current and Current Prepayments received.

2.1.5.3 CHANGES IN THE APPLICATION OF IFRS 15 "REVENUE FROM CONTRACTS WITH CUSTOMERS" IN ACCORDANCE WITH IAS 8.41 (Continued)

The following table summarizes the impact of the changes in the application of IFRS 15 to the Consolidated Statement of Financial Position and Statement of Comprehensive Income for the year 2018. In the table presented, the column "other" also shows the effects of the amendments to the put option (2.1.5.5) and the finalisation of the PPA Consus Swiss Finance (2.1.7.2. B). Line items not presented are not affected.

	31/12/2018 (as originally presented)	Changes according to IFRS 15	Other changes	31/12/2018
	in k€	in k€	in k€	in k€
Non-current contract assets	235,011	(211,915)	—	23,095
Work-in-progress including acquired land and buildings	1,830,487	309,274	—	2,139,761
Current contract assets	190	198,314	—	198,505
Goodwill	1,032,480	—	4,440	1,036,920
Total Assets	3,745,050	295,673	4,440	4,045,163
Retained earnings (incl. OCI)	(22,993)	(1,366)	—	(24,359)
Other reserves	(4,370)	(4,279)	(27,500)	(36,149)
Non-controlling interests	151,629	(2,924)	(364)	148,341
Liabilities to related parties	—	—	27,500	27,500
Non-current other liabilities	15,017	—	28,371	43,388
Deferred tax liabilities	114,380	(2,905)	(20,967)	90,508
Current received prepayments	—	323,986	—	323,986
Current other liabilities	75,771	(3,125)	(2,600)	70,047
Current contract liabilities	45,872	(13,714)	—	32,158
Total equity and liabilities	3,745,050	295,674	4,440	4,045,163

	01/01/2018 (as originally presented)	Changes	01/01/2018
	in k€	in k€	in k€
Non-current contract assets	116,866	(116,866)	—
Work-in-progress	1,091,681	62,299	1,153,980
Current contract assets	14,860	122,294	137,154
Total Assets	2,640,343	67,727	2,708,070
Retained earnings	(4,177)	(3,431)	(7,608)
Non-controlling interests	173,310	(2,808)	170,502
Deferred tax liabilities	109,823	(2,693)	107,130
Current received prepayments	311	76,659	76,970
Total equity and liabilities	2,640,343	67,727	2,708,070

INCOME STATEMENT FY 18

	01.01.-31.12.2018 (as originally presented)	Changes	01.01.-31.12.2018
	in k€	in k€	in k€
Income from property development	408,461	(129,469)	278,992
Change in project related inventory	(147,352)	128,348	(19,003)
Other operating expenses	(59,997)	(5,341)	(65,338)
Financial result	(117,214)	3,125	(114,089)
Income tax expenses	11,192	1,006	12,198
Consolidated net income	1,168	(2,330)	(1,162)
Effect on earnings per share (undiluted) from IFRS 15 correction in EUR	(0.14)	(0.03)	(0.17)
Effect on earnings per share (diluted) from IFRS 15 correction in EUR	(0.14)	(0.03)	(0.17)

2.1.5.4 CHANGES IN THE PRESENTATION OF CONTRACT ASSETS IN ACCORDANCE WITH IAS 8.41

The Company considers contract assets which are realized within a period of one year from the reporting date as current, whereas contract assets which are realized after more than one year are classified as non-current. Previously, Consus has used the expected completion date of the respective projects to determine if contract assets related to this project are current or non-current. Under the new approach, contract assets are now reported on the basis of the expected date of advance payment.

2.1.5.5 CHANGES IN THE ACCOUNTING OF A PUT OPTION IN ACCORDANCE WITH IAS 8.41

Under a contract dated 10 December 2018, Mr Gröner, as a minority shareholder, was granted a right entitling him to demand the acquisition by Consus of all or certain CG Gruppe AG (now Consus RE AG) shares that he owned or controlled.

This option can be exercised no earlier than 1 December 2021 and is settled partly by delivery of Consus shares and partly by payment of money. A financial liability of € 27.5 million (present value of the possible repurchase amount) is recognized against equity for the proportionate consideration in cash.

The pro rata consideration in shares was recognized as a derivative financial liability at fair value through profit or loss with a carrying amount of € 0. in accordance with the provisions of IAS 8.41 this was omitted in the financial year of 2018 and was now accounted for in the comparative period of 2018. Accounting of a synthetic liability resulted in a reduction in other reserves and an increase in liabilities to related parties in the same amount.

In accordance with the regulations of IAS 8.41, this was recorded retrospectively as of 31 December 2018.

2.1.5.6 NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2019 reporting periods and have not been adopted early by the group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

2.1.6 SIGNIFICANT ACCOUNTING POLICIES

A. Basis of consolidation

Subsidiaries

The consolidated financial statements of the Group contain all the material subsidiaries the Group controls within the meaning of IFRS 10. 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. All intragroup receivables and liabilities, income and expenses and gains and losses from intragroup transactions are eliminated.

The Group accounts for business combinations using the acquisition method. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. A positive difference that arises is capitalized as goodwill. A negative difference resulting from capital consolidation at the date of acquisition is immediately recognized in profit or loss.

Non-controlling interests are measured initially at their proportionate share of the acquiree’s identifiable net assets at the date of acquisition. Changes in the Group’s interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

When the Group loses control over a subsidiary, the assets (including goodwill) and liabilities of the subsidiary as well as non-controlling interests in the former subsidiary and other components of equity are derecognized.

Any interest retained in the former subsidiary is measured at fair value. Subsequently, profit surpluses and deficits are recognized in the statement of comprehensive income and the components of other comprehensive income attributable to the parent company are reclassified to the statement of comprehensive income or, if required, to retained earnings.

Interests in equity-accounted investees

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Interests in associates and joint ventures are accounted for using the equity method. They are initially recognized at cost. Subsequent to initial recognition the consolidated financial statements include the Group's share of the profit or loss and OCI of equity-accounted investees, until the date on which significant influence or joint control ceases.

For changes in the Group structure and details regarding business combinations see 2.1.7 Scope of consolidation.

B. Revenue recognition

The Group generally distinguishes between the following types of revenue:

- Income from letting activities
- Income from real estate inventory disposed of
- Income from property development
- Income from service, maintenance and management activities

Income from property development include revenues from forward sales, i. e. the sale of properties before their completion. Forward sales can be agreed for development projects to institutional investors or the sale of apartments primarily to individuals. In the case of development projects to institutional investors, the agreed total revenue from the contract is allocated to the performance obligations for land and development in accordance with the relative stand-alone selling prices. The relative stand-alone selling prices are estimated by using the standard land values for the land performance obligation, taking into account the gross floor area plus capitalised interest up to the date of conclusion of the forward sales contract, and for the development performance obligation the remaining costs of the project plan thereafter plus the margin or a minimum margin planned. Revenue for the performance obligation land is recognised at the point in time when the title passes and revenue for the performance obligation development project is recognised over time, because when apartments are sold, construction activities and land ownership are inseparably linked.

Revenue recognized over time is calculated using the "Percentage of Completion"-Method, which determines the stage of completion of the development project on the basis of the costs incurred in relation to the expected total costs. Revenue over the period is determined according to the stage of completion of the development project, which is calculated on the basis of the costs incurred in relation to the expected total costs. In the company's opinion, this method is the most reliable way of estimating the stage of completion of a project because potential cost overruns are immediately identified and taken into account. If the contract revenue cannot be reliably estimated, it is recognized without a margin in the amount of the contract costs incurred. If contract losses are expected, appropriate provisions are recognized for the losses not yet recognized in the statement of comprehensive income, so that the contract loss is fully recognized in profit or loss before the contract is fully completed.

The Group recognises income from letting activities where the rental agreement or lease of the property is classified as an operating lease on a straight-line basis over the term of the agreement. If incentives of any kind are granted to tenants, the cost of the incentive is recognized on a straight-line basis over the lease term as a reduction of rental income. For accounting purposes, an accrued asset is recognized which is subsequently released over the duration of the basic rental period including the Group's renewal options. Service charges passed on to tenants are shown as revenue in the year of performance for all services rendered up to the end of the year and are not offset against the corresponding expenses.

All other revenues are recognized when control of the property is transferred to the customer, whereby the transfer of risks and rewards to the buyer, usually at the date of full acceptance of the property, is a key indicator of this. The amount of the agreed purchase price may be subject to certain conditions. Contingent sales revenues are only recognised when it is highly probable that they will be realised, which is assessed, for example, on the basis of order-specific factors and historical trends. With the exception of rental income, which falls under IFRS 16, IFRS 15 applies to all other revenue components.

C. Taxes

Income tax expense comprises current and deferred tax. It is recognized in profit or loss unless it relates to items that are recognized in other comprehensive income or directly in equity.

Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

Deferred tax

The Group recognizes deferred tax assets and liabilities arising from temporary differences between the carrying amount of assets and liabilities and their tax value in the tax balance sheet and unused tax losses. Unused tax losses include interest carried forward as well. Interest carried forward includes interest expense that cannot be used to offset taxable income during the current fiscal year due to earnings stripping rules in the German tax law, where most Group companies reside. Under German tax law, tax losses carryover of acquired companies are frequently forfeit upon changes in shareholders above a 50% threshold, except if the companies prove that sufficient hidden reserves exist. The recoverability of these deferred tax assets, insofar as they exceed the amount of the deferred tax liabilities, depends on the future taxable income of the respective company. Accordingly, deferred tax assets are only recognized in the amount in which the realization of these claims is sufficiently assured on the basis of the consolidated corporate planning. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Deferred tax liabilities and deferred tax assets are calculated on the basis of the tax rates (and tax legislation) that are expected to be in force when the liability is settled or the asset is realized.

Deferred tax assets and liabilities are offset only if certain criteria are met.

As of 31 December 2019 there are corporate income tax loss carryforwards of € 195.1 million (2018: € 180.0 million) and trade tax carryforwards of € 167.0 million (2018: € 162.6 million), respectively. A tax loss carryforward (or the resulting future tax relief) may only be capitalized if the relief is probable. The unrecognized corporate income tax and trade tax losses carried forward amount to € 63.4 million and € 54.3 million respectively. In addition, no deferred tax assets were recognized for interest carryforwards of € 34.9 million and for temporary differences of € 7.6 million.

D. Intangible assets and goodwill

Intangible assets

Intangible assets acquired are measured at acquisition cost less accumulated amortization. If necessary, accumulated impairment losses are recognized. Such assets are amortized on a straight-line basis over the expected economic life, usually between 3 and 7 years from the date on which they are provided.

2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.1 SUMMARY OF ACCOUNTING POLICIES (Continued)

2.1.6 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognized in profit or loss as incurred.

Amortization methods and useful lives are reviewed at each reporting date and adjusted if appropriate.

In the fiscal years presented neither research nor development activities were carried out.

Goodwill

Goodwill arising on the acquisition of subsidiaries is measured at cost less accumulated impairment losses. Goodwill is not amortized but subject to an annual impairment test in accordance with IAS 36.

For further information on the impairment test, please refer to section J “Impairment of non-financial assets”.

E. Property, plant and equipment

Items of property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses. All property, plant and equipment are depreciated on a linear basis over their estimated useful lives. The estimated useful lives of office and operating equipment, technical equipment and machinery are between 4 and 13 years.

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associate with the expenditure will flow to the Group. Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

Depreciation methods and useful lives are reviewed at each reporting date and adjusted if appropriate.

F. Investment property

Properties which are held for the purpose of generating rental income or achieving value appreciation or both have been identified as investment property. Mix-use properties, where a certain part is occupied by the owner and the remainder by third parties, are recognized separately in the balance sheet when a division based on legal foundations can be conducted and no portion is negligible.

Investment property is initially measured at cost and subsequently at fair value with any change therein recognized in profit or loss, including the corresponding tax effect.

Fair values of investment properties are determined in accordance with either the discounted cash flow method or residual value method (“Residual value”). Under the discounted cash flow method, the fair value is the sum of discounted cash flows over a period of ten years and the terminal value at the end of the period for each respective property. Under the residual value method, the fair value is calculated as the sale price for a finished building reduced by all costs involved for the final construction at the current stage.

The subsequent measurement of investment properties is done according to Level 3 of the fair value hierarchy. The input factors include future rental income, estimates on vacancy rates, interest rates, capitalization rates, construction costs and terminal values.

Fair values are commonly calculated by independent third-party experts.

Costs in connection with maintenance and reconstruction of properties are capitalized if they are reliably measurable and if they constitute the replacement of parts of a unit in accordance with the component approach.

Investment property is derecognized either when it has been disposed of or when it is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss in the period of derecognition.

Transfers made to (or from) investment property are only done when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use.

Prepayments for the purpose of acquiring a property are separately disclosed as prepayments for investment property. Investment property that is likely to be sold within a period of 12 month is recognized under current assets as an asset held for sale according to IFRS 5.

Rental income from investment property is recognized as income from letting activities 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, over the term of the lease.

G. Work-in-progress including acquired land and buildings

Work-in-progress is measured at the lower of cost and net realizable value. The net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and sale. The cost of inventories includes expenses incurred in acquiring the inventories (i. e. land and buildings) and related purchase costs. The cost of inventories includes furthermore a reasonable share of the indirect overheads based on normal production capacity as well as attributable borrowing costs.

H. Leases

As explained in 2.1.5.1 “IFRS 16 – Leases” above, the Group has changed its accounting policy for leases where the group is the lessee. The new policy and the impact of the change is described in 2.3. 20 “Leases”.

Until 31 December 2018, leases were accounted for in accordance with IAS 17. Where the Group, as lessee, had substantially all the risks and rewards of ownership were classified as finance leases. Finance leases were capitalized at the lease’s inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments.

The corresponding rental obligations, net of finance charges, were included in other short-term and long-term payables. Each lease payment was allocated between the liability and finance cost. The finance cost was charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases was depreciated over the asset’s useful life, or over the shorter of the asset’s useful life and the lease term if there was no reasonable certainty that the group will obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership were not transferred to the Group as lessee were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

Lease payments are discounted at the implicit interest rate underlying the lease if this can be determined without difficulty. Otherwise – and this is generally the case in the Group – the lease is discounted at the lessee’s incremental borrowing rate, i.e. the interest rate that the respective lessee would have to pay if it were required to borrow funds to acquire, in a similar economic environment, an asset of similar value for a similar term with comparable security under similar conditions.

In determining the term of leases, the Group takes into account all facts and circumstances that provide an economic incentive to exercise renewal options or not to exercise termination options. Changes in the term resulting from the exercise of renewal and termination options are only included in the term of the lease if renewal or non-exercise of a termination option is reasonably certain. In connection with the leasing of real estate, the following considerations apply when determining the term of leases:

- If the Group incurs significant penalty payments in the event that a termination option is exercised or an extension option is not exercised, it is generally considered sufficiently certain that the Group will not terminate or extend the contract.

- Where leasehold improvements have been made that have a significant residual value, it is generally considered reasonably certain that the Group will extend or terminate the contract.
- In addition, other factors are taken into account, such as historical leasing periods as well as costs and possible business interruptions.

The assessment is reviewed if an extension option is actually exercised (or not exercised) or the Group is obliged to do so. A reassessment of the original assessment is made if a significant event or change in circumstances occurs that could affect the original assessment.

I. Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than investment property, work-in-progress, contract assets and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. In addition, Goodwill, intangible assets with indefinite useful lives and those that cannot yet be put into operation are tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs (cash-generating units). Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, 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 or CGU.

The calculations are based on forecasts based on the 3 to 5-year financial plans approved by management, which are also used for internal purposes. The planning horizon reflects the assumptions for short to medium-term market developments. Cash flow forecasts beyond the detailed planning period are calculated on the basis of appropriate growth rates. The risk-adjusted discount rate is determined individually depending on the CGU.

The fair value less costs of disposal is determined using an appropriate valuation model (discounted cash flow method (DCF)). The model is based on observable valuation multiples, market prices of exchange-traded shares in subsidiaries or other available indicators of fair value. In addition, the determination of the fair value less costs of disposal takes into account key assumptions made by the management regarding sales development, customer acquisition and costs for the provision of services as well as discount rates. The basis of the cash flow calculation is backed by external sources of information.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, 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.

Goodwill Impairment Test

The goodwill arising from the acquisition of Consus RE AG, formerly CG Gruppe AG, (Consus RE) including Diplan and Consus Swiss Finance Group, formerly SSN, (Consus Swiss Finance) totalling € 1.036.489 thousand (prior year: € 1.036.920 thousand) was tested for impairment in accordance with the regulations of IAS 36. Please refer to section 2.3.3 "Goodwill" for the allocation of goodwill to the individual cash-generating units. Consus RE AG and Diplan GmbH were combined in the context of the impairment test.

The impairment test was carried out based on the value in use of the cash-generating units ("CGU") Consus RE and Consus Swiss Finance, whereby the cash-generating units represent the business of the real estate development of Consus Development. The value in use was derived from the estimated future free cash flows. These are based on the five-year detailed planning phases specific to the cash-generating units and perpetual annuities for the subsequent period. The detailed planning phases and perpetual annuities include both contractually agreed development projects and new development projects planned with standard expected margins reflecting sustainable business development. Both the agreed property projects and the planned inventory projects consider experience from previous years and management forecasts for the development of the property market.

In order to estimate the cumulative value for the development of net cash flows after five years, a sustained annual growth rate of 0.75% was assumed for both CGUs, whereby Consus Real Estate AG anticipates not to exceed the forecast average market growth rate.

The cash-generating, unit-specific weighted average costs of capital (WACC after taxes) of 4.60% (previous year: 5.10%) were used to determine the value in use.

The following assumptions underlying the calculation of value in use are inherently uncertain:

- Cash Flow Forecast: The planning is based on contractually fixed cash flows, experience from previous years, the investments plan of the cash-generating units and external forecasts regarding the development of the property market, taking into account the specific circumstances of each cash-generating unit. If the long-term net cash flows (free cash flows) for the CGU Consus RE decrease by 8.9% or by 17.3% for the CGU Consus Swiss Finance, then the value in use corresponds to the net carrying amount.
- The planning for the CGU Consus RE includes income from the development of projects, proceeds from the sale of property assets and rental income, whereby long-term rental income contributes less than 5% to total operating performance. For the project development business, a long-term EBIT margin of 15.5% is assumed for both CGUs. If the long-term EBIT margin of the project development business decreases to 14.3% for the CGU Consus RE and 13.0% for the CGU Consus Swiss Finance, respectively, the value in use corresponds to the net book value.
- Discount rate: The discount rate was determined based on the assumed weighted average cost of capital typical for the industry. If the discount rate after taxes for the CGU Consus RE increases to 4.89% or 5.19% for the CGU Consus Swiss Finance, accordingly, the value in use corresponds to the net carrying amount.
- Long-term growth rate: The estimate regarding the forecasted long-term growth rate is based on external sector-specific market research. If the growth rate decreases to 0.36% for the CGU Consus RE or to –0,71% for the CGU Consus Swiss Finance, then the value in use corresponds to the net carrying amount.

J. Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Non-derivative financial assets

On initial recognition, a non-derivative financial asset is classified as measured at: amortized cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL.

The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Reclassifications between these classifications, if permitted and required, will be made at the end of the reporting period.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. Generally, the Group accounts for financial assets on the trading day.

2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.1 SUMMARY OF ACCOUNTING POLICIES (Continued)

2.1.6 SIGNIFICANT ACCOUNTING POLICIES (Continued)

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The following accounting policies apply to the subsequent measurement of financial assets:

- Financial assets at FVTPL: These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.
- Financial assets at amortized cost: These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.
- Debt investments at FVOCI: These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
- Equity investments at FVOCI: These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.

Derivative financial assets

The Group holds derivative financial instruments to hedge interest rate risks. Embedded derivatives are separated from the host contract under certain conditions and accounted for separately.

Derivatives are measured at fair value upon initial recognition. In subsequent measurement, derivatives are also measured at fair value. Any resulting changes are generally recognized in profit or loss.

Put option

Consus is the writer of a put option on the basis of which non-controlling shareholders can tender their minority interests to Consus. As a matter of principle, recognition as a financial liability is at the present value of the option holder's claim for payment (fair value). They are generally formed against the equity of the writer (Consus), provided that significant opportunities and risks of the shares remain with the minority shareholders. The financial liability is subsequently measured at amortised cost using the effective interest method. For further information, please refer to section 2.1.5.5.

2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.1 SUMMARY OF ACCOUNTING POLICIES (Continued)

2.1.6 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Offsetting of financial instruments

Financial assets and liabilities are only offset and the net amount recognized in the balance sheet if there is a legal right at the present time to offset the recognized amounts and if the intention is to settle on a net basis or to simultaneously realize the respective asset and replace the corresponding liability.

Fair value of financial instruments

The fair value of financial instruments traded on organized financial markets is determined by the market price (bid price) quoted on the balance sheet date. The fair value of financial instruments for which no active market exists is determined using valuation methods. Valuation methods include the use of recent transactions between knowledgeable, willing and independent counterparties, comparison with the current fair value of another substantially identical financial instrument, the use of discounted cash flow methods and other valuation models.

K. Impairment of financial instruments

With the introduction of IFRS 9 as of 1 January 2018, a model based on expected credit losses will be used to determine impairments (expected credit loss model). Instead of losses that have already been incurred, the calculation of the credit risk will in future be based on expected losses that arise in particular as a result of significant financial difficulties of the debtor or the probability that the debtor will enter bankruptcy or other restructuring proceedings, and on this basis a risk provision will be calculated for all assets that fall within the scope of IFRS 9. At Consus this affects in particular the balance sheet items trade receivables, receivables from related parties, financial assets and contractual assets.

The base case of the model classifies the assets into one of three levels. An allocation to level 1 takes place if no significant increase in credit risk has occurred since initial recognition. The expected credit losses are estimated on the basis of the next 12 months after the balance sheet date. If significant increases in the default risk are expected, the entire term of the instrument is used instead (level 2). Indications of this may arise, for example, from a deterioration in the creditworthiness of the counterparty. Differences between levels 1 and 2 arise in particular for financial assets with longer maturities. If there are objective indicators of impairment, e. g. payment delays or payment defaults, they are classified in level 3. The default risk for Consus was considered to be low because no major payment defaults have occurred in the past, advance payments are generally received for the individual projects, and there is also a natural hedge provided by the property not yet transferred, which remains the property of Consus in the event of non-payment.

IFRS 9 does not provide a concrete model for estimating the need for impairment in the future. One method is to focus on the age structure of the affected balance sheet items and to determine the default risk on the basis of historical default rates for the respective age structure classes. The simplified procedure is used for trade receivables (e.g. rent receivables, receivables for operating costs, receivables from the sale of real estate).

The default risk for Consus was considered to be low because there have been no major defaults in the past, advance payments are generally received for individual projects and there is also a natural hedge provided by the property that has not yet been transferred, which remains the property of Consus in the event of non-payment. If there are objective indications on individual basis that an impairment has occurred, the amount of the impairment loss is the difference between the carrying amount of the asset and the present value of the expected future cash flows (excluding expected future credit losses not yet incurred).

In the event of an impairment of loans or receivables, the carrying amount is reduced using an allowance account and the impairment loss is recognized in profit or loss. Interest income continues to be recognized on the reduced carrying amount based on the original effective interest rate of the asset. Receivables, including the related allowance, are derecognized if they are classified as uncollectible and all collateral has been utilized. If the amount of an estimated impairment loss increases or decreases in a subsequent reporting period due to an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or decreased by adjusting the allowance account. If a derecognized receivable is subsequently reclassified as recoverable due to an event occurring after derecognition, the corresponding amount is recognized immediately in profit or loss.

With regard to the general credit risk for financial instruments, reference is made to the explanations under 2.6.2.

L. Derecognition of financial instruments

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire or the Group transfers the rights to receive the cash flows in a transaction in which all significant risks and rewards of ownership of the financial asset are also transferred. Derecognition also takes place if the Group neither transfers nor retains all significant risks and rewards of ownership and does not retain control of the transferred asset. If the Group enters into transactions in which it transfers recognized assets but retains either all or substantially all the risks and rewards of ownership of the transferred asset, the transferred assets are not derecognized.

A financial liability is derecognized if the underlying obligation is settled, cancelled or extinguished. If an existing financial liability is exchanged for another financial liability of the same lender with substantially different contractual terms, or if the terms of an existing liability are substantially changed, such exchange or modification is treated as derecognition of the original liability and recognition of a new liability. The difference between the respective carrying amounts is recognized in profit or loss.

M. Cash and cash equivalents

Cash and cash equivalents include cash on hand, bank deposits and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

N. Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are not recognized for future operating losses.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognized as interest expense.

If the Group at least partially expects a refund for a provision that has been recognized (such as in the case of an insurance contract), the reimbursement is recognized as a separate asset only if the reimbursement is virtually certain.

O. Discontinued operation

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which:

- represents a separate major line of business of geographic area of operations;
- is part of a single coordinated plan to dispose of a separate major line of business or geographic area of operations; or
- is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held-for-sale.

2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.1 SUMMARY OF ACCOUNTING POLICIES (Continued)

2.1.6 SIGNIFICANT ACCOUNTING POLICIES (Continued)

When an operation is classified as a discontinued operation, the comparative statement of profit or loss and OCI is re-presented as if the operation had been discontinued from the start of the comparative year.

The Group sold its shares in the cash generating unit GxP in the year 2018. The contribution to profit and loss and the cash flow from this business activity were separately disclosed in the statement of comprehensive income and the cash flow statement.

P. Employee benefits

Share-based payments

The fair value of the amount payable to employees in respect of share-based payment arrangements, which are settled in cash, is recognized as an expense with a corresponding increase in liabilities, over the period during which the employees become unconditionally entitled to payment. The liability is remeasured at each reporting date and at settlement date based on the fair value of the equity instrument. Any changes in the liability are recognized in profit or loss.

Defined benefit plans

The Group's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method, taking into account a discount factor, salary development, probability of withdrawal and inflation adjustment for the years following the first payment. When the calculation results in a potential asset for the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in OCI. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and personnel expenses (services costs) related to defined benefit plans are recognized in profit or loss.

2.1 SUMMARY OF ACCOUNTING POLICIES (Continued)

2.1.7 SCOPE OF CONSOLIDATION

2.1.7.1 CHANGES IN THE GROUP

During the presented financial years, the number of entities that are fully consolidated changed as follows:

NUMBERS OF FULLY CONSOLIDATED COMPANIES

	2019	2018
as at 01.01.	**187**	109
Additions – business combination IFRS 3	**3**	105
Additions – asset acquisition not IFRS 3	**2**	5
Additions – foundation	**15**	14
Disposals – sale	**1**	44
Disposals – merger	**5**	2
Disposals – liquidation	**3**	—
as at 31.12.	**198**	187

NUMBER OF ENTITIES CONSOLIDATED AT-EQUITY

	2019	2018
as at 01.01.	**2**	1
Additions	**3**	1
Disposals	**—**	—
as at 31.12.	**5**	2

In the 2019 financial year as in the previous year, material additions were made as part of acquisitions, which are presented in detail in the section below in accordance with the requirements of IFRS 3. Entities related with the buy and hold portfolio such as GxP and CCPs were divested during financial year 2018. Furthermore, during the financial year 2019, one development project of Consus Development was classified as a joint venture in accordance with IFRS 11.

2.1.7.2 BUSINESS COMBINATIONS

(a) GEM Ingenieur GmbH Müller & Partners

On 3 June 2019, the Group acquired 89.9% of the share capital of GEM Ingenieur GmbH Müller & Partners (“GEM”) through its subsidiary Consus RE AG for a total consideration of € 29.86 million. The takeover occurred by settling the cash purchase price of € 28.5 million and transferring the building of € 1.36 million. As a result of the transaction, the Consus Group indirectly controls all relevant GEM decisions.

2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.1 SUMMARY OF ACCOUNTING POLICIES (Continued)

2.1.7 SCOPE OF CONSOLIDATION (Continued)

2.1.7.2 BUSINESS COMBINATIONS (Continued)

The rationale behind the acquisition was as follows:

- Expansion of the project pipeline to realize future earnings potential
- Diversification of the location portfolio

	Fair Value after acquisition
	in k€
Intangible assets, property, plant and equipment	57
Contract Assets	6,646
Other financial Assets	20
Work-in-Progress	117,108
Trade and other receivables	495
Other Assets	650
Cash and cash equivalents	1,772
Financial Liabilities	(60,243)
Prepayments received	(12,308)
Trade payables and other payables	(2,201)
Liabilities to related parties	(939)
Deferred tax liability	(15,539)
Net assets	**35,517**
Consideration transferred	**29,860**
thereof cash consideration	28,500
thereof payment in kind	1,360
Non-controlling interests	3,520
IFRS first time adoption effect	**(663)**
Badwill	(2,136)

The GEM portfolio consists of the following projects:

- Quartier C, Erzbergstr., Karlsruhe
- Hofgarten, Kußmaulstr., Karlsruhe
- Kruggenberg, Erfstadt
- Beim alten Bahnhof, Baden-Baden
- Rommelstr., Stuttgart
- Begur, Spanien

The valuations performed by independent third parties are based on a risk-adjusted residual value method, which determines the fair value of the project. In order to determine the fair value adjustments on financing liabilities, the following assumptions have been applied:

- The valuation is based on future cash flows projected from the acquirer's point of view.
- Loan redemptions and interest payments are projected according to the loan agreements between the respective parties.
- Applied discount rates depend on the respective financing type of the loan and have been calculated using discount rates appropriate to the term of the loan.

The negative goodwill determined is due to the company's knowledge of the market. The transaction costs attributable to the acquisition of GEM amounted to € 89 thousand recognized in other operating expenses during the financial year 2019.

The negative goodwill (badwill) determined in the course of the purchase price allocation was recognized in the income statement.

2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.1 SUMMARY OF ACCOUNTING POLICIES (Continued)

2.1.7 SCOPE OF CONSOLIDATION (Continued)

2.1.7.2 BUSINESS COMBINATIONS (Continued)

Since initially consolidated on 3 June 2019, GEM did contribute € 5,723 thousand to Group revenue and € 97 thousand to the total comprehensive income of the Group. If the acquisition had taken place at the beginning of the financial year, GEM would have contributed € 8,161 thousand to group revenue and € (172) thousand to the total comprehensive income of the Group.

Apart from the acquisition of GEM there were no changes in the scope of consolidation in the reporting period.

(b) Finalization Consus Swiss Finance Group AG purchase price allocation

The Group gained control over Consus Swiss Finance AG (hereinafter: Consus Swiss Finance and formerly SSN Group AG) as defined by IFRS 10 on 3 December 2018. The Group acquired two loan receivables. For accounting purposes, 1 December 2018 was used for initial consolidation of Consus Swiss Finance as subsidiary.

On account of the complexity of the acquisition, the Group retained the option of making a retrospective adjustment. Open key issues included reviewing how the fair values of investment properties, of property development projects, contract assets, of the financing liabilities, of the consideration, non-controlling interest and resulting deferred taxes were measured. Therefore, the disclosures with regard to the purchase price allocation in the consolidated financial statements for the fiscal year ending 31 December 2018 were provisional in terms of IFRS 3.45.

In the second quarter, the purchase price allocation has been reduced by € 2,600 thousand as a loan obligation, because the same amount had previously not been considered as part of the assets acquired and liabilities assumed by the Group. Furthermore, the preliminary purchase price allocation was adjusted by the share of the non-controlling interests of the indirect subsidiary SG München Schwabing GmbH & Co. KG, Düsseldorf ("Schwabing KG") in the subsidiary's revalued equity. This led to an increase in liabilities to minorities with an amount of € 28,371 thousand and correspondingly to an increase in Goodwill in the preliminary purchase price allocation as of 1 December 2018.

As part of the adjustment of the purchase price allocation, deferred tax assets on losses carried forward in the amount of € 20,967 thousand were capitalized in the amount of the deferred tax liabilities due to the existing hidden reserves.

2.1.7.2 BUSINESS COMBINATIONS (Continued)

Please refer to the following table for detailed information on fair values after the final purchase price allocation:

	Fair Value after final PPA
	in k€
Intangible assets and property, plant and equipment	4,621
Investment property, including prepayments	28,689
Contract assets	11,525
Other financial assets	1,642
Work-in-progress, including acquired land and buildings	908,300
Trade and other receivables	10,645
Cash and cash equivalents	37,491
Receivables from related parties	20,493
Tax receivables	4,125
Other assets	28
Financial assets	31,511
Assets held for sale	1,329
Financial liabilities	(702,138)
Provisions and other non-financial liabilities	(75,768)
Trade payables and other payables	(9,249)
Liabilities to related parties	(59,205)
Tax payables	(1,545)
Deferred tax liability	(41,681)
Net assets	**170,811**
Consideration transferred	**458,352**
thereof cash consideration	195,650
thereof equity interest	215,647
thereof acquired loan liabilities	47,055
Non-controlling interests	21,163
Goodwill	**308,704**

As part of the acquisition of Consus Swiss Finance Group, Consus has aquired for two loan receivables against Consus Swiss Finance, and thereby the total cash consideration of the purchase price component was reduced by € 47,055 thousand.

2.1.7.3 OTHER ADDITIONS TO SCOPE OF CONSOLIDATION (“ASSET ACQUISITION”)

During the financial year 2019 Consus Development acquired two property companies in transactions structured as share deals. The acquired companies do not constitute a business operation within the meaning of IFRS 3 and have been presented as a direct real estate acquisition. The costs of acquiring the properties have been allocated to the individual identifiable assets and liabilities based on their fair values.

There could be a small further payment from a variable component. Currently the Company assumes, that there will be no material effect and therefore did not recognize any variable purchase price.

2.1.7.4 DISPOSALS IN SCOPE OF CONSOLIDATION

On 11 December 2019, the Company sold its investment in Arnulf Projektgesellschaft GmbH & Co. KG. Those investments had no material impact on the consolidated financial statements. In addition, there were three liquidations during financial year 2019 that did not affect the income.

2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.1 SUMMARY OF ACCOUNTING POLICIES (Continued)

2.1.7 SCOPE OF CONSOLIDATION (Continued)

2.1.7.5 DISCLOSURES ABOUT SUBSIDIARIES WITH SIGNIFICANT NON-CONTROLLING INTERESTS

The financial information on significant non-controlling interests in subsidiaries is summarized below. The amounts disclosed are before intercompany eliminations.

	Consus RE AG, Berlin, Germany 31/12/2019	**Consus Swiss Finance Group, Zug, Switzerland 31/12/2019**
	in k€	**in k€**
Current assets	**1,892,594**	1,222,383
Current liabilities	**(1,202,574)**	(691,754)
Current net assets	**690,020**	530,629
Non-current assets	**445,786**	418,768
Non-current liabilities	**(816,943)**	(527,067)
Non-current net assets	**(371,157)**	(108,299)
Net assets	**318,863**	422,330
	01/01/2019 – 31/12/2019	01/01/2019 – 31/12/2019
Profit or loss	**33,921**	(9,296)
Net cash flow from operating activities	**(56,705)**	(28,025)
Net cash flow from investing activities	**(122,671)**	(31,988)
Net cash flow from financing activities	**194,907**	105,888
Net increase/(decrease) in cash and cash equivalents	**15,531**	45,876

The profit or loss allocated to non-controlling interests during the reporting period is € 3,601 thousand for Consus RE AG and € 4,756 thousand for Consus Swiss Finance AG.

As of 3 December 2018, the Company acquired 93.4% of the shares in Consus Swiss Finance Group AG.

On 21 December 2017, the company acquired 55.0% of the shares in Consus RE AG (formerly CG Gruppe AG) via its subsidiary Consus Holding GmbH. On 30 September 2018 and 28 June 2019, Consus acquired further shares, so that the shareholding amounted to 68.31%. In a supplement dated 2 August 2018, the company acquired further shares subject to the payment of the last purchase price instalment of € 3,599 thousand. This last instalment was paid in March 2020. Taking this acquisition into account, Consus' direct and indirect shareholdings totalled 71.25%. Shareholdings and outstanding purchase price liabilities have been taken into account accordingly in the Group close. In addition, the Consus RE AG had issued mandatory convertible bonds in 2017 and 2018 in the total amount of € 150,000 thousand, which result in Consus having a shareholding in Consus RE AG of 75% on a fully diluted basis.

The minority shareholders of Consus RE AG have certain protective rights under the shareholders agreement. These rights pertain to certain defined topics that are not within operative day to day business decisions. Although protective in nature, they limit the Groups access to assets and liabilities of Consus RE AG in a way that for example a sale or transfer of virtually all assets as a package or essential parts to another entity are only possible with explicit agreement of the minority shareholders.

Under several loan agreements that were initiated by Consus Development companies, rights to distribute dividends are restricted.

2.1.7.6 DISCLOSURES ABOUT ASSOCIATES THAT ARE MATERIAL TO THE GROUP AND JOINT VENTURES

During the financial year 2019 the Company, unchanged from previous year, consolidated MAP Liegenschaften GmbH as Joint Venture which is considered to be material to the Group.

2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.1 SUMMARY OF ACCOUNTING POLICIES (Continued)

2.1.7 SCOPE OF CONSOLIDATION (Continued)

2.1.7.6 DISCLOSURES ABOUT ASSOCIATES THAT ARE MATERIAL TO THE GROUP AND JOINT VENTURES (Continued)

Consus holds a 75% share in MAP Liegenschaften GmbH. Due to the structure of the shareholders' agreement dated 27 December 2018, MAP Liegenschaften GmbH is not controlled by Consus in accordance with IFRS 10, but is accounted for using the equity method in accordance with IFRS 11.

	MAP GmbH 31/12/2019 in k€	MAP GmbH 31/12/2018 in k€
Current Assets	**70,185**	39,064
Current Liabilities	**(41,703)**	(278)
Current net assets	**28,482**	38,786
Non-current Assets	**—**	21,340
Non-current Liabilities	**—**	(31,359)
Non-current net assets	**—**	(10,019)
Revenue	**0**	0
EBITDA (Earnings before interest, taxes, depreciation and amortization)	**479**	137
EBIT (Earnings before interest and taxes)	**479**	150
EAT (Earnings after taxes)	**(273)**	139
Total comprehensive income	**(273)**	139
Of the total comprehensive income for the year, the following is attributable to:	**—**	—
Non-controlling interests	**(68)**	35
Net cash flow from operating activities	**10,512**	—
Net cash flow from investing activities	**0**	—
Net cash flow from financing activities	**(10,824)**	—
Net increase/(decrease) in cash and cash equivalents	**(312)**	419
Cash and cash equivalents at the beginning of the year	**419**	—
Cash and cash equivalents at 31 December	**106**	419
Net assets at 01.01.	**28,768**	28,629
Profit/Loss of the period	**(286)**	139
Net assets at 31.12.	**28,482**	28,768
Group's share in %	**75**	75
Carrying amount at 31.12.	**21,362**	21,576

2.1.7.7 DISCONTINUED OPERATIONS

The Group sold its investment in GxP German Properties AG by contract dated 3 August 2018. The business unit was deconsolidated in 2018, so that neither assets held for sale nor corresponding liabilities had to be shown as of 31 December 2018. The sale fell within the definition of a discontinued operation in accordance with IFRS 5.32. The profits and losses from the discontinued operation are shown in the consolidated statement of comprehensive income in a single line under "Net income (Earnings after taxes) from discontinued operations".

2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.1 SUMMARY OF ACCOUNTING POLICIES (Continued)

2.1.7 SCOPE OF CONSOLIDATION (Continued)

2.1.7.7 DISCONTINUED OPERATIONS (Continued)

The profit or loss from discontinued operations are as follows:

	01.01. - 31.12.2019 in k€	01.01. - 31.12.2018 in k€
Income from letting activities	—	6,543
Other operating income	—	288
Operating Expenses	—	(4,538)
EBITDA	—	2,293
Depreciation and amortisation	—	(25)
EBIT	—	2,269
Net interest result	—	(355)
EBT	—	1,914
Taxes	—	(449)
EAT (discontinued operations)	—	1,464
Other comprehensive income	—	—
Total comprehensive income	—	1,464

EARNINGS/(LOSS) OF DISCONTINUED OPERATIONS PER SHARE

	2019 in k€	2018 in k€
Basic, profit/(loss) for the year from discontinued operations	—	0.02
Diluted, profit/(loss) for the year from discontinued operations	—	0.02

	2019 in k€	2018 in k€
Net cash flow from operating activities	—	1,395
Net cash flow from investing activities	—	(1,561)
Net cash flow from financing activities	—	(2,920)
Cash flow from discontinued operations	—	(3,086)

2.2 NOTES TO THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

2.2.1 RESULT FROM LETTING ACTIVITIES

During the 2019 financial year, the Group continuously expanded its real estate portfolio, both through the acquisition of real estate assets and through business combinations.

A significant part of the portfolio with letting income was divested during financial year 2018.

	2019 in k€	2018 in k€
Rental income	**20,359**	32,088
Income from recharged operating costs	**981**	690
Income from other goods and services	**—**	18
Income from letting activities	**21,340**	32,796
Expenses from operating costs	**(8,894)**	(14,510)
Maintenance expenses	**—**	(432)
Other services	**—**	(1,141)
Expenses related to letting activities	**(8,894)**	(16,083)
Net operating income from letting activities	**12,446**	16,713

2.2.2 INCOME FROM REAL ESTATE INVENTORY DISPOSED OF

Income from real estate inventory disposed of includes the sale of properties, buildings and projects that are not recognized using the over-time recognition under IFRS 15.

2.2.2 INCOME FROM REAL ESTATE INVENTORY DISPOSED OF (Continued)

The income from real estate disposed of at Consus Development for the financial year 2019 mainly results from the sale of the following properties:

- Delitzscher Str., Leipzig
- Carree Löbtau, Dresden
- Marienstr., Dresden

In the financial year 2018 the income from real estate inventory disposed of mainly resulted from the sale of 5 properties.

2.2.3 CHANGE IN PROJECT RELATED INVENTORY

Change in project related inventory comprises the changes from sale of projects and beginning of over-time realization as well as the increase through capitalization of building and construction costs.

2.2.4 INCOME FROM PROPERTY DEVELOPMENT

Upon conclusion of a forward sales contract, the Company begins to recognize revenues over a certain period of time, provided that planning permission had already been granted at the time the contract was concluded. If planning permission is granted after the contract has been signed, the period-related revenue recognition does not commence until the building permit ("Baugenehmigung") is granted, as the forward sales customer usually has the right to withdraw from the contract before the building permit is granted.

During 2019 building permits were granted and forward sales agreements signed for the following development projects which contributed significantly to income from property development:

- Ostplatz Leipzig Work & Life GmbH & Co. KG (€4,348 thousand revenues from project development in current fiscal year),
- CG Denkmalimmobilien GmbH – Hamburg/Dessauer Straße (€9,182 thousand revenues from project development in current fiscal year),
- CG Denkmalimmobilien GmbH – Königshöfe am Palaisplatz (Condo) (€20,661 thousand revenues from project development in current fiscal year),
- Franklinstraße 26a Verwaltungs GmbH (€35,048 thousand revenues from project development in current fiscal year).
- CG Graphisches Viertel GmbH & Co. KG (€9,486 thousand revenues from project development in current fiscal year),
- SG Passau Peschl Areal 1 – 6 UG – Wohnhof 1 (Condo) (€1,097 thousand revenues from project development in current fiscal year).

Income from property development breaks down as follows:

	2019 in k€	2018* in k€
Income from property development	**401,621**	278,992
- thereof income from forward sales of development projects to institutional investors	**321,589**	231,502
- thereof income from forward sales of apartments primarily to individuals	**80,032**	47,490

* Prior year figures adjusted

Concerning the revenue from property development, the company has significant outstanding performance obligations not yet fulfilled. The fulfilment of the remaining obligations is typically recognized with the development progress of the underlying real estate assets. This development progress is measured with significant management assumptions as described under Note 2.1.4.

2.2.4 INCOME FROM PROPERTY DEVELOPMENT (Continued)

The contracts with customers determine the payment terms on the basis of completion of sub-works ("baurechtliche Gewerke"). The completion of these sub-works is usually confirmed by external experts or the customers itself. The outstanding performance obligations mostly belong to the completion of the construction of the buildings and usually do not include any obligations of the company concerning returns or similar obligations and only includes the statutory warranties.

The company allocated an amount of €1.7 billion to the outstanding constructions that have not been done at 31 December 2019. Concerning the actual business plan of the company the management assumes that thereof €0.8 billion will be realized within the next 12 months and €0.9 billion after 12 months.

2.2.5 NET INCOME FROM THE REMEASUREMENT OF INVESTMENT PROPERTY

For the 2019 financial year, the result from the revaluation of investment property amounted to €31,943 thousand and primarily arose from revaluations of Consus Development properties, such as the Plagwitzer Höfe (Leipzig), Steglitzer Kreisel (Berlin) and Mariannenpark, Alter Postbahnhof (Leipzig), which had already been classified as investment properties at the end of 2018. The Consus Development properties Fiduciastraße in Mannheim and the H-Portfolio with various properties in Karlsruhe have been newly added.

For the 2018 financial year, the net gain from the remeasurement of investment property amounted to €25,631 thousand and related primarily to the revaluation of the Consus Development properties. For further information such as input parameters, see section 2.3.1.

2.2.6 COST OF MATERIALS

Cost of materials result from developing activities, which started in 2018. They mainly consist of expenses for the acquisition of land, for construction and ancillary building costs.

	2019	**2018***
	in k€	**in k€**
Expenses for land acquisition	**(133,879)**	(110,538)
Expenses for Preparation & Development	**(21,365)**	(9,751)
Expenses for Building – Building construction	**(199,015)**	(59,711)
Expenses for Building – Technical equipment	**(47,169)**	(3,317)
Expenses for outside facilities	**(5,484)**	(3,128)
Expenses for inside facilities	**(1,471)**	(1,933)
Ancillary building costs	**(63,912)**	(64,887)
Expenses for other construction services	**(21,189)**	(5,642)
Brokerage costs	**(978)**	(1,066)
Production related administrative costs	**(2,175)**	(2,106)
Auxiliary cost	**(7,378)**	(6,371)
Other expenses for raw materials, consumables and supplies and for purchased goods	**(1,424)**	3,048
Non-deductible VAT	**(16,754)**	(15,195)
Other services	**(3,396)**	(3,818)
Expense on disposal of current assets	**—**	(1,185)
Income from the reversal of provisions – Cost of materials	**—**	—
Received discounts, rebates, bonuses, rebates	**374**	—
Total	**(525,215)**	(285,600)

* Prior year figures adjusted

2.2.7 OTHER OPERATING INCOME

The other operating income comprises as follows:

	2019 in k€	2018 in k€
Reversals of allowances/impairments	**3,333**	—
Insurance indemnifications	**894**	984
Negative difference from PPA	**2,136**	—
Gains from the disposal of consolidated entities	**—**	2,893
Income from prior years	**2,823**	1,327
Derecognition of liabilities	**429**	1,201
Other income	**10,744**	6,837
Total	**20,360**	13,241

2.2.8 PERSONNEL EXPENSES

The Company continued to build up its proprietary employee base during financial year 2019. Financial year 2018 was materially impacted by the first-time inclusion of expenses of Consus RE as well as Consus Swiss Finance, which were included for one month in 2018.

Personnel expenses were as follows in the 2019 and 2018 financial years:

	2019 in k€	2018 in k€
Wages and salaries	**(57,385)**	(31,850)
Social contributions	**(8,598)**	(5,061)
Contributions to defined contribution plans	**(1,041)**	—
Total	**(67,024)**	(36,911)

2.2.9 OTHER OPERATING EXPENSES

Other operating expenses break down as follows:

	2019 in k€	2018* in k€
Write-offs and allowances on receivables	**(1,159)**	(1,987)
Consulting and audit fees	**(17,132)**	(17,832)
Admin expenses	**(5,127)**	(913)
Utility expenses for office space	**(2,226)**	(4,237)
Marketing expenses	**(8,511)**	(17,485)
Car and travel expenses	**(7,435)**	(4,890)
Other taxes	**(15,516)**	(2,551)
Other expenses	**(21,303)**	(9,809)
Expenses arising from the change in estimation	**(143)**	(5,634)
Total	**(78,551)**	(65,338)

* Prior year figures adjusted

During the reporting period 2019 other operating expenses included significant consulting and audit fees which are mainly due to portfolio transactions, transition to IFRS, first time consolidation and other project related work of which some is unique in its nature.

2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.2 NOTES TO THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Continued)

2.2.10 DEPRECIATION AND AMORTIZATION

Corresponds to scheduled amortization of intangible assets and depreciation of equipment and other assets. No impairment loss was recorded in the reporting period or previous years.

	2019 in k€	2018 in k€
Amortization of intangible assets	**(1,657)**	(477)
Depreciation on technical equipment and other assets	**(283)**	(12)
Depreciation on office equipment and other assets	**(2,405)**	(1,686)
Depreciation on right-of-use asset	**(4,097)**	—
Total	**(8,443)**	(2,175)

Please also refer to the asset schedule.

2.2.11 FINANCIAL INCOME AND FINANCIAL EXPENSES

Financial result can be broken down as follows:

	2019 in k€	2018* in k€
Interest income from bank deposits	**—**	44
Income from fair value changes of derivatives	**4,604**	2,070
Interest income from late payments	**5**	—
Interest income from loans	**7,619**	1,151
Other financial income	**15,931**	5,736
Total financial income	**28,160**	9,001
Expense from fair value measurement of embedded derivates	**(4,081)**	(1,048)
Interest expense from embedded derivates	**—**	(1,224)
Expense from derecognition of derivatives	**(1,446)**	—
Interest expense from loans	**(226,084)**	(118,544)
Interest expense on lease liabilities	**(615)**	—
Other financial expenses	**(12,441)**	(2,274)
Total financial expenses	**(244,666)**	(123,090)
Financial result	**(216,506)**	(114,089)

* Prior year figures adjusted

Financial result can be allocated to the categories according to IFRS 9 as follows:

	2019 in k€
Net results from financial assets:	**3,807**
FVPL valued	**(723)**
at amortized cost	**4,530**
equity instruments valued as FVOCI in other comprehensive income	**—**
debt instruments measured as FVOCI in other comprehensive income	**—**
OCI-effective changes in value during the reporting period	**—**
reclassified from OCI to income statement during the reporting period	**—**
Net results from financial liabilities:	**(220,313)**
FVPL due to exercise of FV option	**—**
OCI-effective changes in value during the reporting period	**—**
Changes in value recognized in the income statement during the reporting period	**—**
FVPL valued	**(199)**
at amortized cost	**(220,114)**
Net results from financial liabilities:	**(216,506)**

2.2.11 FINANCIAL INCOME AND FINANCIAL EXPENSES (Continued)

Borrowing costs capitalized during the reporting period amount to €129,833 thousand (2018: 61,891 TEUR). Accordingly, the Group's EBITDA recorded a positive impact from capitalization of borrowing costs in the same amount.

2.2.12 SHARE OF PROFIT OR LOSS OF ASSOCIATES ACCOUNTED FOR USING THE EQUITY METHOD

In the current financial year, the associated companies accounted for using the equity method, generated a profit of €239 thousand (2018: €98 thousand). For reasons of materiality/significance, the income was reported in the financial income.

2.2.13 INCOME TAXES

Income tax expense and income is broken down by origin as follows:

	2019	**2018***
	in k€	**in k€**
Current income taxes for the period	**(4,720)**	(20,107)
Aperiodical income taxes	**(3,000)**	(8)
Deferred taxes	**(8,801)**	32,313
Aperiodical deferred taxes	**—**	—
Tax result	**(16,521)**	12,198

* Prior year figures adjusted

The tax income in the reporting year amounted to €16.521 thousand and mainly resulted from the deferred taxes on temporary differences that occurred during the period.

The tax income in the prior year amount to €12,198 thousand and mainly resulted from the deferred taxes on temporary differences that occurred during the period.

For further information please refer to chapter 2.3.15.

The following table shows a reconciliation of the tax expenses expected in the respective period, which is calculated using the tax rate of 30.175% (2018: 30.175%), to the actual tax expense or income:

	2019	**2018***
	in k€	**in k€**
IFRS net consolidated income before tax	**11,486**	(14,824)
Consolidated tax rate in %	**30.175%**	30.175%
Expected income taxes	**(3,466)**	4,473
Trade tax additions and deductions	**(4,146)**	7,972
Actual taxes related to prior years	**(3,000)**	—
Effects from non-recognition of deferred tax assets on temporary differences	**(2,335)**	—
First time capitalization or reversal of loss carryforwards	**2,666**	3,152
Effect from the non-recognition of deferred tax assets on tax losses carried forward	**(6,570)**	(9,571)
Tax free income	**492**	—
Non-deductible expenses	**(3,705)**	—
Other tax effects	**3,543**	6,173
Effective taxes on income and earnings	**(16,521)**	12,198
Effective tax rate in %	**144%**	(82)%

* Prior year figures adjusted

Taxation of the Company

The income tax expenses and income mainly consisted of German corporation tax (plus solidarity surcharge) and trade tax. The applicable average effective tax rate for the German Group companies is 30.175% and consists of

2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.2 NOTES TO THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Continued)

2.2.13 INCOME TAXES (Continued)

corporation tax of 15% plus a solidarity surcharge of 5.5% and a location-based trade tax. Depending on the tax rate of the municipality in which the company has a permanent establishment, the local trade tax burden varies as of 31 December 2019.

2.2.14 EARNINGS PER SHARE

Basic earnings per share from continuing operations is calculated by dividing the income/loss from continuing operations attributable to the shareholders of the parent company by the weighted average number of undiluted shares in the respective financial year. Basic earnings per share from continuing and discontinued operations is calculated by dividing the consolidated income/loss for the period attributable to shareholders of the parent company by the undiluted weighted average number of shares in the respective financial year.

The weighted average number of ordinary shares is calculated from the number of shares in circulation at the beginning of the period adjusted by the number of shares issued during the period and multiplied by a time-weighting factor. The time-weighting factor reflects the ratio of the number of days on which shares were issued and the total number of days in the period.

	2019	**2018***
	in k€	**in k€**
Consolidated net income/loss for the period from continuing operations	**(5,035)**	(2,626)
Income/loss from continuing operations attributable to non-controlling interests	**15,848**	13,113
Income/loss from continuing operations attributable to shareholders	**(20,883)**	(15,739)
Weighted average number of shares issued, in thousands	**135,396**	85,514
Basic earnings per share from continuing operations in EUR	**(0.15)**	(0.18)
Number of dilutive potential shares, in thousands	**—**	—
Diluted earnings per share from continuing operations in EUR	**(0.15)**	(0.18)
Consolidated net income/loss for the period from discontinued operations attributable to shareholders	**—**	816
Weighted average number of shares issued, in thousands	**135,396**	85,514
Basic earnings per share from discontinued operations in EUR	**—**	0.01
Number of dilutive potential shares, in thousands	**—**	21,754
Diluted earnings per share from discontinued operations in EUR	**—**	0.01
Consolidated net income/loss for the period from continuing and discontinued operations attributable to shareholders	**(20,883)**	(14,923)
Weighted average number of shares issued, in thousands	**135,396**	85,514
Basic earnings per share from continuing and discontinued operations in EUR	**(0.15)**	(0.17)
Number of dilutive potential shares, in thousands	**—**	—
Diluted earnings per share from continuing and discontinued operations in EUR	**(0.15)**	(0.17)

* Prior year figures adjusted

The following equity instruments were not taken into account in determining the diluted earnings per share as they would display dilution protection, with the exception of diluted earnings per share from discontinued operations in 2018.

	31/12/2019	**31/12/2018**
	in thousand shares	**in thousand shares**
Convertible bond	**21,789**	21,754
Total number of potential ordinary shares	**21,789**	21,754

2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.3 NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

2.3.1 INVESTMENT PROPERTY

The carrying amounts of investment property developed as follows:

IAS 40 INVESTMENT PROPERTY (COMPLETED)

	2019	2018
	in k€	in k€
Carrying value as of 01.01.	**171.324**	434,100
Acquisitions	**—**	—
Additions from business combinations	**—**	28,689
Capitalization from construction activities and modernisation cost	**1**	11,942
Reclassification to held-for-sale properties	**(28,330)**	—
Reclassification to property, plant and equipment	**—**	—
Reclassification from property, plant and equipment	**—**	—
Reclassification to work-in-progress	**—**	—
Reclassification from IAS 40 Investment Property (under construction)	**—**	—
Fair value adjustments	**(3,835)**	13,123
Disposals	**—**	(316,530)
Carrying value as of 31.12.	**139,161**	171,324

The carrying amounts of assets under construction developed as follows:

IAS 40 INVESTMENT PROPERTY (UNDER CONSTRUCTION)

	2019	2018
	in k€	in k€
Carrying value as of 01.01.	**156,702**	93,250
Acquisitions	**89,717**	—
Additions from business combinations	**—**	—
Capitalisation from construction activities and modernisation cost	**49,974**	8,039
Reclassification to held-for-sale properties	**—**	—
Reclassification to property, plant and equipment	**—**	—
Reclassification from property, plant and equipment	**—**	42,905
Reclassification to work-in-progress	**(89,480)**	—
Reclassification to IAS 40 Investment Property (finished)	**—**	—
Fair value adjustments	**37,971**	12,508
Disposals	**—**	—
Carrying value as of 31.12.	**244,883**	156,702

The Consus Group's portfolio predominantly consists of commercial property (offices and retail) and to a smaller proportion of residential property.

Development in 2019

As in the prior year as of 31 December 2019, the investment property held by the Company was valued by independent third-party experts. The net income from the remeasurement of investment property is presented in the consolidated statement of comprehensive income.

2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.3 NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

2.3.1 INVESTMENT PROPERTY (Continued)

The analysis for investment property shows the potential fluctuation in the fair value of investment property as the three main input factors increase or decrease by a certain percentage as of 31 December 2019:

Sensitivity	Market rent			Capitalization rate (Liegenschaftszinssatz)			Vacancy rate		
	in k€	in k€	in k€	in k€	in k€	in k€	in k€	in k€	in k€
as at 31.12.2019	**(10)%**	**0%**	**10%**	**(0.25)%**	**0%**	**0.25%**	**(10)%**	**0%**	**10%**
Investment property	**151,040**	**167,820**	**184,500**	**174,500**	**167,820**	**161,640**	**171,160**	**167,820**	**162,090**

Sensitivity	Market rent			Capitalization rate (Liegenschaftszinssatz)			Vacancy rate		
	in k€	in k€	in k€	in k€	in k€	in k€	in k€	in k€	in k€
as at 31.12.2019	**(10)%**	**0%**	**10%**	**(0.25)%**	**0%**	**0.25%**	**(10)%**	**0%**	**10%**
Investment property (under construction)	**164,520**	**216,220**	**267,770**	**249,130**	**216,220**	**184,570**	**261,760**	**216,220**	**169,300**

Sensitivity	Market rent			Capitalization rate (Liegenschaftszinssatz)			Vacancy rate		
	in k€	in k€	in k€	in k€	in k€	in k€	in k€	in k€	in k€
as at 31.12.2018	(10)%	0%	10%	(0.25)%	0%	0.25%	(10)%	0%	10%
Investment property	153,124	171,324	187,144	177,639	171,324	165,021	176,239	171,324	165,640

Sensitivity	Market rent			Capitalization rate (Liegenschaftszinssatz)			Vacancy rate		
	in k€	in k€	in k€	in k€	in k€	in k€	in k€	in k€	in k€
as at 31.12.2018	(10)%	0%	10%	(0.25)%	0%	0.25%	(10)%	0%	10%
Investment property (under construction)	122,225	156,702	172,628	175,915	156,702	140,981	181,136	156,702	133,140

The material valuation parameters for material investment properties (level 3) are as follows as of 31 December 2019:

VALUATION PARAMETERS LEVEL 3 FOR INVESTMENT PROPERTIES

	31/12/2019
Total rental space (in sqm)	**106,013**
Vacancy rate, weighted average (in %)	**12**
Market rent, weighted average (EUR per sqm p.a.)	**8**
WALT, weighted average (years)	**—**
CAPEX, weighted average (EUR per sqm)	**—**
Gross multiplier on market rent, weighted average	**15**
Land value in % of total market value, weighted average	**—**

The material valuation parameters for the investment properties under construction (level 3) are as follows as of 31 December 2019:

VALUATION PARAMETERS LEVEL 3 FOR INVESTMENT PROPERTIES UNDER CONSTRUCTION

	31/12/2019
Net Sales Price (in k€)	**816,500**
Project development costs (in k€)	**583,736**
Capitalization rate, weighted average (in %)	**4**
Discount rate, weighted average (in %)	**—**

2.3.1 INVESTMENT PROPERTY (Continued)

Investment property is generally encumbered with collateral for the loans. There are no restrictions for the Company to dispose the properties. Financed properties are generally secured by liens on property and are subject of assignments of rights and claims arising from sales contracts. When a property is sold, the finance is settled by means of an unscheduled repayment if necessary. For further information on assets pledged as guarantees please refer to chapter 2.6.1.

The following minimum lease payments are expected based on contracts existing as of reporting date:

	31/12/2019	31/12/2018
	in k€	in k€
up to one year	**1,795**	9,855
1–5 years	**18,879**	22,326
over 5 years	**22,471**	5,136
Total expected minimum lease payments	**43,146**	37,317

During the financial year, no conditional lease payments (previous year: €0 thousand) have been recognized.

As of 31 December 2019 the position of the consolidated statement of financial position “Assets held for sale” included a car park in Hamburg amounting to €26.1 million, which the Company expects to be sold in the first half of 2020 prior to consideration of any impacts from the Coronavirus. The prior year amount of €1.3 million was completely released in 2019.

2.3.2 PROPERTY, PLANT AND EQUIPMENT & OTHER INTANGIBLE ASSETS

The development of property, plant and equipment, advance payments on investment property as well as other intangible assets is shown in the fixed assets movement schedule.

FIXED ASSETS MOVEMENT SCHEDULE – 2019

	Owner-occupied Real Estate	Technical Equipment and Machinery	Office and Operating Equipment	Prepay-ments	Intangible Assets	Goodwill	Total
	in k€	in k€	in k€	in k€	in k€	in k€	in k€
Acquisition costs as at 01.01.2019	—	**2,850**	**8,613**	—	**6,959**	**1,036,920**	**1,055,342**
Additions	—	**793**	**4,095**	—	**411**	—	**5,299**
Reclassifications	—	**(41)**	**295**	—	—	**(431)**	**(177)**
Disposals	—	**(17)**	**(205)**	—	**(13)**	—	**(235)**
as at 31.12.2019	—	**3,585**	**12,798**	—	**7,357**	**1,036,489**	**1,060,229**
Accumulated depreciation as at 01.01.2019	—	**156**	**2,536**	—	**801**	—	**3,494**
Additions	—	**284**	**2,430**	—	**1,637**	—	**4,351**
Disposals	—	**(1)**	**(98)**	—	—	—	**(99)**
as at 31.12.2019	—	**439**	**4,868**	—	**2,438**	—	**7,746**
Net Book Value as of 01.01.2019	—	**2,694**	**6,076**	—	**6,158**	**1,036,920**	**1,051,848**
Net Book Value as of 31.12.2019	—	**3,145**	**7,930**	—	**4,919**	**1,036,489**	**1,052,484**

2.3 NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

2.3.2 PROPERTY, PLANT AND EQUIPMENT & OTHER INTANGIBLE ASSETS (Continued)

FIXED ASSETS MOVEMENT SCHEDULE – 2018*

	Owner-occupied Real Estate	Technical Equipment and Machinery	Office and Operating Equipment	Prepay-ments	Intangible Assets	Goodwill	Total
	in k€	in k€	in k€	in k€	in k€	in k€	in k€
Acquisition costs as at 01.01.2018	—	351	5,809	10,532	3,205	700,076	719,973
Additions	—	2,219	2,118	—	162	24,126	28,625
Additions through business combinations	—	280	956	—	3,592	312,717	313,106
Disposals	—	—	(270)	(10,532)	—	—	(10,802)
as at 31.12.2018	—	2,850	8,613	—	6,959	1,036,920	1,050,875
Accumulated depreciation as at 01.01.2018	—	16	1,203	—	319	—	1,538
Additions	—	132	1,268	—	466	—	1,866
Additions through business combinations	—	8	49	—	17	—	100
Disposals	—	—	(10)	—	—	—	(10)
as at 31.12.2018	—	156	2,536	—	801	—	3,494
Net Book Value as of 01.01.2018	—	335	4,606	10,532	2,886	700,076	718,436
Net Book Value as of 31.12.2018	—	2,694	6,076	—	6,158	1,036,920	1,047,408

* Prior year figures adjusted

The Group's tangible and intangible assets are not pledged as collateral. No contractual obligations have been entered to acquire property, plant and equipment or intangible assets.

2.3.3 GOODWILL

Goodwill as of 31 December 2019 amounts to €1,036,489 thousand (31 December 2018: €1,036,920 thousand). For the financial year 2019 (2018), goodwill is attributable as follows:

	31/12/2019	31/12/2018
	in k€	in k€
Consus RE (incl. Diplan)	**782,216**	728,216
Consus Swiss Finance	**308,272**	308,704

* Prior year figures adjusted

Goodwill is allocated to the groups of cash-generating units of the Group that benefit from the synergies of the business combination. The group of cash-generating units is made up of different units. The goodwill of Diplan was considered together with Consus RE (formerly CG) for the impairment test because the goodwill from the Diplan acquisition is monitored jointly with the goodwill from the CG transaction for internal management purposes. This is confirmed, for example, by the fact that Diplan will only generate revenues with the Consus RE subgroup in 2019. The recoverable amount of a cash-generating unit or a group of cash-generating units represents the higher amount of fair value less costs to sell and value in use. The estimated future cash flows used for impairment testing are based on the financial planning, with a planning horizon of 5 years. Cash flows outside the planning period are extrapolated using individual growth rates, taking relevant market information into account. The growth rate outside the planning horizon was 0.75%. The weighted average discount rate after tax (Weighted Average Cost of Capital – WACC), used to discount the estimated cash flows was 4.60%. The fair value less costs to sell was classified as Level 3 fair value in accordance with IFRS 13 on the basis of the inputs for the valuation methods used.

2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.3 NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

2.3.3 GOODWILL (Continued)

The impairment tests performed on the goodwill allocated to both groups of cash-generating units Consus RE and Consus Swiss Finance did not reveal any evidence of impairment. The Group assumes that the recoverable amounts, in case of probable changes in the parameters, still exceed the carrying amount of the goodwill.

Internally generated intangible assets were not recognized in the years presented in these consolidated financial statements.

2.3.4 FINANCIAL ASSETS

Other financial assets can be broken down as follows:

	31/12/2019		
	current in k€	non-current in k€	31/12/2018 in k€
Other loans	**8,137**	10,184	21,495
Restricted cash with a maturity of more than three months	**39**	42,053	—
Deposits	**166**	81	75
Derivative financial instruments	**672**	20,796	2,677
Other financial assets	**22,086**	41	23,904
Shares in non-consolidated companies	**—**	404	324
Receivables from damage reimbursement claims	**—**	—	—
Total	**31,101**	73,559	48,475

2.3.5 OTHER ASSETS

In addition, accrued costs for obtaining Forward Sales contracts in the amount of €8.9 million were recorded as other assets at the end of the year. The asset is amortised on a straight-line basis over the lifetime of the specific contract to which it relates. The corresponding expenses accounted for as other operating expenses during the period amounted to €2.7 million. Other assets can be broken down as follows:

	31/12/2019 in k€	31/12/2018 in k€
Accruals	**3,150**	2,339
Receivables from other taxes	**10,291**	1,784
Prepayments made	**3,809**	326
Assets recognized from costs to obtain or fulfill a contract	**8,926**	10,143
Receivables against affiliated companies	**—**	—
Other assets	**2,725**	908
Total	**28,900**	15,499

2.3.6 CONTRACT BALANCES

The timing of revenue recognition, invoicing and cash collections results in billed accounts receivables, unbilled receivables (contract assets) and customer advances (contract liabilities) on the Statement of Financial Position. In the Group's development activities, amounts are billed as work progresses in accordance with agreed-upon contractual term, either at periodic intervals or upon achievement of contractual milestones. Generally, billing occurs subsequent to revenue recognition resulting in contract assets. However, the Group sometimes receives advances from its customers before revenue is recognized, resulting in contract liabilities. These assets and liabilities are reported on the Consolidated Statement of Financial Position on a contract-by-contract basis at the end of each reporting period. Changes in the contract asset and liability balances during the financial year 2019 were not materially impacted by other factors besides as laid out below.

2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.3 NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

2.3.6 CONTRACT BALANCES (Continued)

The following table provides information about contract assets and contract liabilities from contracts with customers:

	Book value as of:	
	31/12/2019	31/12/2018*
	in k€	in k€
Net contract assets – non-current	**13,856**	23,095
Gross contract assets – non-current	**13,856**	23,095
Prepayments received on non-current contract balances	**—**	—
Net contract assets – current	**321,347**	198,505
Gross contract assets – current	**619,430**	384,213
Prepayments received on current contract balances	**(298,083)**	(185,708)
Net contract liabilities	**(53,166)**	(32,158)
Net contract assets (liabilities)	**282,037**	189,442

* Prior year figures adjusted

In the reporting period revenues amounting to €50.2 million were recognized that were included in the contract liability balance at the beginning of the reporting period.

TIMING OF REVENUE RECOGNITION

The amount of the estimated transaction price for forward sale agreements within the scope of IFRS 15 comprise as follows:

	2019	2018*
	in k€	in k€
Products transferred at a point in time	**204,616**	186,946
Products and services transferred over time	**466,499**	298,555

* Prior year figures adjusted

The assessment concerning the progress of projects falling within the scope of IFRS 15 altered as a result of new profitability calculations (updated target-performance comparison per project) in December 2019. The December 2019 calculations for the Consus RE (former CG) sub-group resulted in a majority of higher budgeted revenues for the projects, while at the same time increasing project costs occurred, which in turn resulted in lower project progress compared to the previous quarters of the previous business plan. Overall, the new feasibility analysis had a positive impact on net income during the reporting period of €11.3 million. This will have a positive impact on future margins. Similarly, at the former Consus Swiss Finance Group, the new profitability calculation, which was approved by the management in December 2019, influenced the assessment of project progress. The lower project progress compared to previous quarters is attributable to the increase in expected project costs. The overall impact of the new profitability calculation on net profit during the reporting period is negative and amounts to €-13.9 million. This will have a negative impact on the future margin.

No impairments for credit risks in accordance with IFRS 9 were made in respect of contract assets in the financial year. This is due to the circumstances that the credit default risk of the contractual partners is relatively low. Furthermore, the value-at-risk can be regarded as relatively low due to the hedging of the development projects.

2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.3 NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

2.3.7 WORK-IN-PROGRESS

At 1 January 2018, the Group recognized the cumulative effect of initially applying IFRS 15 as an adjustment to the opening balance after deduction of inventories previously accounted under IAS 2.

	31/12/2019	**31/12/2018***
	in k€	**in k€**
Carrying amount of inventories	**2,472,621**	2.139.761
- thereof Real Estate “Institutional”	**1,528,728**	1,165,307
- thereof Real Estate “Parking”	**26,822**	14,610
- thereof Real Estate “Apartments for sale”	**871,977**	869,169
- thereof Real Estate “Other construction work”	**33,582**	90,675
- thereof other inventory: not development	**11,513**	—

* Prior year figures adjusted

A significant (virtually all) part of the inventory is pledged as underlying security provided for loan agreements. Further information can be found in chapter 2.6.1.

2.3.8 TRADE AND OTHER RECEIVABLES

Trade and other receivables in 2019 as well as 2018 mainly relate to disposal of real estate that took place shortly before the balance sheet date.

The amount of the reported receivables is partly subject to estimation uncertainties, as it is based on the estimation of the underlying sales revenue. This includes a receivable from the sale of a property, for which a partial amount of €8 million was agreed as a variable purchase price payment.

The variable purchase price payment depends on the specific project development due from the buyer and the rentable space after completion. Based on the design of the building and its assessment of market conditions, management has come to the conclusion that the total variable purchase price can be achieved and has therefore capitalized the entire amount.

	31/12/2019	**31/12/2018**
	in k€	**in k€**
Trade and other receivables, gross	**43,321**	56,083
Allowances on trade and other receivables	**(1,658)**	(2,150)
Total trade and other receivables	**41,663**	53,933
- thereof from rent and rent related services	**2,104**	3,674
- thereof from the disposal of real estate	**32,951**	38,808
- thereof others	**6,608**	11,451

2.3.9 TAX RECEIVABLES

Tax receivables mainly include prepayments on trade tax.

2.3.10 CASH AND CASH EQUIVALENTS

Cash and cash equivalents exclusively comprise balances with banks. The cash and cash equivalents are always available and represent the financial resources of the Company.

	31/12/2019	**31/12/2018**
	in k€	**in k€**
Bank deposits	**150,580**	91,598
Cash at hand	**32**	5
Cash and cash equivalents	**150,613**	91,603
- thereof restricted	**139,457**	54,206

2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.3 NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

2.3.10 CASH AND CASH EQUIVALENTS (Continued)

Restricted cash and cash equivalents are subject to restrictions, particularly with regard to their use for the financed properties and as a minimum to secure future interest payments. Cash and cash equivalents with a fixed purpose have a remaining term of no more than 3 months and are reported as restricted cash. There are no discretionary approval provisions from third parties in this connection. A smaller proportion is subject to transfer controls, i.e. these funds must be held by certain group companies in accordance with the respective loan agreement.

2.3.11 EQUITY

The change in equity components is shown in the consolidated statement of changes in equity.

(a) Subscribed Capital 2018

By exercising the authorized capital, the Company decided on 24 July 2018 to increase the share capital of the Company from €79,850,383.00 by €18.244.401.00 to €98,094,784.00 in return for contributions in cash as part of a public offer by issuing 18,244,401 bearer shares with a pro rata amount of the share capital of €1.00 per share.

By exercising the authorized capital, the Company decided on 1 August 2018 to increase the share capital of the Company by €62,459.00 to €98,157,243.00 by issuing 62,459 bearer shares with a pro rata amount of the share capital of €1.00 per share. Holders of the €200 million convertible exercised their option rights in order to convert their bonds into new shares.

By exercising the authorized capital, the Company decided on 17 August 2018 to increase the share capital of the Company by €8,333,334.00 to €106,490,577.00 in return for contribution in kind as part of a deal with a minority shareholder of Consus RE AG (formerly CG Gruppe AG) by issuing 8,333,334 bearer shares with a pro rata amount of the share capital of €1.00 per share. By exercising the authorized capital, the Company decided on 19 September 2018 to increase the share capital of the Company by €674,474.00 to €107,165,051.00 by issuing 674,474 bearer shares with a pro rata amount of the share capital of €1.00 per share. Certain holders of the €200 million convertible exercised their option rights in order to convert their bonds into new shares.

By exercising the authorized capital, the Company increase the share capital of the Company by €26,875,000.00 to €134,040,051.00 in return for contribution in kind as part of the Consus Swiss Finance acquisition by issuing 26,875,000 bearer shares with a pro rata amount of the share capital of €1.00 per share.

(b) Subscribed Capital 2019

By exercising the authorized capital with resolutions of 18 January, 16 April, 29 May and 12 July 2019 in connection with the conversion of parts of the €200 million convertible bond, the company increased its share capital by €2,541,456.00 to €136,581,507.00 by issuing a total of 2,541,456 bearer shares with a proportionate amount of the share capital of €1.00 per share.

(c) Authorized Capital 2018

By decision of the general shareholders' meeting on 23 August 2018 the Authorized Capital 2017 as decided on 28 September 2017 was revoked.

Furthermore, it was decided that the management board is authorized to increase the share capital of the Company until 22 August 2023 by a total of €49,078,621.00 (Authorized Capital 2018/I). The authorized capital 2018/I has been partially exercised, as of balance sheet date €22,203,621 are still outstanding.

(d) Authorized Capital 2019

By resolution of the Annual General Meeting on 26 June 2019, the Authorized Capital 2018 resolved on 23 August 2018 was cancelled.

It was also resolved that the Management Board is authorised to increase the Company's share capital by a total of €67,263,290.00 until 25 June 2024 (Authorized Capital 2019/I). The authorized capital 2019/I was partially exercised. On the balance sheet date, €65,789,019.00 is still outstanding.

(e) Conditional Capital 2018

By decision of the general shareholders' meeting on 23 August 2018 the Company's share capital has been conditionally increased by up to €59,887,787 (Conditional Capital 2018). The Conditional Capital 2018 remains unchanged as of balance sheet date.

(f) Conditional Capital 2019

By resolution of the Annual General Meeting on 26 June 2019, the conditional capital 2018 resolved on 23 August 2018 was cancelled.

By resolution of the Annual General Meeting on 26 June 2019, the Company's share capital has been conditionally increased by up to €67,263,290 (Conditional Capital 2019/I).

(g) Authorization to issue convertible bonds

Upon registration and based on a resolution of the Company's general shareholders' meeting held on 28 September 2017, the management board is authorized, with the approval of the supervisory board, to issue, once or repeatedly, until 27 September 2022, bonds, i.e., convertible bonds, warrant bonds, profit participation rights and/or income bonds having an aggregate principal amount of up to €500,000,000.00 and to grant the holders or creditors option or conversion rights to shares of the Company with a maximum proportion of share capital of up to €40,000,000.00 in accordance with the terms and conditions with the bonds.

The conversion or option rights and conversion or option obligations carried by the bonds may be serviced from the conditional capital 2017 or any conditional capital resolved in a future general shareholders' meeting or from the authorized capital 2017 or any future authorized capital.

Pursuant to the terms and conditions of the bonds, bondholders have the right to offer to the Company to participate in a capital increase by way of contribution in kind *(Sacheinlage)* by offering bonds held by it as contribution in kind. It is in the discretion of the Company whether it accepts such offer. If the Company accepts such offer, the new shares would be derived from the Company's conditional capital.

In November 2017, the Company issued a senior unsecured convertible bond due in 2022. The bond has a total nominal value of €200,000,000.00 with a denomination of €100,000.00. The convertible bond is listed on the open market *(Freiverkehr)* segment of the Frankfurt Stock Exchange.

(h) Capital reserves

The increase in shares in Consus RE AG (formerly CG Gruppe AG) at the expense of minority shareholders on the basis of the agreement of 17 August 2018 led to a reduction in capital reserves in 2019 by €57,051 thousand.

The conversion on the basis of the €200 million convertible bond with a total nominal amount of €20,300 thousand described in the section "Subscribed capital 2019" increased the capital reserve by a total of €16,436 thousand.

(i) Other Reserves

The other reserves include the results of the Companies included in the consolidated financial statements, retained by the shareholders' meeting, insofar as they were not distributed. The cumulative results in accordance with IFRS have arisen from the accumulated results of the consolidated financial statements in accordance with German-GAAP and the one-off adjustments recognized directly in equity as part of the first-time adoption of IFRS.

The item also contains the legal reserve required of stock corporations. As of 31 December 2019, the legal reserve amounts to €0 thousand (previous year: €0 thousand).

(j) Non-controlling interests

The non-controlling interests acquired in the 2019 financial year mainly result from transactions with a minority shareholder of Consus RE AG (formerly CG Gruppe AG) (€30,842 thousand). In conjunction, the payment of a guaranteed dividend under the terms of a control and profit transfer was also agreed with the minority shareholder, reducing the non-controlling interest (€10,505 thousand). In the previous year, the non-controlling interests purchased resulted mainly from the business combinations with Consus Swiss Finance AG as well as from a transaction with the minority shareholder of Consus RE AG.

2.3.12 FINANCING LIABILITIES

Financing liabilities increased during 2019 to a total of €2,850,501 thousand. Financing liabilities of €60,243 thousand resulted from the acquisition of subsidiaries during 2019, the majority of which is project related.

Furthermore the following significant financing liabilities were issued during previous years and the financial year 2019 and are still outstanding as of balance sheet date:

(a) Liabilities from issued notes

On 16 May 2019, the company placed a senior secured note to the value of €400,000 thousand and a term until 15 May 2024 to institutional investors. The minimum allotment amount is €100 thousand and the issue price was 98.5% plus accrued interest from the issue date to the allotment date. Annual interest is 9.625% per annum payable on 15 May and 15 November each year. The Company may at any time on or after 15 May 2021 buy back part or all of the bond at the prices set out in the terms of issue. Partial or full repurchase is possible before 15 May 2021 at a price of 100% plus an agreed surcharge. In addition, the company can repurchase up to 40% of the outstanding amount with the income from certain equity transactions at a fixed price if at least 60% of the nominal amount of the bond remains outstanding. The bond terms contain a “change of control” clause, under which the bondholders can, under certain conditions, request the repurchase of their bond amounts for a price of 101%. The bond is governed by New York State law (144A/Reg S).

On 25 October 2019, a further €50,000 thousand was issued at an issue price of 96.5% (additional bond). The conditions of the €400,000 thousand bond also apply.

A derivative (option for early repurchase of the bond) with a fair value at the time of issue totalling €13,397 thousand was split off from the bond with a total nominal amount of €450,000, which is shown separately in the balance sheet and measured at the fair value on the balance sheet date. The bond is measured at amortized cost using the effective interest method and had a book value of €444,704 thousand as of 31 December 2019. The carrying amount of the spin-off derivative shown as a financial asset was €17,378 thousand as of the balance sheet date.

On 8 November 2017, the company issued 150,000 notes payable to the bearer and ranking pari passu among themselves. The aggregate principal amount of up to €150,000,000.00 bears interest at a rate of 4.75% per annum. To be redeemed on 8 November 2024, the notes will be represented by a global bearer note without interest coupons attached.

During the financial year 2018 the Company repurchased a total of €128,321 thousand nominal and €4,212 thousand accumulated interest of the issued notes. While the nominal amount of the bond as of the balance sheet date was €21,679 thousand, the book value determined using the effective interest rate method as of 31 December 2019 was €21,815 thousand.

(b) Liabilities from convertible bonds

A convertible bond with a total nominal value of €200,000,000.00 was issued by the Group on 29 November 2017. The convertible bond has a maturity as of 29 November 2022, and was issued at a price of 100 percent of the principal amount in a denomination of €100,000 each. The convertible bonds bear interest at a rate of 4.0% per annum, payable semi-annually in arrears. In accordance with the convertible bond conditions, bondholders have the right to offer to the Company to participate in a capital increase by way of contribution in kind *(Sacheinlage)* by offering bonds held by it as contribution in kind. It is in the discretion of the Company whether it accepts such offer. If the Company accepts such offer, the new shares would be derived from the Company's conditional capital. The exercise of the included termination right leads to a 100% repayment plus accrued interest.

As of the balance sheet date on 31 December 2019, bondholders had cumulatively converted a nominal value of €26,300 thousand, which led to a cumulative increase in subscribed capital of €3,278 thousand and the capital reserve of €22,122 thousand. The 2019 financial year included a conversion of the nominal amount of €20,300 thousand, an increase in subscribed capital of €2,541 thousand and an increase in capital reserves of €16,436 thousand.

The conversion right and the redemption rights represent an embedded derivative. As of 31 December 2019, the fair value of the instrument presented in financing liabilities was €14,202 thousand (previous year: €14,062 thousand).

2.3.13 PROVISIONS

	As at 01.01. 2019	Additions	Additions through business combinations	Consumption	Reversal	Other changes	As at 31.12. 2019	thereof current	thereof non-current
	in k€	in k€	in k€	in k€	in k€	in k€	in k€	in k€	in k€
Pensions	**660**	107	—	—	—	25	**793**	—	793
Personnel related provisions	**1,760**	7	—	(1,730)	—	(38)	**—**	—	—
Legal provisions	**2,057**	1,779	—	(520)	(981)	609	**2.943**	2,243	700
Other provisions	**1,971**	4,901	96	(595)	—	160	**6,532**	4,412	2,120
Total	**6,447**	6,795	96	(2,845)	(981)	757	**10,268**	6,656	3,613

	As at 01.01. 2018	Additions	Additions through business combinations	Consumption	Reversal	Other changes	As at 31.12. 2018	thereof current	thereof non-current
	in k€	in k€	in k€	in k€	in k€	in k€	in k€	in k€	in k€
Pensions	—	—	660	—	—	—	660	660	—
Personnel related provisions	220	—	1,760	220	—	—	1,760	1,100	660
Legal provisions	500	1,579	440	(63)	(400)	—	2,057	2,057	—
Other provisions	2,650	770	1,201	—	(2,650)	—	1,971	918	1,052
Total	3,150	2,349	4,061	(63)	(3,050)	—	6,447	4,735	1,712

The other provisions mainly include provisions for onerous contracts of €3.7 million which are recognised depending on the project progress if the planned total project costs exceed the planned total revenues of a respective project. Regarding the uncertainty of estimates related to the building of provisions we refer to section 2.1.4.

2.3 NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

2.3.14 OTHER LIABILITIES

Other liabilities for the two reporting dates presented are as follows:

	31/12/2019 in k€	31/12/2018* in k€
Trade payables	**97,576**	41,913
Liabilities to employees	**4,633**	5,048
Received prepayments	**13,834**	2,969
Other taxes	**16,366**	5,792
Liabilities to minorities (NCIs)	**2,137**	30,363
Other accrued liabilities	**45,751**	37,049
Purchase price liabilities from business combinations	**14,400**	—
Other liabilities	**15,641**	12,307
Other financial liabilities	**15,802**	19,907
Total other liabilities	**128,565**	113,434
- thereof remaining term up to one year	**95,993**	70,047
- thereof remaining term between one to five years	**32,572**	43,388
- thereof remaining term more than five years	**—**	—

* Prior year figures adjusted

In the second quarter of 2019, Consus Swiss Finance signed a purchase agreement to acquire the shares in Schwabing KG from the two former limited partners of the company. Under the agreement to purchase and assign the limited partner shares, the direct parent company, SG München Schwabing Investitionsgesellschaft UG, Düsseldorf (“Schwabing UG”), holds 100% of the limited partner shares in Schwabing KG. SG München Schwabing Verwaltungs GmbH, Düsseldorf, is the general partner of the Schwabing KG without contribution. The contractual purchase price for the limited partner’s shares amounted to €18,770 thousand and was fully paid in 2019.

The other financial accruals as of 31 December 2019 mainly relate to outstanding invoices for project development under general contractor obligations.

2.3.15 DEFERRED INCOME TAXES

Deferred tax assets and liabilities for the two reporting dates presented are as follows:

	31/12/2019	
	Deferred tax assets in k€	Deferred tax liabilities in k€
IAS 40 and owner-occupied real estate	**—**	**29,502**
Property, plant and equipment	**2,058**	**12,154**
Intangibles	**—**	**295**
Inventories	**187,513**	**68,642**
Other non-current assets	**21,044**	**45,697**
Other assets	**7,016**	**88,816**
Other provisions	**1,551**	**—**
Financing liabilities	**8,449**	**12,109**
Other financing liabilities	**5,927**	**1,092**
Other liabilities	**21,996**	**153,572**
Deferred taxes on temporary differences	**255,553**	**411,880**
Losses carried forward	**45,095**	**—**
Total deferred taxes	**300,648**	**411,880**
Netting	**300,648**	**300,648**
Carrying amount deferred taxes 31.12.2019	**—**	**111,232**

2.3.15 DEFERRED INCOME TAXES (Continued)

	31/12/2018*	
	Deferred tax assets in k€	Deferred tax liabilities in k€
IAS 40 and owner-occupied real estate	—	23,502
Other assets	—	99,751
Pension provisions	198	—
Payables/loans to financial institutions	10,429	757
Other liabilities	—	–2,899
Deferred taxes on temporary differences	10,627	121,110
Losses carried forward	19,975	—
Total deferred taxes	30,602	121,110
Netting	30,602	30,602
Carrying amount deferred taxes 31.12.2018	—	90,508

* Prior year figures adjusted

	31/12/2019 in k€	31/12/2018* in k€
Deferred tax liabilities		
- to be realized after more than 12 months	**73,184**	90,508
- to be realized within 12 months	**38,048**	—
Total deferred tax liabilities	**111,232**	90,508

* Prior year figures adjusted

As of 31 December 2019, deferred taxes changed as follows:

	2019 in k€	2018* in k€
Carrying Value of Deferred Tax Liabilities as of 01.01.	**90,508**	160,696
- Changes recognized through profit and loss	**8,801**	(34,585)
- Changes recognized in equity	**476**	(9,327)
- Changes due to consolidation scope	**11,446**	(26,276)
Carrying Value of Deferred Tax Liabilities as of 31.12.	**111,232**	90,508

* Prior year figures adjusted

Tax losses

Tax losses not offset in an assessment period may, under certain conditions, be carried back and/or carried forward to other assessment periods. A tax loss carry-back is only possible up to the amount of €1 million and only for corporate tax purposes in the immediately preceding assessment period. Non-compensated tax losses that have not been carried-back can only be used to fully offset a positive corporate tax total of income or trade income in the following assessment or collection periods up to an amount of €1 million (loss carried forward). Merely 60% of the income and trade income exceeding this amount can be offset with losses carried-forward and are therefore subject to 40% taxation at the applicable tax rate (so-called minimum taxation).

Deferred tax assets of €19,369 thousand were recognised for subsidiaries that had generated a tax loss in the financial years 2019 or 2018. This is based on the expectation that the companies concerned will generate profits overall over the term of the projects and is in line with the business model.

Non-deductible interest expenses

Interest expenses may only be deductible in accordance with the regulations of the so-called interest barrier *(Zinsschranke)*. Accordingly, the net interest expense (i.e. interest expense less interest income) is deductible in the financial year only in the amount of 30% of EBITDA (separate calculation for tax purposes). In particular, the amount of the interest expenses, as they exceed the amount of the interest income by less than €3 million is fully deductible (so-called "small business clause"). Non-deductible interest expense may, under certain conditions, be carried forward to subsequent financial years and deducted thereon in accordance with the interest barrier. Unused EBITDA volume can generally be carried forward to the following five financial years.

Taking minimum taxation into account, deferred tax assets from unused tax losses are recognized up to the amount of deferred tax liabilities from temporary differences. Deferred tax assets from unused tax losses in excess of this amount are recognized to the extent that it is probable that the company will generate taxable income. As of 31 December 2019, the tax losses carryforward is estimated to amount €195.1 million (2018: €180.0 million) for corporate taxes and €167.0 million (2018: €162.6 million) for trade taxes, respectively. Tax losses carried forward (or the resulting future tax relief) may only be capitalized if the discharge is sufficiently certain. The tax losses carryforward for which no deferred tax asset is recognised amounts to €63.4 million for corporate taxes and €54.3 million for trade taxes, respectively. Moreover, the unrecognised interest carryforward amounts to €34.9 million and unrecognised temporary differences are €7.6 million. Deferred tax assets of €19.4 million were recognized for subsidiaries that had generated a tax loss in fiscal years 2019 or 2018. This is based overall on the expectation that the companies concerned will generate profits over the term of the projects.

No deferred taxes are recognized on temporary differences in connection with investments in subsidiaries or branches (differences between the net assets of the subsidiaries and the respective tax value of the shares in the subsidiaries) at any reporting date because their reversal can be controlled by dividends. Therefore, no significant tax effects are expected.

2.3.16 TRADE PAYABLES

Trade payables include liabilities from the development as well as letting of real estate and related transaction costs as of the reporting date. Trade payable have been classified as current for all periods under review.

2.3.17 LIABILITIES TO RELATED PARTIES

Liabilities to related parties comprise €80,799 thousand (2018: €70,696 thousand) and are mainly loans payables to Gröner Group and an associated company of Consus Development. For further information please refer to chapter 2.6.3.

2.3.18 TAX PAYABLES

In 2019 tax payables result from income taxes such as trade and corporate taxes due to national tax authorities from subsidiaries, thereof €49,560 thousand from Consus RE and €3,478 thousand from Consus Swiss Finance.

In 2018 tax payables result from income taxes such as trade and corporate taxes due to national tax authorities from subsidiaries, thereof €41,320 thousand from Consus RE and €3,069 thousand from Consus Swiss Finance.

2.3.19 PREPAYMENTS RECEIVED

Includes advance payments received from subsidiaries of the Group that have not been netted against contract assets or reported as contractual liabilities. For further information see chapter 2.3.6 and 2.6.1.

2.3.20 LEASES

On adoption of IFRS 16, Consus recognized lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was in the range between 2.3 – 2.7%. The table below shows the reconciliation from operating lease commitments with IAS 17 as of 31 December 2018 to total lease liabilities as at 1 January 2019 with IFRS 16:

2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.3 NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

2.3.20 LEASES (Continued)

RECONCILIATION LEASE LIABILITIES IFRS 16

	01/01/2019 in k€
(+) Operating Lease commitments as at December 31.2018 (IAS 17)	**17,694**
(−) Discounted using the lessee's incremental borrowing rate	**(1,687)**
(−) Exemptions	**(3,874)**
Total lease liabilities (IFRS 16)	**12,133**

Effects resulting from the initial application of IFRS 16 are as follows:

Amounts recognized in the balance sheet

The recognized right-of-use asset relate to the following types of assets:

	Book value as of:	
Right-of-use assets	01/01/2019 in k€	31/12/2019 in k€
Properties	**10,535**	14,681
Cars	**1,598**	2,463
Total right-of-use assets	**12,133**	**17,144**

Additions to the right-of-use assets during the 2019 financial year were €2.712 thousand

Lease liabilities were recognized as follows:

	Book value as of:	
Lease liabilities	01/01/2019 in k€	31/12/2019 in k€
current lease liabilities	**3,020**	4,581
non-current lease liabilities	**9,113**	12,829
Total lease liabilities	**12,133**	17,409

Amounts recognized in the statement of comprehensive income

The statement of comprehensive income shows the following amounts relating to leases:

AMOUNTS RECOGNIZED IN THE STATEMENT OF COMPREHENSIVE INCOME

	31/12/2019 in k€
Depreciation charge of right-of-use assets	**4,097**
Property	**3,015**
Equipment	—
Cars	**1,082**
Other	—
Interest expense on lease liabilities	**615**
Expense relating to short-term leases	**1,139**
Expense relating to leases of low-value assets that are not short-term leases	**879**
Expense relating to variable lease payments not included in lease liabilities	—
Income from sub-leasing right-of-use assets presented in "other revenue"	—

The total cash outflow for leases in 2019 was €4,447 thousand. In 2018 the lease expense under IAS 17 was €2,331 thousand.

The group's leasing activities and how these are accounted for

Consus leases various offices and vehicles. Rental contracts are typically made for fixed periods of 6 months to 8 years, but may have extension options as described below.

Contracts may contain both lease and non-lease components. In accordance with IFRS 16.15 the Group elected not to separate lease and non-lease components and instead account for these as a single lease component.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the group under residual value guarantees
- the exercise price of a purchase option if the group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss.

Extension and termination options are included in a number of property leases across the group. These are used to maximize operational flexibility in terms of managing the assets used in the group's operations. The majority of extension and termination options held are exercisable only by the group and not by the respective lessor.

2.3.21 SHARE-BASED PAYMENTS

As of 31 December 2019, the Group has a phantom stock bonus program for one member of the Management Board. According to this program, tranches of phantom stocks are allocated to the entitled person according to a rolling system beginning on 1 January 2019, which are settled by Consus under certain conditions after a period of four years. There is no entitlement to the transfer of company shares.

The amount of the phantom stock bonus depends on the development of the company's share price and the achievement of separate performance targets that are to be defined in a target agreement with the Supervisory Board. As of the date of preparation of these consolidated financial statements, no separate performance targets had been agreed for 2019, so that it was not possible to estimate the Company's obligation under the phantom stock bonus program for the 2019 tranche. Consequently, no obligation or expense has been recognized in the consolidated balance sheet and the consolidated statement of comprehensive income.

2.3 NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

2.3.22 DEFINED BENEFIT PLANS

The following defined benefit plans solely relate to the former Consus Swiss Finance Group.

The Group contributes to the following post-employment defined benefit plans (Switzerland):

- PAX; Sammelstiftung BVG, pension plan BVG-I, Contract No. 34 – 4720, effective from 1 January 2016
- AXA Stiftung Zusatzvorsorge Winterthur (Top Invest), Contract No. 2/223478, effective from 1 January 2018

These defined benefit plans expose the Group to actuarial risks, such as longevity risk, currency risk, interest rate risk and market (investment) risk. The Plan is funded by the Consus Swiss Finance AG

The Group expects to pay €168 thousand in contributions to its defined benefit plans in 2020.

The following table shows a reconciliation from the opening balances to the closing balances for the net defined benefit (asset) liability and its components.

MOVEMENT IN NET DEFINED BENEFIT (ASSET) LIABILITY

	Defined benefit obligation		Fair value of plan assets		Net defined benefit (asset) liability	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**
	in k€	**in k€**	**in k€**	**in k€**	**in k€**	**in k€**
Balance at 1 January	**1,155**	839	**(817)**	(576)	**337**	262
Included in profit or loss						
Current service cost	**159**	157	**—**	—	**159**	157
Past service cost	**1**	—	**—**	—	**1**	—
Interest cost (income)	**14**	6	**(11)**	(4)	**3**	2
Included in OCI						
Remeasurement loss (gain):						
Return on plan assets excluding interest income	**463**	(17)	**(22)**	19	**441**	3
Effect of movements in exchange rates	**76**	34	**(53)**	(23)	**24**	10
Other						
Contributions paid by the employer	**—**	—	**(172)**	(97)	**(172)**	(97)
Contributions paid by the Employees	**172**	97	**(172)**	(97)	**—**	—
Benefits paid	**492**	38	**(492)**	(38)	**—**	—
Balance at 31 December	**2,531**	1,155	**(1,739)**	(817)	**793**	337

Represented by	**2019**	**2018**
	in k€	**in k€**
Net defined benefit liability	**793**	337

Plan assets

Plan assets comprise the following:

	2019	**2018**
	in k€	**in k€**
Quoted market price		
Cash and cash equivalents	**13**	—
Equity instruments	**166**	—
Debt instruments	**167**	—
Real estate	**144**	—
Others	**37**	—
Total plan assets at fair value (quoted market price)	**527**	—
Non-quoted market price		
Others	**1,212**	817
Total plan assets at fair value (non-quotes market price)	**1,212**	817

2.3.22 DEFINED BENEFIT PLANS (Continued)

The trustees of the plan are responsible for the risk management. The payments into the plan assets are intended to ensure current and future payments. Payments into the pension plan are made by the employer and the employee as a fixed percentage of income.

Actuarial assumptions

The following were the principal actuarial assumptions at the reporting date (expressed as weighted averages).

	2019	2018
Discount rate at 1/1	**0.90%**	0.60%
Discount rate at 31/12	**0.20%**	0.90%
Interest rate on retirement savings capital (IR) at 31/12	**0.50%**	0.90%
Future salary increases at 31/12	**1.00%**	1.00%
Future pension increases at 31/12	**0.00%**	0.00%
Future inflation at 31.12	**1.00%**	1.00%
Mortality tables	**BVG2015 GT**	BVG2015 GT

Assumptions regarding future longevity have been based on published statistics and mortality tables.

At December 2019, the weighted-average duration of the defined benefit obligation was 18 years (2018: 16 years).

Sensitivity analysis

If one of the key actuarial assumptions listed below changes and all other assumptions are retained, the defined benefit obligation (DBO) would have been affected by the amounts shown below.

Sensitivity	2019		2018	
	Increase in k€	Decrease in k€	Increase in k€	Decrease in k€
Discount rate (0.25% movement)	**2,422**	**2,650**	1,110	1,204
Interest rate on retirement savings capital (0.25% movement)	**2,568**	**2,496**	n.a.	n.a.
Future salary increases (0.25% movement)	**2,539**	**2,513**	1,158	1,153
Life expectancy (1 year movement)	**2,582**	**2,481**	1,174	1,135
Future pensions increases (0.25% movement)	**2,602**	**2,465**	n.a.	n.a.

Although the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumptions shown.

2.4 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Cash and cash equivalents are solely in Euro and consist of daily deposits with domestic banks. No credit lines exist.

2.4.1 CONTINUED OPERATIONS

Significant non-cash transactions in 2018 particularly include the acquisition of Diplan GmbH as well as Consus Swiss Finance Group AG and the related financing of the transaction (investing and financing cash flow).

2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.4 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

2.4.1 CONTINUED OPERATIONS (Continued)

Net debt reconciliation arising from financing activities

The following section sets out an analysis of net debt and the movements in net debt for each of the periods presented.

	31/12/2019	31/12/2018
	in k€	in k€
Cash and cash equivalents	**150,613**	91,603
Financing liabilities – repayable after one year	**(1,655,621)**	(1,049,150)
Financing liabilities – repayable within one year (including overdraft)	**(1,194,880)**	(1,146,374)
Net debt	**(2,699,888)**	(2,103,922)
Cash and liquid investments	**150,613**	91,603
Gross debt – fixed interest rates	**(2,403,387)**	(1,793,841)
Gross debt – variable interest rates	**(447,114)**	(401,683)
Net debt	**(2,699,888)**	(2,103,922)

Other non-cash movements in the financing liabilities result to a significant portion from additions to the scope of consolidation as well as non-cash contributions.

LIABILITIES FROM FINANCING ACTIVITIES

	Cash and cash equivalents	Financing liabilities – repayable within one year	Financing liabilities – repayable after one year	Total
	in k€	in k€	in k€	in k€
Net debt as at 01.01.2018	71,340	(575,929)	(1,013,616)	(1,518,205)
Cash flows	20,263	65,192	126,753	212,216
Changes in the scope of consolidation	—	(468,637)	(280,557)	(749,193)
Other non-cash movements	—	(167,001)	118,269	(48,731)
Net debt as at 31.12.2018	91,603	(1,146,375)	(1,049,151)	(2,103,914)
Net debt as at 01.01.2019	**91,603**	**(1,146,375)**	**(1,049,151)**	**(2,103,914)**
Cash flows	**59,010**	**142,123**	**(882,513)**	**(681,380)**
Changes in the scope of consolidation	**—**	**—**	**(60,243)**	**(60,243)**
Other non-cash movements	**—**	**(190,629)**	**336,286**	**145,657**
Net debt as at 31.12.2019	**150,612**	**(1,194,880)**	**(1,655,621)**	**(2,699,880)**

2.4.2 DISCONTINUED OPERATIONS

The Company has discontinued its former segment GxP on June 2018 financial year. All cash flows generated by the Company to date have been exclusively derived from the letting of real estate. Due to the discontinuation, the classification of this segment as a discontinued operation is made for the consolidated statement of cash flows. The net cash flows were determined using the indirect method (operating activity) or the direct method (investment and financing activities).

The cash flows of the discontinued operations in 2019 and 2018 were as follows:

	2019	2018
	in k€	in k€
Net cash flow from operating activities	**—**	1,395
Net cash flow from investing activities	**—**	(1,561)
Net cash flow from financing activities	**—**	(2,920)
Cash flow from discontinued operations	**—**	(3,086)

2.5 SEGMENT REPORTING

2.5.1 OPERATING SEGMENTS

For management purposes, the Group is organized into business units based on its organizational structure and has three reportable segments, as follows:

- Consus: Principal business activities include the renting of real estate, mainly for commercial use until June 2018, and is now focussed on supporting the subsidiaries through head office functions.
- Consus RE (formerly CG Gruppe): Principal business activities include the development of real estate for residential use as well as commercial use. Furthermore Consus RE is engaged in the renting of commercial and residential real estate as well as complementary services.
- Consus Swiss Finance: Principal business activities include the development of real estate for residential use as well as commercial use. Furthermore Consus Swiss Finance is engaged in planning, construction and building services as well as the renting of commercial and residential real estate.

The chief operating decision makers monitor the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on revenue, Net Loan to Value (Net-LTV) as well as Net Asset Values (NAV) and is measured consistently with values reported in the IFRS consolidated financial statements of the Group.

Consus RE had significant revenues of €184,135 thousand with one customer in the reporting period 2019 for the sale of Delitzscher Strasse.

The Group's financing (including finance costs and finance income) and income taxes are managed on a Group basis and are not allocated to operating segments.

REVENUE 2019

	Consus RE in k€	Consus Swiss Finance in k€	Consus in k€	Total in k€
Income from letting activities	**18,206**	**3,134**	**—**	**21,340**
Income from real estate inventory disposed of	**204,541**	**—**	**—**	**204,541**
Change in project related inventory	**68,374**	**124,326**	**—**	**192,700**
Income from property development	**348,303**	**53,318**	**—**	**401,621**
Income from Service, maintenance and management activities	**29,020**	**14,518**	**75**	**43,613**

REVENUE 2018*

	Consus RE in k€	Consus Swiss Finance in k€	Consus in k€	Total in k€
Income from letting activities	26,706	248	5,842	32,796
Income from real estate inventory disposed of	163,515	—	—	163,515
Change in project related inventory	24,743	(43,746)	—	(19,003)
Income from property development	231,850	47,142	—	278,992
Income from Service, maintenance and management activities	—	10,199	—	10,199

* Prior year figures adjusted

2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.5 SEGMENT REPORTING (Continued)

2.5.1 OPERATING SEGMENTS (Continued)

NET LOAN TO VALUE (NET LTV) 31/12/2019

	Consus RE	Consus Swiss Finance	Consus	Total
	in k€	in k€	in k€	in k€
Investment property (IAS 40)	**382,474**	**1,570**	**—**	**384,044**
Prepayments on investment property (IAS 40)	**—**	**—**	**—**	**—**
Owner occupied real estate (IAS 16)	**—**	**—**	**—**	**—**
Non-current assets held-for-sale (IFRS 5)	**—**	**26,100**	**—**	**26,100**
Inventory (IAS 2) – Property under construction	**1,457,730**	**1,014,892**	**—**	**2,472,621**
Contract assets	**241,331**	**93,871**	**—**	**335,203**
Real Estate assets	**2,081,535**	**1,136,433**	**—**	**3,217,968**
Liabilities to financial institutions	**1,265,482**	**928,379**	**656,639**	**2,850,501**
Cash and cash equivalents	**67,045**	**83,275**	**293**	**150,613**
Net debt	**1,198,438**	**845,105**	**656,346**	**2,699,888**
Net loan to Value (Net LTV) in %	**58%**	**74%**	**—**	**84%**

NET LOAN TO VALUE (NET LTV) 31/12/2018*

	Consus RE	Consus Swiss Finance	Consus	Total
	in k€	in k€	in k€	in k€
Investment property (IAS 40)	299,337	28,689	—	328,027
Prepayments on investment property (IAS 40)	—	—	—	—
Owner occupied real estate (IAS 16)	—	—	—	—
Non-current assets held-for-sale (IFRS 5)	—	1,329	—	1,329
Inventory (IAS 2) – Property under construction	1,207,227	932,534	—	2,139,761
Contract assets	190,847	30,754	—	221,600
Real Estate assets	1,436,386	958,657	—	2,690,717
Liabilities to financial institutions	975,490	754,713	492,822	2,223,025
Cash and cash equivalents	51,514	37,399	2,690	91,603
Net debt	896,476	717,314	456,757	2,103,922
Net loan to Value (Net LTV) in %	62%	75%	—	78%

* Prior year figures adjusted

NET ASSET VALUES (NAV) 31/12/2019

	Consus RE	Consus Swiss Finance	Consus	Total
	in k€	in k€	in k€	in k€
Equity	**62,581**	**17,834**	**983,979**	**1,064,394**
Deferred tax liabilities	**62,677**	**48,554**	**—**	**111,232**
Goodwill	**(724,634)**	**(308,272)**	**(3,582)**	**(1,036,489)**
Net Asset Value (NAV)	**(599,376)**	**(241,884)**	**980,397**	**139,137**

NET ASSET VALUES (NAV) 31/12/2018*

	Consus RE	Consus Swiss Finance	Consus	Total
	in k€	in k€	in k€	in k€
Equity	88,477	19,511	1,018,117	1,126,106
Deferred tax liabilities	48,515	41,994	—	90,508
Goodwill	(724,634)	(308,704)	(3,582)	(1,036,920)
Net Asset Value (NAV)	(587,643)	(247,199)	1,014,535	179,694

* Prior year figures adjusted

2.5 SEGMENT REPORTING (Continued)

2.5.2 ADJUSTED EBIT AND EBITDA CALCULATION

The following adjusted EBITDA is not calculated in accordance with IFRS and is therefore a non-GAAP measure. The reduction in changes in inventories reflects all positive and negative effects resulting from the measurement of inventories and contract assets and liabilities in connection with past business combinations. Accordingly, adjusted EBITDA adjusts the fair value step-up and reduces the carrying amount while maintaining the actual costs incurred, i.e. it adjusts for the impact of the Purchase Price Allocation ("pre-PPA"). The strict minimum value principle at acquisition date is not applied.

One-off expenses are expenses and charges that are not capitalized and are not incurred in the ordinary course of business. Accordingly, one-off expenses are exceptional in nature or amount. The adjusted one-off expenses in the fiscal year include, among other things, restructuring charges including impairments related to the departure of Christoph Gröner as CEO of Consus RE of €33,251 thousand, costs to obtain a contract and costs for the implementation of new IT systems (Project Train) and costs to obtain a contract.

The following adjusted EBIT follows the derivation of adjusted EBITDA:

	Consus RE in k€	Consus Swiss Finance in k€	Consus in k€	Total in k€
unadjusted EBITDA FY 2019 YTD	**161,545**	**87,211**	**(12,321)**	**236,435**
Reduction of changes in inventory (PPA)	**(2,568)**	**3,462**	**—**	**895**
Income from real estate inventory disposed of (PPA)	**65,112**	**—**	**—**	**65,112**
One-offs	**39,129**	**1,865**	**994**	**41,988**
adjusted EBITDA FY 2019 YTD	**263,219**	**92,538**	**(11,327)**	**344,430**

The following adjusted EBIT follows the derivation of adjusted EBITDA with the addition of the elimination of the amortization of the PPA residual:

	Consus RE in k€	Consus Swiss Finance in k€	Consus in k€	Total in k€
unadjusted EBIT FY 2019 YTD	**155,621**	**84,717**	**(12,346)**	**227,992**
Reduction of changes in inventory (PPA)	**(2,568)**	**3,462**	**—**	**895**
Income from real estate inventory disposed of (PPA)	**65,112**	**—**	**—**	**65,112**
Elimination of Step Up amortisation	**—**	**1,077**	**—**	**1,077**
One-offs	**39,129**	**1,865**	**994**	**41,988**
adjusted EBIT FY 2019 YTD	**257,295**	**91,121**	**(11,352)**	**337,064**

The adjusted EBITDA calculation for financial year 2018 is as follows:

	Consus RE in k€	Consus Swiss Finance in k€	Consus in k€	Total in k€
unadjusted EBITDA FY 2018* YTD	106,635	5,755	(10,950)	101,440
Reduction of changes in inventory (PPA)	78,694	3,568	—	82,262
One-offs	—	2,987	10,506	13,493
adjusted EBITDA FY 2018* YTD	185,329	12,310	(444)	197,195

* Prior year figures adjusted

	Consus RE in k€	Consus Swiss Finance in k€	Consus in k€	Total in k€
unadjusted EBIT FY 2018* YTD	104,553	5,666	(10,955)	99,265
Reduction of changes in inventory (PPA)	78,694	3,568	—	82,262
Elimination of Step Up amortisation	202	—	—	202
One-offs	—	2,987	10,506	13,493
adjusted EBIT FY 2018* YTD	183,450	12,222	(449)	195,223

* Prior year figures adjusted

2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.5 SEGMENT REPORTING (Continued)

2.5.3 GEOGRAPHICAL INFORMATION

Revenue from external customers of €671,115 thousand (previous year: €485,502 thousand) is resulting from Group companies located in Germany. During financial year 2019 as well as during the previous year, only immaterial revenue resulted from Group companies based in Switzerland.

The revenue information above is based on the locations of the Group entities. The complete amount of non-current assets of €1,562,511 thousand (previous year: €1,434,598 thousand) is located physically in Germany.

2.5.4 DISAGGREGATION OF REVENUE

In the following tables, revenue is disaggregated by timing of revenue recognition, including a reconciliation of the disaggregated revenue with the Group's reportable segments. Materially all revenue for financial year 2019 and previous financial year were generated in Germany.

Due to the Group's business model, which is mainly based on the sale of larger development projects, the number of customers is limited. There is therefore a certain dependence on individual larger customers. Revenue from contracts with customers in accordance with IFRS 15 amounted to €606,162 thousand for the financial year (previous year: €442,507 thousand).

	Consus RE in k€	Consus Swiss Finance in k€	Consus in k€	Total in k€
Total Income 2019	600,070	70,970	75	671,115
Products transferred at a point in time	204,541	—	75	204,616
Products and services transferred over time	395,529	70,970	—	466,499

	Consus RE in k€	Consus Swiss Finance in k€	Consus in k€	Total in k€
Total Income 2018*	422,070	57,589	5,842	485,501
Products transferred at a point in time	163,515	—	708	164,223
Products and services transferred over time	258,556	57,589	5,134	321,279

* Prior year figures adjusted

2.6 OTHER DISCLOSURES

2.6.1 CAPITAL MANAGEMENT

The aim of the Group's capital management is to secure the continued existence of the company as a going concern while generating income for its shareholders and providing all other stakeholders with benefits to which they are entitled. In addition, the overall aim is to ensure the Group's credit-worthiness in order to foster the further growth of the Group.

Net LTV describes the ratio of net debt to the fair value of investment property and inventories. Net debt is calculated by deducting cash and cash equivalents from financial liabilities.

2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.6 OTHER DISCLOSURES (Continued)

2.6.1 CAPITAL MANAGEMENT (Continued)

The Group's goal is to maintain an appropriate level of leverage in order to ensure continued access to debt financing in the long term at economically appropriate costs. Net-LTV as at 31 December 2019 and 31 December 2018 is calculated as follows:

	31/12/2019 in k€	31/12/2018* in k€
Real Estate held as Investment property (IAS 40)	**384,044**	328,027
Non-current assets classified as held-for-sale (IFRS 5)	**26,100**	1,329
Inventories (IAS 2)	**2,472,621**	2,139,761
Contract Assets	**335,203**	221,600
Total Real Estate Assets	**3,217,968**	2,690,717
Financing liabilities	**2,850,501**	2,195,525
Cash and cash equivalents	**150,613**	91,603
Net debt	**2,699,888**	2,103,922
Net Loan to Value (Net – LTV)	**84%**	78%

* Prior year figures adjusted

Prepayments received by the Group on either contract assets/liabilities (development projects under the scope of IFRS 15) or on inventory (development projects under the scope of IAS 2) are included in the balances of the respective asset or liability balance. Since these prepayments constitute an important source of liquidity for the Group the following table provides a comprehensive overview.

	31/12/2019 in k€	31/12/2018* in k€
Prepayments included in contract assets/liabilities	**483,104**	233,190
Prepayments received on land	**277,325**	269,699
Other prepayments received	**28,453**	54,286
Total	**788,881**	557,175

* Prior year figures adjusted

Under various contracts such as loan agreements the Group pledged assets. Project related financing is usually secured via pledge on the corresponding property. Furthermore, Consus Real Estate AG pledge shares in its affiliated companies such as Consus RE AG (formerly CG Gruppe AG) and Consus Swiss Finance Group AG and receivables under intragroup loans. The following table provides an overview of assets pledged for the current and previous financial year. The values presented below exclude prepayments received, e. g. on inventories.

	31/12/2019 in k€	31/12/2018* in k€
Pledged non-current asset	**457,604**	338,063
Investment property	**384,044**	328,027
Financial assets	**73,559**	10,037
Pledged current assets	**2,684,841**	2,286,338
Inventories	**2,472,621**	2,139,761
Trade and other receivables	**41,663**	53,933
Financial assets	**31,101**	38,439
Cash and cash equivalents	**139,457**	54,206
Total pledged assets	**3,142,445**	2,624,402

* Prior year figures adjusted

2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.6 OTHER DISCLOSURES (Continued)

2.6.2 FINANCIAL INSTRUMENTS

2.6.2.1 CLASSIFICATION OF FINANCIAL INSTRUMENTS

In 2019, the company placed a bond, in two stages, with a total nominal amount of €450,000 thousand, from which a derivative (option for early repurchase of the bond) was split off with a fair value at the time of issue totalling €13,397 thousand. The bond is measured at amortized cost using the effective interest method and had a book value of €444,704 thousand as of 31 December 2019. The carrying amount of the derivative shown as a financial asset was €17,378 thousand on the balance sheet date.

In 2018, the company repurchased a total of €128,321 thousand in nominal and €4,212 thousand in accrued interest from the bond with an original volume of €150,000 thousand. There were no further buybacks in 2019.

A further nominal amount of €20,300 thousand was converted from the convertible bond with an original nominal amount of €200,000 thousand in fiscal year 2019, so that the nominal amount as of 31 December 2019 was €173,700 thousand. The embedded derivative had a fair value of €14,202 thousand at the end of 2019, which was shown in the financing liabilities. The convertible bond is valued using an option price model. Key input factors in the valuation are the share price and the volatility of the share price.

In some cases, the bonds concluded by Consus Development contain embedded derivatives, which must be measured at fair value through profit or loss separately from their host contract. These embedded derivatives are termination options that allow Consus Development to repay the respective bonds before the actual due date. Termination options are assessed using an option pricing model (binomial model). The main input factors in the option price model used are volatility and the refinancing interest rate on the valuation date. As at 31 December 2019, the market value of the derivatives was €4.1 million.

The following abbreviations are used for the measurement categories:

- FVTPL: Fair Value through Profit and Loss
- AC: amortized cost
- Debt FVOCI: Debt investments at Fair Value through Other Comprehensive Income
- Equity FVOCI: Equity investments at Fair Value through Other Comprehensive Income

Financial assets and liabilities by measurement category and class are shown in the following table.

VALUATION CATEGORIES ACC. TO IFRS 9 – 2019

	Category acc. to IFRS 9	Carrying value as of 31/12/2019	Nominal value	Amortised costs
		in k€	in k€	in k€
Non-current financial assets: Investments	FVOCI – equity	**404**	—	—
Non-current financial assets: Other	Amortised cost	**52,359**	—	52,359
Other non-current financial assets (derivatives)	FVTPL	**20,796**	—	—
Trade and other receivables	Amortised cost	**41,633**	—	41,633
Current financial assets: Other	Amortised cost	**30,429**	—	30,429
Other current financial assets; Derivatives	FVTPL	**672**	—	—
Receivables from related entities	Amortised cost	**109,266**	—	109,266
Cash and cash equivalents	Amortised cost	**150,613**	150,613	—
Total financial assets		**406,202**	150,613	233,717
Financing liabilities	Amortised cost	**2,836,299**	—	2,836,299
Trade payables	Amortised cost	**97,576**	—	97,576
Liabilities to related entities	Amortised cost	**80,799**	—	80,799
Financing liabilities: Derivatives	FVTPL	**14,202**	—	—
Other liabilities	Amortised Cost	**78,091**	—	78,091
Total financial liabilities		**3,106,966**	—	3,092,765
Financial Assets measured at fair value through OCI – equity instrument	FVOCI-equity instrument	**404**	—	—
Financial Asset measured at fair value through profit and loss	FVTPL	**21,468**	—	—
Financial asset measured at amortised cost	Amortised cost	**389,899**	150,613	233,717
Financial Liabilities at cost	Amortised cost	**3,092,765**	—	3,092,765
Financial Liabilities held for trading	FVTPL	**14,202**	—	—

	Fair value through P/L	Fair value through equity	Fair value as of 31/12/2019	Fair value hierarchy level
	in k€	in k€	in k€	in k€
Non-current financial assets: Investments	—	404	**404**	3
Non-current financial assets: Other	—	—	**52,359**	2
Other non-current financial assets (derivatives)	20,796	—	**20,796**	—
Trade and other receivables	—	—	**41,633**	2
Current financial assets: Other	—	—	**30,429**	2
Other current financial assets; Derivatives	672	—	**672**	3
Receivables from related entities	—	—	**109,443**	2
Cash and cash equivalents	—	—	**150,613**	1
Total financial assets	21,468	404	**406,378**	
Financing liabilities	—	—	**2,906,123**	2
Trade payables	—	—	**97,576**	2
Liabilities to related entities	—	—	**80,791**	2
Financing liabilities: Derivatives	14,202	—	**14,202**	3
Other liabilities	—	—	**78,091**	2
Total financial liabilities	14,202	—	**3,176,783**	
Financial Assets measured at fair value through OCI – equity instrument	—	404	**404**	
Financial Asset measured at fair value throught profit and loss	21,468	—	**21,468**	
Financial asset measured at amortised cost	—	—	**389,899**	
Financial Liabilities at cost	—	—	**3,162,581**	
Financial Liabilities held for trading	14,202	—	**14,202**	

2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.6 OTHER DISCLOSURES (Continued)

2.6.2 FINANCIAL INSTRUMENTS (Continued)

2.6.2.1 CLASSIFICATION OF FINANCIAL INSTRUMENTS (Continued)

VALUATION CATEGORIES ACC. TO IFRS 9 – 2018*

	Category acc. to IFRS 9	Carrying value as of 31/12/2018	Nominal value	Amortized costs
		in k€	in k€	in k€
Non-current financial assets: Investments	FVOCI – equity instrument	324	—	—
Non-current financial assets: Other	Amortized cost	9,713	—	9,713
Trade and other receivables	Amortized cost	53,933	—	53,933
Current financial assets: Other	Amortized cost	35,762	—	35,762
Other current financial assets	FVTPL	2,677	—	—
Receivables from related entities	Amortized cost	62,853	—	62,853
Cash and cash equivalents	Amortized cost	91,603	91,603	—
Total financial assets		256,865	91,603	162,260
Financing liabilities	Amortized cost	2,181,462	—	2,181,462
Trade payables	Amortized cost	41,913	—	41,913
Liabilities to related entities	Amortized cost	70,696	—	70,696
Financing liabilities: Derivatives	FVTPL	14,062	—	—
Other financial liabilities	Amortized cost	87,319	—	87,319
Total financial liabilities		2,395,453		2,381,391
Financial asset measured at fair value through OCI – equity instrument	FVOCI – equity instrument	324	—	—
Financial asset measured at fair value through profit and loss	FVTPL	2,677	—	—
Financial asset measured at amortized cost	Amortized cost	253,863	91,603	162,260
Financial liabilities at cost	Amortized cost	2,381,391	—	2,381,391
Financial liabilities held for trading	FVTPL	14,062	—	—

* Prior year figures adjusted

	Fair value through P/L	Fair value through equity	Fair value as of 31/12/2018	Fair value hierarchy level
	in k€	in k€	in k€	in k€
Non-current financial assets: Investments	—	324	324	3
Non-current financial assets: Other	—	—	9,713	2
Trade and other receivables	—	—	53,933	2
Current financial assets: Other	—	—	35,762	2
Other current financial assets	2,677	—	2,677	3
Receivables from related entities	—	—	62,853	2
Cash and cash equivalents	—	—	91,603	1
Total financial assets	2,677	324	256,865	
Financing liabilities	—	—	2,183,989	2
Trade payables	—	—	41,913	2
Liabilities to related entities	—	—	70,696	2
Financing liabilities: Derivatives	14,062	—	14,062	3
Other financial liabilities	—	—	87,319	2
Total financial liabilities	14,062		2,397,980	
Financial asset measured at fair value through OCI – equity instrument	—	324	324	
Financial asset measured at fair value through profit and loss	2,677	—	2,677	
Financial asset measured at amortized cost	—	—	253,863	
Financial liabilities at cost	—	—	2,383,918	
Financial liabilities held for trading	14,062	—	14,062	

2.6.2.1 CLASSIFICATION OF FINANCIAL INSTRUMENTS (Continued)

The following table presents the changes in level 3 Financial Instruments for the reporting period:

	2019		2018	
	Assets in k€	Liabilities in k€	Assets in k€	Liabilities in k€
as of 01.01.	**2,677**	**14,062**	1,153	(16,590)
Additions due to acquisitions or issuance	19,514	—	4,948	—
Profit/Losses recognized in consolidated net income	723	139	(2,500)	(2,527)
Recognized in OCI for the period	—	—	—	—
Disposals	(1,446)	—	(1,224)	—
as of 31.12.	**21,468**	**14,202**	2,378	(19,117)

The gains recognized in consolidated income from level 3 instruments during financial year 2018 mainly results from the derivative financial instrument embedded in the €200 million convertible bond issued in 2017 and was mainly driven by the development of the Consus Real Estate AG share price.

2.6.2.2 OBJECTIVES AND METHODS OF FINANCIAL RISK MANAGEMENT

Financial assets mainly consist of trade and other receivables, receivables from related parties, other financial assets as well as cash and cash equivalents or short-term deposits that result directly from business activities. Beginning in financial year 2017 the Company employed debt financing as well as equity financing for project and well as general purpose financing.

Credit risk

Credit risk is the risk that business partners – primarily the tenants of the properties held by the Consus Group – will be unable to meet their contractual payment obligations and will result in a loss. In order to prevent and control default risk to the greatest possible extent, new tenants are subject to credit checks.

Default risk exists for all classes of financial instruments, and in particular for trade receivables. The Consus Group is not exposed to significant default risk with regard to any individual party. To date, the concentration of default risk is limited due to the Group's heterogeneous tenant base. Trade receivables from sales of real estate properties are against institutional investors with low default risk.

Deposits with banks and financial institutions were made exclusively at well-known financial institutions with very high credit ratings. The credit ratings are monitored and assessed by the Consus Group on a regular basis. In the event of substantial deterioration in the credit rating, the Consus Group takes efforts to ensure that its existing exposure is reduced as quickly as possible and that new exposures are no longer entered into with the respective counterparty.

The Group has three types of financial assets that are subject to the expected credit loss model:

- trade receivables,
- contract assets and
- debt investments carried at amortized cost.

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due.

As shown in the table below, the carrying amounts of recognized financial assets less any write-downs represent the highest default risk. The carrying amount of the financial assets corresponds to the maximum default risk to which the Group is exposed at the end of the reporting period. The impairment recognized on financial assets, trade and other receivables as well as receivables from related parties as of balance sheet date are presented in the following table.

	Carrying amount before impairment	Impairment	Residual carrying amount
	in k€	in k€	in k€
Trade and other receivables	**43,321**	**1,658**	**41,663**
Receivables from related parties	**109,266**	**—**	**109,266**
Contract assets	**335,203**	**—**	**335,203**
Other financial assets	**104,660**	**—**	**104,660**
Total – 31/12/2019	**592,450**	**1,658**	**590,792**

	Carrying amount before impairment	Impairment	Residual carrying amount
	in k€	in k€	in k€
Trade and other receivables	56,083	2,150	53,933
Receivables from related parties	62,853	—	62,853
Contract Assets	221,600	—	221,600
Other financial assets	48,475	—	48,475
Total – 31/12/2018	389,012	2,150	386,862

The table below shows the financial assets determined to be impaired and the maturity structure of financial assets past due but not impaired as at the end of the reporting period:

EXPECTED LOSS RATE 31/12/2019

	Current	Non-current	< 30 days	30 to 90 days overdue	91 to 180 days overdue	> 180 days	Total
	in k€	in k€	in k€	in k€	in k€	in k€	in k€
Expected loss rate	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**
Gross carrying amount – trade receivables	**41,663**	**40,946**	**287**	**215**	**143**	**72**	**717**
Gross carrying amount – contract assets	**335,203**	**335,203**	**—**	**—**	**—**	**—**	**—**
Impairment provision	**—**	**—**	**—**	**—**	**—**	**—**	**717**

EXPECTED LOSS RATE 31/12/2018*

	Current	Non-current	< 30 days	30 to 90 days overdue	91 to 180 days overdue	> 180 days	Total
	in k€	in k€	in k€	in k€	in k€	in k€	in k€
Expected loss rate	0%	0%	0%	0%	0%	0%	0%
Gross carrying amount – trade receivables	53,933	51,973	197	153	4	1,606	1,959
Gross carrying amount – contract assets	221,600	221,600	—	—	—	—	—
Impairment provision	—	—	—	—	—	—	1,959

* Prior year figures adjusted

Regarding the receivables neither past due nor impaired, there were no indications as at the end of the reporting period that the debtors will fail to meet their payments obligations.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. Market risks in the Consus Group that may arise from currency risks do not exist at the balance sheet date. However, market risks that arise from interest rate risks, such as floating-rate loans from banks, can have a significant impact on the Group's business activities.

In accordance with IFRS 7, interest rate risk is presented using sensitivity analysis to determine the impact that a change in market interest rates would have on the interest income and expenses, trading gains and losses and the equity of the Group as at the end of the reporting period.

The effects on the Consus Group's statement of comprehensive income are analysed using a +/- 50 bp parallel shift in the euro yield curve in the sensitivity analysis. The cash flow effects from the shift in the yield curve relate solely to interest expense and income for the next reporting period.

Based on the financial instruments held or issued by the Consus Group as at the end of the reporting period, a hypothetical change in the applicable interest rates for the respective instruments using sensitivity analysis would have had the following effects (before taxes) as at the end of the reporting period:

	Carrying value as at 31/12/2019	+50 bp	–50 bp
	in k€	in k€	in k€
Financing liabilities	1,089,551	457	—
Liabilities to related parties	80,799	—	—
Derivatives (Liability)	14,202	—	—
Derivatives (Assets)	21,468	(404)	409
Total	**1,206,020**	**53**	**409**

	Carrying value as at 31/12/2018*	+50 bp	–50 bp
	in k€	in k€	in k€
Financing liabilities	847,051	1,408	(1,037)
Liabilities to related parties	70,696	—	—
Derivatives (Liability)	14,062	—	—
Derivatives (Assets)	2,677	(241)	243
Total	934,486	1,167	(794)

* Prior year figures adjusted

Since 2018, the Company recognized derivative financial assets in connection with certain financing instruments that provide favourable termination options to the Company.

The Group recognizes participatory interests classified as available-for-sale financial assets which are not traded on an active and liquid market. The valuation of such assets is mainly dependent on fair value appraisals by independent third party experts on the underlying real estate assets.

The Group recognizes a derivative financial instrument that results from the convertible bond issued in 2017 in the amount of €200 million. The valuation of the derivative depends in particular on input factors such as the share price and volatility. An increase in the share price by 5% would result in a loss of €3,465 thousand (previous year: €2,387 thousand), while a decrease in the share price by 5% would result in a profit of €1,704 thousand (previous year: €514 thousand). Independent of this, an increase in volatility of 5% would have resulted in a loss of €3,425 thousand (previous year: €2,555 thousand), while a decrease in volatility by 5% would have resulted in a profit of €1,453 thousand (previous year: €542 thousand) .

The €450 million bond issued by the Group in 2019 includes an embedded right of termination. The valuation is carried out using an option price model (binomial model). One of the main input factors is the Group's refinancing rate. An increase in the refinancing rate by 0.5% would result in a loss of €4,084 thousand (previous year: €0 thousand), while a decrease in the refinancing rate by 0.5% would result in a profit of €5,341 thousand (previous year: €0 thousand).

2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.6 OTHER DISCLOSURES (Continued)

2.6.2 FINANCIAL INSTRUMENTS (Continued)

2.6.2.2 OBJECTIVES AND METHODS OF FINANCIAL RISK MANAGEMENT (Continued)

Liquidity risk

Liquidity risk is the risk that a company will be unable to meet its payment obligations on a contractually agreed date.

Liabilities to financial institutions to finance the acquisition and development of real estate properties are usually taken out on the level of property subsidiaries and are secured with the respective properties.

Ownership of property will only be transferred to the customers if all payments are made. Nevertheless delayed, reduced or completely avoided advanced or final payments by our institutional purchasers for forward sales, condo sales or upfront sales would lead to lower cash flows from operating activities and will negatively impact our capability to grow the business or to fund our financing commitments.

To a minor extent, due to the reduced significance of this business in 2019, Consus is also impacted by a decrease or default in income from letting activities, the premature termination of long-term lease contracts, a failure to materialize expected extensions of long-term lease contracts, a failure to find new tenants and the insolvency of one or multiple tenants could lead to a significant decrease in cash flow from operating activities.

The loan agreements as of the balance sheet date contain various covenants that are market standard for these agreements, for example a maximum Loan-to-Value (LTV) ratio and/or a Debt Service Cover Ratio (DSCR). In the event of non-compliance with the terms of a loan agreement, the Company can resolve such non-compliance by, among others, providing additional funds. However, if a non-compliance is not rectified within a certain period, a bank may have the right to terminate the loan agreement with immediate effect. Additionally, some loan agreements stipulate that the bank may require additional security in the event of increased dependencies from key tenants. Such dependencies can arise from lease agreements with a short WALT and significant maintenance backlogs.

The Company monitors compliance with its loan agreements on an ongoing basis. Any non-compliance during the reporting period was resolved with the lender and did not lead to any loans becoming due prematurely.

	Carrying value as of 31/12/2019	Maturities		
		< 1 year	1–5 years	> 5 years
	in k€	in k€	in k€	in k€
Liabilities to financial institutions	**2,850,501**	1,360,244	1,826,351	113,439
Trade payables	**97,576**	97,576	—	—
Liabilities to related parties	**80,799**	53,299	27,500	—
Other financial liabilities	**78,091**	77,923	168	—
Total	**3,106,966**	1,589,041	1,854,019	113,439

	Carrying value as of 31/12/2018*	Maturities		
		< 1 year	1–5 years	> 5 years
	in k€	in k€	in k€	in k€
Liabilities to financial institutions	2,195,525	1,168,777	1,173,781	28,343
Trade payables	41,913	41,912		—
Liabilities to related parties	70,696	43,196	27,500	—
Other financial liabilities	87.319	72,103	15,216	—
Total	**2,395,453**	**1,325,989**	**1,216,497**	**28,343**

* Prior year figures adjusted

2.6.3 RELATED PARTIES

As part of its normal business activities, the Group also exchanges services with related parties and persons.

Related parties include the members of the Supervisory Board and the Management Board of the Company, including their close family members, as well as those companies over which Board members or their close relatives can exercise significant influence or in which they hold a significant share of the voting rights. In addition, related parties include those companies with which the Company forms a group or in which it holds an investment, that allows the Company significant influence over the business policy of the investee and the principal shareholders of the Company, including affiliated companies. Aggregate Deutschland S.A. is a one hundred-per cent subsidiary of Aggregate Holdings S.A., Luxembourg, which is ultimately owned by Mr. Günter Walcher.

(a) Transactions with Aggregate Group

On 14 February 2018, the Company issued an interest-bearing short-term loan with a nominal amount of €5,050 thousand to a company affiliated with Aggregate Holding S.A., for which a total interest income of €307 thousand was recognized for the 2019 fiscal year. On the balance sheet date, a receivable of €5,842 thousand remains from this legal transaction.

During the financial year 2018, Aggregate provided short-term, interest-bearing loans for general financing purposes.

The loan liability of €21,561 thousand to Aggregate, outstanding as of 31 December 2018, was settled in full within the fiscal year 2019, whereby interest expenses of €523 thousand were incurred. Furthermore, on 12 June 2019, Consus Real Estate AG granted Aggregate Holdings S.A. a loan of €7,500 thousand for the remaining period until 25 June 2019, for which interest income of €48 thousand was recorded.

As a result of the agreement to transfer the stake in Park Lane Zug AG in 2017, Consus Swiss Finance AG (formerly SSN Group AG), a 93.4% subsidiary of Consus, has a reimbursement claim of €21,000 thousand towards Aggregate Holdings S.A. on the balance sheet date. Moreover, Consus Projekt Holding Deutschland GmbH (formerly SG Holding GmbH), an affiliated company of Consus Swiss Finance AG, reports a remaining receivable from Aggregate Holdings S.A. of €10,238 thousand including interest from the takeover of Consus Swiss Finance AG by Consus Real Estate AG at the end of 2018 as of 31 December 2019.

In the financial year 2019, the services of 2 Aggregate subsidiaries were used within the terms of management contracts. These services amounted to €201 thousand as a base fee and €736 thousand for the rental of office space and its management.

TRANSACTIONS WITH AGGREGATE GROUP

	31/12/2019 in k€	31/12/2018* in k€
Interest income	**69**	1,910
Interest expenses	**(1,626)**	(1,837)
Financing receivables	**42,286**	20,673
Other receivables	**—**	1,738
Financing liabilities, including derivatives	**—**	(21,561)
Other liabilities	**(623)**	(76)

* Prior year figures adjusted

(b) Transactions with Mr. Christoph Gröner (former CEO of CG Gruppe AG)

Mr. Christoph Gröner, former CEO of CG Gruppe AG (now Consus RE AG), in which the Company holds 71.25% of the outstanding shares as of the balance sheet date, is a related party to the Company. Mr Gröner is the founder of CG and was as of 31 December 2019 a member of the management board as well as managing director of CG Gruppe AG, and a major shareholder in CG Gruppe AG. In 2017, the Company increased its shareholdings in CG Gruppe AG through the acquisition of further 5.0% of the shares from Christoph Gröner for the consideration of €12,500 thousand in a transaction involving the issue of convertible bonds by CG Gruppe AG in the amount of EUR 100 million. In the second half of the 2018 financial year, the company entered an agreement with Mr Gröner under which the company exchanged 3,407,729 CG Gruppe AG shares for 8,333,334 Consus shares, increasing the capital reserves by €30,279 thousand and rising the Consus stake in CG Gruppe AG from 55.0% to 64.7%. Subsequently, an amount of €20,000 thousand was paid to Mr Gröner in partial payments as a result of this agreement. In the course of the supplementary agreements of 12 September 2018, the Company successively acquired a further 908,487 shares at a purchase price of €26,660 thousand from the Gröner Unternehmensgruppe GmbH, 340,654 shares at a cost of €9,997 thousand from Gröner GbR and 1,030,630 shares at a purchase price of €30,244 thousand from Gröner Unternehmensbeteiligungen GmbH by 31 December 2019. As a consequence, Consus stake in CG Gruppe AG increased to 71.25%. These acquisitions of shares resulted in a liability of €3,599 thousand to Gröner Unternehmensbeteiligungen GmbH as of the balance sheet date.

Furthermore, Mr. Gröner provided services for the Group either directly or through companies which are significantly influenced by him, resulting in expenses of €3.3 million in the financial year 2019. These services mainly consist of financial guarantees for third party loans to the Group and rent of office space. The Group mainly provided construction services to companies which are significantly influenced by Mr. Gröner for which revenues of €33.1 million have been recognized in the current reporting period. In addition, the Group recognized interest expense of €2.7 million for outstanding liabilities either to Mr. Gröner personally or to companies which are significantly influenced by him. As of balance sheet date the Groups receivables towards Mr. Gröner and companies which are significantly influenced by him amount to €61.0 million, whereas accounted liabilities amount to €23.3 million. These liabilities include the purchase price liability to Gröner Unternehmensbeteiligungen GmbH in the amount of €3.6 million.

TRANSACTIONS WITH CHRISTOPH GRÖNER

	31/12/2019 in k€	31/12/2018* in k€
Financing liabilities	**(57,394)**	(20,701)
Other liabilities	**(3,599)**	—
Other receivables	**34,480**	37,173
Trade receivables	**31,318**	18,335

* Prior year figures adjusted

(c) Other transactions with related parties

As of the balance sheet date, the Company reported a loan liability of €19.2 million to MAP Liegenschaften GmbH, an associated company consolidated at equity within the former CG, as well as a loan receivable of €3.6 million from European Modular Construction GmbH (EMC), in which both the Gröner Group and the Aggregate Group hold shares.

(d) Transactions with members of the Supervisory Board and Management Board

The members of Group’s Supervisory Board and Management Board are the Group’s key management personnel as defined in IAS 24.9.

Remuneration of the Supervisory Board

According to § 11 of the Articles of Association, each member of the Supervisory Board receives a fixed compensation of €15 thousand p.a. for each full financial year of his membership of the Supervisory Board in addition to the reimbursement of proven expenses. The Chairman of the Supervisory Board receives double the amount. The general assembly on 23 August 2018 decided to change the remuneration to €40 thousand p.a. for each member of the supervisory board, with the deputy chairman receiving €60 thousand and the chairman receiving €80 thousand. The remuneration is payable at the end of a financial year. Members who have not been members of the Supervisory Board for a full financial year or who have not chaired the full financial year receive the compensation pro rata temporis. Value added tax will be reimbursed by the Company to the extent that the members of the Supervisory Board are entitled to separately invoice the Group for VAT and exercise this right.

There are no pension provisions held by the Company or its other subsidiaries. Currently no pension commitments exist. With the exception of compensation Management Board members non-competition clause, there are no service contracts that provide for benefits upon termination of the service.

2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.6 OTHER DISCLOSURES (Continued)

2.6.3 RELATED PARTIES (Continued)

The Supervisory Board received total remuneration of €181 thousand (2018 €181 thousand) for its activities in the fiscal year. The remuneration consists exclusively of fixed agreed short-term benefits in the amount of €181 thousand (2017 €181 thousand). Members of the Supervisory Board do not receive share-based payments.

Remuneration of the Management Board

The total remuneration of the Management Board totals €1,461 thousand (€1,334 thousand in 2018). It consisted of fixed, short-term benefits (salaries) in the amount of €716 thousand (€809 thousand in 2018), and variable, short-term benefits (bonus) in the amount of €745 thousand (€525 thousand in 2018). Members of the Management Board did not receive share-based payments.

The following tables provide an overview of both, remuneration of Management as well as Supervisory Board.

BOARD REMUNERATION 2019:

	Accounted in k€	Paid out in k€
Management Board (Vorstand)	**1,461**	**1,091**
Short-term benefits	**1,461**	**1,091**
Supervisory Board	**181**	**181**
Short-term benefits	**181**	**181**

BOARD REMUNERATION 2018:

	Accounted in k€	Paid out in k€
Management Board (Vorstand)	1,334	1,176
Short-term benefits	1,334	1,009
Benefits after termination of the work contract	—	167
Supervisory Board	181	12
short-term benefits	181	12

Other transactions with members of the Supervisory Board and Management Board

During the financial year 2018 a vehicle was leased from a company controlled by a member of the management board as well as a contract, which was concluded for the use of a mobile phone connection. Total expenses during the financial year 2019 amounted €25 thousand (€30 thousand in 2018), while outstanding trade payables as of 31 December 2018 were €2.6 thousand (€8 thousand in 2018).

With the exception of the transactions described above, there were no transactions with the Supervisory Board and the Management Board.

2.6.4 CONTINGENT LIABILITIES AND OTHER FINANCIAL OBLIGATIONS

Future cumulative minimum lease payments from operating lease agreements, with the respective remaining terms, are presented in the following table:

	<1 year	1–5 years	>5 years	Total
	in k€	in k€	in k€	in k€
Financial obligations as at 31/12/2019	**292,077**	**475**	**—**	**292,553**
Insurance contracts	**1,300**	**448**	**—**	**1,749**
Car insurance contracts	**420**	**27**	**—**	**447**
Office Rent	**1,243**	**—**	**—**	**1,243**
Leasing	**77**	**—**	**—**	**77**
Future obligations from pending purchase agreements	**289,037**	**—**	**—**	**289,037**

	<1 year	1–5 years	>5 years	Total
	in k€	in k€	in k€	in k€
Financial obligations as at 31/12/2018*	90,497	10,193	3,032	103,722
Insurance contracts	1,132	429	—	1,561
Car insurance contracts	301	13	—	315
Office Rent	2,564	3,607	771	6,942
Leasing	2,429	6,144	2,261	10,834
Future obligations from pending purchase agreements	84,071	—	—	84,071

* Prior year figures adjusted

These operating lease contracts include renting of office space as well as office equipment. These agreements confer an advantage on continuing business operations as investing measures and the associated cash outflows are not immediately required. There are no evident risks arising from these agreements. The Group does not have significant renewal or purchase options resulting from operate lease contracts.

Obligations to acquire long-term assets

As of 31 December 2019, there are no significant obligations to acquire tangible assets (31 December 2018: no significant obligations). As of 31 December 2019, there are no significant obligations to acquire investment property (31 December 2018: no significant obligations).

Other financial obligations

Other financial obligations as of 31 December 2019 include future obligations from outstanding purchase agreements amounting to €289,037 thousand (previous year: €84,070 thousand).

As of 31 December 2019, there were no future cumulative obligations from other contracts (previous year: no future obligations from other contracts). The other contracts mainly relate to the provision of insurance services and other obligations.

To the Group's knowledge, further litigations have not been pending, commenced or threatened, nor have any such actions been commenced that could materially affect the Group's financial condition. To the Group's knowledge, no further contingent assets and liabilities exist as of balance sheet date.

2.6.5 CORPORATE GOVERNANCE

Supervisory Board

The Supervisory Board is composed as follows:

- Mr. Axel Harloff, Hamburg,
  Chairman of the Supervisory Board
  (Member of the Supervisory Board beginning 28 September 2017)

2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.6 OTHER DISCLOSURES (Continued)

2.6.5 CORPORATE GOVERNANCE (Continued)

- Mr. Dr. Friedrich Oelrich, Erding
  (Member of the Supervisory Board beginning 28 September 2017)

- Mr. Prof. Dr. Hermann Wagner, Frankfurt am Main,
  Deputy Chairman of the Supervisory Board
  (Member of the Supervisory Board beginning 30 June 2018)

Management Board

Members of the Company's Management Board in the financial year are:

- Mr. Hon.-Prof. Andreas Steyer, Ginsheim-Gustavsburg,
  Chief Executive Officer
- (beginning 1 January 2018)

- Mr. Benjamin Lee, London, Great Britain,
  Chief Financial Officer
  (beginning 3 April 2018)

- Mr. Theodorus Gorens, Kastanienbaum, Switzerland,
  Chief Risk Officer, Deputy Chief Financial Officer
  (beginning 1 May 2019)

2.6.6 ADDITIONAL INFORMATION ACCORDING TO HGB

The consolidated financial statements are prepared in euros, the functional and reporting currency of the parent company and its operating subsidiaries.

As of 31 December 2019, pursuant to § 291 HGB, the Company is included in the consolidated financial statements of Aggregate Holdings S.A., Luxembourg (RCS Luxembourg No. B 194538), which prepares its consolidated financial reports in accordance with International Financial Reporting Standards as adopted by the EU. Consus Real Estate AG prepares the consolidated financial statements for the smallest group of Group companies, Aggregate Holdings S.A., and the consolidated financial statements for the largest group of group companies.

The consolidated financial statements of Aggregate Holdings S.A., under Luxembourg law, are not disclosed in electronic form in the Luxembourg Commercial Register (registre de commerce et des sociétés – RCSL) and are made available at the company's registered office, 10 rue Antoine Jans, L-1820 Luxembourg. The consolidated financial statements and the management report of Consus Real Estate AG are submitted to and published in the electronic Federal Gazette *(Bundesanzeiger)*.

List of shareholdings of Consus Real Estate AG in accordance with § 313 of the German Commercial Code (HGB) as of 31 December 2019

The following table shows a summary of the fully consolidated subsidiaries included in the consolidated financial statements in accordance with Section 313 (2) HGB:

	Headquarter	Share Consus Direct	Total	Equity	Profit
				in k€	in k€
Consus Holding GmbH	Berlin	100.00%	100.00%	(8,431)	(116)
CCP Objektholding GmbH	Berlin	100.00%	100.00%	(24)	0
Consus CCP 13 GmbH	Berlin	0.00%	100.00%	(25)	0
Consus CCP 6 GmbH	Berlin	0.00%	100.00%	3,589	(1)
Diplan GmbH	Köln	0.00%	74.90%	(217)	198
Consus Swiss Finance AG	Zug	93.40%	93.40%	133,677	6,168
Consus Swiss Services AG	Zug	0.00%	93.40%	3,788	272
CSW GmbH & Co. KG**	Düsseldorf	0.00%	93.40%	(1,691)	(175)
CSW Verwaltungs GmbH	Düsseldorf	0.00%	93.40%	24	(5)
Consus Projektmanagement Verwaltungs GmbH	Düsseldorf	0.00%	93.40%	15	(3)
Knecht Ludwigsburg GmbH	Ludwigsburg	0.00%	93.40%	952	194
SSN Facility Services GmbH	Düsseldorf	0.00%	93.40%	(9,676)	(998)
SSN CUBE GmbH	Ludwigsburg	0.00%	93.40%	17	(6)
CSW Beteiligungs GmbH	Düsseldorf	0.00%	93.40%	14	(12)
SSN Gebäudetechnik GmbH	Wolfsburg	0.00%	79.39%	(318)	(664)
Consus Projektmanagement GmbH & Co. KG**	Düsseldorf	0.00%	93.40%	1,835	2,036
SSN Advisory Services GmbH*	Düsseldorf	0.00%	93.40%	17	(23)
Consus Swiss Projektholding AG	Zug	0.00%	93.40%	593	9
SSN Alboingärten Berlin GmbH	Düsseldorf	0.00%	93.40%	(2,268)	(564)
Franklinstrasse 26a Verwaltungs GmbH	Düsseldorf	0.00%	87.80%	(592)	(1,085)
Consus Wilhelmstraße Berlin GmbH	Düsseldorf	0.00%	93.40%	(21,604)	(7,034)
Wilhelmstrasse 56–59 Immobilienentwicklungs GmbH	Düsseldorf	0.00%	93.40%	(21,604)	(7,034)
Consus Franklinstraße Berlin GmbH	Düsseldorf	0.00%	93.40%	(435)	799
Consus Projekt Holding Deutschland GmbH	Düsseldorf	0.00%	93.40%	(9,757)	(3,403)
Consus (Schweiz) AG	Zug	0.00%	93.40%	(2,175)	(202)
SSN Ginvest 1 GmbH	Zug	0.00%	93.40%	183	(20)
SSN Invest AG	Zug	0.00%	93.40%	54	(11)
Consus Deutschland GmbH	Düsseldorf	0.00%	87.80%	42,962	(1,015)
Consus Development Verwaltungs GmbH	Düsseldorf	0.00%	87.80%	(1)	(4)
Consus Development GmbH & Co. KG**	Düsseldorf	0.00%	87.80%	(726)	(3,493)
Parken & Immobilien Invest GmbH Hamburg	Düsseldorf	0.00%	87.80%	323	(42)
Parken & Immobilien Betriebs GmbH Hamburg	Düsseldorf	0.00%	87.80%	(1,085)	(211)
Consus Investment Bundesallee Berlin GmbH	Düsseldorf	0.00%	87.80%	9,185	(797)
SSN Real GmbH	Düsseldorf	0.00%	93.40%	1,081	380
Baumann Consulting Verwaltungs GmbH*	Frankfurt am Main	0.00%	27.30%	(21)	n.a.
Baumann Consulting GmbH & Co.KG*(*)	Frankfurt am Main	0.00%	33.40%	39	n.a.
Consus Projekt Development GmbH	Düsseldorf	38.90%	86.53%	155,602	(8,320)
Wilhelmstrasse I GmbH	Berlin	85.90%	85.90%	(573)	(333)
SG IBM-Campus 4 UG	Düsseldorf	0.00%	86.53%	(82)	(77)
SG IBM-Campus 5 UG	Düsseldorf	0.00%	86.53%	(20)	(20)
SG IBM-Campus 6 UG	Düsseldorf	0.00%	86.53%	(55)	(53)
SG IBM-Campus 7 UG	Düsseldorf	0.00%	86.53%	1	(1)
SG IBM-Campus 8 UG	Düsseldorf	0.00%	86.53%	(72)	(68)
SG IBM-Campus 9 UG	Düsseldorf	0.00%	86.53%	(68)	(64)
SG IBM-Campus 10 UG	Düsseldorf	0.00%	86.53%	(55)	(52)

2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.6 OTHER DISCLOSURES (Continued)

2.6.6 ADDITIONAL INFORMATION ACCORDING TO HGB (Continued)

	Headquarter	Share Consus Direct	Total	Equity in k€	Profit in k€
SG IBM-Campus 11 UG	Düsseldorf	0.00%	86.53%	(53)	(51)
SG IBM-Campus 12 UG	Düsseldorf	0.00%	86.53%	50	(16)
SG IBM-Campus 13 UG	Düsseldorf	0.00%	86.53%	(58)	(53)
SG IBM-Campus 14 UG	Düsseldorf	0.00%	86.53%	4	(36)
SG IBM-Campus 15 UG	Düsseldorf	0.00%	86.53%	(32)	(31)
SG IBM-Campus 16 UG	Düsseldorf	0.00%	86.53%	(3)	(37)
SG IBM-Campus 17 UG	Düsseldorf	0.00%	86.53%	(52)	(60)
Consus Einkaufs-GbR Garden Campus Vaihingen	Düsseldorf	0.00%	86.53%	0	0
Consus Stuttgart Wohnen an der Villa Berg UG haftungsbeschränkt	Düsseldorf	0.00%	86.53%	(1,183)	(792)
Consus Stuttgart Park an der Villa Berg UG haftungsbeschränkt	Düsseldorf	0.00%	81.34%	2	(5)
Consus Stuttgart Villa Berg Parkhaus UG haftungsbeschränkt	Düsseldorf	0.00%	81.34%	(51)	2
Consus Stuttgart Villa Berg historisch UG haftungsbeschränkt	Düsseldorf	0.00%	81.34%	87	(3)
SG Peschl Areal 1 UG	Düsseldorf	0.00%	86.53%	(1,166)	(348)
SG Peschl Areal 2 UG	Düsseldorf	0.00%	86.53%	47	(9)
SG Peschl Areal 3 UG	Düsseldorf	0.00%	86.53%	(56)	(43)
SG Peschl Areal 4 UG	Düsseldorf	0.00%	86.53%	(101)	(78)
SG Peschl Areal 5 UG	Düsseldorf	0.00%	86.53%	(70)	(54)
SG Peschl Areal 6 UG	Düsseldorf	0.00%	86.53%	(51)	(39)
SG Einkaufs-GbR Peschl-Areal	Düsseldorf	0.00%	86.53%	0	0
SG Glockengut 1 UG	Düsseldorf	0.00%	86.53%	(755)	(7)
SG Glockengut 2 UG	Düsseldorf	0.00%	86.53%	(78)	(10)
SG Glockengut 3 UG	Düsseldorf	0.00%	86.53%	(53)	(7)
SG Glockengut 4 UG	Düsseldorf	0.00%	86.53%	(51)	(7)
SG Glockengut 5 UG	Düsseldorf	0.00%	86.53%	(47)	(6)
SG Glockengut 6 UG	Düsseldorf	0.00%	86.53%	(71)	(4)
SG Glockengut 7 UG	Düsseldorf	0.00%	86.53%	(12)	(1)
Consus Einkaufs-GbR Glockengut Bayreuth	Bayreuth	0.00%	86.53%	0	0
Consus Frankfurt Mainzer Landstraße Investitions UG haftungsbeschränkt	Düsseldorf	0.00%	86.53%	(3,471)	(386)
SG Frankfurt					
Mainzer Landstrasse GmbH	Düsseldorf	0.00%	81.34%	(6,080)	135
Consus München Schwabing Investionsgesellschaft UG haftungsbeschränkt	Düsseldorf	0.00%	86.53%	(26,403)	(12,138)
Consus München Schwabing Verwaltungs GmbH	Düsseldorf	0.00%	86.53%	(3,013)	0
Consus München Schwabing GmbH & Co. KG**	Düsseldorf	0.00%	51.92%	22	0
Consus Mannheim Glücksteinquartier Investitions UG haftungsbeschränkt	Düsseldorf	0.00%	86.53%	(1,227)	150
Consus Mannheim Glücksteinquartier Verwaltungs GmbH	Düsseldorf	0.00%	86.53%	23	0
Consus Mannheim Glücksteinquartier GmbH & Co. KG**	Düsseldorf	0.00%	81.34%	(2,014)	0
SG Hamburg Holsten Quartiere 1 UG	Düsseldorf	0.00%	86.53%	(763)	(456)
SG Hamburg Holsten Quartiere 2 UG	Düsseldorf	0.00%	86.53%	(320)	(113)
SG Hamburg Holsten Quartiere 3 UG	Düsseldorf	0.00%	86.53%	(327)	(115)
SG Hamburg Holsten Quartiere 4 UG	Düsseldorf	0.00%	86.53%	(192)	(68)
SG Hamburg Holsten Quartiere 5 UG	Düsseldorf	0.00%	86.53%	(198)	(70)
SG Hamburg Holsten Quartiere 6 UG	Düsseldorf	0.00%	86.53%	(187)	(66)
SG Hamburg Holsten Quartiere 7 UG	Düsseldorf	0.00%	86.53%	(137)	(48)
SG Hamburg Holsten Quartiere 8 UG	Düsseldorf	0.00%	86.53%	(64)	(23)
SG Hamburg Holsten Quartiere 9 UG	Düsseldorf	0.00%	86.53%	(28)	(10)

	Headquarter	Share Consus Direct	Total	Equity in k€	Profit in k€
SG Hamburg Holsten Quartiere 10 UG	Düsseldorf	0.00%	86.53%	(306)	(108)
SG Hamburg Holsten Quartiere 11 UG	Düsseldorf	0.00%	86.53%	(268)	(95)
SG Hamburg Holsten Quartiere 12 UG	Düsseldorf	0.00%	86.53%	(133)	(47)
SG Hamburg Holsten Quartiere 13 UG	Düsseldorf	0.00%	86.53%	(295)	(104)
SG Hamburg Holsten Quartiere 14 UG	Düsseldorf	0.00%	86.53%	(997)	(774)
SG Hamburg Holsten Quartiere 15 UG	Düsseldorf	0.00%	86.53%	(255)	(90)
SG Hamburg Holsten Quartiere 16 UG	Düsseldorf	0.00%	86.53%	(194)	(69)
SG Hamburg Holsten Quartiere 17 UG	Düsseldorf	0.00%	86.53%	(68)	(24)
SG Hamburg Holsten Quartiere 18 UG	Düsseldorf	0.00%	86.53%	(68)	(24)
SG Hamburg Holsten Quartiere 19 UG	Düsseldorf	0.00%	86.53%	314	67
SG Hamburg Holsten Quartiere 20 UG	Düsseldorf	0.00%	86.53%	(36)	(11)
Consus Einkaufs-GbR Holsten-Quartiere Hamburg	Düsseldorf	0.00%	86.53%	0	0
SG Neues Korallusviertel 1 UG	Düsseldorf	0.00%	86.53%	(8,196)	(2,275)
SG Neues Korallusviertel 2 UG	Düsseldorf	0.00%	86.53%	(44)	(45)
SG Neues Korallusviertel 3 UG	Düsseldorf	0.00%	86.53%	(52)	(53)
SG Neues Korallusviertel 4 UG	Düsseldorf	0.00%	86.53%	(17)	(18)
SG Neues Korallusviertel 5 UG	Düsseldorf	0.00%	86.53%	(30)	(31)
SG Neues Korallusviertel 6 UG	Düsseldorf	0.00%	86.53%	(16)	(17)
SG Neues Korallusviertel 7 UG	Düsseldorf	0.00%	86.53%	(70)	(71)
SG Neues Korallusviertel 8 UG	Düsseldorf	0.00%	86.53%	1	0
Consus Einkaufs-GbR Korallusviertel Hamburg	Düsseldorf	0.00%	86.53%	0	0
SG IBM-Campus 1 UG	Düsseldorf	0.00%	86.53%	(3,296)	(1,039)
SG IBM-Campus 2 UG	Düsseldorf	0.00%	86.53%	(67)	(64)
SG IBM-Campus 3 UG	Düsseldorf	0.00%	86.53%	(44)	(42)
Consus Stuttgart Vaihingen IBM Campus Holding GmbH	Düsseldorf	0.00%	86.53%	164,956	(1,455)
Consus RE AG	Berlin	16.25%	71.25%	207,053	21,888
Artists Living Berlin – ST GmbH & Co. KG**	Berlin	0.00%	66.98%	(3)	(14)
Steglitzer Kreisel Sockel GbR	Berlin	0.00%	66.98%	22,678	4,123
Steglitzer Kreisel Turm GbR	Berlin	0.00%	66.98%	9,664	(6,964)
Steglitzer Kreisel Parkhaus GbR	Berlin	0.00%	66.98%	4,137	(1,835)
Artists Commercial Berlin – ST GmbH & Co. KG**	Berlin	0.00%	66.98%	168	(8)
Artists Parking Berlin – ST GmbH & Co. KG**	Berlin	0.00%	66.98%	11	(4)
Artists Living Leipzig GmbH & Co. KG**	Berlin	0.00%	71.25%	1,454	6,077
Ostplatz Leipzig Work & Life GmbH & Co. KG**	Berlin	0.00%	66.98%	3,123	(1,103)
Ostplatz Leipzig Mensa GmbH & Co. KG**	Berlin	0.00%	66.98%	(88)	(40)
Artists Living Dresden PP GmbH & Co. KG**	Berlin	0.00%	71.25%	(3,344)	(56)
Artists Living Frankfurt SSc GmbH & Co. KG**	Berlin	0.00%	71.25%	(284)	1,272
Artists Living Frankfurt Dev GmbH & Co. KG**	Berlin	0.00%	66.98%	(1,343)	(631)
Artists Living Frankfurt Com GmbH & Co. KG**	Berlin	0.00%	66.98%	720	(297)
UpperNord Tower GmbH & Co. KG**	Berlin	0.00%	66.98%	(4,206)	699
UpperNord Hotel GmbH & Co. KG**	Berlin	0.00%	71.25%	(52)	(125)
UpperNord Quarter GmbH & Co. KG**	Berlin	0.00%	71.25%	3,766	(90)
Artists Living Köln StG GmbH & Co. KG**	Berlin	0.00%	71.25%	12,760	6,828
Holz ART CG-Innovationen GmbH	Berlin	0.00%	71.25%	29	7
BCC BauCompetenzCenter GmbH	Berlin	0.00%	71.25%	70	57
CG ST(R)AHLKRAFT GmbH	Berlin	0.00%	71.25%	(316)	(324)
CG Billwerder Neuer Deich GmbH & Co. KG**	Hamburg	0.00%	71.25%	(236)	(16)
CG Estate & Hostel GmbH & Co. KG**	Berlin	0.00%	71.25%	(2,878)	(2,901)
CG Böblinger CityQuartier GmbH & Co. KG**	Berlin	0.00%	71.25%	(393)	(162)
Plagwitzer Immobiliengesellschaft mbH	Leipzig	0.00%	66.98%	18,405	(5,115)

2.6.6 ADDITIONAL INFORMATION ACCORDING TO HGB (Continued)

	Headquarter	Share Consus Direct	Total	Equity in k€	Profit in k€
Plagwitzer Projektentwicklungsgesellschaft mbH & Co. KG**	Leipzig	0.00%	71.25%	20,926	1,786
CG City Leipzig West GmbH & Co. KG**	Berlin	0.00%	71.25%	(254)	(184)
Alter Leipziger Postbahnhof Süd GmbH & Co. KG**	Berlin	0.00%	64.13%	10,367	878
Innenstadt Residenz Dresden GmbH & Co. KG**	Dresden	0.00%	66.98%	(5,329)	(462)
E.-Reuter-Platz Residenz GmbH & Co. KG**	Berlin	0.00%	66.98%	(1,382)	1,456
Residenz Dresden an der Elbe GmbH & Co. KG**	Dresden	0.00%	71.25%	(3)	4
Mariannenpark II GmbH & Co. KG**	Berlin	0.00%	71.25%	44	(16)
CG Frankfurt Ostend GmbH & Co. KG**	Berlin	0.00%	71.25%	24,559	(545)
Lebens(t)raum Gesellschaft für modernen Wohnen mbH	Köln	0.00%	64.05%	8,371	6,387
CG Bahrenfelder Carrée GmbH & Co. KG**	Hamburg	0.00%	64.05%	57,603	2,706
CG Quartier Wachendorff GmbH & Co. KG**	Berlin	0.00%	64.05%	51	(223)
CG Neuländer Quarree GmbH & Co. KG**	Hamburg	0.00%	71.25%	17,929	2,056
LEA Grundstücksverwaltung GmbH	Berlin	0.00%	66.98%	(6,541)	(3,804)
Cologneo Estate GmbH & Co. KG**	Berlin	0.00%	71.25%	13	(67)
Cologneo I GmbH & Co. KG**	Köln	0.00%	71.25%	42,254	12,067
Cologneo III GmbH & Co. KG**	Köln	0.00%	71.25%	31	16
DGI Deutsche Grundstücks- und Immobiliengesellschaft mbH	Berlin	0.00%	64.13%	(1,686)	(195)
CG Deutsche Wohnen GmbH	Berlin	0.00%	66.98%	(28,456)	(23,541)
CG Bauprojekte GmbH	Leipzig	0.00%	64.13%	895	398
Günther Fischer Gesellschaft für Projektentwicklung mbH	Köln	0.00%	57.00%	(1,341)	(1,476)
CG Immobilien GmbH	Leipzig	0.00%	71.25%	112	111
RVG Real Estate Vertriebs GmbH	Berlin	0.00%	36.34%	398	(41)
City-Hausverwaltung GmbH	Leipzig	0.00%	71.25%	1,440	155
CG Gruppe IT-Service GmbH	Berlin	0.00%	36.34%	186	188
APARTes Gestalten GmbH	Leipzig	0.00%	71.25%	66	20
CREATIVes Bauen GmbH	Leipzig	0.00%	71.25%	15	152
CG Denkmalimmobilien GmbH	Leipzig	0.00%	66.98%	(9,583)	(1,368)
CG Netz-Werk GmbH*	Berlin	0.00%	53.37%	0	0
CG Real Estate GmbH**	Berlin	0.00%	71.25%	322	117
CG Graphisches Viertel GmbH & Co. KG**	Berlin	0.00%	71.25%	26,345	26,302
Alter Leipziger Postbahnhof Nord Gmbh & Co. KG**	Berlin	0.00%	64.13%	51	42
Cologneo II GmbH & Co. KG**	Köln	0.00%	67.55%	39,259	3,394
Cologneo IV GmbH & Co. KG**	Köln	0.00%	67.55%	(88)	(12)
CG Erste Delitzscher Straße GmbH & Co. KG**	Berlin	0.00%	71.25%	(7)	(4)
CG Zweite Delitzscher Straße GmbH & Co. KG**	Berlin	0.00%	71.25%	(7)	(4)
Benrather Gärten Wohnentwicklung GmbH & Co. KG**	Berlin	0.00%	71.25%	(8)	(5)
Otto-Quartier Immobilien Bestandsentwicklung GmbH & Co. KG**	Berlin	0.00%	71.25%	(8)	(5)
Otto Projektentwicklung GbR	Stuttgart	0.00%	71.25%	(213)	(213)
Otto-Quartier Wohn- u. Gewerbeentwicklung GmbH & Co. KG**	Berlin	0.00%	71.25%	(8)	(5)
CG Sechste Delitzscher Straße GmbH & Co. KG**	Berlin	0.00%	71.25%	(7)	(4)
SLT 107 Schwabenland Tower GmbH & Co. KG**	Berlin	0.00%	71.25%	(1,279)	(1,253)

2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.6 OTHER DISCLOSURES (Continued)

2.6.6 ADDITIONAL INFORMATION ACCORDING TO HGB (Continued)

	Headquarter	Share Consus Direct	Total	Equity in k€	Profit in k€
CG Innovationszentrum Leipzig GmbH & Co. KG**	Leipzig	0.00%	71.25%	(107)	(105)
Grundstücksgesellschaft TCR 1 mbH & Co. KG**	Hamburg	0.00%	71.25%	15,211	(457)
Benrather Gärten Gewerbeentwicklung GmbH & Co. KG**	Düsseldorf	0.00%	71.25%	(3)	(3)
Benrather Gärten Projektentwicklung GbR	Düsseldorf	0.00%	71.25%	(317)	(317)
GEM Ingenieur GmbH Projektmanagement	Karlsruhe	0.00%	64.05%	99,441	75,310
GEM Areal-C Projektentwicklung GmbH & Co. KG**	Karlsruhe	0.00%	64.05%	79,295	152
GEM Gewerbeimmobilien GmbH & Co. KG**	Karlsruhe	0.00%	64.05%	78	73
GEM Immobilien GmbH & Co. KG**	Karlsruhe	0.00%	64.05%	125	128
CG Icoon Frankfurt GmbH & Co. KG**	Berlin	0.00%	71.25%	(128)	(141)
CG Achte SHELF GmbH & Co. KG**	Berlin	0.00%	71.25%	0	0
CG Neunte SHELF GmbH & Co. KG**	Berlin	0.00%	71.25%	0	0
CG Zehnte SHELF GmbH & Co. KG**	Berlin	0.00%	71.25%	0	0
CG Elfte SHELF GmbH & Co. KG**	Berlin	0.00%	71.25%	0	0
CG Zwölfte SHELF GmbH & Co. KG**	Berlin	0.00%	71.25%	0	0
CG Dreizehnte SHELF GmbH & Co. KG**	Berlin	0.00%	71.25%	0	0
CG Braugold GmbH & Co. KG**	Berlin	0.00%	71.25%	(114)	(113)
Cologneo Development GmbH & Co. KG**	Köln	0.00%	71.25%	(6)	(5)
CG Construction GmbH	Berlin	0.00%	64.13%	252	256
CG TEC Service GmbH	Leipzig	0.00%	71.25%	37	12
Brillant 3172. GmbH**	Berlin	0.00%	71.25%	24	(1)
GEM Verwaltungs GmbH**	Karlsruhe	0.00%	71.25%	0	0
CG Works GmbH	Berlin	0.00%	71.25%	5,730	(1)
MAP Liegenschaften GmbH*	Berlin	0.00%	53.44%	(2,364)	0
Artists Living Verwaltungs GmbH**	Berlin	0.00%	71.25%	158	18

* Associated companies

** Group companies are with unlimited liability

Exemptions

The companies Consus Holding GmbH, CCP Objektholding GmbH, and CCP 13 GmbH intend to apply the exemption provisions of Section 264 (3) HGB.

Auditor's fees and services

The fees of the auditor of the consolidated financial statements, KPMG AG Wirtschaftsprüfungs-gesellschaft, Berlin (in 2018: Warth & Klein Grant Thornton AG Wirtschaftsprüfungsgesellschaft, Leipzig), are broken down as follows:

FURTHER INFORMATION ACCORDING TO § 314 ABS, 1 NR, 9 HGB

	31/12/2019 in k€	31/12/2018 in k€
Total remuneration fee for the fiscal year of auditor	**648**	401
- thereof financial statements auditing	**639**	159
- thereof other assurance services	**—**	242
- thereof tax advisory services	**8**	—
- thereof other services	**—**	—

Number of employees

The employees of Consus are shown in the following table:

EMPLOYEES

	31/12/2019 in k€	31/12/2018 in k€
Number of employees	**975**	782
Average number of employees employed during the fiscal year (acc. to § 285 No. 7 HGB)	**866**	539
Number of apprentices at reporting date	**16**	—
Average number of apprentices	**15**	—
Number of management board members at reporting date	**3**	2
Average number of management board members at reporting date	**3**	2
Number of students/interns at reporting date	**49**	—
Average number of students/interns	**42**	—

2.6.7 EVENTS AFTER THE REPORTING DATE

On 21 February 2020 Consus Group entered in to a Letter of Intent with ADO Properties regarding the sale of the Hamburg Holsten project for EUR 320 million.

On 19 March 2020, Jens Jäpel was appointed to the Consus Management Board as Chief Development Officer (“CDO”).

On 19 March 2020, CG Gruppe AG changed its name to Consus RE AG.

On 20 March 2020, the founder and CEO of CG Gruppe, Christoph Gröner, left the Executive Board of Consus RE AG and moved to the Supervisory Board. Jens Jäpel was appointed as the new CEO of Consus RE AG. The management board of Consus RE AG also includes Jürgen Kutz as Chief Operation Officer (COO) and Deputy CEO and Theodorus Gorens as Chief Financial Officer (CFO).

The outbreak of the Corona virus and its rapid spread across many countries and continents increased financial, financing and liquidity risks as well as risks in the project development phases, e.g. in the area of financing, completion and sale of the Consus’ projects. For details we refer to the comments made in the management report in section 5.2.1.5.

There were no other significant events after the balance sheet date.

Berlin, April 29th 2020

Consus Real Estate AG
Andreas Steyer
Benjamin Lee
Theodorus Gorens
Jens Jäpel
Members of the Management Board

3 RESPONSIBILITYSTATEMENT

To the best of our knowledge and in accordance with the applicable IFRS accounting principles, the consolidated financial statements for the fiscal year ending December 31, 2019 present a true and fair view of the assets, liabilities, financial position and profit or loss of the Group and the management report presents a fair review of the development and performance of the business and the position of the Group, together with a description of the material risks and opportunities of the expected development of the Group.

Berlin, April 29th 2020

ANDREAS STEYER
Chief Executive Officer

BENJAMIN LEE
Chief Financial Officer

THEODORUS GORENS
Chief Risk Officer,
Deputy Chief Financial Officer

JENS JÄPEL
Chief Development Officer

INDEPENDENT AUDITOR'S REPORT

TO THE CONSUS REAL ESTATE AG, BERLIN

Opinions

We have audited the consolidated financial statements of Consus Real Estate AG, Berlin and its subsidiaries (the Group), which comprise the consolidated statement of financial position as of December 31, 2019, the consolidated statement of profit and loss, consolidated statement of changes in equity and consolidated statement of cash flows and the group segment reporting for the financial year from January 1, 2019, to December 31, 2019, and notes to the consolidated financial statements, including the recognition and measurement policies presented therein. In addition, we have audited the group management report of Consus Real Estate AG for the financial year from January 1, 2019, to December 31, 2019. In accordance with German legal requirements, we have not audited the content of those components of the group management report specified in the "Other Information" section of our auditor's report.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315e (1) HGB *(Handelsgesetzbuch: German Commercial Code)* and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as of December 31, 2019, and of its financial performance for the financial year from January 1, 2019 to December 31, 2019, and

- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the group management report does not cover the content of those components of the group management report specified in the "Other Information" section of the auditor's report.

Pursuant to Section 322 (3) sentence 1 HGB *(Handels-gesetzbuch: German Commercial Code)*, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

Basis for the Opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with Section 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the group management report.

Other Information

Management and/or the Supervisory Board are/is responsible for the other information.

The other information comprises the remaining parts of the annual report. Other Information does not include the audited annual consolidated financial statements, the group management report information audited for content and our auditor's report thereon.

Our opinions on the consolidated financial statements and on the group management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the group management report audited for content or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

Responsibilities of Management for the Consolidated Financial Statements and the Group Management Report

Management is responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition, management is responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting provided no actual or legal circumstances conflict therewith.

Furthermore, management is responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, management is responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

The supervisory board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report 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 these systems.
- Evaluate the appropriateness of accounting policies used by management and the reasonableness of estimates made by management and related disclosures.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express (audit) opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our (audit) opinions.

- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with (German) law, and the view of the Group's position it provides.

- Perform audit procedures on the prospective information presented by management in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by management as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Berlin, April 29th 2020

KPMG AG Wirtschaftsprüfungsgesellschaft

(Original German version signed by:)

Dielehner Wirtschaftsprüfer	Lommatzsch Wirtschaftsprüfer

Consus Real Estate AG

Audited Consolidated Financial Statements of Consus Real Estate AG as of and for the financial year ended December 31, 2018

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in k€	Notes	2018	2017
Income from letting activities	8.1	**32,796**	7,691
Income from real estate inventory disposed of	8.2	**163,515**	—
Income from property development	8.4	**408,461**	—
Income from service, maintenance and management activities	8.1	**10,199**	
Total income		**614,971**	7,691
Change in project related inventory	8.3	**(147,352)**	—
Overall performance		**467,619**	7,691
Expenses from letting activities	8.1	**(16,083)**	(3,754)
Cost of materials	8.6	**(285,600)**	—
Net income from the remeasurement of investment properties	8.5	**25,631**	15,265
Other operating income	8.7	**13,241**	79
Personnel expenses	8.8	**(36,911)**	(868)
Other operating expenses	8.9	**(59,997)**	(13,715)
EBITDA (Earnings before interest, taxes, depreciation and amortization)		**107,901**	4,697
Depreciation and amortization	8.10	**(2,175)**	—
EBIT* (Earnings before interest and taxes)		**105,726**	4,697
Financial income	8.11	**4,620**	445
Financial expenses	8.11	**(121,834)**	(7,864)
Share of profit or loss of associates accounted for using the equity method	8.12	**—**	(1,198)
EBT (Earnings before taxes)		**(11,488)**	(3,920)
Income tax expenses	8.13	**11,192**	(5,214)
Net income (Earnings after taxes) from continued operations		**(296)**	(9,134)
Net income (Earnings after taxes) from discontinued operations		**1,464**	1,188
Consolidated net income		**1,168**	(7,946)
Other comprehensive income		**(1,774)**	—
thereof non-recycling		**(30)**	—
thereof will be reclassified to profit or loss		**(1,744)**	—
Total comprehensive income		**(606)**	(7,946)
Of the net income from continuing operations for the period, the following is attributable to:			
Non-controlling interests		***13,230***	*—*
Shareholders of the parent company		***(13,525)***	*(9,134)*
Of the total comprehensive income from continuing operations for the period, the following is attributable to:			
Non-controlling interests		***13,230***	*—*
Shareholders of the parent company		***(13,525)***	*(9,134)*
Total comprehensive income for the period attributable to shareholders of the parent company arises from:			
Continuing operations		***(15,299)***	*(9,134)*
Discontinued operations	*8.14*	***816***	*622*
Total comprehensive income for the period attributable to non-controlling arises from:			
Continuing operations		***13,230***	*—*
Discontinued operations	*8.14*	***648***	*566*

* including interest expenses that are capitalized in accordance with IAS 23

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Continued)

in k€	before deferred taxes	deferred taxes	after deferred taxes
Profit for the period	1,168	—	1,168
Other comprehensive income to be reclassified to profit or loss in subsequent periods	(1,779)	5	(1,774)
– Exchange differences on translation of foreign operations	(1,744)	—	(1,744)
– Actuarial gains/losses	(35)	5	(30)
– Others	—	—	—
Other comprehensive income not to be reclassified to profit or loss in subsequent periods	—	—	—
– Others	—	—	—
Total comprehensive income for the period	**(611)**	**5**	**(606)**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

in k€	Notes	31.12.2018	31.12.2017
Non-current assets			
Investment property	9.1	**328,027**	527,350
Advance payments on investment property		**—**	10,532
Property, plant and equipment	9.2	**8,771**	4,940
Goodwill	9.3	**1,032,480**	700,076
Other intangible assets	9.2	**6,158**	2,886
Investments accounted for using the equity method		**21,590**	—
Financial assets	9.4	**10,037**	5,000
Contract assets	9.6	**235,011**	—
Total non-current assets		**1,642,073**	1,250,785
Current assets			
Work-in-progress including acquired land and buildings	9.7	**1,830,487**	1,211,827
Trade and other receivables	9.8	**53,933**	56,017
Receivables from related parties	13	**62,853**	27,840
Tax receivables	9.9	**8,644**	275
Financial assets	9.4	**38,439**	2,584
Other assets	9.5	**15,499**	5,375
Contract assets	9.6	**190**	—
Cash and cash equivalents	9.10	**91,603**	71,340
Assets held for sale		**1,329**	—
Total current assets		**2,102,977**	1,375,256
Total Assets		**3,745,050**	2,626,042
Equity			
Subscribed capital	9.11(a), (b)	**134,040**	79,850
Capital reserves	9.11(h)	**904,233**	574,714
Reserves	9.11(i)	**(27,363)**	(8,456)
Non-controlling interests	9.11(j)	**151,629**	169,901
Total Equity		**1,162,539**	816,009
Non-current liabilities			
Financing liabilities	9.12	**1,049,150**	1,013,617
Provisions	9.13	**1,712**	—
Other liabilities	9.14	**15,017**	8,386
Deferred tax liabilities	9.15	**114,380**	103,723
Total non-current liabilities		**1,180,259**	1,125,726
Current liabilities			
Financing liabilities	9.12	**1,146,374**	575,929
Provisions	9.13	**4,735**	3,370
Trade payables	9.16	**41,913**	46,244
Liabilities to related parties	9.17	**43,196**	5,953
Tax payables	9.18	**44,389**	17,441
Received prepayments	9.19	**0**	311
Other liabilities	9.14	**75,771**	35,058
Contract liabilities	9.6	**45,872**	—
Total current liabilities		**1,402,251**	684,306
Total Equity and Total Liabilities		**3,745,050**	2,626,042

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

in k€	Subscribed capital	Capital reserves	Retained earnings	Other reserves	OCI	Total	NCI	Total Equity
Notes	9.11(b)	9.11(h)	9.11(i)	9.11(i)	9.11(i)		9.11(j)	
01.01.2017	22,000	—	56	—	—	22,056	—	22,056
Profit for the period	—	—	(8,513)	—	—	(8,513)	566	(7,946)
Total comprehensive income for the period	—	—	(8,513)	—	—	(8,513)	566	(7,946)
Transactions with owners in their capacity as owners:								
Issue of share capital	57,850	574,714	—	—	—	632,564	—	632,564
Withdrawal from capital reserves	—	—	—	—	—	—	—	—
Acquisition of subsidiary with non-controlling interests	—	—	—	—	—	—	169,335	169,335
31.12.2017	79,850	574,714	(8,456)	—	—	646,108	169,901	816,009
Notes	9.11(b)	9.11(h)	9.11(i)	9.11(i)	9.11(i)		9.11(j)	
01.01.2018	**79,850**	**574,714**	**(8,456)**	**—**	**—**	**646,108**	**169,901**	**816,009**
Effect from initial application of IFRS 15 (net of tax)	**—**	**—**	**—**	**4,279**	**—**	**4,279**	**3,409**	**7,688**
Change in accounting policy IFRS 9	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Adjusted balance at January 1, 2018	**79,850**	**574,714**	**(8,456)**	**4,279**	**—**	**650,387**	**173,310**	**823,698**
Profit for the period	**—**	**—**	**(12,709)**	**—**	**—**	**(12,709)**	**13,878**	**1,168**
Other comprehensive income	**—**	**—**	**—**	**—**	**(1,828)**	**(1,828)**	**54**	**(1,774)**
Total comprehensive income for the period	**—**	**—**	**(12,709)**	**—**	**(1,828)**	**(14,537)**	**13,931**	**(606)**
Issue of share capital	**45,119**	**299,260**	**—**	**—**	**—**	**344,379**	**—**	**344,379**
Conversion Notice Convertible Loan	**737**	**5,686**	**—**	**—**	**—**	**6,423**	**—**	**6,423**
Transactions with minority shareholders without change of control	**8,333**	**24,573**	**—**	**(8,649)**	**—**	**(24,256)**	**(30,279)**	**(6,022)**
Consolidation of entities with minority interest	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Deconsolidation of entities with minority interest	**—**	**—**	**—**	**—**	**—**	**—**	**(26,861)**	**(26,861)**
First Time Consolidation	**—**	**—**	**—**	**—**	**—**	**—**	**21,527**	**21,527**
Effects from PPA finalization	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Paid dividends	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
31.12.2018	**134,040**	**904,233**	**(21,165)**	**(4,370)**	**(1,828)**	**1,010,910**	**151,629**	**1,162,539**

CONSOLIDATED STATEMENT OF CASH FLOWS

in k€	Notes	2018	2017
Operating activities			
Net profit		**(296)**	(8.778)
Tax expense	8.13	**(11.192)**	5.214
Profit (loss) before tax		**(11.488)**	(3.564)
Adjustments to reconcile profit before tax to net cash flows:			
Depreciation and impairment of property, plant and equipment	9.2	**1.698**	—
Amortisation and impairment of intangible assets	9.2	**477**	—
Valuation gains on financial assets	12.2	**(2.893)**	—
Valuation gains on investment property	9.1	**(25.631)**	(15.265)
Financial income	8.11	**(4.620)**	(445)
Financial expenses	8.11	**121.834**	7.864
Transition Adjustments IFRS 15	5.	**(8.424)**	—
Other non-cash adjustments		**2,230**	(368)
		73,182	(11.778)
Working capital adjustments			
Decrease/ (increase) in rent and other receivables	9.8	**21.909**	(323)
Decrease / (increase) prepayments, accrued income and other assets	9.5	**(18.581)**	(102)
Decrease/ (increase) in inventories and contractual assets	9.6	**(333.149)**	—
(Decrease) / increase in prepayments on development projects		**356.326**	—
(Decrease) / increase in trade, other payables and accruals, contractual liabilities and other liabilities		**39.849**	7.587
Income tax paid	8.13	**(7.525)**	—
Net cash flow from operating activities		**132,013**	(4.616)
Investing activities			—
Acquisition of consolidated entities, net of cash acquired	7.	**(18.653)**	(83.233)
Prepayments on financial assets		**—**	381
Purchase of investment property	9.1	**—**	(138.882)
Loans granted		**380**	—
Capital expenditure on investment property	9.1	**(11.470)**	—
Proceeds from the sale of PPE & intangibles	9.2	**305**	—
Expenditure on other fixed assets		**(22.234)**	—
Sale of subsidiary, net of cash	7.	**94.944**	—
Interest received	8.11	**2.017**	—
Change in financial assets	9.4	**(20.093)**	—
Transferable securities held as fixed assets		**—**	(381)
Net cash flow from investing activities		**25.195**	(222.114)
Financing activities			
Proceeds from issue of share capital	9.11(b)	**128.732**	32.998
Proceeds from borrowings		**535.920**	261.347
Repayment of borrowings		**(722.816)**	(11.364)
Interest paid	8.11	**(75.687)**	(1.200)
Net cash flow from financing activities		**(133.851)**	281.780
Cash effective change in cash and cash equivalents from discontinuing operations		**3,086**	(1.342)
Net increase / (decrease) in cash and cash equivalents		**23,358**	55.050
Effect of exchange rate changes on cash and cash equivalents		**(8)**	
Cash and cash equivalents at the beginning of the year	9.10	**71.340**	17.632
Cash and cash equivalents at 31 December 2018		**91.603**	71.340

NOTES

1. The Consus Real Estate AG

1.1. General information

Consus Real Estate AG (''the Company'', or ''the Parent Company'', ''CONSUS'', together with its subsidiaries ''the Group'') is a public limited company incorporated under the laws of the Federal Republic of Germany.

Founder of the Company was at the time the sole shareholder of Consus Commercial Property GmbH (formerly: publity Vertriebs GmbH) Consus GmbH, Leipzig, which has decided to change the legal form to a stock corporation (Aktiengesellschaft, AG) with the shareholders' resolution of October 6, 2016. The change of the legal form was registered on October 28, 2016 in the commercial register of the district court Leipzig under HRB 33038. With the shareholders' resolution as of September 28, 2017 the legal name of the Company was changed from Consus Commercial Property AG to Consus Real Estate AG.

The Company was founded on October 17, 2008 as Palmengarten Vertriebs- und Marketing GmbH and entered in the commercial register of the local court in Leipzig under HRB 24576. In September 2011, publity AG acquired all shares of the Company. The Company was renamed publity Vertriebs GmbH and integrated into the publity financial group.

The shares of publity Vertriebs GmbH held by publity AG were acquired on September 26, 2016 by the founder Consus GmbH. The publity Vertriebs GmbH was then renamed to Consus Commercial Property GmbH. The profit and loss transfer agreement between publity Vertriebs GmbH as the controlled company and publity AG was terminated with effect from September 30, 2016.

Until the acquisition, publity AG was the parent company of the Company. After the transaction and until February 28, 2017, Consus GmbH was the parent company of the Company. Both Consus GmbH and publity AG have so far not prepared consolidated financial statements in which the Company was included.

On August 22, 2017, Aggregate Deutschland S.A. (hereafter 'Aggregate') and the Company agreed to contribute Pebble GmbH, a 100% subsidiary of Aggregate, to the Company and receive new shares and a bond as consideration for the contribution. The date of entry in the trade register of the capital raise was November 2, 2017. This was the last condition precedent included in the contract to be met. At that date the Company became a 69% subsidiary of Aggregate Holdings S.A., parent to Aggregate. Aggregate Holdings S.A. prepares consolidated financial statements under IFRS as adopted by the European Union.

The registered address of the Company was Leipzig. It was registered under the commercial register number HRB 33038 in the commercial register of the district court of Leipzig. With the shareholders' resolution as of September 28, 2017 the Company relocated its offices to Kurfürstendamm 188 – 189, 10707 Berlin. The Company is now registered under the commercial register number HRB 191887 in the commercial register of the district court of Berlin-Charlottenburg.

The company was established indefinitely. The financial year of the Company runs from January 1 to December 31.

1.2. Business activities

Beginning in 2017, the Company was able to invest in companies active in the field of construction, support, management, administration and sale of buildings of all legal forms and uses, including investments in real estate funds. As of today, the Company specializes in the acquisition, development, management, use and sale of real estate and land rights in Germany through a number of shareholdings.

Following its initial investment in 2017, Consus Real Estate AG has increased its stake in the CG Gruppe (hereafter 'CG') Berlin in 2018 amounting to 64,7% in August 2018 with commitments to increase to 75% on a fully diluted basis in the following periods. The CG Gruppe AG operates through its subsidiaries in project development, construction and refurbishment as well as services around real estate. Consus Real Estate AG will deliver the increase of its ownership of CG Gruppe AG firstly through an equity contribution of €50 million directly into CG Gruppe, to further accelerate growth of its development business; with the equity injection to be conducted via a dilutive equity instrument. Secondly the acquisition by the Company of a stake in CG Gruppe directly from Christoph Gröner paid through the issuance to Christoph Gröner of 8,333,334 new no-par value ordinary bearer shares in CONSUS, and a cash amount of ca. €67 million payable in stages over the next three years. As of the balance sheet date only the 8,333,334 CONSUS shares have been delivered and reflected within the financials with the three months average share price of 7.51 A/share. Upon completion of all steps CONSUS will hold 75% of CG on a fully diluted basis.

1. The Consus Real Estate AG (Continued)

1.2. Business activities (Continued)

On December 3, 2018 Consus Real Estate AG acquired 93.4% of the shares in SSN Group AG, Zug, Switzerland (hereafter 'SSN Group', 'SSN') for a total consideration of €245 million in cash. The purchase price was financed by cash on balance and a €250 million acquisition facility from J.P. Morgan. The Company significantly increased its gross development volume (GDV) from approximately €6.2 billion to approximately €9.6 billion as well as the overall number of projects from 53 to 65. The Company simultaneously acquired 38.9% in SG Development GmbH, a 51% subsidiary of SSN Group, which holds nine out of twelve development projects, as well as a 85.9% stake in Wilhelmstraße I GmbH, which in turn holds 50% of an SSN landmark development in the centre of Berlin from Consus' majority shareholder Aggregate Deutschland S.A, as contribution in kind against issuance of 26,875,000 new shares in Consus reflected in the financials at a price of €8.02 per share. The combined transactions resulted in the Consus group controlling all aspect of the SSN group and achieving maximum economic exposure.

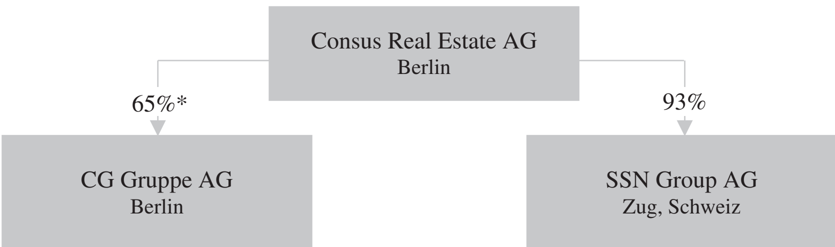
Additionally, Consus Real Estate AG has acquired a 75% stake in DIPLAN, an innovative PropTech company which concentrates on enhancing the digitalisation process of the company's core operations in development, including construction. The transaction was closed on December 30, 2018.

Furthermore Consus signed via its subsidiary CG Gruppe AG a share purchase agreement for 89.9% of the shares of GEM Ingenieur GmbH Projektmanagement. The business of the acquired company is mainly project development in the south west of Germany. As of the balance sheet date this transaction was not yet closed and therefore not shown in the financial statements. The fixed part of the purchase price liability is shown under Note 14

Furthermore with closing as of August 3, 2018, Consus Real Estate AG sold its majority stake of approx. 58% in German Properties AG (GxP), headquartered in Berlin whose shares are included in the Open Market of the Stock Exchange in Düsseldorf, Frankfurt (Basic Board), Hamburg, Munich and Stuttgart. The parties agreed not to disclose the purchase price. The divestiture is in line with Consus' communicated strategy to exit the holding of non-core commercial properties and results in a significant profit and a reduction of the Company's net debt by €140 million.

Following its strategy, the Company has also divested on May 15, 2018 its shareholding of ten companies that held a total of eight commercial assets and two purchase obligations and were previously reported under the Consus segment.

The Group's principal subsidiaries at December 31, 2018 are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the group, and the proportion of ownership interests held equals the voting rights held by the group. The country of incorporation or registration is also their principal place of business.



* Increase of stake in August, 2018. As communicated on August 2, 2018 the Company's Management and Supervisory Board resolved on increasing its stake in CG to 75% on a fully diluted basis after the reporting date.

2. The consolidated financial statements

The consolidated financial statements of Consus Real Estate AG have been prepared in accordance with the International Financial Reporting Standards (IFRS) adopted and issued by the International

Accounting Standards Board (IASB), as adopted by the European Union. In addition, § 315e (3) in conjunction with (1) HGB was taken into account.

These consolidated financial statements were submitted to the Supervisory Board for review by the Executive Board on April 16, 2019 and approved for publication.

3. Accounting policies

3.1. Basis of preparation of the consolidated financial statement

The assets and liabilities of the Company are reported individually in accordance with the going concern principle.

The Company assumes the going concern assumption regardless of the short-term maturity of material credit obligations at the time of preparation. In principle, the Company assumes that the credit line will be refinanced. If, contrary to expectations, refinancing is not possible, the Company assumes that the lender will be satisfied by the realisation of assets not required for operations, so that the Company's business activities can be continued as a whole. Foreseeable risks and losses were taken into account in the preparation of the balance sheet. The preparation of the annual financial statements was based on the assumption that the company's activities would be continued. The accounting and valuation methods applied to the previous annual financial statements were retained.

The Company's financial statements and those of its subsidiaries are prepared according to uniform accounting policies. In the process, the principles are consistently applied for all presented periods and reporting dates in the consolidated financial statements.

The Consolidated Financial Statements have been prepared in thousands of Euros (EUR/ €). Rounding differences may occur in respect of individual amounts or percentages. The Consolidated Financial Statements are comprised of the Consolidated Statements of Comprehensive Income, the Consolidated Statements of Financial Position, the Consolidated Statements of Changes in Equity and the Consolidated Statements of Cash Flows as of December 31, 2018.

The statement of comprehensive income is prepared according to the nature of expense method. The presentation of the consolidated statement of financial position distinguishes between current and non-current assets as well as current and non-current liabilities. Assets or liabilities due within one year are classified as current.

3.2. Basis of consolidation

The consolidated financial statements of the Group contain all the material subsidiaries the Group controls within the meaning of IFRS 10. Subsidiaries are consolidated from the date at which the Group first obtains control. Subsidiaries are deconsolidated as soon as the Group no longer controls them. Consolidation ends as soon as control no longer exists. The financial statements of subsidiaries are prepared using uniform accounting policies and as at the end of the same reporting period as the Company's financial statements. All intragroup receivables and liabilities, income and expenses and gains and losses from intragroup transactions are eliminated.

Acquirees are recognized by applying the acquisition method. In application of the acquisition method, the cost of the acquired shares is allocated pro-rata on fair value of the acquired assets, liabilities and contingent liabilities of the subsidiary at the acquisition date. A positive difference arising from allocation is capitalized as derived goodwill. Negative differences that result from capital consolidation at the date of acquisition are immediately recognized in profit or loss.

Non-controlling interests constitute the share of profit or loss and net assets that is not attributed to the parent's shareholders and are recognized separately. They are measured at the acquisition date using the proportionate share of the acquiree's net identifiable assets. Changes in the parent's ownership interest in a subsidiary that do not result in losing control of the subsidiary are accounted for as equity transactions. The Company evaluates non-controlling interest based on the present ownership of the related participatory interest.

If the Group loses control of a subsidiary, the assets (including goodwill) and liabilities of the subsidiary as well as the carrying amount of all non-controlling interests in the former subsidiary are derecognized and any investment retained in the former subsidiary is recognized at its fair value.

Subsequently, profit surpluses and deficits are recognized in the statement of comprehensive income and the components of other comprehensive income attributable to the parent company are reclassified to the statement of comprehensive income or, if required, to retained earnings.

The Group carried out one significant business combination in the financial year 2018 (2017: two). New subsidiaries were established by the Group in 2018 as well as 2017 that were consolidated for the first time in the consolidated financial statements of the respective years.

Until the disposal of GxP German Properties AG in August 2018, the Group held minority interests of 5.1% of the voting rights in multiple single object real estate companies. As the Group concluded asset management

3. Accounting policies (Continued)

3.2. Basis of consolidation (Continued)

agreements with these companies to provide services for the individual properties, a control assessment has been conducted in order to assess whether, besides its minority shareholding, the Group can exercise control over these companies. Throughout the assessment, the Group determined whether it cumulatively has the power of disposition to control the relevant activities of the subsidiary, is subject to variable return flows from the entity and has the ability to influence the variable return flows through its power of disposition. Since the Group only has a very limited exposure to variable returns from its involvement with the minority interests held, the Group did not consolidated them as of the balance sheet date.

The asset management of the individual properties of Consus CCP entities was outsourced to the service provider publity AG. The contractual agreements with publity AG were similar to those of a fund manager within the meaning of IFRS 10. The fund manager had extensive decision-making authority with regard to the management of the real estate. Publity AG had only limited exposure to variable returns.

In appreciation of Example 14 of IFRS 10 Appendix B, publity AG was thus considered to be an agent. This agent acted exclusively in the interest of the principal (the Group). The assets and liabilities are therefore consolidated exclusively at the Group. With the disposal if the CCP entities in 2018 all related assets and liabilities were deconsolidated.

Changes in the parent’s ownership interest in a subsidiary that do not result in losing control of the subsidiary are accounted as equity transactions.

During the financial year 2018 CONSUS exercised through its subsidiary CG joint control over one joint venture which is accounted for at-equity as of year-end. As of the balance sheet date the Group has no other interest in any other company in which it exercises joint control or in which it alone can exercise significant influence without having control besides mentioned above. Accordingly, one joint venture, and no joint operation or associate is included in the consolidated financial statements.

3.3. Summary of significant accounting policies

(a) Revenue recognition

The Group generally distinguishes between:

a) For property development and construction contracts for which the criteria of IFRS 15.35 (b) and/or (c) are fulfilled revenue and costs are recognized over time in proportion to the stage of completion of the project using the stage of completion method. The stage of completion is determined on the basis of the costs incurred compared with the expected total costs. When the outcome of these contracts cannot be estimated reliably, contract revenue is recognised only to the extent of contract cost incurred that is likely to be recoverable. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

b) For all other property development and construction contracts which do not fulfil the criteria of IFRS 15.35 revenue is recognized in accordance with the point in time method.

Until the application of IFRS 15 on January 1, 2018 revenue regarding the sale of project development and construction contracts was recognized when the risks and rewards of the developed and constructed property have been transferred and the Group does not retain either continuing managerial involvement to the degree usually associated with ownership, or effective control over the property sold. This is generally the date when the property in its entirety is accepted by the customer. Revenue relating to work to be performed after this date is only deferred when material, i.e. equal to or higher than one percent of the purchase price. Revenue is measured at the amount receivable under the contract. The amount receivable generally includes both a non-contingent consideration as well as a part that is contingent on future events. Regarding the contingent part revenue is recognized to the extent that the Group can determine that there is a probable inflow of economic benefits that can be reliably measured. When measuring the contingent part the Group considers historic trends, factors specific to the contract and the uncertainties relating to the contingent consideration. Since in 2017 CG Gruppe AG and its subsidiaries affected the profit and loss statement only through the at-equity result, no revenue from sale of project development and construction contracts are presented during financial year 2017.

The Group recognizes revenue from letting activities where the property’s rental agreement or lease is classified as an operating lease as a straight line over the term of the contract. If incentives of any kinds are provided to the

3. Accounting policies (Continued)

3.3. Summary of significant accounting policies (Continued)

tenants, the cost of the incentive is recognized over the lease term, on a straight-line basis, as a reduction of revenue from letting activities. For the purpose of accounting treatment, a deferred asset is recognized which is released later on over the duration of the base lease term including prolongation options of the Group. Service charges passed on to tenants are generally offset against the corresponding expense and are therefore not recognized as income, as the Group collects these charges on behalf of third parties.

(b) Taxes

The income tax expenses represent the total of the current tax expenses and the deferred taxes.

The Group recognizes receivables and liabilities for current taxes in the amount in which reimbursements are expected from the tax authority or payments to the tax authority. Current tax expenses are calculated on the basis of the taxable income for the respective year and the respective tax rates and tax laws in those countries where the Group generates taxable income, i.e. mainly Germany. Income taxes are recognized in profit or loss unless they relate to items that are recognized in other comprehensive income or recognized directly in equity. In this case, the corresponding current and deferred taxes are recognized in other comprehensive income or directly in equity.

The Group recognizes deferred tax assets and liabilities arising from temporary differences between the carrying amount of assets and liabilities and their tax value in the tax balance sheet and unused tax losses. Unused tax loss includes interest carried forward as well. Interest carried forward includes interest expenses that cannot be used to offset taxable income during the current fiscal year due to earnings stripping rules in the German tax law, where most Group companies reside. Under German tax law, tax losses carryover of acquired companies are frequently forfeit upon changes in shareholders above a 50% threshold, except if the companies proves sufficient reserves exist. The recoverability of these deferred tax assets, insofar as they exceed the amount of the deferred tax liabilities, depends on the future taxable income of the respective company. Accordingly, deferred tax assets are only recognized in the amount in which the realization of these claims is sufficiently assured on the basis of the consolidated corporate planning.

Deferred tax liabilities and deferred tax assets are calculated on the basis of the tax rates (and tax legislation) that are expected to be in force when the liability is settled or the asset is realized.

Deferred tax assets and deferred tax liabilities are offset if the Group has a legally enforceable right to offset current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same tax authority and to the same taxable entity.

(c) Intangible assets and goodwill

Intangible assets acquired are measured at acquisition or manufacturing cost less accumulated amortization. If necessary, accumulated impairment losses are recognized. Such assets are amortized on a straight-line basis over the expected economic life of between 3 and 7 years from the date on which they are provided.

The amortization method and the estimated amortization period are reviewed at least annually at the end of each reporting period and adjusted if necessary.

Internally generated intangible assets of the Group can only be measured reliably after the asset has been put into operation successfully. Accordingly, during the development phase all internally generated development costs are expensed as incurred.

In the fiscal years presented neither research nor development activities were carried out.

Goodwill principally results from the acquisition of subsidiaries and corresponds to the sum of the transferred consideration, the amount of all non-controlling interests in the acquiree and the fair value of the previously held equity interests in the acquiree less the fair value of acquired net assets. Goodwill is subject to an annual impairment test in accordance with IAS 36 as well as in the case of an impairment indicator. For the purpose of impairment testing, goodwill is allocated to a cash-generating unit (CGU). The allocation is made to those CGUs or groups of CGUs that are expected to benefit from the business combination in which the goodwill arose.

For further information on the impairment testing, please refer to section 3.3. (i) ‘‘Impairment of non-monetary assets’’.

3. Accounting policies (Continued)

3.3. Summary of significant accounting policies (Continued)

(d) Property, plant and equipment

Property, plant and equipment are measured at acquisition or manufacturing costs less accumulated depreciation. If necessary, accumulated impairment losses are recognized. All property, plant and equipment are depreciated over the useful lives. Buildings on third-party land are depreciated according to the term of the lease or a shorter useful life. The estimated useful lives of other fixtures and fittings, tools and equipment are between 4 and 13 years. The depreciation method and the estimated depreciation period are reviewed at least annually at the end of each reporting period and adjusted if necessary.

(e) Investment property

Properties which are held for the purpose of generating rental income or achieving value appreciation or both have been identified as investment property.

Mix-used properties, where a certain part is occupied by the owner and the remainder by third parties, are recognized separately in the balance sheet as investment property and property, plant and equipment as long as a legal means of dividing the property exists and neither the owner-occupied nor the rented portion is negligible.

As for properties that have not been acquired in the course of a business combination, investment property is measured initially at cost, including transaction costs. Subsequent to initial recognition, investment property is stated at fair value. IFRS 13.9 defines the fair value as 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.

Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the period in which they arise, including the corresponding tax effect.

Market values of investment properties are determined in accordance with either the discounted cash flow method or remaining value method (''Residualwert'').

Under the discounted cash flow method, the market value is the sum of discounted cash flows over a specified planning period of ten years and the terminal value at the end of the planning period for each the respective property.

Under the remaining value method the fair value is calculated starting with the sale price for a final constructed finished building and deducting all costs for the final construction at the actual stage of the building.

The valuation of investment properties is done according to Level 3 of the valuation hierarchy of IFRS 13 where valuation is achieved on the basis of significant unobservable input factors due to limited availability of valuation parameters directly observable on the market. These include future rental agreements, estimates on vacancy rates, discounted interest rates, capitalization rates, construction costs and terminal values.

Fair values are calculated mostly by independent third-party experts.

Costs in connection with the maintenance, extension and replacement of properties are capitalized if they are reliably measurable and if they constitute the replacement of parts of a unit in accordance with the component approach.

Prepayments for purpose of acquiring a property are separately disclosed as prepayments for investment property.

Investment property is derecognized either when it has been disposed of or when it is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss in the period of derecognition.

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. Investment property that is likely to be sold within a period of 12 month is recognized under current assets as an asset held for sale according to IFRS 5 and measured according to this accounting policy.

(f) Work-in-progress including acquired land and buildings

Work-in-progress is valued at the lower of cost and net realizable value. The net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and sale. The cost of

3. Accounting policies (Continued)

3.3. Summary of significant accounting policies (Continued)

inventories includes expenses incurred in acquiring the inventories (i.e. land and buildings) and related purchase costs. The cost of inventories includes furthermore a reasonable share of the indirect overhead based on normal production capacity as well as attributable borrowing costs.

(g) Leasing

Assets carried as finance leases are measured at the beginning of the (lease) contract at the lower of the present value of the minimum lease payments and the fair value of the leased object, and in the following periods less accumulated depreciation and other accumulated impairment losses. Payment obligations resulting from future lease payments are discounted and disclosed under financing liabilities. Lease payments are divided into interest expenses and the principal portion of the residual liability, resulting in a constant interest rate on the remaining lease liability. Financing costs are recognized immediately in profit or loss. Capitalized leased assets are fully depreciated over the shorter of the two periods from the lease term or useful life. The basis for so-called rental purchases are the estimated useful life. Assets of the Group are derecognized when all material risks and rewards of ownership are transferred to a lessee.

All other leases are classified as operating leases. Lease payments for operating leases are recognized on a straight-line basis over the term of the lease as operating leases / expenses in the statement of comprehensive income.

(h) Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale. Since CG Gruppe AG and its subsidiaries are included in the consolidated financial statements as of December 31, 2017 at fair value of its net assets only, no effect from borrowing costs was recorded during financial year 2017. No further effects were recorded in 2018.

Other borrowing costs are expensed in the period in which they are incurred.

(i) Impairment of non-monetary assets

The carrying amounts of property, plant and equipment (with the exception of investment properties) and intangible assets including goodwill are reviewed for indications of impairment at each reporting date (impairment test). If such indicators exist, the recoverable amount is calculated for the asset in question. If the recoverable amount cannot be determined for individual assets, the Group determines the recoverable amount on the level of the cash-generating unit (CGU) to which the respective asset is assigned.

For intangible assets with indefinite useful lives or those that cannot yet be put into operation, an impairment test is carried out at least once a year and if an impairment indicator exists (triggering event).

The recoverable amount corresponds to the higher of the fair value less costs of disposal or the value in use.

The value in use is determined by discounting the estimated future cash flows at a pre-tax interest rate. This takes into account both the current market assessment of the time value of money and the risks relating to the asset, unless these have already been taken into account in the estimation of the cash flows. The calculations are based on forecasts based on the 3 to 5 year financial plans approved by management, which are also used for internal purposes. The planning horizon reflects the assumptions for short to medium-term market developments. Cash flow forecasts beyond the detailed planning period are calculated on the basis of appropriate growth rates. The risk-adjusted discount rate is determined individually depending on the CGU.

The fair value less costs of disposal is determined using an appropriate valuation model (discounted cash flow method (DCF)). The model is based on observable valuation multiples, market prices of exchange-traded shares in subsidiaries or other available indicators of fair value. In addition, the determination of the fair value less costs of disposal takes into account key assumptions made by the management regarding sales development, customer acquisition and costs for the provision of services as well as discount rates. The basis of the cash flow calculation is backed by external sources of information.

3. Accounting policies (Continued)

3.3. Summary of significant accounting policies (Continued)

If the recoverable amount of an asset or CGU is lower than its carrying amount, an impairment loss is recognized immediately in profit or loss except for assets carried at fair value where the impairment loss would reduce the revaluation reserve.

The increased carrying amount of an asset other than goodwill attributable to a reversal of an impairment loss cannot exceed the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized immediately in profit or loss, unless the asset is carried at revalued amount. Goodwill is excluded from a reversal of an impairment loss.

For goodwill acquired through the acquisition of companies and businesses, the Group carries out an impairment test annually and whenever there are indicators of a potential impairment.

In the impairment test, the goodwill obtained from a merger is allocated to every individual cash-generating unit that is likely to profit from the synergies generated by the merger. If the carrying amount of the cash-generating unit including the goodwill allocated to it exceeds its recoverable amount, the difference must be deducted from the goodwill allocated to that cash-generating unit. The write-downs of the goodwill may not be reversed at a later date. If the impairment of the cash-generating unit exceeds the carrying amount of the goodwill allocated to it, the additional impairment must be recognized by proportionately impairing the carrying amounts of the assets allocated to the cash-generating unit. However, the carrying amount of an asset may not fall below its fair value less costs of disposal, its value in use or zero.

The goodwill of €724,634 thousand resulting from the acquisition of CG (previous year: €698.490 thousand) was tested for impairment in accordance with the regulations of IAS 36.

The impairment test was carried out on the basis of the value in use of the cash-generating unit CG, whereby the cash-generating unit CG represents the business of real-estate development of CG. The value in use was derived from estimated future free cash flows. These are based on the cash-generating unit-specific five-year detailed planning phase and a related accumulated value. In particular, the estimates regarding the cash-generating unit CG are exclusively based on development projects for which agreed upon contracts exist and include contractually fixed cash flows, experience from previous years and management forecasts regarding the development of the property market.

A sustainable annual growth rate of 0.75% – which CONSUS Real Estate AG believes will not exceed the forecast average market growth rate – was assumed in order to estimate the accumulated value for the development of the net cash flows after five years.

Cash-generating unit-specific weighted capital costs (after-tax WACC) of 5.10% were used to determine the value in use.

The following assumptions on which the calculation of the value in use is based are inherently uncertain:

- Forecast of cash flows: The plan is based on contractually fixed cash flows, experience from previous years, the investments plans of the cash-generating units and external forecasts regarding the development of the property market, with consideration for the specific circumstances of each cash-generating unit. If the long-term net cash flows (free cash flows) decrease by 20.8% for the cash-generating unit CG the value in use will correspond to the net carrying amount.
- Long-term EBIT-Margin: The planning for the cash-generating unit CG includes income from development of projects, income from the disposal of real estate assets and rental income, whereby long-term rental income contributes less than 5% to the overall performance. For the project development business, a long-term EBIT-Margin of 16.5% is assumed. If the long-term EBIT-Margin of the project development business decreases to 13.5%, the value in use will correspond to the net carrying amount.
- Discount rate: The discount rate was calculated based on assumed weighted average capital costs that would be typical for the sector. If the discount rate after taxes increases to 5.10% for the cash-generating unit the value in use will correspond to the net carrying amount.
- Long-term growth rate: The estimate regarding the forecast long-term growth rate is based on external sector-specific market research. If the growth rate decreases to -0.17% for the cash-generating unit the value in use will correspond to the net carrying amount.

3. Accounting policies (Continued)

3.3. Summary of significant accounting policies (Continued)

The goodwill of €304,264 thousand resulting from the acquisition of SSN was not tested for impairment in 2018 in accordance with the regulations of IAS 36.

(j) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Non-derivative financial assets

The Group classifies non-derivative financial assets at initial recognition as financial assets at amortised cost; fair value through other comprehensive income (FVOCI) – debt investment; FVOCI – equity investment; or fair value through profit and loss (FVTPL). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Reclassifications between these classifications, if permitted and required, will be made at the end of the reporting period.

Financial assets are initially measured at fair value. In the case of financial investments that are not classified as at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the assets are also taken into account. Generally, the Group accounts for financial assets on the trading day.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

The following accounting policies apply to the subsequent measurement of financial assets:

- Financial assets at FVTPL: These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
- Financial assets at amortised cost: These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
- Debt investments at FVOCI: These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in

3. Accounting policies (Continued)

3.3. Summary of significant accounting policies (Continued)

profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

- Equity investments at FVOCI: These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

Offsetting of financial instruments

Financial assets and liabilities are only offset and the net amount recognized in the balance sheet if there is a legal right at the present time to offset the recognized amounts and if the intention is to settle on a net basis or to simultaneously realize the respective asset and replace the corresponding liability.

Fair value of financial instruments

The fair value of financial instruments traded on organized financial markets is determined by the market price (bid price) quoted on the balance sheet date. The fair value of financial instruments for which no active market exists is determined using valuation methods. Valuation methods include the use of recent transactions between knowledgeable, willing and independent counterparties, comparison with the current fair value of another substantially identical financial instrument, the use of discounted cash flow methods and other valuation models.

(k) Impairment of financial instruments

At each reporting date, the Group determines whether there are any objective indications of an impairment of a financial asset or a group of financial assets. A financial asset or a group of financial assets is considered impaired only if there are objective indications of impairment as a result of one or more events occurring after the initial recognition of the asset (a ‘‘triggering event’’) and that event has an impact on the expected future cash flows of the financial asset or group of financial assets that can be reliably estimated. There may be evidence of impairment if there are indications that the debtor or a group of debtors are experiencing significant financial difficulties, default or delinquency of interest or principal payments, a high probability of bankruptcy or other reorganization, and observable data indicate a measurable reduction in expected future cash flows, such as changes in backlogs or economic conditions that correlate with failures.

If there are objective indications that an impairment has occurred, the amount of the impairment loss is the difference between the carrying amount of the asset and the present value of the expected future cash flows (excluding expected future credit losses not yet incurred).

In the event of an impairment of loans or receivables, the carrying amount is reduced using an allowance account and the impairment loss is recognized in profit or loss. Interest income continues to be recognized on the reduced carrying amount based on the original effective interest rate of the asset. Receivables, including the related allowance, are derecognized if they are classified as uncollectible and all collateral has been utilized. If the amount of an estimated impairment loss increases or decreases in a subsequent reporting period due to an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or decreased by adjusting the allowance account. If a derecognized receivable is subsequently reclassified as recoverable due to an event occurring after derecognition, the corresponding amount is recognized immediately in profit or loss.

With regard to the general credit risk for financial instruments, reference is made to the explanations under 12.3.

(l) Derecognition of financial instruments

A financial asset is derecognized if one of the following conditions is met:

- The contractual rights to receive cash flows from a financial asset have expired.
- The Group has transferred its contractual rights to receive cash flows from the financial asset to third parties or has assumed a contractual obligation to pay the cash flow immediately to a third part under an agreement that meets the conditions in IAS 39.19 (the ‘‘Transit Agreement’’) and either (a) substantially all the risks and rewards of ownership of the financial asset or (b) substantially none of the risks and rewards of ownership of the financial asset are transferred or retained, but transferring the control over the asset.

3. Accounting policies (Continued)

3.3. Summary of significant accounting policies (Continued)

- If the Group transfers its contractual rights to receive cash flows from an asset or enters into a transfer agreement, essentially not transferring or retaining any opportunities and risks associated with ownership of that asset but retaining control over the transferred asset, the Group recognizes an asset to the extent of its continuing involvement.
- In this case, the Group recognizes a liability. The transferred asset and the liability are measured by taking into account the rights and obligations that the Group retains.
- If the continuing involvement formally guarantees the transferred asset, then the extent of the continuing involvement is the lower of the original carrying amount of the asset and the maximum amount of consideration received that the Group may be required to repay.

No dividend or interest income is included in the calculation of the net gain or loss upon disposal of an asset.

A financial liability is derecognized if the underlying obligation is settled, cancelled or extinguished. If an existing financial liability is exchanged for another financial liability of the same lender with substantially different contractual terms, or if the terms of an existing liability are substantially changed, such exchange or modification is treated as derecognition of the original liability and recognition of a new liability. The difference between the respective carrying amounts is recognized in profit or loss.

(m) Cash and cash equivalents

Cash and cash equivalents include cash on hand, bank deposits and liquid deposits with an original maturity of less than three months. The carrying amounts of the cash and cash equivalents essentially correspond to their fair values due to their short-term maturity.

(n) Provisions

A provision is a present (factual or legal) obligation arising from a past event that is uncertain as to its timing or amount. The amount of the recognized provision corresponds to the expected outflow of resources to fulfil the obligation, if a reliable estimate of the amount of the obligation is possible. If the Group at least partially expects a refund for a provision that has been recognized (such as in the case of an insurance contract), the reimbursement is recognized as a separate asset only if the reimbursement is virtually certain.

If the interest effect is material, provisions are discounted at a pre-tax interest rate that reflects the risks specific to the liability. If a provision is discounted, the increase in the provision due to the passage of time is recognized as interest expense. Provisions with a maturity of up to one year are considered current and provisions with a maturity of more than one year are considered non-current.

(o) Share-based payment

There is no employee share-based payment program in the Group.

(p) Discontinued operations

A disposal group is classified as a discontinued operation if it is part of an entity that has either already been disposed of, is inoperative or classified as held for sale, and

- constitutes a separate material business or geographical area of business,
- is part of a single agreed plan to dispose of a separate material business or geographical area; or
- which is a subsidiary acquired solely for the purpose of resale.

Discontinued operations are not included in results from continuing operations and are presented in the statement of comprehensive income in a separate item as profit after taxes from discontinued operations.

The Group sold its shares in the cash generating unit GxP in the year 2018. All assets and liabilities as per year end 2017 are reclassified in the financial statement 2018. The contribution to profit and loss and the cash flow from this business activity were separately disclosed in the statement of comprehensive income and the cash flow statement for the year 2018 as well as for the year 2017.

4. Fair value measurements

The application of some of the Group's accounting policies and accompanying notes requires determination of the fair value of financial assets and financial liabilities, as well as non-financial assets and liabilities.

The fair value is defined as the price that could be received when selling an asset or has to be paid to transfer a liability in an orderly transaction between market participants at the measurement date.

When determining the fair value of assets and liabilities, the Group uses directly observable market data. If no observable market data is available, fair values are determined using valuation techniques.

The fair value hierarchy categorizes the inputs used in valuation techniques into three levels, based on their proximity to the market:

Level 1: The (unadjusted) quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2: Inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly (i.e. the price) or indirectly (i.e. derived from the price)

Level 3: Measurement parameters based on unobservable inputs for the asset or liability

In case the inputs used to measure fair value are categorized into different levels of the fair value hierarchy, the fair value measurement is categorized in its entirety in the level of the lowest level input that is significant to the entire measurement.

For information on the measurement of investment property, please refer to the comments in section 9.1.

The fair value hierarchy can be summarized as follows:

Fair value hierarchy	Level 1	Level 2	Level 3
Purchase price allocation in the context of business combinations			X
Investment properties			X
Financing liabilities		X	
Derivatives			X

5. Changes in accounting policies

The following new and amended standards have been used for the first time in the reporting period:

IFRS 9 ''Financial Instruments'' (effective on/after January 1, 2018)

In July 2014, the final version of IFRS 9 'Financial Instruments' has been publicized by the IASB, replacing IAS 39. IFRS 9 contains revised requirements for the classification and measurement of financial assets and a new loss allowance model, also taking expected losses in the calculation of loss allowances into account. It contains the new hedge accounting regulations published in November 2013. The standard replaces all prior published versions of IFRS 9 and is effective for the first time for reporting periods beginning on or after January 1, 2018. It was endorsed by the EU in November 2016.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets of held to maturity, loans and receivables and available for sale.

The adoption of IFRS 9 had no significant effect on the Group's accounting policies related to financial liabilities and derivative financial instruments. The impact of IFRS 9 on the classification and measurement of financial assets is set out below.

Under IFRS 9, on initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income (FVOCI) – debt investment; FVOCI – equity investment; or fair value through profit and loss (FVTPL). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

5. Changes in accounting policies (Continued)

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

The following accounting policies apply to the subsequent measurement of financial assets:

- Financial assets at FVTPL: These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
- Financial assets at amortised cost: These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
- Debt investments at FVOCI: These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
- Equity investments at FVOCI: These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

The following table and the accompanying notes below explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Group's financial assets as at January 1, 2018.

in k€	Notes	Measurement category (IAS 39)	Measurement category (IFRS 9)	Carrying amount under IAS 39	Carrying amount under IFRS 9
Other non-current financial assets (investments)	(a)	AfS	FVOCI – equity instrument	**1,153**	**1,153**
Other non-current financial assets	(b)	LaR	Amortised cost	**3,847**	**3,847**
Trade receivables	(b)	LaR	Amortised cost	**56,017**	**56,017**
Other current financial assets	(b)	LaR	Amortised cost	**2,584**	**2,584**
Receivables from related entities	(b)	LaR	Amortised cost	**27,840**	**27,840**
Cash and cash equivalents		LaR	Amortised cost	**71,340**	**71,340**
Total financial assets				**162,781**	**162,781**

5. Changes in accounting policies (Continued)

(a) These equity securities represent investments that the Group intends to hold for the long term for strategic purposes. As permitted by IFRS 9, the Group has designated these investments at the date of initial application as measured at FVOCI. Unlike IAS 39, the accumulated fair value reserve related to these investments will never be reclassified to profit or loss.

(b) Financial assets that were classified as loans and receivables under IAS 39 are now classified at amortised cost. These financial assets do not include contractual asset that were recognised at January 1, 2018 on the adoption of IFRS 15 (see below, section 'IFRS 15 'Revenue from Contracts with Customers), for which an immaterial additional impairment amount was recognised.

IFRS 15 ''Revenue from Contracts with Customers'' (effective on/after January 1, 2018)

In May 2014, the IASB issued the new standard IFRS 15 'Revenue from Contracts with Customers'. The new standard IFRS 15 replaces IAS 18, Revenue, and IAS 11, Construction contracts and related interpretations, including IFRIC 15, Agreements for the construction of real estate. The goal of the new standard on revenue recognition is to compile currently existing guidance and interpretations into a uniform model of revenue recognition. IFRS 15 disclosures will include qualitative and quantitative information about the Group's contracts with customers, significant judgements made, changes in those judgements, and contract cost. The Group has applied IFRS 15 with a date of initial application of January 1, 2018.

The Group has applied IFRS 15 using the cumulative effect approach which means that the cumulative impact of the adoption will be recognized in retained earnings as of 1 January 2018 and that comparatives will not be restated and continue to be reported as presented in the previous financial year. The details of the significant changes and quantitative impact of the changes are set out below.

The Group mainly generates income from the sale of property development and construction contracts and recognizes income from letting activities of real estate space.

Revenue regarding the sale of property development and construction contracts by the Group subsidiary CG was previously recognized when the risks and rewards of the developed and constructed property have been transferred and the group does not retain either continuing managerial involvement to the degree usually associated with ownership, or effective control over the property sold. This was generally the point in time when the property in its entirety is accepted by the customer.

Under IFRS 15 the Group distinguishes between:

a) For property development and construction contracts for which the criteria of IFRS 15.35 (b) and/or (c) are fulfilled revenue and costs are recognized over time in proportion to the stage of completion of the project using the stage of completion method. The stage of completion is determined on the basis of the costs incurred compared with the expected total costs. When the outcome of these contracts cannot be estimated reliably, contract revenue is recognised only to the extent of contract cost incurred that is likely to be recoverable. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

b) For all other property development and construction contracts which do not fulfil the criteria of IFRS 15.35 revenue is recognized in accordance with the point in time method.

The accounting of letting activities of real estate space is based on IAS 17 or, in the future, on IFRS 16 and is not subject to the requirements of IFRS 15.

The Group has adopted IFRS 15 using the cumulative effect method (without practical expedients), with the effect of initially applying this standard recognised at the date of initial application (i.e. 1 January 2018). Accordingly, the information presented for 2017 has not been restated – i.e. it is presented, as previously reported, under IAS 18, IAS 11 and related interpretations.

5. Changes in accounting policies (Continued)

The following table summarizes the impact, net of tax, of transition to IFRS 15 on retained earnings and non-controlling interest at January 1, 2018.

In k€	Impact of adopting IFRS 15 at January 1, 2018
Other reserves	
Development projects: Forward sales	**4,649**
Development projects: Freehold flat	**(370)**
Impact at January 1, 2018	**4,279**
Non-controlling interests	
Development projects: Forward sales	**3,757**
Development projects: Freehold flat	**(347)**
Impact at January 1, 2018	**3,409**

Impacts from the first time application of IFRS 15 on the Group's equity resulted from two different types of development project for which the criteria of IFRS 15.35 (b) and/or (c) are fulfilled. Instead of capitalization of expenses incurred in relation to the projects beginning from January 1, 2018 revenue and expenses are recognized over time in proportion to the stage of completion of the project using the stage of completion method. Those two groups of development projects are:

a) Forward Sales: An integral element of Consus' business and financial strategy with high quality institutional investors purchasing primarily rental apartment blocks from Consus as long-term counterparties and repeat clients. Advance payments are contractually agreed upon.

b) Freehold flats (''Eigentumswohnungen''): Housing units (condominiums) sold to individual buyers.

The impact on retained earnings reflects the difference between the book value of the inventory related to the projects before application of IFRS 15 and the progress of the project that is recognized in accordance with IFRS 15 in equity on the transition date. Progress of the project is measured using the relation of total expenses incurred as of balance sheet date compared to total projected expenses according to the most recent business plan, considering and including interest expenses. The consideration of capitalized interest within the percentage-of-completion calculation method will improve the accurate presentation of the economic reality and strengthen the reliability of relevant information on incurred expenses for the capitalization in accordance with IFRS 15.

This adjustment effects the project progress which is measured by using the relation of expenses incurred as of balance sheet date compared to total projected expenses according to the most recent business plan, now including interest expenses.

The change in non-controlling interest relates to the above described changes in net assets from the transition to IFRS 15 of the joint-stock company invested in the project that now falls under the scope of IFRS 15.

5. Changes in accounting policies (Continued)

The following table presents a comprehensive overview of the transition adjustments related to IFRS 15 as of January 1, 2018. Line items not presented were not affected by the transition to IFRS 15.

in k€ Assets	Notes	As originally presented 01.01.2018	IFRS 15	Restated 01.01.2018
Non-current assets		**1,250,785**	**119,421**	**1,370,206**
Investment property	9.1	**527,350**	**—**	**527,350**
Advance payments on investment property	9.1	**10,532**	**—**	**10,532**
Property, plant and equipment	9.2	**4,940**	**—**	**4,940**
Goodwill	9.3	**700,076**	**—**	**700,076**
Other intangible assets	9.2	**2,886**	**—**	**2,886**
Financial assets	9.4	**5,000**	**—**	**5,000**
Contract assets	9.6	**—**	**116,866**	**116,866**
Deferred tax assets	9.15	**—**	**2,555**	**2,555**
Current assets		**1,375,256**	**(105,119)**	**1,270,137**
Work-in-progress including acquired land and buildings	9.7	**1,211,827**	**(120,145)**	**1,091,681**
Trade and other receivables	9.8	**56,017**	**—**	**56,017**
Receivables from related parties	13	**27,840**	**—**	**27,840**
Tax receivables	9.9	**275**	**—**	**275**
Financial assets	9.4	**2,584**	**—**	**2,584**
Other assets	9.5	**5,375**	**166**	**5,541**
Contract assets	9.6	**—**	**14,860**	**14,860**
Cash and cash equivalents	9.10	**71,340**	**—**	**71,340**
Total Assets		**2,626,042**	**14,301**	**2,640,343**
Total Equity		**816,009**	**7,688**	**823,698**
Subscribed capital	9.11(a)	**79,850**	**—**	**79,850**
Capital reserves	9.11(h)	**574,714**	**—**	**574,714**
Other reserves	9.11(i)	**(8,456)**	**4,279**	**(4,177)**
Non-controlling interests	9.11(j)	**169,901**	**(3,409)**	**173,310**
Non-current liabilities		**1,125,726**	**6,100**	**1,131,826**
Financing liabilities	9.12	**1,013,617**	**—**	**1,013,617**
Other liabilities	9.14	**8,386**	**—**	**8,386**
Deferred tax liabilities	9.6	**103,723**	**6,100**	**109,823**
Current liabilities		**684,306**	**513**	**684,819**
Financing liabilities	9.12	**575,929**	**—**	**575,929**
Provisions	9.13	**3,370**	**—**	**3,370**
Trade payables	9.16	**46,244**	**—**	**46,244**
Liabilities to related parties	9.17	**5,953**	**—**	**5,953**
Tax payables	9.18	**17,441**	**—**	**17,441**
Received prepayments	9.19	**311**	**—**	**311**
Other liabilities	9.14	**35,058**	**513**	**35,571**
Total liabilities		**1,810,032**	**6,613**	**1,816,646**
Total equity and liabilities		**2,626,042**	**14,301**	**2,640,343**

As of January 1, 2018 inventory of projects that now fall under the scope of IFRS 15 are derecognized and reclassified as contract assets. As such they are recognized according to the project progress and presented net of prepayments received. The step-up resulting from the purchase price allocation of CG Gruppe AG last year, which related to future project progress, was derecognized as part of the inventories and recognized under other assets and is amortized over the development period in accordance with the project progress. The decrease in other liabilities, a result of the reduction of net assets, is explained in the table above. Since the group treats participatory interests in business partnerships (''Kommanditgesellschaften'') as financial liabilities, the

5. Changes in accounting policies (Continued)

reduction of net assets as a result from the transition to IFRS 15 results in a decreased liability towards these minority shareholders.

The following table demonstrates the impact of IFRS 15 on the net income of the Group for the twelve months ending 2018:

In k€	31.12.2018 excl. IFRS 15	IFRS 15 Adjustment	31.12.2018 incl. IFRS 15
Income from letting activities	**32.796**	**—**	**32.796**
Income from real estate inventory disposed of	**163.515**		**163.515**
Income from property development	**85.651**	**322.810**	**408.461**
Income from service, maintenance and management activities	**10.199**	**—**	**10.199**
Total income	**292.161**	**322.810**	**614.971**
Change in project related inventory	**150.813**	**(298.165)**	**(147.352)**
Overall performance	**442.974**	**24.644**	**467.619**
Expenses from letting activities	**(16.083)**	**—**	**(16.083)**
Cost of materials	**(285.600)**	**—**	**(285.600)**
Net income from the remeasurement of investment property	**25.631**	**—**	**25.631**
Net result from the disposal of investment property	**—**	**—**	**—**
Other operating income	**13.241**	**—**	**13.241**
Personnel expenses	**(36.911)**	**—**	**(36.911)**
Other operating expenses	**(66.644)**	**6.647**	**(59.997)**
EBITDA (Earnings before interest, taxes, depreciation and amortisation)	**76.610**	**31.291**	**107.901**
Depreciation and amortization	**(1.972)**	**(202)**	**(2.175)**
EBIT (Earnings before interest and taxes)	**74.637**	**31.089**	**105.726**
Financial income	**4.620**	**—**	**4.620**
Financial expenses	**(121.834)**	**—**	**(121.834)**
EBT (Earnings before taxes)	**(42.577)**	**31.089**	**(11.488)**
Income tax expenses	**11.192**	**—**	**11.192**
Net income (Earnings after taxes) from continued operations	**(31.385)**	**31.089**	**(296)**
Net income (Earnings after taxes) from discontinued operations	**1.464**	**—**	**1.464**
Consolidated net income	**(29.920)**	**31.089**	**1.168**

Revenue under IFRS 15 is recognized over-time based on the project progress of the development. This resulted in the recognition of revenue based on the project progress when receiving the building permit and with the planned development margin. Expenses incurred in relation with the development of the project are recognized when occurred during the period.

Further non-cash expenses result from the amortization of the future part of the step-up resulting from the CG purchase price allocation.

Other standards

Furthermore the following IFRSs and IFRICs were obligatory applicable as of January 1, 2018 and did not lead to significant changes:

- IFRIC 22 Foreign Currency Transactions and Advance Consideration
- Amendments to IAS 40: Transfers of Investment Property
- Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions
- Annual Improvements to IFRS Standards 2014 – 2016 Cycle

5. Changes in accounting policies (Continued)

The IASB has published the following IFRSs and IFRICs that were endorsed by the EU but are not yet effective, and that will be relevant for the Group:

IFRS 16 ''Leases'' (effective on/after January 1, 2019)

IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less), these are applied by the group. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. The Group applies the method described in IFRS 16.C5 (b) for first-time adoption, whereby the lease liability is recognised at the present value of the remaining lease payments and a right-of-use asset in the same amount, less any deferred lease payments, is capitalised.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17.

(i) Leases in which Consus is a lessee

Consus will recognise new assets and liabilities for its operating leases of office space, vehicles, office and other equipment. The nature of expenses related to those leases will now change because Consus will recognise a depreciation charge for right-of-use assets and interest expenses on lease liabilities.

Previously, Consus recognised operating lease expenses on straight-line basis over the lease term, and recognised assets and liabilities only to the extent that there was a timing difference between actual lease payments and the expense recognised.

No significant impact is expected to the Group's finance leases.

Based on the information currently available, Consus estimates that it will recognise additional lease liabilities of €11,130 thousand as at January 1, 2019. Due to the fact that the business combination with SSN was closed only one month before the balance sheet date and SSN started IFRS accounting from December 2018 onwards, the IFRS 16 transition project has not yet been concluded.

(ii) Leases in which Consus is a lessor

Consus expects no material changes for lease agreements in which the Group acts as the lessor.

Consus plans to apply IFRS 16 initially on January 1, 2019, using the modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 will be recognised as an adjustment to the opening balance of other reserves at January 1, 2019, with no restatement of comparative information.

Consus plans to apply the practical expedient to grandfather the definition of a lease on transition. This means that it will apply IFRS 16 to all contracts entered into before January 1, 2019 and identified as leases in accordance with IAS 17 and IFRIC 4.

5. Changes in accounting policies (Continued)

The IASB has also revised, amended or issued the following standards and interpretations that must be applied in future periods. However, these will either have no material effect on the Group's consolidated financial statements or the assessment of potential impacts is still on-going.

Standard	Title	Effective date*	Planned adoption
Endorsed			
IFRS 16	Leases	01.01.2019	01.01.2019
IFRIC 23	Uncertainty over Income Tax Treatments	01.01.2019	01.01.2019
AIP 2015 – 2017	Annual Improvements to IFRS Standards 2015 – 2017 Cycle	01.01.2019	01.01.2019
Amendment to IFRS 9	Prepayment Features with Negative Compensation	01.01.2019	01.01.2019
Amendment IAS 19	Plan Amendment, Curtailment or Settlement	01.01.2019	01.01.2019
Amendment to IAS 28	Long-term Interests in Associates and Joint Ventures	01.01.2019	01.01.2019
Endorsement pending			
Conceptual Framework	Amendments to References to the Conceptual Framework in IFRS Standards	01.01.2020	01.01.2020
Amendment to IFRS 3	Business Combinations	01.01.2020	01.01.2020
Amendment to IAS 1 and IAS 8	Definition of Material	01.01.2020	01.01.2020
IFRS 17	Insurance Contracts	01.01.2021	01.01.2021

* adjusted by EU endorsement, if applicable

6. Use of estimates and judgements

The preparation of IFRS consolidated financial statements requires assumptions and estimates affecting the carrying amounts of the assets and liabilities recognized, income and expenses and the disclosure of contingent liabilities. The assumptions and estimates are based on parameters that existed at the time the consolidated financial statements were prepared. Judgements, estimates and assumptions for future periods and actual future results may differ from those anticipated in the consolidated financial statements and have effects that will be reflected in future consolidated financial statements.

Further comments on the assumptions and estimates made are presented in the notes for individual financial statement items in the disclosures.

Use of estimates and judgement applies to the following issues in particular:

Measurement of investment property

The input factors applied in the valuation models to determine the market values of investment property, such as expected cash flows, presumed development of rents, presumed vacancy rates, the discount rates and the capitalization rate represent significant measurement parameters. These input factors are based on assumptions about the future. The input factors are determined by external valuation experts, based on publicly available market information, as well as the insights of the Company.

Please refer to section 9.1. for a sensitivity analysis, quantifying the impact of a deviation in the main input factors for the valuation on the fair value of investment property.

Deferred tax assets

The assessment of whether or not deferred tax assets can be recognized is based on the likelihood that future tax advantages can be realized. However, the actual amount of taxable income in future periods and the actual usefulness of deferred tax assets might deviate from expectations as at the date on which the deferred taxes were capitalized. Therefore, outcomes within the next financial years that are different from the assumptions made as

6. Use of estimates and judgements (Continued)

at reporting date, could require a material adjustment to the carrying amount of the deferred tax assets. The Group has €88 million (2017: €60 million) of estimated tax losses carried forward. These losses relate to subsidiaries that have a history of losses, do not expire, and may not be used to offset taxable income elsewhere in the Group. The subsidiaries neither have any taxable temporary difference nor any tax planning opportunities available that could partly support the recognition of these losses as deferred tax assets. On this basis, the Group has determined that it cannot recognize deferred tax assets on the tax losses carried forward.

Provisions

There is uncertainty regarding future increases, the amount, date and the probability of provisions as at the date of recognition and measurement.

It is reasonably possible, on the basis of existing knowledge, that outcomes within the next financial year that are different from the assumptions could require a material adjustment to the total carrying amount of provisions, which is presented in the consolidated statement of financial position.

Measurement of financial liabilities

In measuring financial liabilities, estimates of future cash flows and any changes in terms and conditions are of particular significance. Furthermore, estimates are made for entity-specific risk premiums derived from the respective financing.

Please refer to section 12.3 for a sensitivity analysis, quantifying the impact of a deviation in market interest rates on the carrying value of financial liabilities.

Goodwill impairment testing

The determination of the recoverable amount requires assumptions and estimates, especially on the future development of profits and sustainable growth rates.

Business combinations with CG Gruppe AG and SSN Group AG

Business combinations under IFRS 3 require recognition of all assets and liabilities at their fair value as of the closing date. In order to derive the fair value of the assets and liabilities, specific inputs underlie each valuation. For the valuation of real estate inventory for example future expenses as well as the future selling price are key inputs. Deriving the fair value of financial liabilities heavily depends on inputs such as the applied market interest rates.

Revenue recognition

Both, income from real estate inventory disposed of as well as income from property development underlie significant estimates and management judgements. Income from property development strongly relies on the business plan in order to measure project progress as well as projected revenues. The business plan is subject to management estimates and assumptions.

The company uses the cost to cost method to determine the project development at each balance sheet date. Therefore the accrued costs (including fair value adjustments due to business combinations and accrued interests) are compared with the total project costs concerning the actual business plan. The business plan is set up on a project by project basis. Therefore the company uses the same business plan as for the impairment test done by the year end. The margin of each project is calculated also on a project by project basis taking the agreed forward selling price for each real estate inventory into consideration. The forward selling price is subject to some future uncertainties like the total leasable space after construction and the rental rate the company could achieve after completion of the building. The cost to cost method provide the most faithful depiction of the construction progress because it mostly presents the risk of future cash outflows in the development. The used method for revenue recognition implicated in the most cases an earlier revenue recognition compared to the agreed payment terms. In most cases the contracts with costumers determine the payment terms on the basis of completion of sub-works (''baurechtliche Gewerke'') and therefore payments are mostly done when a sub-work is completed.

6. Use of estimates and judgements (Continued)

Similarly, income from real estate inventory disposed of underlies management estimates and assumptions. For example the revenue is measured at the transaction price agreed under the contract and might involve management estimates, e.g. amount and timing of contingents consideration. From time to time sales prices can include industry specific features such as variable components. In such case management is required to make estimates regarding the amount of the purchase price. Furthermore, also the point in time of revenue recognition is partly subject to uncertainties in estimation. In certain cases a right to rescind in case specified building permits are not issued after a time frame might be agreed upon. In these cases, the company assures that sales will not be recognized until all prerequisites according to IFRS 15 have been met. For this purpose, management assesses the respective probabilities of occurrence of the possible scenarios at each balance sheet date.

7. Scope of consolidation

7.1. Changes in the Group

During the presented financial years, the number of entities that are fully consolidated changed as follows:

Numbers of fully consolidated companies	2018	2017
as at 01.01	**109**	**6**
Additions – business combination IFRS 3	**105**	103
Additions – asset acquisition not IFRS 3	**5**	—
Additions – foundation	**14**	—
Disposals – sale	**44**	—
Disposals – merger	**2**	—
Disposals – liquidation	**—**	—
as at 31.12	**187**	**109**

In the 2018 financial year as in the previous year, material additions were made as part of acquisitions, which are presented in detail in the section below in accordance with the requirements of IFRS 3. Entities related with the buy and hold portfolio such as GxP and CCPs were divested during financial year 2018.

Furthermore during the financial year 2018 one newly set-up development project of CG was classified as a joint venture in accordance with IFRS 11.

7.2. Business combinations

(a) SSN Group AG

On December 3, 2018 Consus Real Estate AG acquired 93.4% of the shares in SSN Group AG (‘SSN Group’, ‘SSN’) as well as two loan receivables against SSN Group with a total consideration of €245 million in cash. An earn-out provision of €10 million was agreed upon to be paid seven years after closing in case certain trading profit thresholds are met. Management assumes the probability that the threshold will be met to be close to 0%, accordingly the fair value of the contingent consideration is €0 million. The purchase price was financed by a €250 million acquisition facility from J.P. Morgan and cash on balance. The Company significantly increased its gross development volume (GDV) from approx. €6.2 billion to approx. €9.6 billion as well as the overall number of development projects from 53 to 65. The Company simultaneously acquired 38.9% in SG Development GmbH, a 51% subsidiary of SSN Group, which holds nine out of twelve development projects, as well as a 85.9% stake in Wilhelmstr. I GmbH, which owns a 50% stake in an SSN landmark development in the centre of Berlin from Consus’ majority shareholder Aggregate Deutschland S.A. These assets were contributed in kind against issuance of 26,875,000 new shares in Consus reflected in the financials at a price of €8.02 per share, resulting in a consideration of €215,647 thousand. The execution of the SSN transaction as a whole depended on both steps being completed together, therefore both steps are considered to be a linked transaction for accounting purposes. The combined transactions resulted in the Consus group controlling all aspects of the SSN group and achieving maximum economic exposure.

The rationale behind the acquisition was as follows:

- Acquire a project developer of residential properties to ensure supply of high-quality properties for the Company

7. Scope of consolidation (Continued)

7.2. Business combinations (Continued)

- Complement the income basis of the Company with further project development
- Benefit from the positive perception of SSN Group in the market.

in k€	Fair Value after Aquisition
Intangible assets, property, plant and equipment	**4,621**
Investment Property, including prepayments	**28,689**
Contract Assets	11,525
Other financial Assets	**1,642**
Work-in-Progress	**908,300**
Trade and other receivables	**10,645**
Cash and cash equivalents	**37,491**
Receivables from related parties	**20.493**
Tax receivables	**4.125**
Other assets	**28**
Financial Assets	**31.511**
Assets held for sale	**1.329**
Financial Liabilities	**(749,193)**
Provisions and other non-financial liabilities	**(47,397)**
Trade payables and other payables	**(9,249)**
Liabilities to related parties	**(59.205)**
Tax payables	**(1.545)**
Deferred tax liability	**(62,648)**
Net Assets	**131,161**
Consideration transferred	**413,897**
thereof Cash Consideration	198,250
thereof equity interest	215,647
Non Controlling Interests	21,527
Goodwill	**304,264**

The SSN portfolio mainly consists of development projects which are in different stages of development (still leased, development/planning phase or construction/redevelopment phase). Valuations covered by independent third party assessors were based on a risk adjusted residual valuation method with exception of existing buildings where a discounted cash flow valuation was applied. In order to determine the fair value adjustments on financing liabilities, the following assumptions have been applied:

- The valuation is based on future cash flows projected from the acquirer's point of view.
- Loan redemptions and interest payments are projected according to the loan agreements between the respective parties.
- Applied discount rates depend on the respective financing type of the loan and have been calculated using discount rates of 3 to 15 percent.

On account of the complexity of acquisitions, the Group retains the option of making a retroactive adjustment. Open key issues include reviewing how the fair values of investment properties, of property development projects, contractual assets, of the financing liabilities, of the consideration, non-controlling interest and resulting deferred taxes are measured. Therefore, the disclosures are provisional in terms of IFRS 3.45.

The transaction costs attributable to the acquisition of SSN amounted to €1,549 thousand recognized in other operating expenses during the financial year 2018.

Goodwill, which represents mainly non-separately identifiable assets such as the positive business outlook and employee expertise, is non tax-deductible. The Group employed the partial goodwill method, measuring the non-controlling interest at its share of identifiable net assets not including any goodwill. Acquired intangible assets are not subject to an indefinite useful life. Trade receivables with a gross value of €10,759 thousand were

7. Scope of consolidation (Continued)

7.2. Business combinations (Continued)

acquired, of which €163 thousand is probably uncollectible. The fair value of the trade receivables from third parties amounts to €54,019 thousand.

Since initial consolidated SSN on December 3, 2018, SSN did contribute €61,591 thousand to group revenue and €−1,706 thousand to the total comprehensive income of the Group. If the acquisition had taken place at the beginning of the financial year, SSN would have contributed €108,158 thousand to group revenue and €−5,764 thousand to the total comprehensive income of the Group.

(b) DIPLAN Gesellschaft für Digitales Planen und Bauen GmbH

As of December 07, 2018 the Company acquired 75,100 shares in DIPLAN Gesellschaft für Digitales Planen und Bauen GmbH, Köln (DIPLAN) from a group of investors. DIPLAN is an innovative PropTech company which plans to concentrate on enhancing the digitalisation process of the Company‘s core operations in development, including construction. The project-oriented construction system planned to be developed by DIPLAN enables efficient and software-supported design- and planning processes, thus enabling the full potential of industrial prefabrication of construction components. The acquired shareholdings are corresponding to 75% of the shares in DIPLAN. The DIPLAN shares acquired also represent voting rights. The purchase price of €3,745 thousand was paid in cash in 2018.

The are no major acquisition costs of this business combination. The purchase price of the was allocated to the acquired assets and liabilities using the purchase price allocation as of the acquisition date as follows:

in k€	Fair value after acquisition
Intangible assets, property, plant and equipment	79
Trade and other receivables	395
Other assets	2
Cash and cash equivalents	47
Provisions and other non-financial liabilities	189
Trade payables	41
Net assets	**293**
Consideration transferred	**3,745**
thereof cash consideration	3,745
Non-controlling interests	73
Goodwill	**3,525**

On account of the complexity of acquisitions, the Group retains the option of making a retrospective adjustment. Open key issues include reviewing how the fair values of tangible and intangible assets, of the financing liabilities, of the consideration, non-controlling interest and resulting deferred taxes are measured. Therefore, the disclosures are provisional in terms of IFRS 3.45.

The transaction costs attributable to the acquisition of DIPLAN amounted to €19 thousand recognized in other operating expenses during the financial year 2018.

Goodwill, which represents mainly non-separately identifiable assets such as the positive business outlook and employee expertise, is non tax-deductible. The Group employed the partial goodwill method, measuring the non-controlling interest at its share of identifiable net assets not including any goodwill. Acquired intangible assets are not subject to an indefinite useful life. Due to the fact that DIPLAN is currently providing services exclusively to CG no trade receivables from third parties are accounted for.

DIPLAN did not contribute to the overall performance nor to the total comprehensive income of the Group since the initial consolidation took place as of December 31, 2018. If the acquisition had taken place at the beginning of the financial year, DIPLAN would not have contributed to overall performance due to the fact that DIPLAN was providing services exclusively to CG. The total comprehensive income of the Group would have been impacted negatively by €175 thousand.

7. Scope of consolidation (Continued)

7.2. Business combinations (Continued)

(c) Finalization CG Gruppe AG and GxP purchase price allocation

The Group gained control over CG as defined by IFRS 10 on December 21, 2017. For accounting purposes December 31, 2017 was used for initial consolidation of CG as subsidiary.

On account of the complexity of acquisitions, the Group retained the option of making a retroactive adjustment. Open key issues included reviewing how the fair values of investment properties, of property development projects, of the financing liabilities, of the consideration, non-controlling interest and resulting deferred taxes were measured. Therefore, the disclosures with regard to the purchase price allocation in the consolidated financial statements for the fiscal year ending December 31, 2017 were provisional in terms of IFRS 3.45.

The purchase price allocation was finalized within the second quarter of the financial year 2018. After the final valuation report the total fair value of work-in-progress decreased by €40,848 thousand. Thereof arising material reductions in deferred tax liabilities of €12,254 thousand and in liabilities of €2,194 thousand. Non-controlling interests changed by €256 thousand. Please refer to the following table for detailed information on fair values after the final purchase price allocation:

in k€	Fair Value after final PPA
Intangible assets, property, plant and equipment	7,552
Investment property, including prepayments	213,680
Other financial assets	3,954
Work-in-progress	1,170,979
Trade and other receivables	81,715
Other assets	4,255
Cash and cash equivalents	33,032
Financing liabilities	1,007,706
Provisions and other non-financial liabilities	52,065
Trade payables and other payables	83,539
Deferred tax liability	80,449
Net assets	**291,407**
Consideration transferred	**872,609**
thereof cash consideration	*12,500*
thereof equity interest	*860,109*
Non-controlling interests	143,432
Goodwill	**724,634**

The purchase price allocation for the second business combination in 2017 (GxP) was finalized in the second quarter 2018, as well. It did not result in any material change to the financial statements.

7.3. Other additions to scope of consolidation (''asset acquisition'')

During the financial year 2018 the Company acquired through its subsidiary CG Gruppe AG five property companies in transactions structured as share deals. The acquired companies do not constitute a business operation within the meaning of IFRS 3 and have been presented as a direct real estate acquisition. The costs of acquiring the properties have been allocated to the individual identifiable assets and liabilities based on their fair values. There could be a small further payment from a variable component. Currently the Company assumes, that there will be no material effect and therefore did not recognize any variable purchase price.

7.4. Disposals in scope of consolidation

On May 15, 2018 the Company divested its shareholding of ten companies that held a total of eight commercial assets and two purchase obligations and were previously reported under the Consus segment. The commercial assets were included in separate legal entities and the transaction was structured as a share deal and closed in June 2018.

7. Scope of consolidation (Continued)

7.4. Disposals in scope of consolidation (Continued)

The deconsolidation of the entities resulted in a gain of €2,893 thousand reported under other operating income. This gain includes a total of €5,051 thousand receivables. The purchaser is entitled to audit the closing financial statements. Subsequently the outstanding payment might be subject to change. The Company expects that the outstanding amount will be paid by the beginning of 2019.

With closing as of August 3, 2018 the Company divested its shareholding in GxP. The deconsolidation of the GxP resulted in a gain of €20 thousand recognized within the result from discontinued operations.

7.5. Disclosures about subsidiaries with significant non-controlling interests

The financial information on significant non-controlling interests in subsidiaries is summarized below. The amounts disclosed are before intercompany eliminations.

in k€	CG Gruppe AG 31.12.2018	SSN Group 31.12.2018
Current assets	**1,086,662**	**976,578**
Current liabilities	**(598,221)**	**643,830**
Current net assets	**488,441**	**332,748**
Non-current assets	**507,881**	**397,910**
Non-current liabilities	**(668,637)**	**(296,563)**
Non-current net assets	**(160,756)**	**101,347**
Net assets	**327,685**	**434,095**

As of December 3, 2018, the Company acquired 93.4% of the shares in SSN Group AG. Before intercompany eliminations, the revenue of SSN amounted to €16,671 thousand for the one month ended December 31, 2018. The Loss for the one month was €1,706 thousand.

The cash flows from operating activities amounted to € − 3,270 thousand. In the one month ended December 31, 2018, the cash flows from investing activities and the cash flows from financing activities totalled € − 231 thousand and €3,409 thousand. The overall cash flow led to a net decrease of €92 thousand in cash and cash equivalents.

On December 21, 2017 the Company acquired 55.0% of the shares in CG Gruppe AG, additionally increasing the stake in 2018 to 64.7%. Furthermore the Company has , as part of the agreement to acquire 75% on a fully diluted basis, paid an amount of €20,000 thousand to a CG minority shareholder as part payment for the further shares, with these shares to be delivered after the balance sheet date following further payments. Therefore they are being presented under receivables from related parties and the non-controlling interest related to these shares is still presented.

Before intercompany eliminations, the revenue of CG amounted to 445,106 thousand for the twelve months ended December 31, 2018. The profit for the twelve months was €30,527 thousand.

The cash flows from operating activities amounted to €163,526 thousand. In the twelve months ended December 31, 2018, the cash flows from investing activities and the cash flows from financing activities totalled € − 82,551 thousand and € − 62,493 thousand. The overall cash flow led to a net increase of €18,482 thousand in cash and cash equivalents.

The minority shareholders of CG Gruppe AG have certain protective rights under the shareholders agreement. These rights pertain to certain defined topics that are not within operative day to day business decisions. Although protective in nature, they limit the Groups access to assets and liabilities of CG in a way that for example a sale or transfer of virtually all assets or essential parts to another entity are only possible with explicit agreement of the minority shareholders.

Under several loan agreements that were initiated by CG and SSN group companies, rights to distribute dividends are restricted.

7. Scope of consolidation (Continued)

7.6. Disclosures about associates that are material to the Group and Joint Ventures

During the financial year 2018 the Company consolidated MAP as Joint Venture which is considered to be material to the Group.

CONSUS holds a 75% share in MAP Liegenschaften GmbH. Due to the structure of the shareholders' agreement dated December 27, 2018, MAP Liegenschaften GmbH is not controlled by CONSUS in accordance with IFRS 10, but is accounted for using the equity method in accordance with IFRS 11.

in k€	MAP GmbH 31.12.2018
Current Assets	**39,064**
Current Liabilities	**(278)**
Current net assets	**38,786**
Non-current Assets	**21,340**
Non-current Liabilities	**(31,359)**
Non-current net assets	**(10,019)**
Overall performance	
EBITDA (Earnings before interest, taxes, depreciation and amortization)	**137**
EBIT (Earnings before interest and taxes)	**150**
EAT (Earnings after taxes)	**139**
Total comprehensive income	**139**
Of the total comprehensive income for the year, the following is attributable to:	**—**
Non-controlling interests	**35**

in k€	
Net cash flow from operating activities	**—**
Net cash flow from investing activities	**—**
Net cash flow from financing activities	**—**
Net increase / (decrease) in cash and cash equivalents	**419**
Cash and cash equivalents at the beginning of the year	**—**
Cash and cash equivalents at 31 December	**419**
Net assets at 01.01	**28,629**
Profit/Loss of the period	**139**
Net assets at 31.12	**28,768**
Group's share in %	**75**
Carrying amount at 31.12	**21,576**

Before initial full consolidation of CG Gruppe AG as at December 31, 2017 and after the acquisition of a 50% stake in the Group as at November 2, 2017, the shareholding in CG Gruppe AG was recognized as an investment accounted for using the equity method. For further information, please refer to section 7.2.

7. Scope of consolidation (Continued)

7.6. Disclosures about associates that are material to the Group and Joint Ventures (Continued)

The investment in an associate accounted for using the equity method only affects the statement of comprehensive income for the two months period beginning November 1, 2017, as CG Gruppe AG was fully consolidated as at December 31, 2017.

in k€	CG Gruppe AG 01.11. – 31.12.2017
Revenue	65,609
Depreciation	(205)
Interest income	—
Interest expense	(15,203)
Income taxes	1,027
Net profit from continued operations	(2,396)
Net profit from discontinued operations	—
Other comprehensive income	—
Total comprehensive income	(2,396)

7.7. Discontinued operations

The Group announced on August 3, 2018 that it had signed a contract to divest its non-core stake in GxP German Properties AG. This divestment is in line with the Company's communicated strategy to exit the holding of non-core commercial properties. Until the sale, GxP continued to be operated independently by Consus.

GxP represented a material operating segment within the group and has been reported as a separate reportable segment. The sale therefore fell under the definition of a discontinued operation according to IFRS 5.32. In accordance with IFRS 5.15, the discontinued operation was measured at carrying amount as this is lower than the fair value less cost of disposal. The gains and losses arising from the discontinued operation are reported separately on the face of the condensed interim consolidated statement of comprehensive income under net profit or loss for the period from discontinued operations. The prior-year statement of comprehensive income is adjusted accordingly.

Due to the loss of control over GxP in the third quarter of 2018, the values for the financial year 2018 presented herein are based on preliminary management accounts.

The profit or loss from discontinued operations are as follows:

in k€	01.01. – 31.12.2018	01.10. – 31.12.2017
Income from letting activities	**6,543**	2,018
Other operating income	**288**	1,957
Operating Expenses	**(4,538)**	(2,255)
EBITDA	**2,293**	1,720
Depreciation and amortisation	**(25)**	(17)
EBIT	**2,269**	1,703
Net interest result	**(355)**	(219)
EBT	**1,914**	1,484
Taxes	**(449)**	(296)
EAT (discontinued operations)	**1,464**	1,188
Other comprehensive income	**—**	—
Total comprehensive income	**1,464**	1,188

7. Scope of consolidation (Continued)

7.6. Disclosures about associates that are material to the Group and Joint Ventures (Continued)

Earnings/(loss) of discontinued operations per share

in EUR	2018	2017
Basic, profit/(loss) for the year from discontinued operations	**0.02**	0.04
Diluted, profit/(loss) for the year from discontinued operations	**0.02**	0.04

in TEUR	2018	2017
Investment property	**166.852**	—
Advance payments on investment property	**—**	—
Property, plant and equipment	**73**	—
Goodwill	**1.586**	—
Other intangible assets	**194**	—
Investments accounted for using the equity method	**—**	—
Receivables from related parties	**—**	—
Financial assets	**3.605**	—
Other assets	**—**	—
Contract assets	**—**	—
Work-in-progress including acquired land and buildings		—
Trade and other receivables	**1.359**	—
Receivables from related parties	**—**	—
Tax receivables	**195**	—
Financial assets	**—**	—
Other assets	**545**	—
Contract assets	**—**	—
Cash and cash equivalents	**1.810**	—
Assets held for sale	**176.220**	—
Financing liabilities	**97.668**	—
Provisions	**—**	—
Other liabilities	**—**	—
Contract liabilities	**—**	
Deferred tax liabilities	**6.096**	—
Financing liabilities	**5.352**	—
Provisions	**—**	—
Trade payables	**1.722**	—
Liabilities to related parties	**—**	—
Tax payables	**131**	—
Received prepayments	**339**	—
Other liabilities	**3.010**	—
Liabilities held for sale	**114.318**	—

Cash flows from discontinuing operations:

in TEUR	2018	2017
Cash flow from operating activities	**1,395**	744
Cash flow from investing activities	**(1,561)**	(4,815)
Cash flow from financing activities	**(2,920)**	2,729
Cash flow from discontinued operations	**(3,086)**	(1,342)

8. Notes to the consolidated statement of comprehensive income

8.1. Result from letting activities

During the 2017 financial year, the Group continuously built up its property portfolio, both by acquisition of real estate assets and by business combination. A significant part of the portfolio was divested during financial year 2018.

in k€	2018	2017
Rental income	**32,088**	6,770
Income from recharged operating costs	**690**	870
Income from other goods and services	**18**	52
Income from letting activities	**32,796**	7,691
Expenses from operating costs	**(14,510)**	(1,820)
Maintenance expenses	**(432)**	(992)
Other services	**(1,141)**	(942)
Expenses related to letting activities	**(16,083)**	(3,754)
Net operating income from letting activities	**16,713**	3,937

8.2. Income from real estate inventory disposed of

Income from real estate inventory disposed of includes the sale of properties, buildings and projects that are not recognized using the over-time recognition under IFRS 15.

The income from real estate disposed of at CG Group for the financial year 2018 mainly results from the sale of the following properties:

- Naunhofer Straße, Leipzig
- Schloßstraße, Bergisch Gladbach,
- Feuerlandhöfe, Berlin
- Partial sale of the property of Innenstadt Residenz Dresden GmbH & Co. KG, Dresden
- Hallesches-Ufer (HAU)

As the development activities of the Group during financial year 2017 were limited to the subsidiary CG Gruppe AG, which has only been fully consolidated as at December 31, 2017, no income is shown in the comparable reporting period.

8.3. Change in project related inventory

Change in project related inventory comprises the changes from sale of projects and beginning of over-time realization as well as the increase through capitalization of building and construction costs.

As the development activities of the Group during financial year 2017 were limited to the subsidiary CG Gruppe AG, which has only been fully consolidated as at December 31, 2017, no income is shown in the comparable reporting period.

8.4. Income from property development

During financial year 2018 income from property development was materially affected by the building permits received for several material projects, which initiated the over-time revenue recognition upon the later of the close of a contract with customer and receipt of a building permit (''Baugenehmigung'').

During the first half of 2018 building permits were granted for the following development projects and contributed significantly to income from property development:

- Artists Living Leipzig GmbH & Co. KG (€28,604 thousand income from property development for the current financial year),
- Artists Living Dresden PP GmbH & Co. KG(€21,263 thousand),

8. Notes to the consolidated statement of comprehensive income (Continued)

8.4. Income from property development (Continued)

- Artists Living Köln StG GmbH & Co.KG (€63,561 thousand) and
- Innenstadt Residenz Dresden GmbH & Co. KG (€66,085 thousand).

Artist Living Berlin/Steglitz GmbH & Co. KG has started sale of freehold flats in Q3.2018, having received the building permit already in 2017.

During Q4 2018 the following projects were included in the over-time recognition treatment:

- Artists Living Frankfurt Dev GmbH & Co. KG (€11,033 thousand),
- Cologneo I GmbH & Co. KG (€36,380 thousand) and
- CG Löbtauer Str. GmbH & Co. KG (€26,709 thousand).

As the development activities of the Group during financial year 2017 were limited to the subsidiary CG Gruppe AG, which has only been fully consolidated as at December 31, 2017, no income is shown in the comparable reporting period.

Income from property development breaks down as follows:

in k€	2018	2017
Income from property development	**408,461**	—
– thereof income forward sales	**360,970**	
– thereof income from sale of freehold flats	**47,490**	

Concerning the revenue from property development the company has significant outstanding performance obligation not yet fulfilled. The fulfilment of the remaining obligations is typically recognized with the development progress of the underlying real estate assets. This development progress is measured with significant management assumptions as descried under Note 6 ‘‘Revenue Recognition’’. The contracts with customers determine the payment terms on the basis of completion of sub-works (‘‘baurechtliche Gewerke’’). The completion of this sub-works is normally confirmed by external experts or the customers itself. The outstanding performance obligations mostly belong to the completion of the construction of the buildings and normally do not include any obligations of the company concerning returns or similar obligations and only includes the statutory warranties.

The company allocated an amount of €1,592,762 thousand to the outstanding construction obligations that had not been fulfilled on December 31, 2018. Based on the actual business plan of the company the management assumes that k€1,585,509 is attributable to projects which will not be finalized within the next 12 months.

8.5. Net income from the remeasurement of investment property

For the financial year 2018 net income from the remeasurement of investment property amounted to €25,631 thousand and mainly resulted from revaluations of CG property, such as Plagwitzer Höfe (Leipzig), Steglitzer Kreisel (Berlin), von Sauer Straße (Hamburg) and Mariannenpark/ Alter Postbahnhof (Leipzig). Three of these projects were classified as investment property at the year end 2017 as well. The project von Sauer Straße was reclassified to investment property due to the fact that the company decided to use this building to generate rental incomes in future and the company does not intend to sell the property anymore.

For the financial year 2017 net income from the remeasurement of investment property amounted to €17,060 thousand and mainly resulted from revaluations of CONSUS property. Further information such as input parameters can be found in chapter 9.1.

8.6. Cost of materials

Cost of materials result from developing activities, which started in 2018. They mainly consist of expenses for the acquisition of land, for construction and ancillary building costs.

8. Notes to the consolidated statement of comprehensive income (Continued)

8.6. Cost of materials (Continued)

During the financial year 2017 no cost of materials was recorded, since project developer CG started being consolidated as of December 31, 2017 and therefore did not contribute to profit/loss.

in k€	2018	2017
Expenses for land acquisition	**(110,538)**	
Expenses for Preparation & Development	**(9,751)**	
Expenses for Building – Building construction	**(59,711)**	
Expenses for Building – Technical equipment	**(3,317)**	
Expenses for outside facilities	**(3,128)**	
Expenses for inside facilities	**(1,933)**	
Ancillary building costs	**(64,887)**	
Expenses for other construction services	**(5,642)**	
Brokerage costs	**(1,066)**	
Administrative costs	**(17,301)**	
Auxiliary cost	**(6,371)**	
Other expenses for raw materials, consumables and supplies and for purchased goods	**3,048**	
Other services	**(3,818)**	
Expense on disposal of current assets	**(1,185)**	
Received discounts, rebates, bonuses, rebates	**—**	
Total	**(285,600)**	—

8.7. Other operating income

The other operating income comprises as follows:

in k€	2018	2017
Insurance indemnifications	**984**	—
Gains from the disposal of consolidated entities	**2,893**	—
Income from prior years	**1,327**	2
Derecognition of liabilities	**1,201**	—
Other income	**6,837**	238
Total	**13,241**	240

8.8. Personnel expenses

The Company started building up its proprietary employee base towards the end of financial year 2017 and continued to do so during financial year 2018. Financial year 2018 was materially impacted by the first time inclusion of expenses of CG as well as SSN, which were included for one month in 2018.

Personnel expenses were as follows in the 2018 and 2017 financial years

in k€	2018	2017
Wages and salaries	**(31,850)**	(863)
Social contributions	**(5,061)**	(5)
Total	**(36,911)**	(868)

8. Notes to the consolidated statement of comprehensive income (Continued)

8.9. Other operating expenses

Other operating expenses break down as follows:

in k€	2018	2017
Write-offs and allowances on receivables	**(1,987)**	—
Consulting and audit fees	**(17,832)**	(1,760)
Admin expenses	**(913)**	(7,671)
Utility expenses for office space	**(4,237)**	(2)
Marketing expenses	**(17,485)**	—
Car and travel expenses	**(4,890)**	(80)
Other taxes	**(2,551)**	(331)
Other expenses	**(4,468)**	(3,871)
Expenses arising from the change in estimation	**(5,634)**	—
Total	**(59,997)**	(13,715)

During the reporting period 2018 other operating expenses included significant consulting and audit fees which are mainly due to portfolio transactions, transition to IFRS, first time consolidation and other project related work of which some is unique in its nature.

The expenses arising from the change in estimation reflects i. the impact on the book values of contract assets and ii. provisions resulting from the update of the CG business plan.

Other operating expenses during the reporting period 2017 mainly related to the preparation of the initial public offering of Consus, which took place on March 30, 2017. The item other expenses for the financial year 2017 mainly include expenses from a cancelled agreement to purchase real estate property in an amount of €3,513 thousand. The amount corresponds to a given prepayment that was derecognized in the course of the cancellation of the deal.

8.10. Depreciation and amortization

Corresponds to scheduled amortization of intangible assets and depreciation of equipment and other assets. No impairment loss was recorded in the reporting period or previous years.

in k€	2018	2017
Amortization of intangible assets	**(477)**	—
Depreciation on technical equipment and other assets	**(12)**	—
Depreciation on office equipment and other assets	**(1,686)**	—
Total	**(2,175)**	—

Please also refer to the asset schedule.

8. Notes to the consolidated statement of comprehensive income (Continued)

8.11. Financial income and financial expenses

Financial result can be broken down as follows:

in k€	2018	2017
Interest income from bank deposits	**44**	5
Income from fair value changes of derivatives	**2,070**	—
Income from derecognition of derivatives	**—**	—
Interest income from late payments	**—**	—
Interest income from loans	**1,151**	440
Other financial income	**1,356**	—
Total financial income	**4,620**	445
Expense from fair value measurement of interest derivatives	**(1,048)**	(1,710)
Expense from interest derivatives	**(1,224)**	—
Interest expense from loans	**(118,544)**	(6,154)
Interest expense from pension provisions	**—**	—
Interest expense from finance leases	**—**	—
Other interest expenses	**(1,018)**	—
Total financial expenses	**(121,834)**	(7,864)
Financial result	**(117,214)**	(7,419)

Financial result can be allocated to the categories according to IFRS 9 / IAS 39 as follows:

in k€	2018
Net results from financial assets:	**311**
FVPL valued	**(2,272)**
at amortized cost	**2,583**
equity instruments valued as FVOCI in other comprehensive income	**—**
debt instruments measured as FVOCI in other comprehensive income	**—**
OCI-effective changes in value during the reporting period	**—**
reclassified from OCI to income statement during the reporting period	**—**
Net results from financial liabilities:	**(117,525)**
FVPL due to exercise of FV option	**—**
OCI-effective changes in value during the reporting period	**—**
Changes in value recognised in the income statement during the reporting period	**—**
FVPL valued	**2,070**
at amortized cost	**(119,595)**
Total net results	**(117,214)**

The income from fair value changes during the reporting period 2018 result from the derivative financial instrument embedded in the €200 million bond issued in 2017 and was mainly driven by the development of the Consus Real Estate AG share price.

The financial expenses during the reporting period 2017 are related to property financing.

Borrowing costs capitalised during the reporting period amount to €61,891 thousand. Accordingly the Group's EBITDA recorded a positive impact from capitalization of borrowing costs in the same amount.

8.12. Share of profit or loss of associates accounted for using the equity method

During the previous year the loss of associates accounted for using the equity method results from the two months at-equity inclusion of CG Gruppe AG during November to December 2017.

8. Notes to the consolidated statement of comprehensive income (Continued)

8.13. Income taxes

Income tax expense and income is broken down by origin as follows:

in k€	2018	2017
Current income taxes for the period	**(20,107)**	(2)
Aperiodical income taxes	**(8)**	—
Deferred taxes	**31,307**	(5,212)
Aperiodical deferred taxes	**—**	—
Tax result	**11,192**	(5,214)

The tax income in the reporting year amounted to €11,192 thousand and mainly resulted from the deferred taxes on temporary differences that occurred during the period.

The tax expenses in the prior year amount to €5,214 thousand and mainly resulted from the deferred taxes on temporary differences that occurred during the period. For further information please refer to chapter 9.15.

The following table shows a reconciliation of the tax expenses expected in the respective period, which is calculated using the effective tax rate of 30.175% (2017: 30.175%), to the actual tax expense or income:

in k€	2018	2017
IFRS net consolidated income before taxes	**(11,488)**	(3,920)
Consolidated tax rate in %	**30.175%**	30.175%
Expected income taxes	**3,466**	1,183
Special regulations regarding commercial tax	**7,972**	—
First time capitalization or reversal of loss carryforwards	**3,152**	—
Effect from the non-recognition of deferred tax assets on tax loss carryforwards	**(9,571)**	(6,061)
Effects of at-equity accounted companies	**—**	(362)
Other tax effects	**6,174**	25
Effective taxes on income and earnings	**11,192**	(5,214)
Effective tax rate in %	**(97%)**	(133%)

Taxation of the Company

The income tax expenses and income mainly consisted of German corporation tax (plus solidarity surcharge) and trade tax. The applicable average effective tax rate for the German Group companies is 30.175% and consists of corporation tax of 15% plus a solidarity surcharge of 5.5% and a location-based trade tax. Depending on the tax rate of the municipality in which the company has a permanent establishment, this amounts to a percentage of the trade income as of December 31, 2018.

8.14. Earnings per share

Basic earnings per share from continuing operations is calculated by dividing the income/loss from continuing operations attributable to the shareholders of the parent company by the weighted average number of undiluted shares in the respective financial year.

Basic earnings per share from continuing and discontinued operations is calculated by dividing the consolidated income/loss for the period attributable to shareholders of the parent company by the undiluted weighted average number of shares in the respective financial year.

8. Notes to the consolidated statement of comprehensive income (Continued)

8.14. Earnings per share (Continued)

The weighted average number of ordinary shares is calculated from the number of shares in circulation at the beginning of the period adjusted by the number of shares issued during the period and multiplied by a time-weighting factor. The time-weighting factor reflects the ratio of the number of days on which shares were issued and the total number of days in the period.

in k€	2018	2017
Consolidated net income/loss for the period from continuing operations	**(296)**	(9,134)
Income/loss from continuing operations attributable to non-controlling interests	**13,230**	—
Income/loss from continuing operations attributable to shareholders	**(13,525)**	(9,134)
Weighted average number of shares issued, in thousands	**85,514**	32,647
Basic earnings per share from continuing operations in EUR	**(0.16)**	(0.28)
Number of dilutive potential shares, in thousands	**—**	—
Diluted earnings per share from continuing operations in EUR	**(0.16)**	(0.28)
Consolidated net income/loss for the period from continuing and discontinued operations attributable to shareholders	**(12,729)**	(9,134)
Weighted average number of shares issued, in thousands	**85,514**	32,647
Basic earnings per share from continuing and discontinued operations in EUR	**(0.15)**	(0.28)
Number of dilutive potential shares, in thousands	**—**	—
Diluted earnings per share from continuing and discontinued operations in EUR	**(0.15)**	(0.28)

The following equity instruments were not taken into account in determining the diluted earnings per share as they would display dilution protection.

in k€	31.12.2018	31.12.2017
Convertible bond	**21,754**	21,766
Total number of potential ordinary shares	**21,754**	21,766

9. Notes to the consolidated statement of financial position

9.1. Investment property

The carrying amounts of investment property developed as follows:

IAS 40 Investment Property (finished)

in k€	31.12.18	31.12.17
Carrying value as of 01.01.	**434,100**	—
Acquisitions	**—**	149,730
Additions from business combinations	**28,689**	267,310
Capitalisation from construction activities and modernisation cost	**11,942**	—
Fair value adjustments	**13,123**	17,060
Disposals	**(316,530)**	—
Carrying value as of 31.12.	**171,324**	434,100

The carrying amounts of assets under construction developed as follows:

IAS 40 Investment Property (under construction)

in k€	31.12.18	31.12.17
Carrying value as of 01.01.	**93,250**	—
Additions from business combinations	**—**	93,250
Capitalisation from construction activities and modernisation cost	**8,039**	—
Reclassification from property, plant and equipment	**42,905**	
Fair value adjustments	**12,508**	
Disposals	**—**	—
Carrying value as of 31.12.	**156,702**	93,250

9. Notes to the consolidated statement of financial position (Continued)

9.1. Investment property (Continued)

The Consus Group's portfolio predominantly consists of commercial property (offices and retail) and to a smaller proportion of residential property.

With the acquisition of GxP and CG in 2017, the Company had increased its investment property portfolio significantly. The divestiture of GxP and the CCP real estate properties in 2018 reduced the investment property accordingly. During financial year 2018 CG did reclassify one of its properties (von Sauer Straße, Hamburg) from inventories to investment property with a value of €42,905 thousand. With the initial consolidation of SSN during the financial year 2018 another investment property (Parkplatz Hamburg) with a value of €28,689 thousand was added by way of business combination.

As in the prior year as of December 31, 2018, the investment property held by the Company was valued by independent third-party experts. The net income from the remeasurement of investment property is presented in the consolidated statement of comprehensive income.

The analysis for investment property shows the potential fluctuation in the fair value of investment property as the three main input factors increase or decrease by a certain percentage as of 31 December 2018:

in k€ – Sensitivity	Market rent			Capitalization rate (Liegenschaftszinssatz)			Vacancy rate		
as at 31.12.2018	**(10%)**	**0%**	**10%**	**(0.25%)**	**0%**	**+0.25%**	**(10%)**	**0%**	**+10%**
Investment property	**153,124**	**171,324**	**187,144**	**177,639**	**171,324**	**165,021**	**176,239**	**171,324**	**165,640**

in k€ – Sensitivity	Market rent			Capitalization rate (Liegenschaftszinssatz)			Calculated building costs		
as at 31.12.2018	**(10%)**	**0%**	**10%**	**(0.25%)**	**0%**	**+0.25%**	**(10%)**	**0%**	**+10%**
Investment property – under construction	**122,225**	**156,702**	**172,628**	**175,915**	**156,702**	**140,981**	**181,136**	**156,702**	**133,140**

The material valuation parameters for material investment properties (level 3) are as follows as of December 31, 2018:

Valuation parameters Level 3 for investment properties	31.12.2018
Total rental space (in sqm)	**94.541**
Vacancy rate, weighted average (in %)	**12,82**
Market rent, weighted average (EUR per sqm p.a.)	**6,94**
Gross multiplier on market rent, weighted average	**14,72**

The material valuation parameters for the investment properties under construction (level 3) are as follows as of December 31, 2018:

Valuation parameters Level 3 for investment properties under construction	31.12.2018
Net Sales Price (in k€)	**92,307**
Project development costs (in k€)	**53,135**
Capitalization rate, weighted average (in %)	**4.32**

Investment property is generally encumbered with collateral for the loans. There are no restrictions for the Company to dispose the properties. Financed properties are generally secured by liens on property and are subject of assignments of rights and claims arising from sales contracts. When a property is sold, the finance is settled by means of an unscheduled repayment if necessary. For further information on assets pledged as guarantees please refer to chapter 12.

The following minimum lease payments are expected based on contracts existing as of reporting date:

in k€	31.12.2018	31.12.2017*
up to one year	**9,855**	8,848
1 – 5 years	**22,326**	14,755
over 5 years	**5,136**	6,683
Total expected minimum lease payments	**37,317**	30,286

* Adjusted for properties sold

9. Notes to the consolidated statement of financial position (Continued)

9.1. Investment property (Continued)

During the financial year, no conditional lease payments (previous year: €0 thousand) have been recognized.

9.2. Property, plant and equipment & other intangible assets

The development of property, plant and equipment, advance payments on investment property as well as other intangible assets is shown in the consolidated statement of changes in assets.

Fixed assets movement schedule – 2018

in k€	Owner-occupied Real Estate	Technical Equipment and Machinery	Office and Operating Equipment	Prepayments	Intangible Assets	Goodwill	Total
Acquisition costs as at 01.01.2018	—	**351**	**5,809**	**10,532**	**3,205**	**700,076**	**719,973**
Additions	—	**2,219**	**2,118**	—	**162**	**24,126**	**28,625**
Additions through business combinations	—	**280**	**956**	—	**3,592**	**308,277**	**313,106**
Disposals	—	—	**(270)**	**(10,532)**	—	—	**(10,802)**
as at 31.12.2018	—	**2,850**	**8,613**	—	**6,959**	**1,032,480**	**1,050,875**
Accumulated depreciation **as at 01.01.2018**	—	**16**	**1,203**	—	**319**	—	**1,538**
Additions	—	**132**	**1,268**	—	**466**	—	**1,866**
Additions through business combinations	—	**8**	**49**	—	**17**	—	**100**
Disposals	—	—	**(10)**	—	—	—	**(10)**
as at 31.12.2018	—	**156**	**2,536**	—	**801**	—	**3,494**
Net Book Value as of 01.01.2018	—	**335**	**4,606**	**10,532**	**2,886**	**700,076**	**718,436**
Net Book Value as of 31.12.2018	—	**2,694**	**6,076**	—	**6,158**	**1,032,480**	**1,047,408**

9. Notes to the consolidated statement of financial position (Continued)

9.2. Property, plant and equipment & other intangible assets (Continued)

Fixed assets movement schedule – 2017

in k€	Owner-occupied Real Estate	Technical Equipment and Machinery	Office and Operating Equipment	Prepayments	Intangible Assets	Goodwill	Total
Acquisition costs as at 01.01.2017	—	—	—	5,747	—	—	5,747
Additions	—	—	—	10,532	—	—	10,532
Additions through business combinations	—	351	5,809	—	3,205	700,076	709,441
Disposals	—	—	—	(5,747)	—	—	(5,747)
as at 31.12.2017	—	351	5,809	10,532	3,205	700,076	719,973
Accumulated depreciation as at 01.01.2017	—	—	—	—	—	—	—
Additions	—	—	—	—	—	—	—
Additions through business combinations	—	16	1,203	—	319	—	1,538
Disposals	—	—	—	—	—	—	—
as at 31.12.2017	—	16	1,203	—	319	—	1,538
Net Book Value as of 01.01.2017	—	—	—	5,747	—	—	5,747
Net Book Value as of 31.12.2017	—	335	4,606	10,532	2,886	700,076	718,436

Property, plant and equipment and intangible assets of the Group are not pledged as security. There are no contractual obligations to acquire property, plant and equipment or intangible assets.

9.3. Goodwill

Goodwill as of December 31, 2018 amounts to €1,032,480 thousand (December 31, 2017: €700,076 thousand). For the financial year 2018 (2017), goodwill is attributable as follows:

in k€	31.12.2018	31.12.2017
CG	**724,634**	698,490
GxP	**—**	1,586
SSN	**304,264**	—
DIPLAN	**3,582**	—

Goodwill is allocated to the cash-generating units of the Group that are profiting from the synergy effects of the business combination. The cash-generating units correspond to the respective legal units. The recoverable amounts of the cash-generating units were determined using cash flow projections based on the calculation of the value in use. The estimated future cash flows used for impairment testing are based on the financial planning, with a planning horizon of 5 years. Cash flows outside the planning period are extrapolated using individual growth rates, taking relevant market information into account. The growth rate outside the planning horizon was 0.75%. The weighted average discount rate before tax used to discount the estimated cash flows was 5.10% for the cash-generating unit CG. Based on the inputs to the valuation techniques used, the fair value measurement was classified as a Level 3 fair value in accordance with IFRS 13.

The impairment tests performed on the goodwill allocated to cash-generating unit CG did not reveal any evidence of impairment. The Group assumes that the recoverable amounts, in case of slight changes in the parameters, still exceed the carrying amount of the goodwill.

Internally generated intangible assets were not recognized in the years presented in these consolidated financial statements.

9. Notes to the consolidated statement of financial position (Continued)

9.4. Financial assets

Other financial assets can be broken down as follows:

in k€	31.12.2018	31.12.2017
Other loans	**21,495**	2,477
Restricted cash	**—**	—
Deposits	**75**	1,370
Derivative financial instruments	**2,677**	—
Other financial assets	**23,904**	2,584
Shares in non-consolidated companies	**324**	1,153
Receivables from damage reimbursment claims	**—**	—
Total	**48,475**	7,584

9.5. Other assets

Furthermore accrued cost for obtaining a contract were recognized as other asset as of year-end in an amount of €10.1 million, due to provision payments made by CG for obtaining several forward sale agreement. The asset is amortised on a straight-line basis over the term of the specific contract it relates to. Corresponding expenses recognised as cost of material during the period amounted to €4.4 million.

Other assets can be broken down as follows:

in k€	31.12.2018	31.12.2017
Accruals	**2,339**	1,307
Receivables from other taxes	**1,784**	873
Prepayments made	**326**	3,163
Assets recognized from costs to obtain or fulfill a contract	**10,143**	—
Other assets	**908**	31
Total	**15,499**	5,375

9.6. Contract balances

The timing of revenue recognition, invoicing and cash collections results in billed accounts receivables, unbilled receivables (contract assets) and customer advances and deposits (contract liabilities) on the Statement of Financial Position. In the Group's development activities, amounts are billed as work progresses in accordance with agreed-upon contractual term, either at periodic intervals or upon achievement of contractual milestones. Generally, billing occurs subsequent to revenue recognition resulting in contract assets. However, the Group sometimes receives advances or deposits from its customers before revenue is recognized, resulting in contract liabilities. These assets and liabilities are reported on the Consolidated Statement of Financial Position on a contract-by-contract basis at the end of each reporting period. Changes in the contract asset and liability balances during the financial year 2018 were not materially impacted by other factors besides as laid out below.

The following table provides information about contract assets and contract liabilities from contracts with customers:

	Book value as of:		Details of changes during the accounting period:	Gross amount due from customers for contract work	
in k€	31.12.2018	01.01.2018*	Impairment loss on contract assets recognized	31.12.2018	01.01.2018*
Gross contract assets – non-current	**677,795**	**107,079**	**(2,234)**	**761,655**	**814,879**
Gross contract assets – current	**10,080**	**115,868**	**(492)**	**98,177**	**98,668**
Prepayments received on non-current contract balances	**(488,657)**	**(17,984)**	**—**	**(502,348)**	**(506,641)**
Prepayments received on current contract balances	**(9,890)**	**(73,237)**	**—**	**(83,126)**	**(83,126)**
Net contract assets (liabilities)	**189,329**	**131,725**	**(2,726)**	**274,357**	**323,780**

* The Group recognised the cumulative effect of initially applying IFRS 15 as an adjustment to the opening balance at January 1, 2018.

9. Notes to the consolidated statement of financial position (Continued)

9.6. Contract balances (Continued)

The initial consolidation of the SSN Group increased the contract assets by €11,524 thousand.

The impairment disclosed above refers to a change in estimation (see Note 8.9) and does not refer to a credit risk linked impairment.

The amount of the estimated transaction price for forward sale agreements within the scope of IFRS 15 comprise as follows:

Timing of revenue recognition	2018
Products transferred at a point in time	**174,422**
Products and services transferred over time	**293,197**

The judgement regarding the project progress of projects in scope of IFRS 15 over-time revenue recognition significantly changed with the adoption of a new business plan for the CG subgroup through the supervisory board in December 2018. The adopted CG business plan 2018 mainly resulted for the projects in scope in increased projected expenses which in turn lead to a lower project progress when compared to previous quarters under the previous business plan. In total the adoption of the CG business plan 2018 had an negative effect on net earnings of €13.7 million.

No impairments for credit risks in accordance with IFRS 9 were made in respect of contract assets in the financial year. This is due to the circumstances that the credit default risk of the contractual partners is relatively low. Furthermore, the value-at-risk can be regarded as relatively low due to the hedging of the development projects.

9.7. Work-in-progress including acquired land and buildings

In 2017 work-in-progress was acquired during the financial year as part of the business combination with the real estate developer CG. Financial year 2018 does included working-in-progress acquired as part of the business combination with SSN as well.

At January 1, 2018, the Group recognised the cumulative effect of initially applying IFRS 15 as an adjustment to the opening balance after deduction of inventories previously accounted under IAS 2. See section 5 for further information on the application of IFRS 15.

in k€	31.12.2018	31.12.2017
Carrying amount of inventories	**1,830,487**	1,211,827
– thereof Real Estate ‘‘Institutional’’	**914,662**	948,735
– thereof Real Estate ‘‘Parking’’	**14,610**	5,618
– thereof Real Estate ‘‘Apartments for sale’’	**869,169**	315,324
– thereof Real Estate ‘‘Other construction work’’	**90,675**	54,088
– net off: received prepayments for Real Estate construction	**(58,629)**	(111,938)

A significant part of the inventory is pledged as underlying security provided for loan agreements. Further information can be found in chapter 12.1.

9.8. Trade and other receivables

Trade and other receivables in financial year 2018 as well as 2017 mainly relate to disposal of real estate that took place shortly before the balance sheet date.

9. Notes to the consolidated statement of financial position (Continued)

9.8. Trade and other receivables (Continued)

The amount of the reported receivables is partly subject to estimation uncertainties, which implicitly result from the estimation of the underlying sales revenues. This includes a receivable from the sale of a property, for which a partial amount of €8 million was agreed as a variable purchase price payment. The variable purchase price payment depends on the specific project development due from the buyer and the rentable space after completion. Based on the design of the building and its assessment of market conditions, management has come to the conclusion that the total variable purchase price can be achieved and has therefore capitalised the entire amount.

in k€	31.12.2018	31.12.2017
Trade and other receivables, gross	**56,083**	56,200
Allowances on trade and other receivables	**(2,150)**	(183)
Total trade and other receivables	**53,933**	56,017
– thereof from rent and rent related services	**3,674**	1,276
– thereof from the disposal of real estate	**38,808**	50,937
– thereof others	**11,451**	3,804

9.9. Tax receivables

Tax receivables mainly include prepayments on trade tax.

9.10. Cash and cash equivalents

Cash and cash equivalents consist exclusively of balances with banks. The cash and cash equivalents are always available and represent the financial resources of the Company.

in k€	31.12.2018	31.12.2017
Bank deposits	**91,598**	71,336
Cash at hand	**5**	3
Cash and cash equivalents	**91,603**	71,340
– thereof restricted	**54,206**	32,951

Restricted cash and cash equivalents are subject to restrictions, particularly with regard to their use for the financed properties and as a minimum to secure future interest payments. A smaller proportion is subject to transfer controls, i.e. these funds must be held by certain group companies in accordance with the respective loan agreement.

9.11. Equity

The change in equity components is shown in the consolidated statement of changes in equity.

(a) Subscribed Capital 2017

By exercising the authorized capital, the Company decided on February 12, 2017 to increase the share capital of the Company from €22,000,000.00 by €2,200,000.00 to €24,200,000.00 in return for contributions in cash by issuing 2,200,000 bearer shares with a pro rata amount of the share capital of €1.00 per share. The new shares were issued at a price of €15.00 per no-par value share to be issued and are fully entitled to dividend rights from January 1, 2016. For subscription to and acquisition of the new shares, the existing shareholders were granted a subscription right. The subscription right could be exercised up to and including March 1, 2017. In the event of the non-exercise of the subscription right by the old shareholders, the Consus GmbH and the FTV Ltd., Isle of Man, had already approved a subscription to the capital increase and deposited the corresponding amount as collateral.

The shareholders assembly of the Company decided on September 28, 2017 to increase subscribed capital by €55,650,383.00 to a total of €79,850,383.00. The increase was registered at the commercial register on November 2, 2017. This increase related to the acquisition of Pebble GmbH.

9. Notes to the consolidated statement of financial position (Continued)

9.11. Equity (Continued)

(b) Subscribed Capital 2018

By exercising the authorized capital, the Company decided on July 24, 2018 to increase the share capital of the Company from €79,850,383.00 by €18.244.401.00 to €98,094,784.00 in return for contributions in cash as part of a public offer by issuing 18,244,401 bearer shares with a pro rata amount of the share capital of €1.00 per share.

By exercising the authorized capital, the Company decided on August 1, 2018 to increase the share capital of the Company by €62,459.00 to €98,157,243.00 by issuing 62,459 bearer shares with a pro rata amount of the share capital of €1.00 per share. Holders of the €200 million convertible exercised their option rights in order to convert their bonds into new shares.

By exercising the authorized capital, the Company decided on August 17, 2018 to increase the share capital of the Company by €8,333,334.00 to €106,490,577.00 in return for contribution in kind as part of a deal with a CG minority shareholder by issuing 8,333,334 bearer shares with a pro rata amount of the share capital of €1.00 per share.

By exercising the authorized capital, the Company decided on September 19, 2018 to increase the share capital of the Company by €674,474.00 to €107,165,051.00 by issuing 674,474 bearer shares with a pro rata amount of the share capital of €1.00 per share. Holders of the €200 million convertible exercised their option rights in order to convert their bonds into new shares.

By exercising the authorized capital, the Company increase the share capital of the Company by €26,875,000.00 to €134,040,051.00 in return for contribution in kind as part of the SSN acquisition by issuing 26,875,000 bearer shares with a pro rata amount of the share capital of €1.00 per share. For further information on this acquisition please refer to chapter 7.2.

(c) Authorized Capital 2017

The articles of association of the Company as of September 28, 2017, authorized the management board to increase the Company's registered capital until September 27, 2022 contingent on approval of the supervisory board once or repeatedly by up to a total of €39,925,191.00 through the issuance of new ordinary shares with no par value against contribution in cash or in kind (Authorized Capital 2017). In principle, the existing shareholders are to be offered subscription rights.

The management board is authorized to exclude subscription rights of existing shareholders with the consent of the supervisory board for one or more capital increases in the context of the Authorized Capital 2017. This may happen in the event of a capital increase against contributions in kind or mixed contributions kind *(gemischte Sacheinlage)* in order to be able to grant holders of convertible bonds profit participation rights issued by the Company or its subordinated group companies that carry option rights to new ordinary registered shares with no par value *(Stückaktien)* or subscription rights to new shares in the amount to which they would be entitled to in the event of a capital increase against cash contributions, given that the requirements and thresholds of the German Securities Trading Act *(Wertpapierhandelsgesetz)* and the open market *(Freiverkehr)* are fulfilled.

The management is authorized to determine any further details of a capital increase and its implementation, which is subject to the consent of the supervisory board. The supervisory board is authorized to adjust the articles of association accordingly after utilization of the authorized capital 2017 or upon expiry of the period during which the authorized capital 2017 can be utilized.

(d) Authorized Capital 2018

By decision of the general shareholders' meeting on August 23, 2018 the Authorized Capital 2017 as decided on September 28, 2017 was revoked.

Furthermore it was decided that the management board is authorized to increase the share capital of the Company until August 22, 2023 by a total of €49,078,621.00 (Authorized Capital 2018/I). The authorized capital 2018 / I has been partially exercised, as of balance sheet date €22,203,621 are still outstanding.

9. Notes to the consolidated statement of financial position (Continued)

9.11. Equity (Continued)

(e) Conditional Capital 2017

On September 28, 2017, the general shareholders' meeting of the Company resolved on a conditional capital increase in accordance with the German Stock Corporation Act *(Aktiengesetz)*.

Upon registration and in accordance with the Articles of Association, the Company's share capital has been conditionally increased by up to €12,100,000.00 (Conditional Capital 2017). The conditional capital increase will only be implemented to the extent holders or creditors of these bonds make use of their conversion rights. In case holders exercise their option rights in order to convert their bonds into new shares, new shares are equipped with a profit participation right. Depending on whether the option is exercised before or after the general shareholders' meeting, the right to participate in profits starts either from the beginning of the prior financial year or from the beginning of the financial year in which they are issued.

The Management Board is authorized, with the approval of the Supervisory Board, to determine any further details of the implementation of the Conditional Capital 2017.

By decision of the general shareholders' meeting on August 23, 2018 the Conditional Capital 2017 as decided on September 28, 2017 was revoked.

(f) Conditional Capital 2018

By decision of the general shareholders' meeting on August 23, 2018 the Company's share capital has been conditionally increased by up to €59,887,787 (Conditional Capital 2018). The Conditional Capital 2018 remains unchanged as of balance sheet date.

(g) Authorization to issue convertible bonds

Upon registration and based on a resolution of the Company's general shareholders' meeting held on September 28, 2017, the management board is authorized, with the approval of the supervisory board, to issue, once or repeatedly, until September 27, 2022, bonds, i.e., convertible bonds, warrant bonds, profit participation rights and/or income bonds having an aggregate principal amount of up to €500,000,000.00 and to grant the holders or creditors option or conversion rights to shares of the Company with a maximum proportion of share capital of up to €40,000,000.00 in accordance with the terms and conditions with the bonds.

The conversion or option rights and conversion or option obligations carried by the bonds may be serviced from the conditional capital 2017 or any conditional capital resolved in a future general shareholders' meeting or from the authorized capital 2017 or any future authorized capital.

Pursuant to the terms and conditions of the bonds, bondholders have the right to offer to the Company to participate in a capital increase by way of contribution in kind *(Sacheinlage)* by offering bonds held by it as contribution in kind. It is in the discretion of the Company whether it accepts such offer. If the Company accepts such offer, the new shares would be derived from the Company's authorized or conditional capital.

In November 2017, the Company issued a senior unsecured convertible bond due in 2022. The bond has a total nominal value of €200,000,000.00 with a denomination of €100,000.00. The convertible bond is listed on the open market *(Freiverkehr)* segment of the Frankfurt Stock Exchange.

(h) Capital reserves

On March 17, 2017, the share capital was increased against cash contributions that were fully paid in. The amount of paid in capital per share that exceeds the par value was allocated to the capital reserve. Therefore an increase of €30,798 thousand in the capital reserve was reported in 2017. The capital increase was registered with the commercial register of the local court of Leipzig, Germany, on March 22, 2017.

In September 2017, another capital increase was carried out against contribution in kind. Therefore an additional increase of €543,916 thousand was reported in 2017, of which transaction costs in the amount of €526 thousand were recognized in directly in equity. The transaction costs include deferred tax consequences of €121 thousand. This capital increase was registered with the commercial register of the local court of Leipzig, Germany, on November 2, 2017.

9. Notes to the consolidated statement of financial position (Continued)

9.11. Equity (Continued)

The premium paid on the public issuance of 18,244,401 shares on July 24, 2018 was allocated to capital reserve, resulting in an increase of €110,488 thousand.

The transaction with minority shareholders on August 17, 2018 resulting in an increased capital reserve of €25,573 thousand.

On December 3, 2018, another capital increase was carried out against contribution in kind, resulting in an increase in capital reserve of €188,772 thousand. For further information on the SSN transaction please refer to chapter 7.2.

Conversion notices of the €200 million convertible bond received during financial year 2018 for a total nominal amount of €6 million increased capital reserve by a total of €5,686 thousand.

(i) Reserves

The other reserves include the results of the Companies included in the consolidated financial statements, retained by the shareholders' meeting, insofar as they were not distributed. The cumulative results in accordance with IFRS have arisen from the accumulated results of the consolidated financial statements in accordance with German-GAAP and the one-off adjustments recognized directly in equity as part of the first-time adoption of IFRS.

The item also contains the legal reserve required of stock corporations. As of December 31, 2018, the legal reserve amounts to €0 thousand (previous year: €0 thousand).

The adoption of IFRS 15 and IFRS 9 had a cumulative effect on other reserves of €4,279 thousand after deduction of deferred taxes of €3,544 thousand.

Furthermore transaction costs from the capital increase on July 24, 2018 of €8,649 thousand net of tax consequences of €758 thousand have been recognized in other reserves.

(j) Non-controlling interests

The non-controlling interest acquired during the financial year 2018 mainly result from business combinations with SSN €21,527 thousand as well as the transaction with CG minority shareholder (€30,279 thousand), whereas the non-controlling interests acquired during the previous year mainly resulted from the business combinations with GxP and CG. For further information please refer to section 7.2.

9.12. Financing liabilities

Financing liabilities increased during 2018 to a total of €2,195,525 thousand. Financing liabilities of €749,193 thousand resulted from the acquisition of subsidiaries during 2018, the majority of which is project related.

Furthermore the following significant financing liabilities were issued during the financial year 2017 and are still outstanding as of balance sheet date :

(a) Liabilities from issued notes

On November 8, 2017, the company issued 150,000 notes payable to the bearer and ranking pari passu among themselves. The aggregate principal amount of up to €150,000,000.00 bears interest at a rate of 4.75% per annum. To be redeemed on November 8, 2024, the notes will be represented by a global bearer note without interest coupons attached.

During the financial year 2018 the Company repurchased a total of €128,321 thousand nominal and €4,212 thousand accumulated interest of the issued notes.

(b) Liabilities from convertible bonds

A convertible bond with a total nominal value of €200,000,000.00 was issued by the Group on November 29, 2017. The convertible bond has a maturity as of November 29, 2022, and was issued at a price of 100 percent of

9. Notes to the consolidated statement of financial position (Continued)

9.12. Financing liabilities (Continued)

the principal amount in a denomination of €100,000 each. The convertible bonds bear interest at a rate of 4.0 percent per annum, payable semi-annually in arrears. In accordance with the convertible bond conditions, bondholders have the right to offer to the Company to participate in a capital increase by way of contribution in kind (Sacheinlage) by offering bonds held by it as contribution in kind. It is in the discretion of the Company whether it accepts such offer. If the Company accepts such offer, the new shares would be derived from the Company's authorized or conditional capital. The exercise of the included termination right leads to a 100% repayment plus accrued interest.

Until balance sheet date bondholders representing a total nominal value of €6,000 thousand have send a conversion notice to the Company, requesting their bonds to be converted into equity. This resulting in an increase in the subscribed capital of €737 thousand and of capital reserve of the Company of €5,686 thousand.

The conversion right and the redemption rights represent an embedded derivative. As the derivative is exposed to the risks of an equity instrument and the host debt contract to interest rate risks, it is a separable embedded derivative. As of December 31, 2018 the fair value of the instrument is recognized at €14,062 thousand (previous year: €16,590 thousand).

9.13. Provisions

The personnel related provision, which was added in the course of the business combination results mainly from change of control clauses in management contracts of the acquired company.

Other provisions related to risks resulting from the purchase of a property currently under negotiation of €2,650 thousand were reversed during financial year 2018 as the entity was sold. Accordingly the income from the release became part of the deconsolidation profit from the sale of the entity.

in k€	as at 01.01.2018	Additions	Additions through business combinations	Consumption	Reversal	Other changes	As at 31.12.2018	thereof current	thereof non-current
Pensions	—	—	660	—	—	—	660	660	—
Personnel related provisions	220	—	1,760	220	—	—	1,760	1,100	660
Legal provisions	500	1,579	440	(63)	(400)	—	2,057	2,057	—
Other provisions	2,650	770	1,201	—	(2,650)	—	1,971	918	1,052
Total	**3,150**	**2,349**	**4,061**	**(63)**	**(3,050)**	**—**	**6,447**	**4,735**	**1,712**

in k€	as at 01.01.2017	Additions	Additions through business combinations	Consumption	Reversal	Other changes	As at 31.12.2017
Pensions	—	—	—	—	—	—	—
Personnel related provisions	—	—	220	—	—	—	220
Legal provisions	—	500	—	—	—	—	500
Other provisions	—	2,650	—	—	—	—	2,650
Total	—	3,150	220	—	—	—	3,370

9. Notes to the consolidated statement of financial position (Continued)

9.14. Other liabilities

Other liabilities for the two reporting dates presented are as follows:

in k€	31.12.2018	31.12.2017
Trade payables	**41,913**	46,244
Liabilities to employees	**5,048**	2,021
Received prepayments	**2,969**	47
Other taxes	**5,792**	2,293
Liabilities to minorities (NCIs)	**7,716**	9,218
Other financial accruals	**37,049**	21,122
Other liabilities	**12,307**	4,804
Other financial liabilities	**19,907**	3,940
Total other liabilities	**90,788**	43,444
– thereof remaining term up to one year	**75,771**	35,058
– thereof remaining term between one to five years	**15,017**	8,386
– thereof remaining term more than five years	**—**	—

The other financial accruals as of December 31, 2018 mainly relate to outstanding invoices for project development under general contractor obligations.

9.15. Deferred income taxes

Deferred tax assets and liabilities for the two reporting dates presented are as follows:

	31.12.2018	
in k€	Deferred tax assets	Deferred tax liabilities
IAS 40 and owner-occupied real estate	**—**	**23,502**
Other assets	**—**	**120,718**
Pension provisions	**198**	**—**
Financing liabilities	**10,429**	**757**
Other financial liabilities	**—**	**—**
Other liabilities	**—**	**5**
Deferred taxes on temporary differences	**10,627**	**144,982**
Losses carried forward	**19,975**	**—**
Outside basis differences	**—**	**—**
Total deferred taxes	**30,602**	**144,982**
Netting	**30,602**	**30,602**
Carrying amount deferred taxes 31.12.2018	**—**	**114,380**

The deferred taxes from non-current assets and non-current liabilities are expected to reverse after more than twelve months after the end of the reporting period. The expected reversal of deferred taxes is broken down as follows:

in k€	31.12.2018	31.12.2017
Deferred tax assets		
– to be realized after more than 12 months	**30,466**	14,014
– to be realized within 12 months	**136**	99
Total deferred tax assets	**30,602**	14,113

in k€	31.12.2018	31.12.2017
Deferred tax liabilities		
– to be realized after more than 12 months	**144,845**	117,836
– to be realized within 12 months	**136**	—
Total deferred tax liabilities	**144,982**	117,836

9. Notes to the consolidated statement of financial position (Continued)

9.15. Deferred income taxes (Continued)

in k€	31.12.2018	31.12.2017
Carrying Value of Deferred Tax Assets as of 01.01.	**—**	—
– Changes recognized through profit and loss	**—**	—
– Changes recognized in equity	**—**	—
– changes due to consolidation scope	**—**	—
Carrying Value of Deferred Tax Assets as of 31.12.	**—**	**—**
Carrying Value of Deferred Tax Liabilities as of 01.01.	**160.696**	—
– Changes recognized through profit and loss	**(31.680)**	5.503
– Changes recognized in equity	**(9.327)**	121
– changes due to consolidation scope	**(5.309)**	98.099
Carrying Value of Deferred Tax Liabilities as of 31.12.	**114.380**	103.723

Tax losses

Tax losses not offset in an assessment period may, under certain conditions, be carried back and / or carried forward to other assessment periods. A tax loss carry-back is only possible up to the amount of €1 million and only for corporate tax purposes in the immediately preceding assessment period. Non-compensated tax losses that have not been carried-back can only be used to fully offset a positive corporate tax total of income or trade income in the following assessment or collection periods up to an amount of €1 million (loss carried forward). Merely 60% of the income and trade income exceeding this amount can be offset with losses carried-forward and are therefore subject to 40% taxation at the applicable tax rate (so-called minimum taxation).

Non-deductible interest expenses

Interest expenses may only be deductible in accordance with the regulations of the so-called interest barrier (Zinsschranke). Accordingly, the net interest expense (i.e. interest expense less interest income) is deductible in the financial year only in the amount of 30% of EBITDA (separate calculation for tax purposes). In particular, the amount of the interest expenses, as they exceed the amount of the interest income by less than €3 million is fully deductible (so-called ‘‘small business clause’’). Non-deductible interest expense may, under certain conditions, be carried forward to subsequent financial years and deducted thereon in accordance with the interest barrier. Unused EBITDA volume can generally be carried forward to the following five financial years.

Deferred tax assets from unused tax losses are recognized up to the amount of deferred tax liabilities from temporary differences. Deferred tax assets from unused tax losses in excess of this amount are recognized to the extent that it is probable that the company will generate taxable income. As of December 31, 2018, tax loss carryforwards are estimated to amount to €88 million (December 31, 2017: €60 million). A tax loss carryforward (or the resulting future tax relief) may only be capitalized if the discharge is sufficiently certain. Due to historical losses at many Group companies as well as lack of sufficient tax planning this was not the case.

No deferred taxes are recognized on temporary differences in connection with investments in subsidiaries or branches (differences between the net assets of the subsidiaries and the respective tax value of the shares in the subsidiaries) at any reporting date because their reversal can be controlled by dividends. Therefore, no significant tax effects are expected.

9.16. Trade payables

Trade payables include liabilities from the development as well as letting of real estate and related transaction costs as of the reporting date. Trade payable have been classified as current for all periods under review.

9. Notes to the consolidated statement of financial position (Continued)

9.17. Payables to related parties

Payables to related parties include €21.563 thousand and are mainly loans from Aggregate Group. For further information please refer to chapter 13.

9.18. Tax payables

In 2018 tax payables result from income taxes such as trade and corporate taxes due to national tax authorities from subsidiaries, thereof €41,320 thousand from CG and €3,069 thousand from SSN.

In 2017 tax payables resulted from income taxes such as trade and corporate taxes due to national tax authorities. All liabilities resulted from subsidiaries acquired during 2017.

9.19. Received prepayments

Includes prepayments received by subsidiaries of the Group. Received prepayments are netted against respective asset or liability balances in accordance with IFRS. For further information see chapter 9.6 and 12.1.

10. Notes to the consolidated statement of cash flows

Cash and cash equivalents are solely in Euro and consist of daily deposits with domestic banks. No credit lines exist.

10.1. Continued operations

Significant non-cash transactions in 2018 particularly include the acquisition of Diplan GmbH as well as SSN Group AG and the related financing of the transaction (investing and financing cash flow), please refer to chapter 7.2.

Net debt reconciliation arising from financing activities

The following section sets out an analysis of net debt and the movements in net debt for each of the periods presented.

in k€	31.12.2018	31.12.2017
Cash and cash equivalents	**91,603**	71,340
Finance liabilities – repayable within one year (including overdraft)	**(1,146,374)**	(575,929)
Finance liabilities – repayable after one year	**(1,049,150)**	(1,013,617)
Net debt	**(2,103,922)**	(1,518,206)
Cash and liquid investments	**91,603**	71,340
Gross debt – fixed interest rates	**(1,793,841)**	(1,355,328)
Gross debt – variable interest rates	**(401,683)**	(234,218)
Net debt	**(2,103,922)**	(1,518,206)

10. Notes to the consolidated statement of cash flows (Continued)

10.1. Continued operations (Continued)

Other non-cash movements in the financing liabilities result to a significant portion from additions to the scope of consolidation as well as non-cash contributions.

in k€ – Liabilities from financing activities	Cash and cash equivalents	Financing liabilities – repayable within one year	Financing liabilities – repayable after one year	Total
Net debt as at 01.01.2017	17.632			17.632
Cash flows	53.707		(251.511)	(197.804)
Other non-cash movements	—	575.929	762.105	1.338.034
Net debt as at 31.12.2017	71.340	(575.929)	(1.013.616)	(1.518.205)
(including discontinued operations)				
Net debt as at 01.01.2018	**71.340**	**(575.929)**	**(1.013.616)**	**(1.518.205)**
Cash flows	**20.263**	**65.192**	**126.753**	**212.216**
Changes in the scope of consolidation	**—**	**(468.637)**	**(280.557)**	**(749.193)**
Other non-cash movements	**—**	**(167.001)**	**118.269**	**(48.731)**
Net debt as at 31.12.2018*	**91.603**	**(1.146.375)**	**(1.049.151)**	**(2.103.914)**

Other non-cash movements during financial year 2017 mainly resulted from the acquisition of subsidiaries during 2017 which increased financing liabilities by €1,146,597 thousand. Furthermore the non-cash vendor loan issued to Aggregate Deutschland S.A as part of the financing of the CG transaction with a nominal of €150,000 thousand contributed to the other non-cash movements.

10.2. Discontinued operations

The Company has discontinued its former segment GxP on June 2018 financial year. All cash flows generated by the Company to date have been exclusively derived from the letting of real estate. Due to the discontinuation, the classification of this segment as a discontinued operation is made for the consolidated statement of cash flows.

The net cash flows were determined using the indirect method (operating activity) or the direct method (investment and financing activities).

The cash flows of the discontinued operations in 2018 and 2017 were as follows:

in TEUR	2018	2017
Cash flow from operating activities	**1,395**	744
Cash flow from investing activities	**(1,561)**	(4,815)
Cash flow from financing activities	**(2,920)**	2,729
Cash flow from discontinued operations	**(3,086)**	(1,342)

11. Segment Information

11.1. Operating segments

For management purposes, the Group is organized into business units based on its organizational structure and has three reportable segments, as follows:

- CONSUS: Principal business activities include the renting of real estate, mainly for commercial use until June 2018, and is now focussed on supporting the subsidiaries through head office functions.
- CG: Principal business activities include the development of real estate for residential use as well as commercial use. Furthermore CG is engaged in the renting of commercial and residential real estate as well as complementary services.
- SSN: Principal business activities include the development of real estate for residential use as well as commercial use. Furthermore SSN is engaged in planning, construction and building services as well as the renting of commercial and residential real estate.

11. Segment Information (Continued)

11.1. Operating segments (Continued)

Since GxP has been classified as discontinued operations, management does not consider GxP to be a reportable segment as of December 31, 2018. The chief operating decision makers monitor the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on revenue, Net Loan to Value (Net-LTV) as well as Net Asset Values (NAV) and is measured consistently with values reported in the IFRS consolidated financial statements of the Group.

The Group's financing (including finance costs and finance income) and income taxes are managed on a Group basis and are not allocated to operating segments.

Revenue 2018

in k€	Consus	CG Group	SSN	Other/ Eliminations	Total
Income from letting activities	**5,842**	**26,706**	**248**	**—**	**32,796**
Income from real estate inventory disposed of	**—**	**163,515**	**—**	**—**	**163,515**
Change in project related inventory	**—**	**(102,431)**	**(44,920)**	**—**	**(147,352)**
Income from property development	**—**	**357,316**	**51,144**	**—**	**408,461**
Income from Service, maintenance and management activities	**(2,058)**	**—**	**10,199**	**2,058**	**10,199**

Revenue 2017

in k€	Consus	CG Group	Other/ Eliminations	Total
Income from letting activities	7,691	—	—	7,691

Net Loan to Value (Net LTV)
31/12/2018

in k€	Consus	CG Group	SSN	Other/ Eliminations	Total
Investment property (IAS 40)	**—**	**299,337**	**28,689**	**—**	**328,027**
Prepayments on investment property (IAS 40)	**—**	**—**	**—**	**—**	**—**
Owner occupied real estate (IAS 16)	**—**	**—**	**—**	**—**	**—**
Non-current assets held-for-sale (IFRS 5)	**—**	**—**	**1,329**	**—**	**1,329**
Inventory (IAS 2) – Property under construction	**—**	**960,070**	**870,417**	**—**	**1,830,487**
Contract assets	**—**	**176,979**	**58,222**	**—**	**235,201**
Real Estate assets	**—**	**1,436,386**	**958,657**	**—**	**2,395,043**
Liabilities to financial institutions	**459,429**	**947,990**	**754,713**	**33,393**	**2,195,525**
Cash and cash equivalents	**2,672**	**51,514**	**37,399**	**17**	**91,603**
Net debt	**456,757**	**896,476**	**717,314**	**33,375**	**2,103,922**
Net loan to Value (Net LTV) in %	**0%**	**62%**	**75%**	**0%**	**88%**

11. Segment Information (Continued)

11.1. Operating segments (Continued)

Net Loan to Value (Net LTV)
31/12/2017

in k€	Consus	GxP	CG	Other/ Eliminations	Total
Investment property (IAS 40)	148,400	165,270	213,680	—	527,350
Prepayments on investment property (IAS 40)	10,532	—	—	—	10,532
Owner occupied real estate (IAS 16)	—	—	—	—	—
Non-current assets held-for-sale (IFRS 5)	—	—	—	—	—
Inventory (IAS 2) – Property under construction	—	—	1,211,827	—	1,211,827
Real Estate assets	158,932	165,270	1,425,507	—	1,749,709
Liabilities to financial institutions	437,542	104,978	1,007,706	39,319	1,589,546
Cash and cash equivalents	33,396	4,896	33,032	15	71,340
Net debt	404,146	100,082	974,674	39,304	1,518,206
Net loan to Value (Net LTV)	254%	61%	68%	n/a	87%

Net Asset Values (NAV)
31/12/2018

in k€	Consus	CG Group	SSN	Other/ Eliminations	Total
Equity	**979,584**	**327,685**	**434,095**	**(578,825)**	**1,162,539**
Value adjustments on other fixed assets (IAS 16)	—	—	—	—	—
Value adjustments on real estate (IAS 2)	—	—	—	—	—
Fair value of derivative financial instruments	—	—	—	—	—
Deferred tax assets	—	—	—	—	—
Deferred tax liabilities	—	**51,246**	**63,134**	—	**114,380**
Goodwill	**3,582**	**724,634**	**304,264**	—	**1,032,480**
Net Asset Value (NAV)	**983,166**	**1,103,565**	**801,493**	**(578,825)**	**2,309,399**

Net Asset Values (NAV)
31/12/2017

in k€	Consus	GxP	CG	Other/ Eliminations	Total
Equity	574,714	58,872	317,807	(135,384)	816,009
Value adjustments on other fixed assets (IAS 16)	—	—	—	—	—
Value adjustments on real estate (IAS 2)	—	—	—	—	—
Fair value of derivative financial instruments	9,888	—	—	—	9,888
Deferred tax assets	—	—	—	—	—
Deferred tax liabilities	5,344	5,676	92,703	—	103,723
Goodwill	—	(1,586)	(698,490)	—	(700,076)
Net Asset Value (NAV)	589,946	62,963	(287,981)	(135,384)	229,544

11.2. Adjusted EBIT and EBITDA calculation

The following adjusted EBITDA is not calculated in accordance with IFRS and is therefore a non-GAAP measure. This information is provided for the first time for the reporting period. The reduction in changes in inventories reflects all positive and negative effects resulting from the measurement of inventories and contract assets and liabilities in connection with past business combinations. Adjusted EBITDA accordingly adjusts the fair value step-up and reduces the carrying amount while maintaining the actual costs incurred, ie it adjusts for the impact of the Purchase Price Allocation (''pre-PPA''). The strict minimum value principle at acquisition date is not applied.

One-off expenses are expenses that are not capitalized and are not incurred in the ordinary course of business. Accordingly, one-off expenses are exceptional in nature or amount. The adjusted one-off expenses in the fiscal

11. Segment Information (Continued)

11.2. Adjusted EBIT and EBITDA calculation (Continued)

year include, among other things, consulting and advisory costs in connection with financing transactions and the acquisition or sale of group companies.

in k€	Consus	CG Group	SSN	Other/ Eliminations	Total
unadjusted EBITDA FY 2018 YTD	**(10,950)**	**110,268**	**8,583**	**—**	**107,901**
Reduction of changes in inventory (PPA)	**—**	**78,694**	**3,568**	**—**	**82,262**
One-offs	**10,506**	**—**	**2,987**	**—**	**13,493**
adjusted EBITDA FY 2018 YTD	**(444)**	**188,962**	**15,138**	**—**	**203,656**

The following adjusted EBIT follows the derivation of adjusted EBITDA with the addition of the elimination of the amortization of the PPA residual:

in k€	Consus	CG Group	SSN	Other/ Eliminations	Total
unadjusted EBIT FY 2018 YTD	**(10.955)**	**108.186**	**8.494**	**—**	**105.726**
Reduction of changes in inventory (PPA)	**—**	**78.694**	**3.568**	**—**	**82.262**
Elimination of Step Up amortisation	**—**	**202**	**—**	**—**	**202**
One-offs	**10.506**	**—**	**2.987**	**—**	**13.493**
adjusted EBIT FY 2018 YTD	**(449)**	**187.083**	**15.050**	**—**	**201.684**

11.3. Geographical information

Revenue from external customers of €614,971 thousand (previous year: €8,492 thousand) resulting from Group companies located in Germany. During financial year 2018, no revenue resulted from Group companies based in Luxembourg (previous year: €1,218 thousand). During financial year 2018, revenue of €-86 thousand resulted from Group companies based in Switzerland (previous year: €0 thousand). The revenue information above is based on the locations of the Group entities.

The complete amount of non-current assets of €1,642,073 thousand (previous year: €1,245,786 thousand) is located physically in Germany.

11.4. Disaggregation of revenue

In the following tables, revenue is disaggregated by primary geographical market and timing of revenue recognition, including a reconciliation of the disaggregated revenue with the Group's reportable segments.

Materially all revenue for financial year 2018 and previous financial year were generated in Germany.

Due to the Group's business model, which is mainly based on the sale of larger development projects, the number of customers is limited. There is therefore a certain dependence on individual larger customers.

in k€	Consus	CG Group	SSN	Other/ Eliminations	Total
Products transferred at a point in time	708	163,515	10,199	—	174,422
Products and services transferred over time	5,134	281,591	6,472	—	293,197

12. Capital management and financial instruments

12.1. Capital management

The aim of the Group's capital management is to secure the continued existence of the company as a going concern while generating income for its shareholders and providing all other stakeholders with benefits to which they are entitled. In addition, the overall aim is to ensure the Group's creditworthiness in order to foster the further growth of the Group.

Net LTV describes the ratio of net debt to the fair value of investment property and inventories. Net debt is calculated by deducting cash and cash equivalents from financial liabilities.

12. Capital management and financial instruments (Continued)

12.1. Capital management (Continued)

The Group's goal is to maintain an appropriate level of leverage in order to ensure continued access to debt financing in the long term at economically appropriate costs. Net-LTV as at December 31, 2018 and December 31, 2017 is calculated as follows:

in k€	31.12.2018	31.12.2017
Real Estate held as Investment property (IAS 40)	**328,027**	527,350
Advance payments for investment property (IAS 40)	**—**	10,532
Owner-occupied real estate (IAS 16)	**—**	—
Non-current assets classified as held-for-sale (IFRS 5)	**1,329**	—
Inventories (IAS 2)	**1,830,487**	1,211,827
Contract Assets	**235,201**	—
Total Real Estate Assets	**2,395,043**	1,749,709
Financing liabilities	**2,195,525**	1,589,546
Cash and cash equivalents	**91,603**	71,340
Net debt	**2,103,922**	1,518,206
Net Loan to Value (Net – LTV)	**88%**	87%

Prepayments received by the Group on either contract assets/liabilities (development projects under the scope of IFRS 15) or on inventory (development projects under the scope of IAS 2) are included in the balances of the respective asset or liability balance. Since these prepayments constitute an important source of liquidity for the Group the following table provides a comprehensive overview.

in k€	31.12.2018	31.12.2017
Prepayments included in contract assets/liabilities	**498,546**	—
Prepayments included in inventory	**58,629**	111,938
Total	**557,175**	111,938

Under various contracts such as loan agreements the Group pledged assets. Project related financing is usually secured via pledge on the corresponding property. Furthermore Consus Real Estate AG pledge shares in its affiliated companies such as CG Gruppe AG and SSN Group AG and receivables under intragroup loans. The following table provides an overview of assets pledged for the current and previous financial year. The values presented below exclude prepayments received, e.g. on inventories.

Assets in k€	31.12.2018	31.12.2017
Pledged non-current asset	**299,337**	—
Als Finanzinvestitionen gehaltene Immobilien	**299,337**	—
Pledged current assets	**1,059,874**	1,323,765
Vorräte	**960,070**	1,323,765
Forderungen aus Lieferungen und Leistungen und sonstige Forderungen	**37,812**	—
Finanzielle Vermögenswerte	**6,831**	—
Zahlungsmittel und Zahlungsmitteläquivalente	**55,161**	—
Total pledged assets	**1,359,212**	1,323,765

12.2. Classification of financial instruments

In 2018 the Company repurchased €128,321 thousand nominal and €4,212 thousand accumulated interest of the €150 million notes payable.

In financial year 2017 the company issued a €200 million convertible bond for which it received Conversion Notices requesting a conversion of a total of €6,000 thousand nominal into equity. The related increase in equity of €6,423 thousand was accounted for as of December 31, 2018.

Debentures entered into by CG during the financial year 2018 carry embedded derivatives that need to be separated from its host contract and accounted for separately at fair value through profit or loss. The embedded

12. Capital management and financial instruments (Continued)

12.2. Classification of financial instruments (Continued)

derivatives are prepayment options that can be exercised by CG Gruppe AG. The market value of the prepayment options are calculated with a binomial interest rate tree model based on current market conditions.

The following abbreviations are used for the measurement categories:

- HfT: Held for Trading
- LaR: Loans and Receivables
- AfS: Available for Sale
- FVTPL: Financial assets at FVTPL
- AC: Financial assets at amortised cost
- Debt FVOCI: Debt investments at FVOCI
- Equity FVOCI: Equity investments at FVOCI
- FLaC: Financial Liability at Cost
- FAHfT: Financial Assets Held for Trading
- FLHfT: Financial Liabilities Held for Trading

Financial assets and liabilities by measurement category and class are shown in the following table.

Valuation categories acc. to IFRS 9 – 2018

in k€	Category acc. to IFRS 9	Carrying value as of 31.12.2018	Nominal value	Amortised costs	Fair value through P/L	Fair value through equity	Fair value as of 31.12.2018	Fair value hierarchy level
Non-current financial assets: Investments	FVOCI – equity instrument	**324**	**—**	**—**	**—**	**324**	**324**	**3**
Non-current financial assets: Other	Amortised cost	**9,713**	**—**	**9,713**	**—**	**—**	**9,713**	**2**
Trade and other receivables	Amortised cost	**53,933**	**—**	**53,933**	**—**	**—**	**53,933**	**2**
Current financial assets: Other	Amortised cost	**35,762**	**—**	**35,762**	**—**	**—**	**35,762**	**2**
Other current financial assets	FVTPL	**2,677**	**—**	**—**	**2,677**	**—**	**2,677**	**3**
Receivables from related entities	Amortised cost	**62,853**	**—**	**62,853**	**—**	**—**	**62,853**	**2**
Cash and cash equivalents	Amortised cost	**91,603**	**91,603**	**—**	**—**	**—**	**91,603**	**1**
Total financial assets	**—**	**256,865**	**91,603**	**162,260**	**2,677**	**324**	**256,865**	
Financing liabilities	Amortised cost	**2,181,462**	**—**	**2,181,462**	**—**	**—**	**2,183,989**	**2**
Trade payables	Amortised cost	**41,913**	**—**	**41,913**	**—**	**—**	**41,913**	**2**
Liabilities to related entities	Amortised cost	**43,196**	**—**	**43,196**	**—**	**—**	**43,196**	**2**
Financing liabilities: Derivatives	FVTPL	**14,062**	**—**	**—**	**14,062**	**—**	**14,062**	**3**
Other financial liabilities	Amortised cost	**66,866**	**—**	**66,866**	**—**	**—**	**66,866**	**2**
Total financial liabilities	**—**	**2,347,500**	**—**	**2,333,438**	**14,062**	**—**	**2,350,027**	
Financial asset measured at fair value through OCI – debt instrument	FVOCI – debt instrument	**—**	**—**	**—**	**—**	**—**	**—**	
Financial asset measured at fair value through OCI – equity instrument	FVOCI – equity instrument	**324**	**—**	**—**	**—**	**324**	**324**	
Financial asset measured at fair value through profit and loss	FVTPL	**5,354**	**—**	**—**	**5,354**	**—**	**5,354**	
Financial asset measured at amortised cost	Amortised cost	**253,863**	**91,603**	**162,260**	**—**	**—**	**253,863**	
Financial liabilities at cost	Amortised cost	**2,333,227**	**—**	**2,333,227**	**—**	**—**	**2,335,753**	
Financial liabilities held for trading	FVTPL	**14,062**	**—**	**—**	**14,062**	**—**	**14,062**	

12. Capital management and financial instruments (Continued)

12.2. Classification of financial instruments (Continued)

Valuation categories acc. to IAS 39 – 2017

in k€	Measurement category (IAS 39)	Carrying value as of 31.12.2017	Nominal value	Amortised costs	Fair value through P/L	Fair value through equity	Fair value as of 31.12.2017	Fair value hierarchy level
Securities	AfS	—	—	—	—	—	—	
Non-current financial assets: Investments	AfS	1,153	—	—	—	1,153	1,153	3
Non-current financial assets: Other	LaR	3,847	1,370	2,477	—	—	3,883	2
Other non-current financial assets (derivatives)	HfT	—	—	—	—	—	—	
Trade and other receivables	LaR	56,017	54,020	1,997	—	—	56,017	2
Current financial assets: Other	LaR	2,584	2,584	—	—	—	2,584	2
Receivables from related entities	LaR	27,840	27,840	—	—	—	27,840	2
Derivatives	FAHfT	—	—	—	—	—	—	
Cash and cash equivalents	LaR	71,340	71,340	—	—	—	71,340	1
Total financial assets		162,780	157,153	4,474	—	1,153	162,816,315	
Financing liabilities	FLaC	1,572,956	—	1,578,289	—	—	1,577,788	2
Trade payables	FLaC	46,244	41,177	5,067	—	—	46,244	2
Liabilities to related parties	FLaC	5,953	—	5,956	—	—	5,956	2
Financing liabilities: Derivatives	FLHfT	16,590	—	—	16,590	—	16,590	3
Other liabilities	FLaC	34,279	—	25,975	8,305	—	342,794	2
Total financial liabilities		1,676,022	41,177	1,615,287	24,894	—	1,989,373	
Held for trading	HfT	—	—	—	—	—	—	
Loans and receivables	LaR	161,627	157,153	4,474	—	—	161,664	
Financial liabilities at cost	FLaC	1,659,432	41,177	1,615,287	8,305	—	1,664,268	
Financial liabilities held for trading	FLHfT	16,590	—	—	16,590	—	16,590	
Available for sale	AfS	1,153	—	—	—	1,153	1,153	

The following table presents the changes in level 3 instruments for the reporting period:

in k€	2018 Assets	2018 Liabilities	2017 Assets	2017 Liabilities
as of 01.01.2018	**1,153**	**(16,590)**	—	—
Additions due to acquisitions or issuance	**4,948**	**—**	1,153	(14,880)
Profit/Losses recognized in consolidated net income	**(2,500)**	**(2,527)**	—	(1,710)
Recognized in OCI for the period	**—**	**—**	—	—
Disposals	**(1,224)**	**—**	—	—
as of 31.12.2018	**2,378**	**(19,117)**	1,153	(16,590)

The gains recognized in consolidated income from level 3 instruments during financial year 2018 mainly results from the derivative financial instrument embedded in the €200 million convertible bond issued in 2017 and was mainly driven by the development of the Consus Real Estate AG share price.

12. Capital management and financial instruments (Continued)

12.3. Objectives and methods of financial risk management

Financial assets mainly consist of trade and other receivables, receivables from related parties, other financial assets as well as cash and cash equivalents or short-term deposits that result directly from business activities. Beginning in financial year 2017 the Company employed debt financing as well as equity financing for project and well as general purpose financing.

Credit risk

Credit risk is the risk that business partners – primarily the tenants of the properties held by the Consus Group – will be unable to meet their contractual payment obligations and will result in a loss. In order to prevent and control default risk to the greatest possible extent, new tenants are subject to credit checks.

Default risk exists for all classes of financial instruments, and in particular for trade receivables. The Consus Group is not exposed to significant default risk with regard to any individual party. To date, the concentration of default risk is limited due to the Group's heterogeneous tenant base. Trade receivables from sales of real estate properties are against institutional investors with low default risk.

Deposits with banks and financial institutions were made exclusively at well-known financial institutions with very high credit ratings. The credit ratings are monitored and assessed by the Consus Group on a regular basis. In the event of substantial deterioration in the credit rating, the Consus Group takes efforts to ensure that its existing exposure is reduced as quickly as possible and that new exposures are no longer entered into with the respective counterparty.

The group has three types of financial assets that are subject to the expected credit loss model:

- trade receivables
- contract assets, and
- debt investments carried at amortised cost.

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due.

As shown in the table below, the carrying amounts of recognized financial assets less any write-downs represent the highest default risk. The carrying amount of the financial assets corresponds to the maximum default risk to which the Group is exposed at the end of the reporting period. The impairment recognized on financial assets, trade and other receivables as well as receivables from related parties as of balance sheet date are presented in the following table.

in k€	Carrying value before impairment	Impairment	Residual carrying value
Trade and other receivables	**56,083**	**2,150**	**53,933**
Receivables from related parties	**62,853**	**—**	**62,853**
Other financial assets	**48,475**	**—**	**48,475**
Total – 31.12.2018	**167,412**	**2,150**	**165,262**

in k€	Carrying value before impairment	Impairment	Residual carrying value
Trade receivables	56,270	(253)	56,017
Receivables from related parties	27,840	—	27,840
Other financial assets	7,584	—	7,584
Total – 31.12.2017	91,693	(253)	91,440

12. Capital management and financial instruments (Continued)

12.3. Objectives and methods of financial risk management (Continued)

The table below shows the financial assets determined to be impaired and the maturity structure of financial assets past due but not impaired as at the end of the reporting period:

31.12.2018 in k€ – Expected loss rate	Current	not overdue	< 30 days	30 to 90 days overdue	91 to 180 days overdue	> 180 days	Total
Expected loss rate	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	
Gross carrying amount – trade receivables	**56,082**	**46,068**	**196**	**152**	**3**	**1,606**	**1,762**
Impairment provision	**—**	**—**	**—**	**—**	**—**	**—**	**1,762**

01.01.2018 in k€ – Expected loss rate	Current		< 30 days	30 to 90 days overdue	91 to 180 days overdue	> 180 days	Total
Expected loss rate	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	
Gross carrying amount – trade receivables	**65,286**	**61,331**	**128**	**94**	**3**	**3**	**101**
Impairment provision	**—**	**—**	**—**	**—**	**—**	**—**	**101**

Regarding the receivables neither past due nor impaired, there were no indications as at the end of the reporting period that the debtors will fail to meet their payments obligations.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. Market risks in the Consus Group that may arise from currency risks do not exist at the balance sheet date. However, market risks that arise from interest rate risks, such as floating-rate loans from banks, can have a significant impact on the Group's business activities.

In accordance with IFRS 7, interest rate risk is presented using sensitivity analysis to determine the impact that a change in market interest rates would have on the interest income and expenses, trading gains and losses and the equity of the Group as at the end of the reporting period.

The effects on the Consus Group's statement of comprehensive income are analysed using a +/−50 bp parallel shift in the euro yield curve in the sensitivity analysis. The cash flow effects from the shift in the yield curve relate solely to interest expense and income for the next reporting period.

Based on the financial instruments held or issued by the Consus Group as at the end of the reporting period, a hypothetical change in the applicable interest rates for the respective instruments using sensitivity analysis would have had the following effects (before taxes) as at the end of the reporting period:

in k€	Carrying value as at 31.12.2018	+ 50 bp	− 50 bp
Financing liabilities	**847,051**	**1,408**	**(1,037)**
Liabilities to related parties	**21,561**	**—**	**—**
Derivatives (Liability)	**14,062**	**—**	**—**
Derivatives (Assets)	**2,677**	**(241)**	**243**
Total	**885,351**	**1,167**	**(794)**

in k€	Carrying value as at 31.12.2017	+ 50 bp	− 50 bp
Financing liabilities	234,218	751	(724)
Liabilities to related parties	—	—	—
Derivatives (Liability)	—	—	—
Derivatives (Assets)	—	—	—
Total	234,218	751	(724)

As of 2018, the Company recognized derivative financial assets in connection with certain financing instruments that provide favourable termination options to the Company.

12. Capital management and financial instruments (Continued)

12.3. Objectives and methods of financial risk management (Continued)

The Group recognizes participatory interests classified as available-for-sale financial assets which are not traded on an active and liquid market. The valuation of such assets is mainly dependent on fair value appraisals by independent third party experts on the underlying real estate assets.

As of December 31, 2017 the Group held 5.1% minority interests in multiple single object real estate companies, through its fully consolidated subsidiary GxP Properties AG, are measured at fair value. Unrealized gains or losses are recognized in equity as reserve of other comprehensive income. The cumulative gain or loss is reclassified to other income or expense on disposal. A 10% decrease/increase in the cumulated market value of these interests would have led to a decrease/increase of €115 thousand, respectively, in equity and total comprehensive income. As of December 31, 2018 due to the deconsolidation of GxP no such assets existed.

The Group recognizes a derivative financial instrument resulting from the €200 million convertible bond issued in 2017. Valuation of the derivative particularly depends on inputs such as share price and volatility. A 5% increase of the share price would lead to a loss of €2,387 thousand (previous year: €2,085 thousand), whereas a 5% decrease of the share price would lead to a gain of €514 thousand (previous year: €2,118 thousand). Independently a 5% increase in volatility would have resulted in a loss of €2,555 thousand (previous year: €1,148 thousand), whereas a 5% decrease in volatility would have resulted in a gain of €542 thousand (previous year: €2,000 thousand).

Liquidity risk

Liquidity risk is the risk that a company will be unable to meet its payment obligations on a contractually agreed date.

Liabilities to financial institutions to finance the acquisition and development of real estate properties are usually taken out on the level of property subsidiaries and are secured with the respective properties.

A decrease or default in income from letting activities, the premature termination of long-term lease contracts, a failure to materialize expected extensions of long-term lease contracts, a failure to find new tenants and the insolvency of one or multiple tenants, as well as non-scheduled maintenance expenses could lead to a significant decrease in cash flow from operating activities, which in turn could result in risks for the timely repayment of loans.

The loan agreements as of the balance sheet date contain various covenants that are market standard for these agreements, for example a maximum Loan-to-Value (LTV) ratio and/or a Debt Service Cover Ratio (DSCR) In the event of non-compliance with the terms of a loan agreement, the Company can resolve such non-compliance by, among others, providing additional funds. However, if a non-compliance is not rectified within a certain period, a bank may have the right to terminate the loan agreement with immediate effect. Additionally, some loan agreements stipulate that the bank may require additional security in the event of increased dependencies from key tenants. Such dependencies can arise from lease agreements with a short WALT and significant maintenance backlogs.

12. Capital management and financial instruments (Continued)

12.3. Objectives and methods of financial risk management (Continued)

The Company monitors compliance with its loan agreements on an ongoing basis. Any non-compliance during the reporting period was resolved with the lender and did not lead to any loans becoming due prematurely.

in k€	Carrying value as of 31.12.2018	Maturities		
		< 1 year	1 – 5 years	> 5 years
Liabilities to financial institutions	**2,181,462**	**1,168,777**	**1,173,781**	**28,343**
Derivatives	**14,062**	**—**	**—**	**—**
Trade payables	**41,913**	**41,912**	**1**	**—**
Liabilities to related parties	**43,196**	**43,196**	**—**	**—**
Other financial liabilities	**66,866**	**51,650**	**15,216**	**—**
Total	**2,347,500**	**1,305,536**	**1,188,998**	**28,343**

in k€	Carrying value as of 31.12.2017	Maturities		
		< 1 year	1 – 5 years	> 5 years
Financing liabilities	1,572,956	570,142	982,106	190,440
Derivatives	16,590	—	—	—
Trade payables	46,244	46,244	—	—
Liabilities to related parties	5,953	4,825	—	—
Other financial liabilities	34,279	25,888	8,386	—
Total	1,676,022	647,100	990,492	190,440

13. Related party transactions

As part of its normal business activities, the Group also exchanges services with related parties and persons.

Related parties include the members of the Supervisory Board and the Executive Board of the Company, including their close family members, as well as those companies over which Board members or their close relatives can exercise significant influence or in which they hold a significant share of the voting rights. In addition, related parties include those companies with which the Company forms a group or in which it holds an investment, which gives the Company significant influence over the business policy of the investee and the principal shareholders of the Company, including affiliated companies. The main shareholder of the Company until February, 28 2017 was ultimately Mr. Thomas Olek, Leipzig (at the same time management board member and managing director of the parent company until April 3, 2017). Through continuous significant influence of Mr Olek thereafter, he continued being a related party after the acquisition of a majority stake in CONSUS Real Estate AG by Aggregate Deutschland S.A., Luxembourg on September 28, 2017. Furthermore Mr. Olek continued to be a major shareholder and CEO of publity AG. In turn, publity AG holds various investments. Moreover, publity AG acts as a fund manager for CCP companies and other companies. The related party disclosures include publity AG and all of its managed funds due to the close personal ties with publity AG Group and its activities as fund manager. Mr. Thomas Olek and all publity entities ceased being a related party in 2018. Aggregate Deutschland S.A. is a fully owned subsidiary of Aggregate Holdings S.A., Luxembourg being ultimately owned by Mr. Günter Walcher.

(a) Transactions with Aggregate Group

In the financial year 2017, the Company acquired all limited liability shares in Pebble Investment GmbH, Berlin a holding company which at that time held 50% of the outstanding no-par value registered shares in CG Gruppe AG, Berlin and was a 100% subsidiary of Aggregate Deutschland S.A., Luxembourg. Due to its major shareholding in CONSUS Real Estate AG, Aggregate Deutschland S.A. is a related party of the Company. The acquisition was financed through the issuance of registered shares of €55,650,383 as well as the partial debenture to be granted to Aggregate Deutschland S.A with a nominal amount totalling €150,000,000. Through this transaction, the Company acquired a 50% shareholding in CG Gruppe AG. Subsequently, CG Gruppe AG issued mandatorily convertible notes, which could be converted to shares of CG Gruppe AG reflecting about 4.09% of its shares. Notes of €81,500,000 were subscribed for Aggregate Deutschland S.A. and were subsequently transferred via a contribution-in-kind to the Company.

13. Related party transactions (Continued)

Furthermore, the Company acquired 58.0% of the shares in GxP German Properties AG, Frankfurt am Main. The acquisition was financed through a bridge loan provided by Aggregate.

On November 29, 2017, the Company issued a convertible bond, bearing interest of 4.0% p.a., in the amount of €200,000,000. Aggregate subscribed for notes in the amount of the bridge financing for the GxP AG acquisition of €33,600,000, which was thereby replaced as well as a further amount of €23,600,000 against contribution of a convertible loan issued by CG Gruppe AG. Simultaneously, Aggregate Holdings S.A. contributed the remaining part of the convertible loan issued by CG Gruppe AG of €57,900,000 against a cash payment. For further information regarding the acquisition of CG Gruppe AG please refer to chapter 7.2.

Additionally Pebble GmbH received a loan from a subsidiary of Aggregate Holdings S.A., parent of Aggregate Deutschland S.A. taken out previous its acquisition by CONSUS.

On February 14, 2018 the Company issued an interest-bearing short-term loan with a nominal amount of €5,050 thousand to a company affiliated with Aggregate Holding S.A., on which a total interest income of €485 thousand for the financial year 2018 was recognized.

As of June 30, 2018 it came to the Company's attention that Aggregate Deutschland S.A. no longer held title to the €150 million bonds and that furthermore Aggregate Group held title only to €17.8 million nominal of the €200 million convertible bond. Furthermore Consus purchased all outstanding receivables against CG from the Aggregate group with a value of €10,354 thousand. As at September 30, 2018 Aggregate Group held no title to the €200 million convertible bond any more. Interest expenses to Aggregate until the cut-off date is presented below. Expenses related to both loan are presented below until notification of change. As the majority shareholder of Consus, Aggregate participated in the public offering of Consus shares in April 2018 at a price of €7.2 per share.

With closing as of December 3, 2018 Aggregate Deutschland S.A. contributed 38.9% in SG Development GmbH, a 51% subsidiary of SSN Group, which holds nine out of twelve development projects, as well as a 85.9% in Wilhelmstraße I GmbH, which owns a 50% stake in an SSN landmark development in the centre of Berlin. These assets were in a contributed in kind against issuance of 26,785,000 new shares in Consus reflected in the financials at a price of €8.02 per share, resulting in a consideration of €215,647 thousand.

During the financial year 2018 short-term interest bearing loans were provided by Aggregate for general financing purposes. As of December 31, 2018 a total of €21,561 thousand loan liabilities towards Aggregate are presented under liabilities to related parties and interest expenses of €111 thousand have been recognized during financial year 2018 related to these loans.

In the 2018 reporting year, a total of EUR 128 million of bonds issued in 2017 were repurchased on the capital market at the respective market value. The bond was fully subscribed by Aggregate Deutschland S.A. when it was issued in November 2017.

During the financial year 2018 under a management agreement one subsidiary of Aggregate Group provides certain services such as office space, cleaning, utilities, IT etc. Furthermore an agreement with another subsidiary of Aggregate Group providing financing services was closed during financial year 2018 composed of a monthly base fee (€54 thousand for 2019) as well as a transaction related success fee (€500 thousand for 2018 with the remaining €2,000 thousand being recognized on balance sheet as transaction cost and distributed linearly).

Transactions with Aggregate Group

in k€	31.12.2018	31.12.2017
Interest income	**848**	5
Interest expenses		(583)
Financing receivables	**20.510**	144
Financing liabilities, including derivatives	**21.561**	(246,535)

(b) Transactions with Mr. Christoph Gröner (CEO of CG Gruppe AG)

Mr. Christoph Gröner, as CEO of CG Gruppe AG, in which the Company holds 65% of the outstanding shares as of the balance sheet date, is a related party to the Company. In 2017, the Company increased its shareholdings in CG Gruppe AG through the acquisition of further 5.0% of the shares from Mr. Christoph Gröner against a

13. Related party transactions (Continued)

consideration of €12,500 thousand in a transaction linked with the issuance of €100 million convertible bonds by CG. Mr. Gröner is the founder of CG and is member of the management board as well as managing director of CG Gruppe AG, and a major shareholder in CG Gruppe. During the second half of financial year 2018 the Company concluded an agreement with Mr. Gröner under which the Company exchanged 3,407,729 CG shares against 8.333.334 Consus shares, which lead to an increase of capital reserve of €30,279 thousand. This led to an increase of the Consus stake in CG from 55.0% to 64.7% . Furthermore under this agreement an amount of €20,000 thousand has been paid to Mr. Gröner in partial payments. Since the related CG shares have not been exchanged as of balance sheet date this amount is presented under receivables from related parties and non-controlling interests have not been adjusted.

75.1% of DIPLAN, which was acquired as of December 1, 2018 was partly previously owned by Mr. Gröner, who sold parts of his 50% shareholding in DIPLAN to CG for a purchase price of €2,500 thousand to Consus. Mr. Gröner continues to hold a minority shareholding of 25.1% in DIPLAN as of balance sheet date.

Furthermore Mr. Gröner provided services either directly or through companies which are significantly influenced by him to the Group which lead to expenses of €3.9 million within the financial year 2018. This services mainly consist of financial guarantees for third party loans to the Group and rent for office space. The Group provided mainly construction services to companies which are significantly influenced by Mr. Gröner for which revenues of €10.7 million has been recognized in the current reporting period. In addition the Group recognized interest income of €2.5 million for outstanding receivables either against Mr. Gröner personally or against companies which are significantly influenced by him. Furthermore, limited partnership shares for subsidiaries were acquired at a total purchase price of approx. €5.4 million in the financial year, resulting in interest expenses of €2.1 million. As of balance sheet date the Groups netted receivables towards Mr. Gröner and companies which are significantly influenced by him amount to €16,4 million.

(c) Transactions with the publity financial group

The company had its real estate portfolio partly managed by third party asset managers, in particular the publity financial group. As of January 1, 2018 publity ceased being a related party. The transactions until January 1, 2018 are described in more detail below.

Asset Management Contract

The Group concluded an Asset Management Agreement with publity AG in 2016. The Asset Management Agreement included both publity AG's services in the search for, identification and observation of potential acquisition opportunities for the Group (individual real estate or portfolios), which corresponded to the property or building characteristics defined by the Group, as well as the ongoing real estate asset management directly or indirectly acquired real estate of the Company, i.e. all common portfolio and asset management, development, restructuring, leasing, acquisition, sourcing, sales, marketing and engineering services. In addition, the Group could also rely on the asset manager as part of the sales process.

As part of asset management, the Group did not enjoy exclusivity with regard to the services of publity AG; rather, the Group was aware that in addition to this contract, publity AG is also subject to obligations under other, comparable contracts (third-party mandates). Nevertheless, the parties have agreed that in the course of the acquisition process, publity AG will propose to the Group only objects with a minimum investment (announced net purchase price) of €10 million, but in respect of which the Company would enjoy an object-related, 4-week exclusivity in each case that publity AG could not offer the object to any third party during this time.

The contract had a fixed term of 10 years and could be subsequently extended by one year each, unless terminated by either party with a notice period of three calendar months. The right to extraordinary termination remained unaffected. The Asset Management Contract was terminated in 2018.

The task of the publity AG under the asset management contract was the identification of suitable investment objects and the corresponding preparation of the potential investment measure, including the preparation of business plans, in order to provide the Company with a decision basis for initiating the actual purchase process. In the event of a positive decision, publity AG prepared the purchase, coordinates and monitored the required due diligence checks and ultimately (after a positive purchase decision) coordinated the acquisition process with the professional consultants and contracting parties. After completing the acquisition process, publity AG would take over the comprehensive asset management for the property.

13. Related party transactions (Continued)

Publity AG received a one-time acquisition fee of 1.0% of the net purchase price plus VAT for the provision of the services as part of the acquisition process as well as an annual management fee as a basic fee of 0.5% p.a. of the basis of assessment plus VAT, whereby the respective net purchase price of the object served as the basis of assessment for the period of one year from the date of the respective purchase contract. Following this, the basis of assessment should be adjusted if and to the extent that the value appraisals to be prepared annually resulted in a change in the market value compared to the net purchase price. The amended assessment basis applied from the first of the month following the expert opinion. For the liquidity and risk management to be provided for the property companies (''SPV''), publity AG received a fee of €2,500.00 per SPV and month plus VAT as well as a fee of €500 per SPV and month plus VAT for the preparation of the VAT return.

Upon sale of an object, publity AG received a bonus amounting to 10% of the amount by which the ''object return'' includes the ''object capital'' plus 8% p.a. for the period between investment and divestment, where the ''object capital'' means the equity used for a specific object and the ''object return'' that amount, which is the gross sales price after deduction of debt, interest, capex and property taxes, as well as plus the rental income during the term remains.

Amongst other things, the conditions shown are based on the fact that in the asset management contract all forms of co-investments of publity AG have been excluded and corresponding economic contributions therefore do not have to be compensated economically.

The following table shows the scope of all income, expenses, receivables and liabilities from the above mentioned transactions in 2017, or as of December 31, 2017. As of January 1, 2018, publity AG ceased being a related party and accordingly no values are presented.

Income and expenses with related parties – Asset management contract with publity AG

In k€	31.12.2018	31.12.2017
Interest expenses	**n/a**	17
Other Expenses	**n/a**	2,348
Acquisition-related costs capitalized as transaction costs	**n/a**	1,638
Liabilities	**n/a**	1,414

(d) Other transactions with related parties

On November 1, 2017, the Company entered into a convertible loan agreement with CG Gruppe AG, at that time an associate of the Group. For the time period until the business combination with CG Gruppe AG occurred interest income is recognized. The proportionate share of the associate's interest expenses is recognized within the at-equity result of the associate attributed to the Group. As of December 31, 2017 outstanding balances resulting from the convertible loan are eliminated in accordance with IFRS 10.

Transactions with associates

in k€	31.12.2018	31.12.2017
Interest Income	**75**	436
Other services	**150**	—

Since its relocation from Leipzig to Berlin Consus Real Estate AG resides in the offices of Aggregate Management GmbH, located at Kurfürstendamm 188-189, 10707 Berlin. Since during the financial year 2017 no permanent workplaces were assigned to CONSUS, no rent expenses were recognized during the financial year 2017.

Furthermore one group entity has outstanding receivables of A100 thousand towards an entity affiliated with Aggregate and Mr. Gröner amongst others from a sale of intellectual property.

(e) Transactions with members of the Supervisory Board and Management Board

The members of Group's Supervisory Board and Management Board are the management of the Group in key positions within the meaning of IAS 24.9.

13. Related party transactions (Continued)

Remuneration of the Supervisory Board

According to § 11 of the Articles of Association, each member of the Supervisory Board receives a fixed compensation of €15,000 p.a. for each full financial year of his membership of the Supervisory Board in addition to the reimbursement of proven expenses. The Chairman of the Supervisory Board receives double the amount. The general assembly on August 23 2018 decided to change the remuneration to €40,000 p.a. for each member of the supervisory board, with the deputy chairman receiving €60,000 and the chairman receiving €80,000. The remuneration is payable at the end of a financial year. Members who have not been members of the Supervisory Board for a full financial year or who have not chaired the full financial year receive the compensation pro rata temporis. Value added tax will be reimbursed by the Company to the extent that the members of the Supervisory Board are entitled to separately invoice the Group for VAT and exercise this right.

There are no pension provisions at the Company or its other subsidiaries. Currently no pension commitments exist.

With the exception of compensation for the non-competition of the members of the Management Board, there are no service contracts that provide for benefits upon termination of the service.

For its activities in the financial year, the Supervisory Board received total remuneration in the amount of €181 thousand (2017 €69 thousand). The remuneration consists exclusively of fixed agreed short-term benefits in the amount of €181 thousand (2017 €69 thousand). Members of the Supervisory Board do not receive share-based payments.

Remuneration of the Management Board

The total remuneration of the Management Board totals €1,287 thousand (€1,068 thousand in 2017). They consist of fixed, short-term benefits (salaries) in the amount of €887 thousand (€618 thousand in 2017), variable, short-term benefits (bonus) in the amount of €400 thousand (€150 thousand in 2017), and severance pay of €0 thousand (€300 thousand in 2017). Members of the Management Board did not receive share-based payments.

The following tables provide an overview of both, remuneration of Management as well as Supervisory Board.

2018:

in k€	Accounted	Paid out
Management Board	**1,334**	**1,176**
Short-term benefits	**1,334**	**1,009**
Benefits after termination of the work contract	—	**167**
Other long-term benefits	—	—
Severance pay	—	—
Share-based payments (IFRS 2)	—	—
Supervisory Board	**181**	**12**
short-term benefits	**181**	**12**
benefits after termination of the work contract	—	—
other long-term benefits severance pay share-based payments (IFRS 2)	—	—

2017:

in k€	Accounted	Paid out
Management Board	1,068	543
Short-term benefits	768	543
Benefits after termination of the work contract	—	—
Other long-term benefits	—	—
Severance pay	300	—
Share-based payments (IFRS 2)	—	—
Supervisory Board	**69**	**69**
Short-term benefits	69	69
Benefits after termination of the work contract	—	—
Other long-term benefits	—	—

13. Related party transactions (Continued)

Other transactions with members of the Supervisory Board and Management Board

During the financial year 2018 a vehicle was leased from a company controlled by a member of the management board. Total expenses during the financial year 2018 amounted the €30 thousand, outstanding trade payables as of December 31, 2018 were €8 thousand.

Furthermore, Andreas Steyer acquired shares worth €2 Mio. in the year under review as part of the cash capital increase.

With the exception of the transactions described above, there were no transactions with the Supervisory Board and the Management Board.

14. Contingent liabilities and other financial obligations

Future cumulative minimum lease payments from operating lease agreements, with the respective remaining terms, are presented in the following table:

in k€	31.12.2018	31.12.2017
up to one year	**3,707**	2,722
1 – 5 years	**11,726**	6,368
over 5 years	**2,261**	934
Total expected minimum lease payments	**17,694**	10,025

These operating lease contracts include renting of office space as well as office equipment. These agreements confer an advantage on continuing business operations as investing measures and the associated cash outflows are not immediately required. There are no evident risks arising from these agreements. The Group does not have significant renewal or purchase options resulting from operate lease contracts.

Obligations to acquire long-term assets

As of December 31, 2018, there are no significant obligations to acquire tangible assets (December 31, 2017: no significant obligations). The obligations described relate exclusively to the obligations existing as of December 31, 2018 (December 31, 2017). As of December 31, 2018 there are no significant obligations to acquire investment property (31.12.2017: €31,500 thousand).

Other financial obligations

Other financial obligations as of December 31, 2018 include future obligations from outstanding share purchase agreements amounting to €84,070 thousand (previous year: €74,400 thousand).

As of December 31, 2018, there were no future cumulative obligations from other contracts (previous year: €2,940 thousand). The other contracts mainly relate to the provision of insurance services and other obligations.

in k€	<1 year	1 – 5 years	>5 years	Total
Financial obligations as of 31.12.2018	**90,497**	**10,193**	**3,032**	**103,722**

in k€	<1 year	1 – 5 years	>5 years	Total
Financial obligations as of 31.12.2017	77,138	1,231	—	78,370

To the Group's knowledge, further litigations have not been pending, commenced or threatened, nor have any such actions been commenced that could materially affect the Group's financial condition. To the Group's knowledge, no further contingent assets and liabilities exist as of balance sheet date.

15. Corporate Governance

Supervisory Board

The Supervisory Board is composed as follows:

Mr. Axel Harloff, Hamburg
(Member of the Supervisory Board beginning September 28, 2017)

Mr. Dr. Karl Kauermann, Berlin
(Member of the Supervisory Board beginning September 28, 2017 until June 29, 2018)

Mr. Dr. Friedrich Oelrich, Erding
(Member of the Supervisory Board beginning September 28, 2017)

Mr. Prof. Dr. Hermann Wagner, Frankfurt am Main
(Member of the Supervisory Board beginning June 30, 2018)

Prof. Dr. Hermann Wagner was appointed by the District Court Berlin Charlottenburg as member of the Supervisory Board after the resignation of Dr. Karl Kauermann. Subsequently, Prof. Dr. Hermann Wagner was appointed to the Supervisory Board by the annual general meeting 2018 of the Company.

Management Board

Member of the Company's Management Board in the financial year are

Mr. Stanley William Bronisz, Tutzing (beginning August 8, 2017 until January 17, 2018)

Mr Norbert Kickum, Berg (beginning October 17, 2017 until July 17, 2018)

Mr. Dr. Jürgen Büser, Berlin (beginning November 1, 2017 until February 19, 2018)

Mr. Prof. Andreas Steyer, Ginsheim-Gustavsburg (beginning January 17, 2018)

Mr. Benjamin Lee, Gloucester, Great Britain (beginning June 26, 2018)

16. Additional information according to HGB

The consolidated financial statements are prepared in euros, the functional and reporting currency of the parent company and its operating subsidiaries.

As of December 31, 2018, pursuant to § 291 HGB, the Company is included in the consolidated financial statements of Aggregate Holdings S.A., Luxembourg (RCS Luxembourg No. B 194538), which prepares its consolidated financial reports in accordance with International Financial Reporting Standards as adopted by the EU. Consus Real Estate AG prepares the consolidated financial statements for the smallest group of Group companies, Aggregate Holdings S.A., and the consolidated financial statements for the largest group of group companies. The consolidated financial statements of Aggregate Holdings S.A., under Luxembourg law, are not disclosed in electronic form in the Luxembourg Commercial Register (registre de commerce et des sociétés – RCSL) and are made available at the company's registered office, 10 rue Antoine Jans, L-1820 Luxembourg. The consolidated financial statements and the management report of Consus Real Estate AG are submitted to and published in the electronic Federal Gazette (Bundesanzeiger).

List of shareholdings of CONSUS Real Estate AG in accordance with §313 of the German Commercial Code (HGB)

The following table shows a summary of the fully consolidated subsidiaries included in the consolidated financial statements in accordance with Section 313 (2) HGB:

		Share Consus			
in k€	Headquarter	direct	indirect	Equity	Profit
CCP 1 GmbH	Leipzig	100%			
CCP 2 GmbH	Leipzig	100%			
CCP Objektholding GmbH	Leipzig	100%			
CCP 4 GmbH	Leipzig		100%		
CCP 5 GmbH	Leipzig		100%		
CCP 6 GmbH	Leipzig		100%		
CCP 7 GmbH	Leipzig		100%		

16. Additional information according to HGB (Continued)

in k€	Headquarter	Share Consus direct	Share Consus indirect	Equity	Profit
CCP 8 GmbH	Leipzig		100%		
CCP 9 GmbH	Leipzig		100%		
CCP 10 GmbH	Leipzig		100%		
CCP 11 GmbH	Leipzig		100%		
CCP 12 GmbH	Leipzig		100%		
CCP 13 GmbH	Leipzig		100%		
CCP 14 GmbH	Leipzig		100%		
CCP 15 GmbH	Leipzig		100%		
CCP 16 GmbH	Berlin		100%		
Pebble Investment GmbH	Berlin	100%		(8,315)	(7,459)
CG Gruppe AG	Berlin	65%		122,553	36,118
Artists Living Verwaltungs GmbH	Berlin		65%	140	26
Steglitzer Kreisel Sockel GbR	Berlin		61%	11,485	1,123
Artists Living Berlin – ST GmbH & Co, KG**	Berlin		61%	10	31
Artists Commercial Berlin – ST GmbH & Co, KG**	Berlin		61%	98	(9)
Artists Parking Berlin – ST GmbH & Co, KG**	Berlin		61%	38	(11)
Artists Living Berlin – PB GmbH & Co, KG**	Berlin		61%	0	(13,622)
Artists Living Berlin Xberg Tower GmbH & Co, KG**	Berlin		61%	0	(54)
Steglitzer Kreisel Turm GbR	Berlin		61%	814	(749)
Steglitzer Kreisel Parkhaus GbR	Berlin		61%	(58)	(43)
Artists Living Leipzig GmbH & Co, KG**	Leipzig		65%	(2,278)	(1,810)
Ostplatz Leipzig Work & Life GmbH & Co, KG**	Leipzig		61%	(175)	(136)
Ostplatz Leipzig Mensa GmbH & Co, KG**	Leipzig		61%	7	(33)
Artists Living Dresden PP GmbH & Co, KG**	Leipzig		65%	(1,589)	(1,678)
Artists Living Frankfurt SSc GmbH & Co, KG**	Offenbach		65%	(5,100)	(5,062)
Artists Living Frankfurt Dev GmbH & Co, KG**	Offenbach		61%	16	(159)
Artists Living Frankfurt Com GmbH & Co, KG**	Offenbach		61%	1,339	78
UpperNord Tower GmbH & Co, KG**	Düsseldorf		61%	6,366	(4,047)
UpperNord Hotel GmbH & Co, KG**	Düsseldorf		65%	74	(13)
UpperNord Quarter GmbH & Co, KG**	Düsseldorf		65%	13,244	(1,758)
Artists Living Köln StG GmbH & Co, KG**	Köln		65%	2,433	(2,989)
CG Löbtauer Str, GmbH & Co, KG**	Berlin		56%	(376)	(378)
Grundstücksgesellschaft TCR 1 mbH & Co, KG**	Berlin		65%	448	(74)
Grundstücksgesellschaft TCR 2 mbH & Co, KG**	Berlin		65%	20,328	(47)
MAP Liegenschaften GmbH*	Berlin		49%	0	0
CG Graphisches Viertel GmbH & Co, KG**	Berlin		65%	(28)	(48)
CG Billwerder Neuer Deich GmbH & Co, KG**	Hamburg		65%	(199)	(272)
CG Estate & Hostel GmbH & Co, KG**	Berlin		65%	53	(45)
CG Böblinger CityQuartier GmbH & Co, KG**	Stuttgart		65%	(220)	(238)
Plagwitzer Projektentwicklungsgesellschaft mbH & Co, KG**	Leipzig		61%	21,260	0
Arnulf Projektgesellschaft mbH & Co, KG (ehem, CG Salzufer GmbH & Co, KG)	Berlin		65%	(15)	(6)
Plagwitzer Immobiliengesellschaft mbH	Leipzig		61%	10,779	(9,967)
CG City Leipzig West GmbH & Co, KG**	Leipzig		65%	(54)	(73)
CG City Leipzig Nord GmbH & Co, KG**	Leipzig		65%	(561)	(97)
Alter Leipziger Postbahnhof Nord Gmbh & Co, KG**	Leipzig		59%	14	(4)

16. Additional information according to HGB (Continued)

in k€	Headquarter	Share Consus direct	Share Consus indirect	Equity	Profit
Alter Leipziger Postbahnhof Süd GmbH & Co, KG (ehem, Mariannenpark GmbH & Co, KG)	Leipzig		59%	1,092	(183)
Innenstadt Residenz Dresden GmbH & Co, KG**	Dresden		61%	119	904
E,-Reuter-Platz Residenz GmbH & Co, KG**	Berlin		61%	(366)	(159)
Residenz Dresden an der Elbe GmbH & Co, KG**	Dresden		65%	(7)	(4)
Mariannenpark II GmbH & Co, KG**	Berlin		65%	6	(9)
CG Vierte SHELF GmbH & Co, KG**	Berlin		65%	(1)	(1)
CG Frankfurt Ostend GmbH & Co, KG**	Frankfurt		65%	10,740	8,578
Glück-Auf-Haus GmbH & Co, KG**	Köln		59%	(903)	(809)
Lebens(t)raum Gesellschaft für modernen Wohnen mbH	Köln		59%	(1,464)	(945)
CG Neuländer Quarree GmbH & Co, KG**	Hamburg		65%	(351)	(236)
LEA Grundstücksverwaltung GmbH	Frankfurt		61%	2,436	(3,692)
Cologneo II GmbH & Co, KG (ehem, Euroforum West GmbH & Co, KG)	Köln		62%	38,018	(165)
Cologneo Estate GmbH & Co, KG**	Köln		65%	(5)	(4)
Cologneo I GmbH & Co, KG**	Köln		62%	26,904	(989)
Cologneo III GmbH & Co, KG**	Köln		65%	18	(7)
Cologneo IV GmbH & Co, KG (ehem, Euroforum Mitte GmbH & Co, KG)	Köln		62%	(81)	(9)
CG Erste Delitzscher Straße GmbH & Co, KG**	Berlin		65%	(3)	(3)
CG Zweite Delitzscher Straße GmbH & Co, KG**	Berlin		65%	(3)	(3)
CG Dritte Delitzscher Straße GmbH & Co, KG**	Berlin		65%	(3)	(3)
CG Vierte Delitzscher Straße GmbH & Co, KG**	Berlin		65%	(3)	(3)
CG Fünfte Delitzscher Straße GmbH & Co, KG**	Berlin		65%	(3)	(3)
CG Sechste Delitzscher Straße GmbH & Co, KG**	Berlin		65%	(3)	(3)
SLT 107 Schwabenland Tower GmbH & Co, KG**	Stuttgart		65%	(45)	(46)
CG Innovationszentrum Leipzig GmbH & Co, KG**	Leipzig		65%	(3)	(3)
CG Dritte SHELF GmbH & Co, KG**	Berlin		65%	(1)	(1)
DGI Deutsche Grundstücks- und Immobiliengesellschaft mbH	Berlin		59%	(5,069)	(6,352)
CG Deutsche Wohnen GmbH	Berlin		61%	(2,585)	(3,843)
CG Bauprojekte GmbH	Leipzig		65%	(45)	2,298
Günther Fischer Gesellschaft für Projektentwicklung mbH	Köln		52%	(319)	(373)
CG Immobilien GmbH	Leipzig		65%	(6)	(131)
RVG Real Estate Vertriebs GmbH	Berlin		33%	351	562
City-Hausverwaltung GmbH	Leipzig		65%	1,285	252
BCC BauCompetenzCenter GmbH (ehem, 244 Raimar Carré Verw,)	Berlin		65%	13	(10)
CG Gruppe IT-Service GmbH	Berlin		33%	166	156
APARTes Gestalten GmbH	Leipizig		65%	48	22
CREATIVes Bauen GmbH	Leipizig		65%	(133)	(25)
Plagwitzer Entwicklungs GmbH (ehem, 249 CG & KW FLH Verw,)	Leipizig		65%	7	(26)
Holz ART CG-Innovationen GmbH (ehem, 236 OSA II Verw,)	Leipzig		65%	22	(5)
CG Denkmalimmobilien GmbH	Leipzig		61%	(2,600)	(2,173)

16. Additional information according to HGB (Continued)

in k€	Headquarter	Share Consus direct	Share Consus indirect	Equity	Profit
CG Netz-Werk GmbH*	Berlin		49%	0	0
CG Real Estate GmbH	Berlin		65%	205	80
SSN Group AG	Zug	93.4%		114,123	(5,670)
SSN Services AG	Zug		93.40%	2,894	291
Knecht Ludwigsburg GmbH	Ludwigsburg		93.40%	758	171
SSN Facility Services GmbH	Düsseldorf		93.40%	(8,678)	(853)
SSN CUBE GmbH	Ludwigsburg		93.40%	23	(1)
CSW Beteiligungs GmbH	Düsseldorf		93.40%	28	(13)
CSW Verwaltungs GmbH	Düsseldorf		93.40%	29	0
CSW GmbH & Co, KG**	Düsseldorf		93.40%	(1,516)	(288)
SSN Gebäudetechnik GmbH	Wolfsburg		79.39%	346	236
DM Projektmanagement GmbH & Co, KG**	Düsseldorf		79.39%	(198)	61
DM Projektmanagement GmbH	Düsseldorf		79.39%	19	(2)
SSN Capital AG	Zug		93.40%	490	34
SG Holding GmbH	Düsseldorf		93.40%	(10,094	3,899
SG Development GmbH	Düsseldorf	38.9%	86.53%	163,923	(2,956)
SG Stuttgart Vaihingen IBM Campus Holding GmbH	Düsseldorf		86.53%	166,411	(180)
SG IBM-Campus 1 UG	Düsseldorf		86.53%	(2,258)	(1,341)
SG IBM-Campus 2 UG	Düsseldorf		86.53%	(3)	(1)
SG IBM-Campus 3 UG	Düsseldorf		86.53%	(2)	(1)
SG IBM-Campus 4 UG	Düsseldorf		86.53%	(5)	(2)
SG IBM-Campus 5 UG	Düsseldorf		86.53%	0	(0)
SG IBM-Campus 6 UG	Düsseldorf		86.53%	(3)	(1)
SG IBM-Campus 7 UG	Düsseldorf		86.53%	2	0
SG IBM-Campus 8 UG	Düsseldorf		86.53%	(4)	(2)
SG IBM-Campus 9 UG	Düsseldorf		86.53%	(4)	(1)
SG IBM-Campus 10 UG	Düsseldorf		86.53%	(3)	(1)
SG IBM-Campus 11 UG	Düsseldorf		86.53%	(3)	(1)
SG IBM-Campus 12 UG	Düsseldorf		86.53%	66	17
SG IBM-Campus 13 UG	Düsseldorf		86.53%	(5)	(1)
SG IBM-Campus 14 UG	Düsseldorf		86.53%	40	6
SG IBM-Campus 15 UG	Düsseldorf		86.53%	(1)	(0)
SG IBM-Campus 16 UG	Düsseldorf		86.53%	33	5
SG IBM-Campus 17 UG	Düsseldorf		86.53%	8	1
SG Einkaufs-GbR Garden Campus Vaihingen	Düsseldorf		86.53%	—	—
SG Stuttgart Wohnen an der Villa Berg UG	Düsseldorf		86.53%	(391	(387)
SG Stuttgart Park an der Villa Berg GmbH	Düsseldorf		81.34%	7	(2)
SG Stuttgart Villa Berg Parkhaus GmbH	Düsseldorf		81.34%	(53)	(1)
SG Stuttgart Villa Berg historisch GmbH	Düsseldorf		81.34%	91	(3
SG Peschl Areal 1 UG	Düsseldorf		86.53%	(818)	(93)
SG Peschl Areal 2 UG	Düsseldorf		86.53%	55	21
SG Peschl Areal 3 UG	Düsseldorf		86.53%	(13)	(2)
SG Peschl Areal 4 UG	Düsseldorf		86.53%	(24)	(5)
SG Peschl Areal 5 UG	Düsseldorf		86.53%	(16)	(3)
SG Peschl Areal 6 UG	Düsseldorf		86.53%	(12)	2
SG Einkaufs-GbR Peschl-Areal	Düsseldorf		86.53%	—	—
SG Glockengut 1 UG	Düsseldorf		86.53%	(748)	(3)
SG Glockengut 2 UG	Düsseldorf		86.53%	(68)	(4)
SG Glockengut 3 UG	Düsseldorf		86.53%	(46)	(3)
SG Glockengut 4 UG	Düsseldorf		86.53%	(45)	(3)
SG Glockengut 5 UG	Düsseldorf		86.53%	(41)	(2)
SG Glockengut 6 UG	Düsseldorf		86.53%	(66)	0)
SG Glockengut 7 UG	Düsseldorf		86.53%	(10)	(1)

16. Additional information according to HGB (Continued)

in k€	Headquarter	Share Consus direct	Share Consus indirect	Equity	Profit
SG Einkaufs-GbR Glockengut	Düsseldorf		86.53%	—	—
SG Frankfurt Mainzer Landstrasse Investitions UG	Düsseldorf		86.53%	(6,215)	(199)
SG Frankfurt Mainzer Landstrasse GmbH	Düsseldorf		81.34%	(3,680)	(47)
SG München Schwabing Investitionsgesellschaft UG	Düsseldorf		86.53%	(14,265)	(6,168)
SG München Schwabing Verwaltungs GmbH	Düsseldorf		86.53%	22	1
SG München Schwabing GmbH & Co, KG**	Düsseldorf		51.92%	(2,774)	—
SG Mannheim Glücksteinquartier Investitions UG	Düsseldorf		86.53%	(1,377)	148
SG Mannheim Glücksteinquartier Verwaltungs GmbH	Düsseldorf		86.53%	23	1
SG Mannheim Glücksteinquartier GmbH & Co, KG**	Düsseldorf		81.34%	(1,492)	—
SG Hamburg Holsten Quartiere 1 UG	Düsseldorf		86.53%	(306)	(210)
SG Hamburg Holsten Quartiere 2 UG	Düsseldorf		86.53%	(207)	3
SG Hamburg Holsten Quartiere 3 UG	Düsseldorf		86.53%	(212)	3
SG Hamburg Holsten Quartiere 4 UG	Düsseldorf		86.53%	(124)	2
SG Hamburg Holsten Quartiere 5 UG	Düsseldorf		86.53%	(128)	2
SG Hamburg Holsten Quartiere 6 UG	Düsseldorf		86.53%	(121)	2
SG Hamburg Holsten Quartiere 7 UG	Düsseldorf		86.53%	(89)	1
SG Hamburg Holsten Quartiere 8 UG	Düsseldorf		86.53%	(41)	1
SG Hamburg Holsten Quartiere 9 UG	Düsseldorf		86.53%	(18)	0
SG Hamburg Holsten Quartiere 10 UG	Düsseldorf		86.53%	(198)	3
SG Hamburg Holsten Quartiere 11 UG	Düsseldorf		86.53%	(174)	3
SG Hamburg Holsten Quartiere 12 UG	Düsseldorf		86.53%	(86)	1
SG Hamburg Holsten Quartiere 13 UG	Düsseldorf		86.53%	(191)	3
SG Hamburg Holsten Quartiere 14 UG	Düsseldorf		86.53%	(223)	3
SG Hamburg Holsten Quartiere 15 UG	Düsseldorf		86.53%	(165)	3
SG Hamburg Holsten Quartiere 16 UG	Düsseldorf		86.53%	(126)	2
SG Hamburg Holsten Quartiere 17 UG	Düsseldorf		86.53%	(43)	1
SG Hamburg Holsten Quartiere 18 UG	Düsseldorf		86.53%	(44)	1
SG Hamburg Holsten Quartiere 19 UG	Düsseldorf		86.53%	247	119
SG Hamburg Holsten Quartiere 20 UG	Düsseldorf		86.53%	(25)	6
SG Einkaufs-GbR Holsten Quartier	Düsseldorf		86.53%	—	—
SG Neues Korallusviertel 1 UG	Düsseldorf		86.53%	(5,922)	(2,322)
SG Neues Korallusviertel 2 UG	Düsseldorf		86.53%	1	—
SG Neues Korallusviertel 3 UG	Düsseldorf		86.53%	1	—
SG Neues Korallusviertel 4 UG	Düsseldorf		86.53%	1	—
SG Neues Korallusviertel 5 UG	Düsseldorf		86.53%	1	—
SG Neues Korallusviertel 6 UG	Düsseldorf		86.53%	1	—
SG Neues Korallusviertel 7 UG	Düsseldorf		86.53%	1	—
SG Neues Korallusviertel 8 UG	Düsseldorf		86.53%	1	—
SG Einkaufs-GbR Korallusviertel	Düsseldorf		86.53%	0	—
SSN Alboingärten Berlin GmbH	Düsseldorf		93.40%	(4,881)	(3,071)
SSN Franklinstrasse Berlin GmbH	Düsseldorf		93.40%	(1,588)	2,463
Franklinstrasse 26a Verwaltungs GmbH	Düsseldorf		87.80%	494	532
SSN Wilhelmstrasse Berlin GmbH	Düsseldorf		93.40%	(550)	390
Wilhelmstrasse 56-59 Immobilienentwicklungs GmbH	Düsseldorf		89.65%	(14,569)	(1,575)
SSN (Schweiz) AG	Zug		93.40%	(1,932)	86
SSN Ginvest 1 GmbH	Zug		93.40%	168	(67)
SSN Invest AG	Zug		93.40%	61	(11)
SSN Deutschland GmbH	Düsseldorf		87.80%	44,234	(739)

16. Additional information according to HGB (Continued)

in k€	Headquarter	Share Consus direct	Share Consus indirect	Equity	Profit
SSN Real GmbH	Düsseldorf		88.13%	701	130
SSN Development Verwaltungs GmbH	Düsseldorf		87.8%	3	(3)
SSN Development GmbH & Co, KG**	Düsseldorf		87.8%	2,767	3,762
Parken & Immobilien Invest GmbH Hamburg	Düsseldorf		87.8%	365	(997)
Parken & Immobilien Betriebs GmbH Hamburg	Düsseldorf		87.8%	(874)	(205)
SSN Investment Bundesallee Berlin GmbH	Düsseldorf		87.8%	9,985	349
Wilhelmstrasse I GmbH	Leipzig	85.9%		(239)	(196)

* Associated companies

** Group companies are shareholders with unlimited liability

Exemptions

The companies CCP 1 GmbH, CCP 2 GmbH, CCP Objektholding GmbH, CCP 4 GmbH, CCP 5 GmbH, CCP 7 GmbH, CCP 8 GmbH, CCP 9 GmbH, CCP 11 GmbH, CCP 12 GmbH and CCP 13 GmbH intend to apply the exemption provisions of Section 264 (3) HGB extensively,

Auditor's fees and services

The fees of the auditor of the consolidated financial statements, Warth & Klein Grant Thornton AG Wirtschaftsprüfungsgesellschaft, Leipzig, are broken down as follows:

Further information according to § 314 Abs, 1 Nr, 9 HGB	31,12,18	31,12,17
Total remuneration fee for the fiscal year of auditor	**401**	173
– thereof financial statements auditing	**159**	173
– thereof other assurance services	**242**	—
– thereof tax advisory services	**—**	—
– thereof other services	**—**	—

Number of employees

The number of employees in the 2017 financial year corresponds to the reporting date figures due to the formation of the Group in the fourth quarter of 2017, The employees of CONSUS are shown in the following table:

Employees	31,12,18	31,12,17
Number of employees	**782**	362
Average number of employees employed during the fiscal year (acc, to § 285 No, 7 HGB)	**539**	—

17. Events after the balance sheet date

On January 8, 2019 Consus Real Estate AG announced the closing of a forward sale by its subsidiary SSN of the office and hotel development 'No, 1' in Mannheim at a sales price of approx, €100 million to institutional investors,

In the CG segment, the ''Delitzscher Strasse'' property in Leipzig was sold without a building obligation by notarised land purchase agreement dated February 1, 2019, The estimated resulting total sales volume amounts to approximately €220 million, In the SSN segment, a forward sale for the ''Project Franklin Strasse'' with an estimated sales volume of approx, €68,3 million was signed on February 8, 2019, In addition, the logistics property reported under non-current assets held for sale in this segment was transferred to the buyer at the beginning of the second quarter of 2019,

17. Events after the balance sheet date (Continued)

There were no other significant events after the balance sheet date,

Berlin, April 16, 2019

CONSUS Real Estate AG
Andreas Steyer
Benjamin Lee
Members of the Management Board

(Note: This translation of the original German language report is for convenience purposes only. The original German language report is authoritative.)

The following auditor's report refers to the consolidated financial statements of Consus Real Estate AG, Berlin, for the financial year ended December 31, 2018, prepared in accordance with IFRS, as adopted by the EU, and the additional requirements pursuant to section 315e paragraph 1 of the German Commercial Code (*Handelsgesetzbuch*) (''**HGB**'') and the group management report of Consus Real Estate AG, Berlin, for the financial year ended December 31, 2018, in accordance with HGB. However, only the consolidated financial statements are presented in this offering memorandum.

Independent Auditor's Report

To Consus Real Estate AG, Berlin

Audit Opinions

We have audited the consolidated financial statements of Consus Real Estate AG, Berlin, and its subsidiary companies (the ''**Group**'')—which comprise the consolidated statement of financial position as at December 31, 2018, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from from 1 January to 31 December 2018 and the notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report for Consus Real Estate AG, Berlin for the financial year from 1 January to 31 December 2018.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to section 315e paragraph 1 HGB (Handelsgesetzbuch: German Commercial Code) and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at 31 December 2018 and its result of operations for the financial year from 1 January to 31 December 2018, and
- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development.

Pursuant to section 322 paragraph 3 sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

Basis for the Audit Opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with section 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany (IDW)). Our responsibilities under those requirements and principles are further described in the ''Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the group management report section of our auditor's report. We are independent of the group entities in accordance with the requirements of German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the group management report.

Other Information

The Group's legal representatives are responsible for any other information provided. Other Information consists of all sections of the annual report (Geschäftsbericht) except for the consolidated financial statements, group management report and our audit report.

Our audit opinions on the consolidated financial statements and on the group management report do not cover the Other Information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the Other Information

- is materially inconsistent with the consolidated financial statements, with the group management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this Other Information, we are required to report that fact. We have nothing to report in this regard.

Responsibility of the legal representative and the supervisory board for the Consolidated Financial Statements and Group Management Report

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to section 315e paragraph 1 HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group’s ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, any matters related to the Group’s ability to continue as a going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group’s position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient and appropriate evidence for the assertions in the group management report.

The Supervisory Board is responsible for overseeing the Group’s financial reporting process for the preparation of the consolidated financial statements and of the group management report

Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements and Group Management Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group’s position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor’s report that includes our audit opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with section 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to section 315e paragraph 1 HGB.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.
- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.
- Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Berlin, April 16, 2019

Warth & Klein Grant Thornton AG
Wirtschaftsprüfungsgesellschaft
(Auditing and Accounting Firm)

signed by Kathleen Hennig Wirtschaftsprüferin *(German public auditor)*	signed by Sebastian Koch Wirtschaftsprüfer *(German public auditor)*

Consus Real Estate AG

Audited Consolidated Financial Statements of Consus Real Estate AG as of and for the financial year ended December 31, 2017

Consolidated Statement of Comprehensive Income

in TEUR	Notes	2017	2016
Income from letting activities	8.1	**9,710**	—
Overall performance		**9,710**	**—**
Expenses from letting activities	8.1	**(4,769)**	—
Net income from the remeasurement of investment properties	8.3	**17,060**	—
Other operating income	8.4	**240**	80
Personnel expenses	8.5	**(1,033)**	—
Other operating expenses	8.6	**(14,790)**	(76)
EBITDA (Earnings before interest, taxes, depreciation and amortisation)		**6,417**	4
Depreciation and amortisation	8.7	**(17)**	—
EBIT (Earnings before interest and taxes)		**6,400**	4
Financial income	8.8	**691**	—
Financial expenses	8.8	**(8,329)**	—
Share of profit or loss of associates accounted for using the equity method	8.9	**(1,198)**	—
EBT (Earnings before taxes)		**(2,437)**	4
Income tax expenses	8.10	**(5,509)**	(5)
Net income (continued operations)		***(7,946)***	*(1)*
Net income (discontinued operations)	8.11	**—**	*(1)*
Net income (Earnings after taxes)		**(7,946)**	(2)
Other comprehensive income		**—**	—
thereof non-recycling		**—**	—
thereof will be reclassified to profit or loss		**—**	—
Total comprehensive income		**(7,946)**	(2)
Of the consolidated net income for the period, the following is attributable to:			
Non-controlling interests		***566***	—
Shareholders of the parent company		***(8,513)***	*(2)*
Of the total comprehensive income for the year, the following is attributable to:			**—**
Non-controlling interests		***566***	—
Shareholders of the parent company		***(8,513)***	—

Consolidated Statement of Financial Position

in TEUR	Notes	31.12.2017	31.12.2016
Non-current assets			
Investment property	9.1	**527,350**	—
Advance payments on investment property	9.2	**10,532**	5,747
Property, plant and equipment	9.2	**4,940**	—
Goodwill	9.3	**700,076**	—
Other intangible assets	9.2	**2,886**	—
Financial assets	9.4	**5,000**	—
Current assets			
Work-in-progress including acquired land and buildings	9.6	**1,211,827**	—
Trade and other receivables	9.7	**56,017**	—
Receivables from related parties	9.8	**27,840**	80
Tax receivables	9.9	**275**	—
Financial assets	9.4	**2,584**	—
Other assets	9.5	**5,375**	677
Cash and cash equivalents	9.10	**71,340**	17,632
Total Assets		**2,626,042**	24,137
Equity			
Subscribed capital	9.11(a)	**79,850**	22,000
Capital reserves	9.11(g)	**574,714**	—
Other reserves	9.11(h)	**(8,456)**	56
Non-controlling interests	9.11(i)	**169,901**	—
Non-current liabilities			
Financing liabilities	9.12	**1,013,617**	—
Provisions	9.13	**—**	—
Other liabilities	9.14	**8,386**	—
Deferred tax liabilities	9.15	**103,723**	—
Current liabilities			
Financing liabilities	9.12	**575,929**	—
Provisions	9.13	**3,370**	—
Trade payables	9.16	**46,244**	366
Liabilities to related parties	9.17	**5,953**	1,710
Tax payables	9.18	**17,441**	5
Received prepayments	9.19	**311**	—
Other liabilities	9.14	**35,058**	—
Total Equity and Total Liabilities		**2,626,042**	24,137

Consolidated Statement of Changes in Equity

in TEUR	Subscribed capital	Capital reserves	Other reserves 9.11(h) Retained earnings	Other reserves 9.11(h) OCI	Total	NCI	Total Equity
Notes	9.11(a)	9.11(g)	9.11(h)	9.11(h)		9.11(i)	
01.01.2016	150	—	59	—	209	—	209
Profit for the period	—	—	(2)	—	(2)	—	(2)
Total comprehensive income for the period	—	—	2	—	(2)	—	(2)
Transactions with owners in their capacity as owners:							
Issue of share capital	21,850	—	—	—	21,850	—	21,850
31.12.2016	22,000	—	56	—	22,056	—	22,056
Profit for the period	—	—	(8,513)	—	(8,513)	566	(7,946)
Total comprehensive income for the period	—	—	(8,513)	—	(8,513)	566	(7,946)
Transactions with owners in their capacity as owners:							
Issue of share capital	**57,850**	**574,714**	**—**	**—**	**632,564**	**—**	**632,564**
Acquisition of subsidiary with non-controlling interests	**—**	**—**	**—**	**—**	**—**	**169,335**	**169,335**
31.12.2017	**79,850**	**574,714**	**(8,456)**	**—**	**646,108**	**169,901**	**816,009**

Consolidated Statement of Cash Flows

in TEUR	Notes	2017	2016
Operating activities			
Net profit		**(7,590)**	(1)
Tax expense	8.10	**5,509**	5
Profit (loss) before tax		**(2,081)**	4
Adjustments to reconcile profit before tax to net cash flows:			
Depreciation and impairment of property, plant and equipment		**17**	—
Valuation gains on investment property	8.3	**(17,060)**	—
Financial income	8.8	**(691)**	—
Financial expenses	8.8	**8,329**	—
Net foreign exchange differences		**—**	—
Other		**(368)**	—
		(11,853)	4
Working capital adjustments			
Decrease/ (increase) in rent and other receivables		**146**	(757)
Decrease / (increase) prepayments and accrued income		**(102)**	—
Decrease in inventory property		**—**	—
(Decrease) / increase in trade, other payables and accruals		**7,960**	366
Movements in tenant deposits		**—**	—
Income tax paid		**(24)**	—
Net cash flow from operating activities		**(3,873)**	(392)
Investing activities			
Acquisition of subsidiaries, net of cash acquired	7.2	**(87,687)**	—
Transferable securities held as fixed assets	9.4	**(381)**	—
Purchase of investment property	9.1	**(138,882)**	(4,037)
Other		**20**	—
Net cash flow from investing activities		**(226,929)**	(4,037)
Financing activities			
Proceeds from borrowings	9.12	**264,912**	—
Repayment of borrowings	9.12	**(11,684)**	—
Proceeds from issue of share capital	9.11	**32,998**	21,850
Interest paid	9.12	**(1,717)**	—
Net cash flow from financing activities		**284,509**	21,850
Cash effective change in cash and cash equivalents from discontinuing operations	10.2	**—**	(339)
Net increase / (decrease) in cash and cash equivalents		**53,707**	17,425
Cash and cash equivalents at the beginning of the year		**17,632**	546
Cash and cash equivalents at the end of year	9.10	**71,340**	17,632

Notes

1. The Consus Real Estate AG

1.1. General information

CONSUS Real Estate AG (''the Company'', or ''the Parent Company'', together with its subsidiaries ''the Group'') is a public limited company incorporated under the laws of the Federal Republic of Germany.

Founder of the Company was at the time the sole shareholder of Consus Commercial Property GmbH (formerly: publity Vertriebs GmbH) Consus GmbH, Leipzig, which has decided to change the legal form to stock corporation (Aktiengesellschaft, AG) with the shareholders' resolution of October 6, 2016. The change of legal form was registered on October 28, 2016 in the commercial register of the district court Leipzig under HRB 33038. With the shareholders' resolution as of September 28, 2017 the legal name of the Company was changed from Consus Commercial Property AG to Consus Real Estate AG.

The Company was founded on October 17, 2008 as Palmengarten Vertriebs- und Marketing GmbH and entered in the commercial register of the local court in Leipzig under HRB 24576. In September 2011, publity AG acquired all shares of the Company. The Company was renamed publity Vertriebs GmbH and integrated into the publity financial group.

The shares of publity Vertriebs GmbH held by publity AG were acquired on September 26, 2016 by the founder Consus GmbH. The publity Vertriebs GmbH was then renamed to Consus Commercial Property GmbH. The profit and loss transfer agreement between publity Vertriebs GmbH as the controlled company and publity AG was terminated with effect from September 30, 2016.

Until acquisition, publity AG was the parent company of the Company. After the transaction and until February 28, 2017, Consus GmbH was the parent company of the Company. Both Consus GmbH and publity AG have so far not prepared consolidated financial statements in which the Company was included.

On 22 August 2017, Aggregate Deutschland S.A. (Aggregate) and the Company agreed to contribute Pebble GmbH, a 100% subsidiary of Aggregate, to the Company and receive new shares and a bond as consideration for the contribution. The date of entry in the trade register of the capital raise was 2 November 2017. This was the last condition precedent included in the contract to be met. At that date the Company became a 69% subsidiary of Aggregate Holdings S.A., parent to Aggregate. Aggregate Holdings S.A. prepares consolidated financial statements under IFRS as adopted by the European Union.

The registered address of the Company was Leipzig. It was registered under the commercial register number HRB 33038 in the commercial register of the district court of Leipzig. With the shareholders' resolution as of September 28, 2017 the Company relocated its offices to Kurfürstendamm 188—189, 10707 Berlin. The Company is now registered under the commercial register number HRB 191887 in the commercial register of the district court of Berlin-Charlottenburg.

The company was established indefinitely. The financial year of the Company runs from January 1 to December 31.

1.2. Business activities

In 2016, the Company fundamentally reorganized its business following the restructuring described above. At that time, the Company decided to specialize in the acquisition, management, use and sale of real estate and land rights in Germany and abroad, as well as all types of investments. Beginning in 2017, the Company was able to invest in companies active in the field of construction, support, management, administration and sale of buildings of all legal forms and uses, including investments in real estate funds.

The Company has also established shareholdings to achieve the new business purpose. The (reorganized) Group focuses its business activities on the function of real estate development and real estate portfolio holder, in which it covers the entire value chain.

In the financial years 2015 and 2016, the Company was involved in sales organization and coordination for individual funds of publity Performance GmbH, Leipzig. The Company has generated sales exclusively from this activity. This activity ended at the beginning of 2016. The Company has been operating as a real estate company since November 2016 and at that time started building up its real estate portfolio.

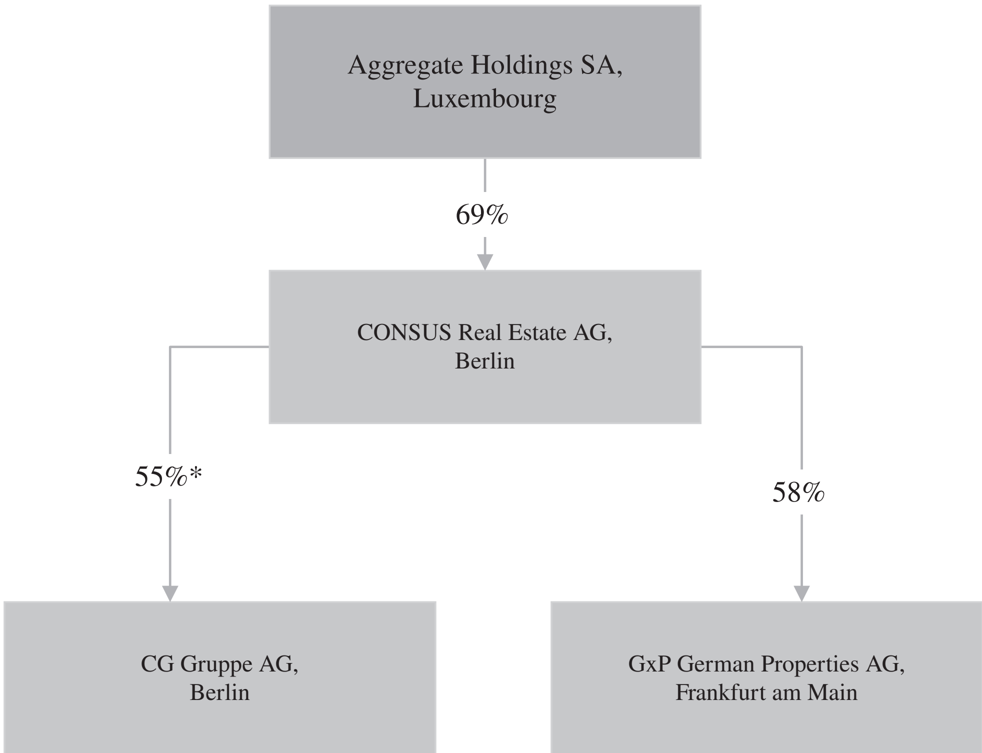
1. The Consus Real Estate AG (Continued)

1.2. Business activities (Continued)

As of December 31, 2017, CONSUS Real Estate AG directly holds two real estate investment companies as wholly owned subsidiaries (CCP 1 GmbH and CCP 2 GmbH) as well as another wholly owned subsidiary (CCP Objektholding GmbH), which in turn holds 100% of the various other real estate holding companies. Real estate is held by the real estate investment companies, respectively. Additionally, the Company directly holds 58% outstanding shares of GxP German Properties AG (GxP), Frankfurt am Main. Through its subsidiaries, GxP is invested in commercial real estate located across Germany, in cities such as Berlin, Dresden, Leipzig, Erfurt and Hanover.

The Company furthermore indirectly holds 55% outstanding shares of CG Gruppe AG (CG), Berlin a German real estate developer with its own construction expertise. Operating nationwide, CG's core business is the construction of residential buildings for institutional investors. In this segment, the CG Gruppe AG is leading the market in Germany. Operations are focused on select locations in Berlin, Leipzig, Dresden, Frankfurt, Cologne, Düsseldorf and Hamburg. More than 370 staff members provide for acquisition, project planning and development to ensure the continuously high quality and sustainability of their real estate products.

The Group's principal subsidiaries at 31 December 2017 are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the Group, and the proportion of ownership interests held equals the voting rights held by the Group. The country of incorporation or registration is also their principal place of business.



* Additionally, the Company possesses convertible notes of CG that will be converted to shares of CG reflecting about 4.09% additional of the total shares in CG on a fully diluted basis.

2. The consolidated financial statements

The consolidated financial statements of CONSUS Real Estate AG have been prepared in accordance with the International Financial Reporting Standards (IFRS) adopted and issued by the International Accounting Standards Board (IASB), as adopted by the European Union.

These consolidated financial statements were submitted to the Supervisory Board for review by the Executive Board on May, 22, 2018 and approved for publication.

3. Accounting policies

3.1. Basis of preparation of the consolidated financial statement

The Company's financial statements and those of its subsidiaries are prepared according to uniform accounting policies. In the process, the principles are consistently applied for all presented periods and reporting dates in the consolidated financial statements.

The Consolidated Financial Statements have been prepared in thousands of euros (EUR/ €). Rounding differences may occur in respect of individual amounts or percentages. The Consolidated Financial Statements are comprised of the Consolidated Statements of Comprehensive Income, the Consolidated Statements of Financial Position, the Consolidated Statements of Changes in Equity and the Consolidated Statements of Cash Flows as of December 31, 2017.

The statement of comprehensive income is prepared according to the nature of expense method. The presentation of the consolidated statement of financial position distinguishes between current and non-current assets as well as current and non-current liabilities. Assets or liabilities due within one year are classified as current.

3.2. Basis of consolidation

The consolidated financial statements of the Group contain all the material subsidiaries the Group controls within the meaning of IFRS 10. Subsidiaries are consolidated from the date at which the Group first obtains control. Subsidiaries are deconsolidated as soon as the Group no longer controls them. Consolidation ends as soon as control no longer exists. The financial statements of subsidiaries are prepared using uniform accounting policies and as at the end of the same reporting period as the Company's financial statements. All intragroup receivables and liabilities, income and expenses and gains and losses from intragroup transactions are eliminated.

Acquirees are recognized by applying the acquisition method. In application of the acquisition method, the cost of the acquired shares is allocated pro-rata on fair value of the acquired assets, liabilities and contingent liabilities of the subsidiary at the acquisition date. A positive difference arising from allocation is capitalized as derived goodwill. Negative differences that result from capital consolidation at the date of acquisition are immediately recognized in profit or loss.

Non-controlling interests constitute the share of profit or loss and net assets that is not attributed to the parent's shareholders and are recognized separately. They are measured at the acquisition date using the proportionate share of the acquiree's net identifiable assets. Changes in the parent's ownership interest in a subsidiary that do not result in losing control of the subsidiary are accounted for as equity transactions. The Company evaluates non-controlling interest based on the present ownership of the related participatory interest.

If the Group loses control of a subsidiary, the assets (including goodwill) and liabilities of the subsidiary as well as the carrying amount of all non-controlling interests in the former subsidiary are derecognized and any investment retained in the former subsidiary is recognized at its fair value. Subsequently, profit surpluses and deficits are recognized in the statement of comprehensive income and the components of other comprehensive income attributable to the parent company are reclassified to the statement of comprehensive income or, if required, to retained earnings.

The Group did carry out two significant business combinations in the financial year 2017. New subsidiaries were established by the Group in 2017 as well as 2016 that were consolidated for the first time in the consolidated financial statements of the respective years.

In 2017, the Group, through its fully consolidated subsidiary GxP German Properties AG, holds minority interests of 5.1% of the voting rights in multiple single object real estate companies. As the Group concluded asset management agreements with these companies to provide services for the individual properties, a control assessment has been conducted in order to assess whether, besides its minority shareholding, the Group can exercise control over these companies. Throughout the assessment, the Group determined whether it cumulatively has the power of disposition to control the relevant activities of the subsidiary, is subject to variable return flows from the entity and has the ability to influence the variable return flows through its power of disposition. Since the Group has only a very limited exposure to variable returns from its involvement with the minority interests held the Group did not consolidated them as of the balance sheet.

3. Accounting policies (Continued)

3.2. Basis of consolidation (Continued)

In 2016, the subsidiaries of the Company are exclusively one-object real estate companies. The asset management of the individual properties is outsourced to the service provider publity AG. The contractual agreements with publity AG are similar to those of a fund manager within the meaning of IFRS 10. The fund manager has extensive decision-making authority with regard to the management of the real estate. Publity AG has only limited exposure to variable returns.

In appreciation of Example 14 of IFRS 10 Appendix B, publity AG is thus considered to be an agent. This agent acts exclusively in the interest of the principal (the Group). The assets and liabilities are therefore consolidated exclusively at the Group.

Changes in the parent's ownership interest in a subsidiary that do not result in losing control of the subsidiary are accounted as equity transactions.

During the last two months of the financial year 2017, CG Gruppe AG was included as an associate before becoming a subsidiary as of December 21, 2017.

As of the balance sheet date the Group has no interest in any other company in which it exercises joint control or in which it alone can exercise significant influence without having control. Accordingly, no joint operation, joint venture or associate is included in the consolidated financial statements.

3.3. Summary of significant accounting policies

(a) Revenue recognition

The Group recognizes revenue from letting activities where the property's rental agreement or lease is classified as an operating lease as a straight line over the term of the contract. If incentives of any kinds are provided to the tenants, the cost of the incentive is recognized over the lease term, on a straight-line basis, as a reduction of revenue from letting activities. For the purpose of accounting treatment, a deferred asset is recognized which is released later on over the duration of the base lease term including prolongation options of the Group. Service charges passed on to tenants are generally offset against the corresponding expense and are therefore not recognized as income, as the Group collects these charges on behalf of third parties.

The proceeds from the discontinued operation ''Arrangement of Investments'' were recognized at a point in time. Revenues were recognized when the mediated contract was concluded under civil law, the payment was made to the respective fund and the subscriber had received his share certificates, etc. (fulfillment of the contract).

Revenue regarding the sale of project development and construction contracts is recognized when the risks and rewards of the developed and constructed property have been transferred and the Group does not retain either continuing managerial involvement to the degree usually associated with ownership, or effective control over the property sold. This is generally the date when the property in its entirety is accepted by the customer. Revenue relating to work to be performed after this date is only deferred when material, i.e. equal to or higher than one percent of the purchase price. Revenue is measured at the amount receivable under the contract. The amount receivable generally includes both a non-contingent consideration as well as a part that is contingent on future events. Regarding the contingent part revenue is recognized to the extent that the Group can determine that there is a probable inflow of economic benefits that can be reliably measured. When measuring the contingent part the Group considers historic trends, factors specific to the contract and the uncertainties relating to the contingent consideration. Since in 2017 CG Gruppe AG and its subsidiaries affected the profit and loss statement only through the at-equity result, no revenue from sale of project development and construction contracts are presented during financial year 2017.

(b) Taxes

The income tax expenses represent the total of the current tax expenses and the deferred taxes.

The Group recognizes receivables and liabilities for current taxes in the amount in which reimbursements are expected from the tax authority or payments to the tax authority. Current tax expenses are calculated on the basis

3. Accounting policies (Continued)

3.3. Summary of significant accounting policies (Continued)

of the taxable income for the respective year and the respective tax rates and tax laws in those countries where the Group generates taxable income, i.e. mainly Germany. Income taxes are recognized in profit or loss unless they relate to items that are recognized in other comprehensive income or recognized directly in equity.

In this case, the corresponding current and deferred taxes are recognized in other comprehensive income or directly in equity.

The Group recognizes deferred tax assets and liabilities arising from temporary differences between the carrying amount of assets and liabilities and their tax value in the tax balance sheet and unused tax losses. Unused tax loss includes interest carried forward as well. Interest carried forward includes interest expenses that cannot be used to offset taxable income during the current fiscal year due to earnings stripping rules in the German tax law, where most Group companies reside. Under German tax law, tax losses carryover of acquired companies are frequently forfeit upon changes in shareholders above a 50% threshold, except if the companies proves sufficient reserves exist. The recoverability of these deferred tax assets, insofar as they exceed the amount of the deferred tax liabilities, depends on the future taxable income of the respective company. Accordingly, deferred tax assets are only recognized in the amount in which the realization of these claims is sufficiently assured on the basis of the consolidated corporate planning.

Deferred tax liabilities and deferred tax assets are calculated on the basis of the tax rates (and tax legislation) that are expected to be in force when the liability is settled or the asset is realized.

Deferred tax assets and deferred tax liabilities are offset if the Group has a legally enforceable right to offset current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same tax authority and to the same taxable entity.

(c) Intangible assets and goodwill

Intangible assets acquired are measured at acquisition or manufacturing cost less accumulated amortization. If necessary, accumulated impairment losses are recognized. Such assets are amortized on a straight-line basis over the expected economic life of between 3 and 7 years from the date on which they are provided.

The amortization method and the estimated amortization period are reviewed at least annually at the end of each reporting period and adjusted if necessary.

Internally generated intangible assets of the Group can only be measured reliably after the asset has been put into operation successfully. Accordingly, during the development phase all internally generated development costs are expensed as incurred.

In the fiscal years presented neither research nor development activities were carried out.

Goodwill principally results from the acquisition of subsidiaries and corresponds to the sum of the transferred consideration, the amount of all non-controlling interests in the acquiree and the fair value of the previously held equity interests in the acquiree less the fair value of acquired net assets. Goodwill is subject to an annual impairment test in accordance with IAS 36 as well as in the case of an impairment indicator. For the purpose of impairment testing, goodwill is allocated to a cash-generating unit (CGU). The allocation is made to those CGUs or groups of CGUs that are expected to benefit from the business combination in which the goodwill arose.

For further information on the impairment testing, please refer to section 3.3. (i) ‘‘Impairment of non-monetary assets’’.

(d) Property, plant and equipment

Property, plant and equipment are measured at acquisition or manufacturing costs less accumulated depreciation. If necessary, accumulated impairment losses are recognized. All property, plant and equipment are depreciated over the useful lives. Buildings on third-party land are depreciated according to the term of the lease or a shorter

3. Accounting policies (Continued)

3.3. Summary of significant accounting policies (Continued)

useful life. The estimated useful lives of other fixtures and fittings, tools and equipment are between 4 and 13 years. The depreciation method and the estimated depreciation period are reviewed at least annually at the end of each reporting period and adjusted if necessary.

(e) Investment property

Properties which are held for the purpose of generating rental income or achieving value appreciation or both have been identified as investment property.

Mix-used properties, where a certain part is occupied by the owner and the remainder by third parties, are recognized separately in the balance sheet as investment property and property, plant and equipment as long as a legal means of dividing the property exists and neither the owner-occupied nor the rented portion is negligible.

As for properties that have not been acquired in the course of a business combination, investment property is measured initially at cost, including transaction costs. Subsequent to initial recognition, investment property is stated at fair value. IFRS 13.9 defines the fair value as 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.

Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the period in which they arise, including the corresponding tax effect.

Market values of investment properties are determined in accordance with the discounted cash flow method or the German Income Approach (''Deutsches Ertragswertverfahren'').

Under the discounted cash flow method, the market value is the sum of discounted cash flows over a specified planning period of ten years and the terminal value at the end of the planning period for each the respective property.

Market values under the German Income Approach are being determined following the Immobilienwertermittlungsverordnung (ImmoWertV). Applying this valuation method, values of the building and the land are determined separately. The value of the land is determined under application of the comparative value method. The value of the building is determined by identifying the corresponding sustainable net operating income per year (based on market rents and operating costs) and capitalizing it over the remaining useful life of the building (over- and under-rents, capex as well as vacancy costs and other specifics, if applicable, are taken into account when determining the respective net present value). Both, the land value and the building value compose the market value.

Both valuation methods lead to the same market values.

The liquidation method has been applied for the valuation of properties with negative net cash flows. According to this method, the market value is determined as the sum of the land value less removal expenses and remaining net income.

The valuation of investment properties is done according to Level 3 of the valuation hierarchy of IFRS 13 where valuation is achieved on the basis of significant unobservable input factors due to limited availability of valuation parameters directly observable on the market. These include future rental agreements, estimates on vacancy rates, discounted interest rates, capitalization rates and terminal values.

Fair values are calculated by independent third-party experts.

Costs in connection with the maintenance, extension and replacement of properties are capitalized if they are reliably measurable and if they constitute the replacement of parts of a unit in accordance with the component approach.

Prepayments for purpose of acquiring a property are separately disclosed as prepayments for investment property.

3. Accounting policies (Continued)

3.3. Summary of significant accounting policies (Continued)

Investment property is derecognized either when it has been disposed of or when it is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss in the period of derecognition.

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. Investment property that is likely to be sold within a period of 12 month is recognized under current assets as an asset held for sale according to IFRS 5 and measured according to this accounting policy.

(f) Work-in-progress including acquired land and buildings

Work-in-progress is valued at the lower of cost and net realizable value. The net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and sale. The cost of inventories includes expenses incurred in acquiring the inventories (i.e. land and buildings) and related purchase costs. The cost of inventories includes furthermore a reasonable share of the indirect overhead based on normal production capacity as well as attributable borrowing costs.

(g) Leasing

Assets carried as finance leases are measured at the beginning of the (lease) contract at the lower of the present value of the minimum lease payments and the fair value of the leased object, and in the following periods less accumulated depreciation and other accumulated impairment losses. Payment obligations resulting from future lease payments are discounted and disclosed under financing liabilities. Lease payments are divided into interest expenses and the principal portion of the residual liability, resulting in a constant interest rate on the remaining lease liability. Financing costs are recognized immediately in profit or loss. Capitalized leased assets are fully depreciated over the shorter of the two periods from the lease term or useful life. The basis for so-called rental purchases are the estimated useful life. Assets of the Group are derecognized when all material risks and rewards of ownership are transferred to a lessee.

All other leases are classified as operating leases. Lease payments for operating leases are recognized on a straight-line basis over the term of the lease as operating leases / expenses in the statement of comprehensive income.

(h) Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale. Since CG Gruppe AG and its subsidiaries are included in the consolidated financial statements as of December 31, 2017 at fair value of its net assets only, no effect from borrowing costs was recorded.

Other borrowing costs are expensed in the period in which they are incurred.

(i) Impairment of non-monetary assets

The carrying amounts of property, plant and equipment (with the exception of investment properties) and intangible assets including goodwill are reviewed for indications of impairment at each reporting date (impairment test). If such indicators exist, the recoverable amount is calculated for the asset in question. If the recoverable amount cannot be determined for individual assets, the Group determines the recoverable amount on the level of the cash-generating unit (CGU—usually a real estate) to which the respective asset is assigned.

For intangible assets with indefinite useful lives or those that cannot yet be put into operation, an impairment test is carried out at least once a year and if an impairment indicator exists (triggering event).

3. Accounting policies (Continued)

3.3. Summary of significant accounting policies (Continued)

The recoverable amount corresponds to the higher of the fair value less costs of disposal or the value in use.

The value in use is determined by discounting the estimated future cash flows at a pre-tax interest rate. This takes into account both the current market assessment of the time value of money and the risks relating to the asset, unless these have already been taken into account in the estimation of the cash flows. The calculations are based on forecasts based on the 3 to 5 year financial plans approved by management, which are also used for internal purposes. The planning horizon reflects the assumptions for short to medium-term market developments. Cash flow forecasts beyond the detailed planning period are calculated on the basis of appropriate growth rates. The risk-adjusted discount rate is determined individually depending on the CGU.

The fair value less costs of disposal is determined using an appropriate valuation model (discounted cash flow method (DCF)). The model is based on observable valuation multiples, market prices of exchange-traded shares in subsidiaries or other available indicators of fair value. In addition, the determination of the fair value less costs of disposal takes into account key assumptions made by the management regarding sales development, customer acquisition and costs for the provision of services as well as discount rates. The basis of the cash flow calculation is backed by external sources of information.

If the recoverable amount of an asset or CGU is lower than its carrying amount, an impairment loss is recognized immediately in profit or loss except for assets carried at fair value where the impairment loss would reduce the revaluation reserve.

The increased carrying amount of an asset other than goodwill attributable to a reversal of an impairment loss cannot exceed the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized immediately in profit or loss, unless the asset is carried at revalued amount. Goodwill is excluded from a reversal of an impairment loss.

For goodwill acquired through the acquisition of companies and businesses, the Group carries out an impairment test annually and whenever there are indicators of a potential impairment.

In the impairment test, the goodwill obtained from a merger is allocated to every individual cash-generating unit that is likely to profit from the synergies generated by the merger. If the carrying amount of the cash-generating unit including the goodwill allocated to it exceeds its recoverable amount, the difference must be deducted from the goodwill allocated to that cash-generating unit. The write-downs of the goodwill may not be reversed at a later date. If the impairment of the cash-generating unit exceeds the carrying amount of the goodwill allocated to it, the additional impairment must be recognized by proportionately impairing the carrying amounts of the assets allocated to the cash-generating unit. However, the carrying amount of an asset may not fall below its fair value less costs of disposal, its value in use or zero.

The preliminary goodwill of EUR 700,076 thousand resulting from the acquisition of CG (preliminary goodwill: EUR 698,490 thousand) and GxP (preliminary goodwill: EUR 1,586 thousand) was tested for impairment in accordance with the regulations of IAS 36.

The impairment test was carried out on the basis of the value in use of the cash-generating units CG and GxP, whereby the cash-generating unit CG represents the business of real-estate development of CG Gruppe and the cash-generating unit GxP represents the buy and hold of real-estate property business, formerly conducted by the GxP group. The value in use was derived from estimated future cash flows. These are based on the cash-generating unit-specific five-year detailed planning phase of both cash-generating units and a related accumulated value. In particular, the estimates regarding the cash-generating unit CG are exclusively based on development projects for which agreed upon contracts exist and include contractually fixed cash flows, experience from previous years and external forecasts regarding the development of the property market. The estimates regarding the cash-generating unit GxP are based on the business plan of the entity.

A sustainable annual EBIT increase of 1.0% —which CONSUS Real Estate AG believes will not exceed the forecast average market growth rate—was assumed in order to estimate the accumulated value for the

3. Accounting policies (Continued)

3.3. Summary of significant accounting policies (Continued)

development of the net cash flows after five years. Furthermore, the investments for the cash-generating unit GxP were adjusted at a sustainable level.

Cash-generating unit-specific weighted capital costs (after-tax WACC) of 6.52% for CG and 4.31% for GxP were used to determine the value in use. The after-tax interest rates equate to input tax rates of 8.86% for CG and 4.55% for GxP.

The following assumptions on which the calculation of the value in use is based are inherently uncertain:

- Forecast of cash flows: The plan is based on contractually fixed cash flows, experience from previous years, the investments plans of the cash-generating units and external forecasts regarding the development of the property market, with consideration for the specific circumstances of each cash-generating unit. If the long-term net cash flows (free cash flows) decrease by 13.8% for the cash-generating unit CG and by 14.2% for the cash-generating unit GxP, respectively, the value in use will correspond to the net carrying amount.
- Long-term EBIT-Margin: The planning for the cash-generating unit CG includes income from the disposal of real estate assets and rental income, whereby long-term rental income contributes less than 5% to the overall performance. For the project development business, a long-term EBIT-Margin of 19% is assumed. If the long-term EBIT-Margin of the project development business decreases to 16.7%, the value in use will correspond to the net carrying amount.
- Long-term expenses for maintenance, investments and tenant improvements: Expenses for maintenance, investments and tenant improvements are a material valuation input parameter for the real estate rental business. For GxP these were assumed to be sustainable at 38.0 EUR/sqm. If the long-term expenses for maintenance and investments increase to 46.9 EUR/sqm, the value in use will correspond to the net carrying amount.
- Discount rate: The discount rate was calculated based on assumed weighted average capital costs that would be typical for the sector. If the discount rate after taxes increases to 7.12% for the cash-generating unit CG and 4.78% for the cash-generating unit GxP, respectively, the value in use will correspond to the net carrying amount.
- Long-term growth rate: The estimate regarding the forecast long-term growth rate is based on external sector-specific market research. If the growth rate decreases to 0.14% for the cash-generating unit CG and to 0.50% for the cash-generating unit GxP, respectively, the value in use will correspond to the net carrying amount.

(j) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Non-derivative financial assets

The Group classifies non-derivative financial assets at initial recognition as financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables, and available-for-sale financial assets. Reclassifications between these classifications, if permitted and required, will be made at the end of the reporting period.

Financial assets are initially measured at fair value. In the case of financial investments that are not classified as at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the assets are also taken into account. Generally, the Group accounts for financial assets on the trading day.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such financial assets are initially measured at amortized cost using the effective interest method. By applying the effective interest method, all directly attributable transaction costs, fees, premiums, discounts, rebates and other payments received or paid, which are an integral part of the effective interest rate,

3. Accounting policies (Continued)

3.3. Summary of significant accounting policies (Continued)

are discounted to the net carrying amount of the financial instrument. Gains and losses from interest on disposal and impairment are recognized in the consolidated statement of comprehensive income.

Financial assets measured at fair value through profit or loss are those that represent financial assets held for trading. IFRS classifications of financial assets that are either initially designated at fair value through profit or loss to eliminate mismatches in the balance sheet or those that result from a documented group valuation have not been made. Financial assets are classified as held for trading if they are acquired for the purpose of sale or repurchase in the near future. Changes in the fair value after initial recognition are recognized in the statement of comprehensive income in finance income or finance costs.

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payment amounts and due dates if the Group has the intention and ability to hold these instruments to maturity. After initial recognition, held-to-maturity investments are measured at amortized cost using the effective interest method less any impairment losses.

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale and that are not classified as loans or receivables, held-to-maturity investments, or at fair value through profit or loss. Subsequently, available-for-sale financial assets are measured at fair value. Unrealized gains or losses are recognized directly in equity as a reserve of other comprehensive income. The cumulative gain or loss is reclassified to other income on disposal. If an asset is impaired, the cumulative loss is reclassified to financial expense through profit or loss and derecognized from the reserve for available-for-sale financial assets. Interest received on available-for-sale financial assets is recognized as interest income using the effective interest method. The Group recognized participatory interests classified as available-for-sale financial assets which are not traded on an active and liquid market. Their valuation mainly depends on fair value appraisals by independent third party experts on the underlying real estate assets.

Non-derivative financial liabilities

Non-derivative financial liabilities are initially measured at fair value less directly attributable transaction costs. Subsequently, these financial liabilities are measured at amortized cost using the effective interest method. Classifications of financial liabilities that are either initially designated at fair value through profit or loss to eliminate mismatches in the balance sheet or those that result from a documented group valuation have not been made.

Derivative financial instruments

Derivatives are initially measured at fair value; attributable transaction costs are recognized in profit or loss. Subsequently, derivatives are measured at fair value. Any resulting changes are recognized in profit or loss. Embedded derivatives are, under certain conditions, separated from the host contract and accounted for separately.

IAS 39.A29 specifies that cancellable financial instruments as well as financial instruments that embody a right of payment upon liquidation have to be treated as financial liabilities. This is the case for several participatory interests in business partnerships held by Group companies. After initial recognition, they are subsequently measured at fair value.

Offsetting of financial instruments

Financial assets and liabilities are only offset and the net amount recognized in the balance sheet if there is a legal right at the present time to offset the recognized amounts and if the intention is to settle on a net basis or to simultaneously realize the respective asset and replace the corresponding liability.

Fair value of financial instruments

The fair value of financial instruments traded on organized financial markets is determined by the market price (bid price) quoted on the balance sheet date. The fair value of financial instruments for which no active market

3. Accounting policies (Continued)

3.3. Summary of significant accounting policies (Continued)

exists is determined using valuation methods. Valuation methods include the use of recent transactions between knowledgeable, willing and independent counterparties, comparison with the current fair value of another substantially identical financial instrument, the use of discounted cash flow methods and other valuation models.

(k) Impairment of financial instruments

At each reporting date, the Group determines whether there are any objective indications of an impairment of a financial asset or a group of financial assets. A financial asset or a group of financial assets is considered impaired only if there are objective indications of impairment as a result of one or more events occurring after the initial recognition of the asset (a ''triggering event'') and that event has an impact on the expected future cash flows of the financial asset or group of financial assets that can be reliably estimated. There may be evidence of impairment if there are indications that the debtor or a group of debtors are experiencing significant financial difficulties, default or delinquency of interest or principal payments, a high probability of bankruptcy or other reorganization, and observable data indicate a measurable reduction in expected future cash flows, such as changes in backlogs or economic conditions that correlate with failures.

If there are objective indications that an impairment has occurred, the amount of the impairment loss is the difference between the carrying amount of the asset and the present value of the expected future cash flows (excluding expected future credit losses not yet incurred).

In the event of an impairment of loans or receivables, the carrying amount is reduced using an allowance account and the impairment loss is recognized in profit or loss. Interest income continues to be recognized on the reduced carrying amount based on the original effective interest rate of the asset. Receivables, including the related allowance, are derecognized if they are classified as uncollectible and all collateral has been utilized. If the amount of an estimated impairment loss increases or decreases in a subsequent reporting period due to an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or decreased by adjusting the allowance account. If a derecognized receivable is subsequently reclassified as recoverable due to an event occurring after derecognition, the corresponding amount is recognized immediately in profit or loss.

(l) Derecognition of financial instruments

A financial asset is derecognized if one of the following conditions is met:

- The contractual rights to receive cash flows from a financial asset have expired.
- The Group has transferred its contractual rights to receive cash flows from the financial asset to third parties or has assumed a contractual obligation to pay the cash flow immediately to a third part under an agreement that meets the conditions in IAS 39.19 (the ''Transit Agreement'') and either (a) substantially all the risks and rewards of ownership of the financial asset or (b) substantially none of the risks and rewards of ownership of the financial asset are transferred or retained, but transferring the control over the asset.
- If the Group transfers its contractual rights to receive cash flows from an asset or enters into a transfer agreement, essentially not transferring or retaining any opportunities and risks associated with ownership of that asset but retaining control over the transferred asset, the Group recognizes an asset to the extent of its continuing involvement.
- In this case, the Group recognizes a liability. The transferred asset and the liability are measured by taking into account the rights and obligations that the Group retains.
- If the continuing involvement formally guarantees the transferred asset, then the extent of the continuing involvement is the lower of the original carrying amount of the asset and the maximum amount of consideration received that the Group may be required to repay.

No dividend or interest income is included in the calculation of the net gain or loss upon disposal of an asset.

A financial liability is derecognized if the underlying obligation is settled, canceled or extinguished. If an existing financial liability is exchanged for another financial liability of the same lender with substantially

3. Accounting policies (Continued)

3.3. Summary of significant accounting policies (Continued)

different contractual terms, or if the terms of an existing liability are substantially changed, such exchange or modification is treated as derecognition of the original liability and recognition of a new liability. The difference between the respective carrying amounts is recognized in profit or loss.

(m) Cash and cash equivalents

Cash and cash equivalents include cash on hand, bank deposits and liquid deposits with an original maturity of less than three months. The carrying amounts of the cash and cash equivalents essentially correspond to their fair values due to their short-term maturity.

(n) Provisions

A provision is a present (factual or legal) obligation arising from a past event that is uncertain as to its timing or amount. The amount of the recognized provision corresponds to the expected outflow of resources to fulfill the obligation, if a reliable estimate of the amount of the obligation is possible. If the Group at least partially expects a refund for a provision that has been recognized (such as in the case of an insurance contract), the reimbursement is recognized as a separate asset only if the reimbursement is virtually certain.

If the interest effect is material, provisions are discounted at a pre-tax interest rate that reflects the risks specific to the liability. If a provision is discounted, the increase in the provision due to the passage of time is recognized as interest expense. Provisions with a maturity of up to one year are considered current and provisions with a maturity of more than one year are considered non-current.

(o) Share-based payment

There is no employee share-based payment program in the Group.

(p) Discontinued operations

A disposal group is classified as a discontinued operation if it is part of an entity that has either already been disposed of, is inoperative or classified as held for sale, and

- constitutes a separate material business or geographical area of business,
- is part of a single agreed plan to dispose of a separate material business or geographical area; or
- which is a subsidiary acquired solely for the purpose of resale.

Discontinued operations are not included in results from continuing operations and are presented in the statement of comprehensive income in a separate item as profit after taxes from discontinued operations.

The Group discontinued the activity of ''Arrangement of Investments'' at the beginning of 2016. Significant long-term assets or related liabilities did not result from this business activity and thus could not be divested. The contribution to profit and the cash flow from this business activity were separately disclosed in the statement of comprehensive income and the cash flow statement.

4. Fair value measurements

The application of some of the Group's accounting policies and accompanying notes requires determination of the fair value of financial assets and financial liabilities, as well as non-financial assets and liabilities.

The fair value is defined as the price that could be received when selling an asset or has to be paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value of assets and liabilities, the Group uses directly observable market data. If no observable market data is available, fair values are determined using valuation techniques.

4. Fair value measurements (Continued)

The fair value hierarchy categorizes the inputs used in valuation techniques into three levels, based on their proximity to the market:

Level 1: The (unadjusted) quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2: Inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly (i.e. the price) or indirectly (i.e. derived from the price)

Level 3: Measurement parameters based on unobservable inputs for the asset or liability

In case the inputs used to measure fair value are categorized into different levels of the fair value hierarchy, the fair value measurement is categorized in its entirety in the level of the lowest level input that is significant to the entire measurement.

For information on the measurement of investment property, please refer to the comments in section 9.1.

The fair value hierarchy can be summarized as follows:

Fair value hierarchy	Level 1	Level 2	Level 3
Purchase price allocation in the context of business combinations			X
Investment properties			X
Financing liabilities		X	
Derivatives			X

5. Changes in accounting policies

The following new and amended standards have been used for the first time in the reporting period:

Amendment to IAS 7 ‘‘Disclosure Initiative’’

The amendment to IAS 7 introduces certain disclosure requirements for changes in liabilities arising from financing activities. The Group presents the required disclosures in section 10.1.

Amendment to IAS 12 ‘‘Recognition of Deferred Tax Assets for Unrealized Losses’’

The amendment clarifies certain issues related to the recognition of deferred tax assets for unrealized losses on debt instruments measured at fair value and measured at cost for tax purposes. These instruments give rise to a deductible temporary difference regardless of whether the debt instrument’s holder expects to recover the carrying amount of the debt instrument by sale or by use. The first time adoption of the standard as of January 1, 2017, did not have any effect on the consolidated financial statements of the Group.

The IASB has published the following IFRSs and IFRICs that were endorsed by the EU but are not yet effective, and that will be relevant for the Group:

IFRS 9 ‘‘Financial Instruments’’ (on/after January 1, 2018)

In July 2014, the final version of IFRS 9 ‘‘Financial Instruments’’ has been publicized by the IASB, replacing IAS 39. IFRS 9 contains revised requirements for the classification and measurement of financial assets and a new loss allowance model, also taking expected losses in the calculation of loss allowances into account. It contains the new hedge accounting regulations published in November 2013. The standard replaces all prior published versions of IFRS 9 and is effective for the first time for reporting periods beginning on or after January 1, 2018. It was endorsed by the EU in November 2016. The adoption of IFRS 9 is expected to have an immaterial effect on the Group’s consolidated financial statements.

5. Changes in accounting policies (Continued)

IFRS 15 ‘‘Revenue from Contracts with Customers’’ (on/after January 1, 2018)

In May 2014, the IASB issued the new standard IFRS 15 ‘‘Revenue from Contracts with Customers’’. The goal of the new standard on revenue recognition is to compile the currently existing guidance and interpretations into a uniform model of revenue recognition. IFRS 15 must be applied for reporting periods beginning on or after January 1, 2018. The Group expects the following impacts:

- Revenue regarding the sale of property development and construction contracts is currently recognized when the risks and rewards of the developed and constructed property have been transferred and the group does not retain either continuing managerial involvement to the degree usually associated with ownership, or effective control over the property sold. This is generally the point in time when the property in its entirety is accepted by the customer. Those property development and construction contracts for which the criteria of IFRS 15.35 (b) and/or (c) are fulfilled will be subject to revenue recognition over time under IFRS 15.
- IFRS 15 requires a more thorough analysis of existing principal and agent relationships and could result in changes in revenue recognition.

IFRS 15 disclosures will include qualitative and quantitative information about the Group‘s contracts with customers, significant judgements made, changes in those judgements, and contract cost. The Group intends to adopt IFRS 15 using the modified retrospective approach which means that the cumulative impact of the adoption will be recognized in retained earnings as of 1 January 2018 and that comparatives will not be restated. A material effect is not expected as the property development and construction contracts concerned are measured at fair value in relation with the business combination

IFRS 16 ‘‘Leases’’ (on/after January 1, 2019)

IFRS 16 ‘‘Leases’’ was published in January 2016 and applies in principle to all leases and involves recognizing a right of use and associated leasing liability on the lessee’s balance sheet, as well as extensive disclosures in the notes. The impact on the Group’s financial statements is currently examined. The Group expects the first-time application of IFRS 16 to load to a slight balance sheet extension as well as a minor change in EBIT. We expect no material changes for lease agreements in which the Group acts as the lessor.

The IASB has also revised, amended or issued the following standards and interpretations that must be applied in future periods. However, these will either have no material effect on the Group’s consolidated financial statements or the assessment of potential impacts is still on-going.

Standard	Title	Date of adoption*	Planned adoption
Endorsed			
Amendment IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts	01.01.2018	01.01.2018
Amendment IAS 40	Transfers of Investment Property	01.01.2018	01.01.2018
Amendment IFRS 2	Classification and Measurement of Share-based Payment Transactions	01.01.2018	01.01.2018
IFRIC 22	Foreign Currency Transactions and AdvancedConsideration	01.01.2018	01.01.2018
AIP 2014 – 2016	Annual Improvements to IFRS	01.01.2018	01.01.2018
Amendment IFRS 9	Prepayment Features with Negative Compensation	01.01.2019	01.01.2019
Endorsement pending			
Amendment IAS 28	Long-term Interests in Associates and Joint Ventures	01.01.2019	01.01.2019
Amendment IAS 19	Plan Amendment, Curtailment or Settlement	01.01.2019	01.01.2019
AIP 2015 – 2017	Annual Improvements to IFRS	01.01.2019	01.01.2019
IFRIC 23	Uncertainty Transactions and Advance Consideration	01.01.2019	01.01.2019
IFRS 17	Insurance Contracts	01.01.2021	01.01.2021

* adjusted by EU endorsement, if applicable

6. Use of estimates and judgements

The preparation of IFRS consolidated financial statements requires assumptions and estimates affecting the carrying amounts of the assets and liabilities recognized, income and expenses and the disclosure of contingent liabilities. The assumptions and estimates are based on parameters that existed at the time the consolidated financial statements were prepared. Judgements, estimates and assumptions for future periods and actual future results may differ from those anticipated in the consolidated financial statements and have effects that will be reflected in future consolidated financial statements.

Further comments on the assumptions and estimates made are presented in the notes for individual financial statement items in the disclosures.

Use of estimates and judgement applies to the following issues in particular:

Measurement of investment property

The input factors applied in the valuation models to determine the market values of investment property, such as expected cash flows, presumed development of rents, presumed vacancy rates, the discount rates and the capitalization rate represent significant measurement parameters. These input factors are based on assumptions about the future. The input factors are determined by external valuation experts, based on publicly available market information, as well as the insights of the Company.

Please refer to section 9.1. for a sensitivity analysis, quantifying the impact of a deviation in the main input factors for the valuation on the fair value of investment property.

Deferred tax assets

The assessment of whether or not deferred tax assets can be recognized is based on the likelihood that future tax advantages can be realized. However, the actual amount of taxable income in future periods and the actual usefulness of deferred tax assets might deviate from expectations as at the date on which the deferred taxes were capitalized. Therefore, outcomes within the next financial years that are different from the assumptions made as at reporting date, could require a material adjustment to the carrying amount of the deferred tax assets. The Group has EUR 60 million (2016: EUR 2 million) of estimated tax losses carried forward. These losses relate to subsidiaries that have a history of losses, do not expire, and may not be used to offset taxable income elsewhere in the Group. The subsidiaries neither have any taxable temporary difference nor any tax planning opportunities available that could partly support the recognition of these losses as deferred tax assets. On this basis, the Group has determined that it cannot recognize deferred tax assets on the tax losses carried forward.

Provisions

There is uncertainty regarding future increases, the amount, date and the probability of provisions as at the date of recognition and measurement.

It is reasonably possible, on the basis of existing knowledge, that outcomes within the next financial year that are different from the assumptions could require a material adjustment to the total carrying amount of provisions, which is presented in the consolidated statement of financial position.

Measurement of financial liabilities

In measuring financial liabilities, estimates of future cash flows and any changes in terms and conditions are of particular significance. Furthermore, estimates are made for entity-specific risk premiums derived from the respective financing.

Please refer to section 12.3 for a sensitivity analysis, quantifying the impact of a deviation in market interest rates on the carrying value of financial liabilities.

Goodwill impairment testing

The determination of the recoverable amount requires assumptions and estimates, especially on the future development of profits and sustainable growth rates.

6. Use of estimates and judgements (Continued)

At-equity inclusion of CG Gruppe AG (CG)

The Group considers that it has significant influence over CG Gruppe AG for the period from October until 21 December 2017. Through its subsidiary Pebble Investment GmbH the Group achieved control over 50% of the voting rights of CG. The Company did not have control as defined by IFRS 10 over CG, since there was no power over the relevant activities of CG. At that point of time the Group would not have been able to dominate the shareholder meeting with 50% of the voting rights as all decisions in the shareholder meeting could have been blocked by one other shareholders. For the consideration applied during purchase price allocation under IFRS 3 the Group deems the acquisition-date fair value of the first transaction resulting in the at-equity inclusion of CG as decisive.

Business combinations with GxP German Property AG (GxP) and CG Gruppe AG

Business combinations under IFRS 3 require recognition of all assets and liabilities at their fair value as of the closing date. In order to derive the fair value of the assets and liabilities, specific inputs underlie each valuation. For the valuation of real estate inventory for example future expenses as well as the future selling price are key inputs. Deriving the fair value of financial liabilities heavily depends on inputs such as the applied market interest rates.

Fund manager's assessment of significant influence

Through its subsidiaries the Group is active as an asset manager for single object property funds in which the Group holds minority participations of 5.1% of outstanding share capital of said funds. Under the asset management contracts, the Group receives far stretching rights in order to administer and develop the fund's property. After consideration of all facts and circumstances the Company considers it does neither have control under IFRS 10 nor significant influence under IAS 28. Accordingly the participations are presented as financial instruments under IAS 39 and have a carrying value of EUR 1,153 thousand as of December 31, 2017.

7. Scope of consolidation

7.1. Changes in the Group

During the presented financial years, the number of entities to be fully consolidated changed as follows:

Number of fully consolidated companies	2017	2016
As of 01.01	**6**	—
Additions	**103**	6
Disposals	**—**	—
As of 31.12	**109**	6

In the 2017 financial year, material additions were made as part of acquisitions, which are presented in detail in the section below in accordance with the requirements of IFRS 3.

The additions to the scope of consolidation in 2016 result from foundations of companies by the Group, business combinations did not take place.

7.2. Business combinations

(a) CG Gruppe AG

On August 22, 2017 the Company signed a contract to acquire all share capital of Pebble Investment GmbH (Pebble), Berlin a holding company which at that time held 17,500,000 no-par value registered shares in CG Gruppe AG, Berlin (CG). The objective of the acquisition is to extend the business activities of the Company to the real estate development industry. The acquisition was financed through issuance of registered shares as well as the issuance of a bond of EUR 150,000 thousand. Closing of the transaction was achieved on November 2, 2017. Pebble itself does not constitute a business under IFRS 3 as its only purpose is to hold shares in CG. Accordingly the Company identified and recognized the individual identifiable assets acquired and liabilities assumed at their individual fair values at the date of purchase. Such a transaction does not give rise to goodwill,

7. Scope of consolidation (Continued)

7.2. Business combinations (Continued)

as the resulting difference has been allocated to the shares in associates. The Pebble shareholding was corresponding with a 50% stake in CG, resulting in a significant influence of the Group over CG through Pebble Investment GmbH. Pebble did not have control as defined by IFRS 10 over CG, since there was no power over the relevant activities of CG. Accordingly CG is accounted for under the equity method as an associate within the Group's consolidated financial statements.

As of November 1, 2017 CG issued up to 1,000 mandatorily convertible notes (Notes) with a principal amount of EUR 100,000 thousand in total with a maturity date as of 1 November 2022. The Notes will be converted into shares of CG reflecting about 4.09% of the total shares in CG on a fully diluted basis. The conversion period to exercise the conversion option starts at December 20, 2017. Most of the Notes were initially acquired by Aggregate Holdings S.A., Luxembourg (''Aggregate'') against loan receivables in the amount of EUR 70,545 thousand and an additional cash payment of EUR 10,955 thousand. Aggregate later transferred the Notes on November 29, 2017 in return for convertible bonds in CONSUS Real Estate AG to the Company. Accordingly, the Company became 100% subscriber of the Notes. Beginning December 20, 2017 the Notes could be converted in shares of CG. Additionally the Company increased its shareholdings in CG through the acquisition of an additional 5% stake in a transaction linked with the subscription of the Notes on December 21, 2017. As of this date, the Company achieved control over CG. As of balance sheet date the fully diluted shareholding of the Company in CG does amount to 59.09% of the total outstanding share capital of CG. After acquisition of the majority of voting rights, all decisions that require a simple majority can be made by the Company without facing the risk that decisions are blocked from the other shareholder in the general meeting. Among other, this allows the Company to appoint and exchange management giving the Company power of the investee. The Company has gained control as defined by IFRS 10 over CG. For accounting purposes December 31, 2017 is used as date of step-up from associate to subsidiary, i.e. for the purpose of initial consolidation of CG as subsidiary.

Since non-controlling interest are evaluated solely on the basis of existing ownership interest (present ownership) and non-controlling interest continue to have access to the economic benefits associated with the underlying ownership interests, the interest of 4.09% resulting from the conversion option are allocated to non-controlling interest.

The acquisition-date fair value of the equity interest held immediately before the acquisition was EUR 793,281 thousand. The gain (loss) recognized as a result of remeasuring the equity interest to fair value was EUR 0 thousand. For further information refer to chapter 6.

in TEUR	Fair value after acquisition
Intangible assets, property, plant and equipment	7,552
Investment property, including prepayments	213,680
Other financial assets	3,954
Work-in-progress	1,211,827
Trade and other receivables	81,715
Other assets	4,255
Cash and cash equivalents	33,032
Financing liabilities	1,007,706
Provisions and other non-financial liabilities	54,259
Trade payables and other payables	83,539
Deferred tax liability	92,703
Net assets	**317,807**
Consideration transferred	**872,609**
thereof cash consideration	12,500
thereof equity interest	860,109
Non-controlling interests	143,688
Goodwill	**698,490**

7. Scope of consolidation (Continued)

7.2. Business combinations (Continued)

The portfolio mainly consists of development projects which are in different stages of development (still leased, development/planning phase or construction/redevelopment phase). Valuations covered by independent third party assessors were based on a residual valuation method with exception of existing buildings where a discounted cash flow valuation was applied. Calculation of fair value adjustments for development projects that are not covered by external appraisals is based on step-ups from external appraisals. The fair value estimates are calculated based on a step-up factor amounting to 1.2, which is a proxy for the weighted average of step-ups for development properties, excluding outlying adjustments. In order to determine the fair value adjustments on financing liabilities, the following assumptions have been applied:

- The valuation is based on future cash flows projected from the acquirer's point of view.
- Loan redemptions and interest payments are projected according to the loan agreements between the respective parties.
- Applied discount rates depend on the respective financing type of the loan and have been calculated using discount rates of 3 to 15 percent.

Consus concludes that the trademark ''CG'' does not meet the identifiability criterion and therefore did not recognized CG as trademark.

On account of the complexity of acquisitions, the Group retains the option of making a retroactive adjustment. Open key issues include reviewing how the fair values of investment properties, of property development projects, of the financing liabilities, of the consideration, non-controlling interest and resulting deferred taxes are measured. Therefore, the disclosures are provisional in terms of IFRS 3.45.

Goodwill, which represents mainly non-separately identifiable assets such as the positive business outlook and employee expertise, is non tax-deductible. The Group employed the partial goodwill method, measuring the non-controlling interest at its share of identifiable net assets not including any goodwill. Acquired intangible assets are not subject to an indefinite useful life. Trade receivables with a gross values of EUR 54,202 thousand were acquired, of which EUR 183 thousand is probably uncollectible. The fair value of the trade receivables from third parties amounts to EUR 54,019 thousand.

As CG was first included as of December 31, 2017, CG did not make any contribution to group revenue nor to the loss of the financial year as a consolidated subsidiary. If the acquisition had taken place at the beginning of the financial year, CG would have contributed EUR 205,197 thousand to overall performance and EUR 17,817 thousand to the total comprehensive income of the Group.

(b) GxP German Properties AG

As of November 11, 2017 the Company acquired 6,091,571 shares in GxP German Properties AG, Frankfurt am Main (GxP) from a group of investors. The objective is to expand the Company's commercial real estate portfolio in Germany and to enhance its asset management services. The acquired shareholdings are corresponding to 58% of the shares in GxP. The GxP shares acquired also represent voting rights. The purchase price of EUR 33,624 thousand was paid in cash on the date of the acquisition.

7. Scope of consolidation (Continued)

7.2. Business combinations (Continued)

The acquisition costs of this business combination were allocated to the acquired assets and liabilities using the purchase price allocation as of the acquisition date as follows:

in TEUR	Fair value after acquisition
Intangible assets, property, plant and equipment	273
Investment property, including prepayments	147,491
Other financial assets	3,265
Trade and other receivables	1,881
Other assets	191
Cash and cash equivalents	6,239
Financing liabilities	90,732
Provisions and other non-financial liabilities	3,686
Trade payables	2,020
Deferred tax liability	5,539
Net assets	**57,362**
Consideration transferred	**33,624**
thereof cash consideration	33,624
Non-controlling interests	25,324
Goodwill	**1,586**

The Fair Value is measured by using the DCF method. Therefore, the future cash flows determined by the contractual conditions are discounted as per Valuation Date. For bank loans with a floating interest rate, the future interest rate cash flows are determined on the basis of forward rates, including the respective contractual fixed credit margin.

On account of the complexity of acquisitions, the Group retains the option of making a retroactive adjustment. Open key issues include reviewing how the fair values of investment properties, of the financing liabilities, of the consideration, non-controlling interest and resulting deferred taxes are measured. Therefore, the disclosures are provisional in terms of IFRS 3.45.

Goodwill, which represents mainly non-separately identifiable assets such as the positive business outlook and employee expertise, is non tax-deductible. The Group employed the partial goodwill method, measuring the non-controlling interest at its share of identifiable net assets not including any goodwill. Acquired intangible assets are not subject to an indefinite useful life. Trade receivables with a gross value of EUR 353 thousand were acquired, of which EUR 88 thousand is probably uncollectible. The fair value of the trade receivables from third parties amounts to EUR 265 thousand.

Since the initial consolidation GxP contributed EUR 2,093 thousand to the overall performance and EUR 1,132 thousand to the total comprehensive income of the Group. If the acquisition had taken place at the beginning of the financial year, GxP would have contributed EUR 12,987 thousand to overall performance and EUR 15,509 thousand to the total comprehensive income of the Group.

7. Scope of consolidation (Continued)

7.3. Disclosures on subsidiaries with significant non-controlling interests

The financial information on significant, non-controlling interests in subsidiaries is summarized below. The amounts disclosed are before intercompany eliminations.

in TEUR	CG Gruppe AG 31.12.2017	GxP German Properties AG 3l.12.2017
Current assets	1,333,413	7,130
Current liabilities	688,943	11,830
Current net assets	644,469	(4,699)
Non-current assets	222,601	169,175
Non-current liabilities	549,263	105,603
Non-current net assets	(326,662)	63,572
Net assets	317,807	58,872
Accumulated NCI	143,688	26,213

As of November 11, 2017, the Company acquired 58.0% of the shares in GxP German Properties AG. Before intercompany eliminations, the revenue of GxP Group amounted to EUR 2,018 thousand for the two months ended December 31, 2017. The Profit for the two months was EUR 1,188 thousand. The cash flows from operating activities amounted to EUR 744 thousand. In the two months ended December 31, 2017, the cash flows from investing activities and the cash flows from financing activities totaled EUR −4,815 thousand and EUR 2,729 thousand. The overall cash flow led to a net decrease of EUR 1,343 thousand in cash and cash equivalents.

Due the initial consolidation of CG Gruppe AG as of December 31, 2017 CG did not yet contribute to comprehensive income nor cash flows of the Group.

The minority shareholders of CG Gruppe AG received certain protective rights under the shareholders agreement. These rights pertain to certain defined topics that are not within operative day to day business decisions. Although protective in nature, they limit the Groups access to assets and liabilities of CG in a way that for example a sale or transfer of virtually all assets or essential parts to another entity are only possible with explicit agreement of the minority shareholders.

Under several loan agreements that were initiated by CG Group companies, rights to distribute dividends are restricted.

7.4. Disclosures on associates that are material to the Group

Before initial full consolidation of CG Gruppe AG as at December 31, 2017 and after the acquisition of a 50% stake in the Group as at November 2, 2017, the shareholding in CG Gruppe AG was recognized as an investment accounted for using the equity method. For further information, please refer to section 7.2.

The investment in an associate accounted for using the equity method only affects the statement of comprehensive income for the two months period beginning November 01, 2017, as CG Gruppe AG was fully consolidated as at December 21, 2017.

in TEUR	CG Gruppe AG 01.11. – 31.12.2017
Revenue	65,609
Depreciation	(205)
Interest income	—
Interest expense	(15,203)
Income taxes	1,027
Net profit from continued operations	(2,396)
Net profit from discontinued operations	—
Other comprehensive income	—
Total comprehensive income	(2,396)

8. Notes to the consolidated statement of comprehensive income

8.1. Result from letting activities

In the 2017 financial year, the Group continuously built up its property portfolio, both by acquisition of real estate assets and by business combination. Rental income attributable to properties from the newly acquired subsidiary GxP German Properties AG, was only recognized for the two months period following its initial consolidation as at November 01, 2017. Please refer to section 7.2. for further information on the business combinations.

In the 2016 financial year, no income or expenses were generated as the entity did not hold any investments property.

in TEUR	2017	2016
Rental income	**8,298**	—
Income from recharged operating costs	**1,360**	—
Income from other goods and services	**52**	—
Income from letting activities	**9,710**	**—**
Expenses from operating costs	**(2,456)**	—
Maintenance expenses	**(1,372)**	—
Other services	**(942)**	—
Expenses related to letting activities	**(4,769)**	**—**
Net operating income from letting activities	**4,940**	**—**

8.2. Result from development activities

As the development activities of the Group are limited to the subsidiary CG Gruppe AG, which has only been fully consolidated as at December 31, 2017, no result from development activities is shown in the reporting period.

8.3. Net income from the remeasurement of investment property

Net income from the remeasurement of investment property amounted to EUR 17.060 thousand and mainly resulted from revaluations of CONSUS property. Further information such as input parameters can be found in chapter 9.1.

8.4. Other operating income

The total operating income for the financial year 2017 in an amount of EUR 240 thousand is mainly in connection to income from asset management contracts and income from the distribution of loans.

In 2016, other operating income solely includes an invoice in an amount of EUR 80 thousand to the shareholder Consus GmbH, Leipzig for expenses in connection with the preparation for the new business activity. This amount is presented as receivables from related parties as of December 31, 2016.

8.5. Personnel expenses

Personnel expenses were as follows in the 2017 and 2016 financial years. The Company did not have any employees in the 2016 financial year.

in TEUR	2017	2016
Wages and salaries	**(1,011)**	—
Social contributions	**(22)**	—
Total	**(1,033)**	**—**

8. Notes to the consolidated statement of comprehensive income (Continued)

8.6. Other operating expenses

Other operating expenses break down as follows:

in TEUR	2017	2016
Write-offs and allowances on receivables	**(70)**	—
Consulting and audit fees	**(2,489)**	(64)
Admin expenses	**(7,709)**	—
Utility expenses for office space	**(25)**	—
Car and travel expenses	**(103)**	—
Other taxes	**(331)**	—
Other expenses	**(4,063)**	(12)
Total	**(14,790)**	**(76)**

Other expenses mainly include expenses from a cancelled agreement to purchase real estate property in an amount of EUR 3,513 thousand. The amount corresponds to a given prepayment that was derecognized in the course of the cancellation of the deal.

8.7. Depreciation and amortization

in TEUR	2017	2016
Amortisation of intangible assets	**(7)**	—
Depreciation on office equipment and other assets	**(9)**	—
Total	**(17)**	**—**

Corresponds to scheduled amortization of intangible assets and depreciation of equipment and other assets. No impairment loss was recorded in the reporting period or previous years.

Please also refer to the asset schedule.

8.8. Finance income and finance expenses

Financial result can be broken down as follows:

in TEUR	2017	2016
Interest income from bank deposits	**5**	**—**
Interest income from loans	**686**	—
Total financial income	**691**	**—**
Interest expense from interest derivatives	**(1,710)**	—
Interest expense from loans	**(6,619)**	—
Total financial expenses	**(8,329)**	**—**
Financial result	**(7,639)**	**—**

Financial result can be allocated to the categories according to IAS 39 as follows:

in TEUR	31.12.2017	31.12.2016
Loans and receivables (LaR)	**691**	**—**
Financial liabilities held for trading through P/L at fair value (FLHfT)	**(1,710)**	—
Financial liabilities at cost (FLaC)	**(6,619)**	—
Total	**(7,639)**	**—**

8. Notes to the consolidated statement of comprehensive income (Continued)

8.9. Share of profit or loss of associates accounted for using the equity method

The loss of associates accounted for using the equity method results from the two months at-equity inclusion of CG Gruppe AG during November to December 2017.

8.10. Income taxes

Income tax expense and income is broken down by origin as follows:

in TEUR	2017	2016
Current income taxes for the period	**(12)**	(5)
Deferred taxes	**(5,498)**	—
Tax result	**(5,509)**	(5)

The tax expenses in the reporting year amount to EUR 5,509 thousand and mainly resulted from the deferred taxes on temporary differences that occurred during the period. The tax expenses in the financial year 2016 (EUR 5 thousand) relate exclusively to taxes from continuing operations and result from the tax assessment for 2016. For further information please refer to chapter 9.15.

The following table shows a reconciliation of the tax expenses expected in the respective period, which is calculated using the effective tax rate of 30.175% (2016: 31.925%), to the actual tax expense or income:

in TEUR	2017	2016
IFRS net consolidated income before taxes	**(2,437)**	4
Consolidated tax rate in %	**30.175%**	31.925%
Expected income taxes	**(735)**	1
Special regulations regarding commercial tax	**(237)**	—
Effects from non-recognition of deferred tax assets on temporary differences	**(61)**	—
First time capitalization or reversal of loss carryforwards	**113**	—
Effect from the non-recognition of deferred tax assets on tax loss carryforwards	**6,061**	—
Effects of at-equity accounted companies	**362**	—
Non-deductible expenses	**—**	2
Other tax effects	**7**	1
Effective taxes on income and earnings	**5,509**	5
Effective tax rate in %	**(226)%**	123%

Taxation of the Company

The income tax expenses and income mainly consisted of German corporation tax (plus solidarity surcharge) and trade tax. The applicable average effective tax rate for the German Group companies is 30.175% and consists of corporation tax of 15% plus a solidarity surcharge of 5.5% and a location-based trade tax. Depending on the tax rate of the municipality in which the company has a permanent establishment, this amounts to a percentage of the trade income as of December 31, 2017.

8.11. Discontinued operation

As described in section 1.2, the Company ceased its former business activities as sales organizer and coordinator for individual funds of publity Performance GmbH as of the beginning of 2016. In financial year 2016, the entire revenue of the Company was obtained exclusively from this activity. Due to the discontinuation, the business is classified as discontinued operation in the consolidated statement of comprehensive income.

8. Notes to the consolidated statement of comprehensive income (Continued)

8.11. Discontinued operation (Continued)

The income and expenses of the discontinued operations were as follows:

in TEUR	2017	2016
Revenue	—	1,375
Operating Expenses	—	1,320
EBIT	—	56
Net interest result	—	—
Result from profit transfer obligations	—	(57)
EBT	—	(1)
Taxes	—	—
Net income (discontinued operations)	—	(1)
Other comprehensive income	—	—
Total comprehensive income	—	(1)

8.12. Earnings per share

Basic earnings per share from continuing operations is calculated by dividing the income/loss from continuing operations attributable to the shareholders of the parent company by the weighted average number of undiluted shares in the respective financial year.

Basic earnings per share from continuing and discontinued operations is calculated by dividing the consolidated income/loss for the period attributable to shareholders of the parent company by the undiluted weighted average number of shares in the respective financial year.

The weighted average number of ordinary shares is calculated from the number of shares in circulation at the beginning of the period adjusted by the number of shares issued during the period and multiplied by a time-weighting factor. The time-weighting factor reflects the ratio of the number of days on which shares were issued and the total number of days in the period.

in TEUR	2017	2016
Consolidated net income/loss for the period from continuing operations	**(7,946)**	(1)
Income/loss from continuing operations attributable to non-controlling interests	**566**	—
Income/loss from continuing operations attributable to shareholders	**(8,513)**	(1)
Weighted average number of shares issued, in thousands	**32,647**	4,879
Basic earnings per share from continuing operations in EUR	**(0.26)**	(0.00)
Number of dilutive potential shares, in thousands	**—**	—
Diluted earnings per share from continuing operations in EUR	**(0.26)**	(0.00)
Consolidated net income/loss for the period from continuing and discontinued operations attributable to shareholders	**(8,513)**	(1)
Weighted average number of shares issued, in thousands	**32,647**	4,879
Basic earnings per share from continuing and discontinued operations in EUR	**(0.26)**	(0.00)
Number of dilutive potential shares, in thousands	**—**	—
Diluted earnings per share from continuing and discontinued operations in EUR	**(0.26)**	(0.00)

The following equity instruments were not taken into account in determining the diluted earnings per share as they would display dilution protection.

in TEUR	31.12.2017	31.12.2016
Convertible bond	**21,766**	—
Total number of potential ordinary shares	**21,766**	—

9. Notes to the consolidated statement of financial position

9.1. Investment property

The carrying amounts of investment property developed as follows:

IAS 40 Investment Property (finished)

in TEUR	2017	2016
Carrying value as of 01.01.	**—**	—
Acquisitions	**149,730**	—
Additions from business combinations	**267,310**	—
Fair value adjustments	**17,060**	—
Carrying value as of 31.12.	**434,100**	—

The carrying amounts of assets under construction developed as follows:

IAS 40 Investment Property (under construction)

in TEUR	2017	2016
Carrying value as of 01.01.	**—**	—
Additions from business combinations	**93,250**	—
Carrying value as of 31.12.	**93,250**	—

The Consus Group's portfolio predominantly consists of commercial property (offices and retail) and to a smaller proportion of residential property.

With the acquisition of GxP and CG in 2017, the Company has increased its investment property portfolio significantly. As of December 31, 2016, only order contracts for three properties were closed. As, by then, the contracts have not yet been executed, there was no civil ownership of the real estate. Thus, only advance payments related to investment property is presented for 2016. The costs already incurred at this point in time are shown as prepayments. Rental income had not yet been earned as of December 31, 2016, and direct operating expenses in relation to letting activities had not yet been incurred.

As of December 31, 2017, the investment property held by the Company was valued by independent third-party experts. The net income from the remeasurement of investment property is presented in the consolidated statement of comprehensive income.

Supplementary to the calculation of the market values, sensitivity analyses were carried out. The analysis for investment properties valued under application of the German Income Approach (''Deutsches Ertragswertverfahren'') shows how market values would have fluctuated, if the two main input factors market rent and capitalization rate would have been increased or decreased by a certain percentage as of December 31, 2017. If the market rent and capitalization rates on which the measurement of the properties was based on had increased or decreased by 10 and 0.25 percent, respectively, the values for the properties held by CONSUS Real Estate AG and GxP German Properties AG, as at December 31, 2017, would have been the following:

As at 31/12/2017 – CONSUS	Market rent			Capitalisation rate (Liegenschaftszinssatz)		
Values in TEUR	**(10)%**	**(0)%**	**+10%**	**(0.25)%**	**0%**	**+0.25%**
Investment Property	**136,100**	**148,400**	**160,300**	**153,800**	**148,400**	**143,100**

As at 31/12/2017 – GxP	Market rent			Capitalisation rate (Liegenschaftszinssatz)		
Values in TEUR	**(10)%**	**0%**	**+10%**	**(0.25)%**	**0%**	**+0.25%**
Investment Property	**150,470**	**165,270**	**180,090**	**171,480**	**165,270**	**159,430**

The analysis for investment properties valued under application of the Discounted Cash Flow Method shows how market values would have fluctuated, if the two main input factors discount rate and capitalization rate would have been increased or decreased by a certain percentage as of December 31, 2017. If the discount rate and

9. Notes to the consolidated statement of financial position (Continued)

9.1. Investment property (Continued)

capitalization rates on which the measurement of the properties was based on had increased or decreased by 10 and 0.5 percent the values as at December 31, 2017 would have been the following:

As at 31/12/2017 – CG	Market rent			Capitalisation rate		
Values in TEUR	**(10)%**	**0%**	**+10%**	**(0.50)%**	**0%**	**+0.5%**
Investment Property	**108,030**	**120,430**	**132,400**	**129,840**	**120,430**	**112,860**

The analysis for investment properties under construction valued under application of the Discounted Cash Flow Method shows how market values of investment property would have fluctuated, if the two main input factors discount rate and capitalization rate would have been increased or decreased by a certain percentage as of December 31, 2017. If the net sales price and development rates on which the measurement of the properties was based on had increased or decreased by 10 percent the values as at December 31, 2017 would have been the following:

As at 31/12/2017 – CG	Net sales price			Development costs		
Values in TEUR	**(10)%**	**0%**	**+10%**	**(10)%**	**0%**	**(10)%**
Investment Property under construction	**76,960**	**93,250**	**109,640**	**103,330**	**93,250**	**82,990**

The material valuation parameters for the investment properties (level 3) are as follows as of December 31, 2017 for properties valued under application of the German Income Approach (''Deutsches Ertragswertverfahren''):

Valuation parameters Level 3 – CONSUS	31.12.2017
Total rental space (in sqm)	**96,642**
Vacancy rate, weighted average (in %)	**6.98**
Market rent, weighted average (EUR per sqm p.a.)	**112.90**
WALT, weighted average (years)	**5.65**
CAPEX, weighted average (EUR per sqm)	**28.10**
Gross multiplier on market rent, weighted average	**13.61**
Land value of total market value, weighted average (in %)	**13.04%**
Capitalisation rate, weighted average (in %)	**5.17%**

Valuation parameters Level 3 – GxP	31.12.2017
Total rental space (in sqm)	**106,700**
Vacancy rate, weighted average (in %)	**13.15**
Market rent, weighted average (EUR per sqm p.a.)	**113.43**
WALT, weighted average (years)	**3.62**
CAPEX, weighted average (EUR per sqm)	**45.59**
Gross multiplier on market rent, weighted average	**13.66**
Land value of total market value, weighted average (in %)	**10.18%**
Capitalisation rate, weighted average (in %)	**5.29%**

The material valuation parameters for the investment properties (level 3) are as follows as of December 31, 2017 for properties valued under application of the Discounted Cash Flow Method:

Valuation parameters Level 3 – CG	31.12.2017
Total rental space (in sqm)	**146,232**
Vacancy rate, weighted average (in %)	**9.31**
Market rent, weighted average (EUR per sqm p.a.)	**66.19**
WALT, weighted average (years)	**4.41**
CAPEX, weighted average (EUR per sqm)	**50.26**
Gross multiplier on market rent, weighted average	**20.40**
Land value of total market value, weighted average (in %)	**n/a**
Capitalisation rate, weighted average (in %)	**6.25%**

9. Notes to the consolidated statement of financial position (Continued)

9.1. Investment property (Continued)

The material valuation parameters for the investment properties under construction (level 3) are as follows as of December 31, 2017 for properties valued under application of the Discounted Cash Flow Method:

Valuation parameters Level 3 – CG	31.12.2017
Net Sales Price (in TEUR)	**232,680**
Project development costs (in TEUR)	**130,878**
Capitalisation rate, weighted average (in %)	**6.13%**
Discount rate, weighted average (in %)	**7.00%**

Investment property is generally encumbered with collateral for the loans. There are no restrictions for the Company to dispose the properties. Financed properties are generally secured by liens on property and are subject of assignments of rights and claims arising from sales contracts. When a property is sold, the finance is settled by means of an unscheduled repayment if necessary.

The following minimum lease payments are expected based on contracts existing as of reporting date:

in TEUR	31.12.2017
up to one year	**29,611**
1 – 5 years	**74,757**
over 5 years	**33,935**
Total	**138,303**

During the financial year, conditional lease payments of EUR 1,093 thousand (previous year: 0) have been recognized.

9.2. Property, plant and equipment & other intangible assets

The development of property, plant and equipment, advance payments on investment property as well as other intangible assets is shown in the consolidated statement of changes in assets.

Fixed assets movement schedule – 2017

in TEUR	Technical Equipment and Machinery	Office and Operating Equipment	Prepayments on Investment property	Other Intangible Assets	Goodwill	Total
Acquisition costs as at 01.01.2017	**—**	**—**	**5,747**	**—**	**—**	**5,747**
Additions	**—**	**—**	**10,532**	**—**	**—**	**10,532**
Additions through business combinations	**351**	**5,809**	**—**	**3,205**	**700,076**	**709,441**
Reclassification IAS 40	**—**	**—**	**(5,747)**	**—**	**—**	**(5,747)**
as at 31.12.2017	**351**	**5,809**	**10,532**	**3,205**	**700,076**	**719,973**
Accumulated depreciation as at 01.01.2017	**—**	**—**	**—**	**—**	**—**	**—**
Additions through business combinations	**16**	**1,203**	**—**	**319**	**—**	**1,538**
as at 31.12.2017	**16**	**1,203**	**—**	**319**	**—**	**1,538**
Net Book Value as of 01.01.2017	**—**	**—**	**5,747**	**—**	**—**	**5,747**
Net Book Value as of 31.12.2017	**335**	**4,606**	**10,532**	**2,886**	**700,076**	**718,436**

9. Notes to the consolidated statement of financial position (Continued)

9.2. Property, plant and equipment & other intangible assets (Continued)

Fixed assets movement schedule – 2016

in TEUR	Technical Equipment and Machinery	Office and Operating Equipment	Prepayments on Investment property	Other Intangible Assets	Goodwill	Total
Acquisition costs as at 01.01.2016	—	21	—	—	—	21
Additions	—	—	5,747	—	—	5,747
Additions through business combinations	—	—	—	—	—	—
Reclassification IAS 40	—	—	—	—	—	—
as at 31.12.2016	—	—	5,747	—	—	5,747
Accumulated depreciation as at 01.01.2016	—	19	—	—	—	19
Additions through business combinations	—	—	—	—	—	—
as at 31.12.2016	—	—	—	—	—	—
Net Book Value as of 01.01.2016	—	2	—	—	—	2
Net Book Value as of 31.12.2016	—	—	5,747	—	—	5,747

Property, plant and equipment and intangible assets of the Group are not pledged as security. There are no contractual obligations to acquire property, plant and equipment or intangible assets.

9.3. Goodwill

Goodwill as of December 31, 2017 amounts to EUR 700,076 thousand (December 31, 2016 EUR 0 thousand). Goodwill in the amount of EUR 698,490 thousand is attributable to CG and goodwill in the amount of EUR 1,586 thousand is attributable to GxP.

Goodwill is allocated to the cash-generating units of the Group that are profiting from the synergy effects of the business combination. The cash-generating units correspond to the respective legal units. The recoverable amounts of the cash-generating units were determined using cash flow projections based on the calculation of the value in use. The estimated future cash flows used for impairment testing are based on the financial planning, with a planning horizon of 5 years. Cash flows outside the planning period are extrapolated using individual growth rates, taking relevant market information into account. The growth rate outside the planning horizon was 1%. The weighted average discount rate before tax used to discount the estimated cash flows was 8.86% for the cash-generating unit CG and 4.55% for the cash-generating unit GxP, respectively. Based on the inputs to the valuation techniques used, the fair value measurement was classified as a Level 3 fair value in accordance with IFRS 13.

The impairment tests performed on the goodwill allocated to cash-generating unit CG and cash-generating unit GxP did not reveal any evidence of impairment. The Group assumes that the recoverable amounts, in case of slight changes in the parameters, still exceed the carrying amount of the goodwill.

Internally generated intangible assets were not recognized in the years presented in these consolidated financial statements.

9.4. Financial assets

Other financial assets can be broken down as follows:

in TEUR	31.12.2017	31.12.2016
Other loans	**2,477**	—
Deposits	**1,370**	—
Other financial assets	**2,584**	—
Shares in non-consolidated companies	**1,153**	—
Total	**7,584**	—

9. Notes to the consolidated statement of financial position (Continued)

9.4. Financial assets (Continued)

9.5. Other assets

Other assets can be broken down as follows:

in TEUR	31.12.2017	31.12.2016
Accruals	**1,307**	—
Receivables from other taxes	**873**	—
Prepayments made	**3,163**	—
Other assets	**31**	677
Total	**5,375**	677

9.6. Work-in-progress including acquired land and buildings

Work-in-progress was acquired during the financial year as part of the business combination with the real estate developer CG:

in TEUR	31.12.2017	31.12.2016
Carrying amount of inventories	**1,211,827**	—
– thereof Real Estate ''Institutional''	**948,735**	—
– thereof Real Estate ''Parking''	**26,700**	—
– thereof Real Estate ''IAS 40''	**5,618**	—
– thereof Real Estate ''Apartments for sale''	**315,324**	—
– thereof Real Estate ''Other construction work''	**27,388**	—
– net off: received prepayments for Real Estate construction	**(111,938)**	—

The following carrying amount of inventory is expected to be realized within the next 12 months:

in TEUR	31.12.2017	31.12.2016
Carrying amount of inventories (expected to be realized within the next 12 months)	**32,755**	—
– thereof Real Estate ''Institutional''	**77,925**	—
– thereof Real Estate ''IAS 40''	**5,618**	—
– thereof Real Estate ''Parking''	**—**	—
– thereof Real Estate ''Apartments for sale''	**—**	—
– thereof Real Estate ''Other construction work''	**10,705**	—
– net off: received prepayments for Real Estate construction	**(61,494)**	—

A significant part of the inventory was pledge as underlying security provided for loan agreements. The values presented exclude the received prepayments:

in TEUR	31.12.2017	31.12.2016
Other disclosures for IAS 2		
Carrying amount of inventories pledged as security for liabilities	**1,323,765**	—

In financial year 2017 as in the previous year no borrowing costs were capitalized under costs of production shown under inventories.

9.7. Trade and other receivables

Trade and other receivables in financial year 2017 mainly relate to disposal of real estate that took place shortly before the balance sheet date.

9. Notes to the consolidated statement of financial position (Continued)

9.7. Trade and other receivables (Continued)

During 2016, no trade receivables and other receivables were recorded.

in TEUR	31.12.2017	31.12.2016
Trade and other receivables, gross	**56,200**	—
Allowances on trade and other receivables	**(183)**	—
Total trade and other receivables	**56,017**	—
– thereof from rent and rent related services	**1.276**	—
– thereof from the disposal of real estate	**50,937**	—
– thereof others	**3,804**	—

9.8. Receivables from related parties

Receivables from related parties include EUR 27,696 thousand trade as well as loan receivables from key management personnel and companies controlled by key management personnel. Furthermore, receivables from related parties include EUR 144 thousand receivables from Aggregate Group. For further information, please refer to chapter 14.

9.9. Tax receivables

Tax receivables mainly include prepayments on trade tax.

9.10. Cash and cash equivalents

Cash and cash equivalents consist exclusively of balances with banks. The cash and cash equivalents are always available and represent the financial resources of the Company.

in TEUR	31.12.2017	31.12.2016
Bank deposits	**71,336**	17,632
Cash at hand	**3**	—
Cash and cash equivalents	**71,340**	17,632
– thereof restricted	**32,951**	—

Cash and cash equivalents as of December 31, 2017 and 2016 are not subject to any significant restrictions. As of December 31, 2017 cash and cash equivalents of EUR 3,185 thousand are subject to transfer controls i.e. said funds must be held by certain Group companies as in the respective loan agreement. Further EUR 29,766 thousand are subject to restrictions mainly regarding the usage for the financed objects only as well as minimum in order to secure future interest payment.

9.11. Equity

The change in equity components is shown in the consolidated statement of changes in equity.

(a) Subscribed capital 2016

The share capital of the Company amounts to EUR 79,850,383 and is divided into 79,850,383 registered shares. All shares are no-par-value shares. All shares are in accordance with German law and fully paid up. All shares are represented in a global certificate deposited with Clearstream Banking AG.

Each share of the Company entitles to one vote in the general meeting of the Company. There are no restrictions on voting rights.

The shareholders' meeting of the Company on October 6, 2016 resolved to increase the share capital by EUR 21,850,000.00 to EUR 22,000,000.00.

The share capital of former Consus Commercial Property GmbH became share capital of the Company, applying a ratio of 1:1. The capital stock amounted to EUR 22,000,000.00 (in words: twenty-two million euros) and was divided into 22,000,000 (in words: twenty-two million) registered shares.

9. Notes to the consolidated statement of financial position (Continued)

9.11. Equity (Continued)

(b) Subscribed capital 2017

By exercising the authorized capital, the Company decided on February 12, 2017 to increase the share capital of the Company from EUR 22,000,000.00 by EUR 2,200,000.00 to EUR 24,200,000.00 in return for contributions in cash by issuing 2,200,000 bearer shares with a pro rata amount of the share capital of EUR 1.00 per share. The new shares were issued at a price of EUR 15.00 per no-par value share to be issued and are fully entitled to dividend rights from January 1, 2016. For subscription to and acquisition of the new shares, the existing shareholders were granted a subscription right. The subscription right could be exercised up to and including March 1, 2017. In the event of the non-exercise of the subscription right by the old shareholders, the Consus GmbH and the FTV Ltd., Isle of Man has already approved a subscription to the capital increase and deposited the corresponding amount as collateral.

The shareholders assembly of the Company decided on September 28, 2017 to increase subscribed capital by EUR 55,650,383.00 to a total of EUR 79,850,383.00. The increase has been registered at the commercial register on November 2, 2017. This increase relates to the acquisition of Pebble GmbH, which is outlined in chapter 7.2 as part of the CG acquisition.

(c) Authorized capital 2016

Authorized capital was provided for in the statutes of incorporation of the Company, as determined by a decision of October 6, 2016. The authorized capital 2016 was entered in the Commercial Register on October 26, 2016. The Management Board was authorized to increase the share capital with the approval of the Supervisory Board until October 5, 2021 against cash and / or non-cash contributions once or several times, but no more than by EUR 10,000,000.00.

Following the partial exercise of the authorized capital on February 12, 2017, the Management Board is now authorized, with the approval of the Supervisory Board, to redeem the share capital once or several times, but no more than EUR 7,800,000.00 by October 5, 2021 against cash and / or non-cash contributions (''maximum amount''), whereby the subscription right of the shareholders can be excluded.

The Authorized Capital 2016/I as of October 6, 2016 has been rescinded by decision of the shareholders assembly on September 28, 2017.

(d) Authorized capital 2017

The articles of association of the Company as of September 28, 2017, authorized the management board to increase the Company's registered capital until September 27, 2022 contingent on approval of the supervisory board once or repeatedly by up to a total of EUR 39,925,191.00 through the issuance of new ordinary shares with no par value against contribution in cash or in kind (authorized capital 2017). In principle, the existing shareholders are to be offered subscription rights.

The management board is authorized to exclude subscription rights of existing shareholders with the consent of the supervisory board for one or more capital increases in the context of the Authorized Capital 2017. This may happen in the event of a capital increase against contributions in kind or mixed contributions kind *(gemischte Sacheinlage)* in order to be able to grant holders of convertible bonds profit participation rights issued by the Company or its subordinated group companies that carry option rights to new ordinary registered shares with no par value *(Stückaktien)* or subscription rights to new shares in the amount to which they would be entitled to in the event of a capital increase against cash contributions, given that the requirements and thresholds of the German Securities Trading Act *(Wertpapierhandelsgesetz)* and the open market *(Freiverkehr)* are fulfilled.

The management is authorized to determine any further details of a capital increase and its implementation, which is subject to the consent of the supervisory board. The supervisory board is authorized to adjust the articles of association accordingly after utilization of the authorized capital 2017 or upon expiry of the period during which the authorized capital 2017 can be utilized.

9. Notes to the consolidated statement of financial position (Continued)

9.11. Equity (Continued)

(e) Conditional Capital 2017

On September 28, 2017, the general shareholders' meeting of the Company resolved on a conditional capital increase in accordance with the German Stock Corporation Act *(Aktiengesetz)*.

Upon registration and in accordance with the Articles of Association, the Company's share capital has been conditionally increased by up to EUR 12,100,000.00 (Conditional Capital 2017). The conditional capital increase will only be implemented to the extent holders or creditors of these bonds make use of their conversion rights. In case holders exercise their option rights in order to convert their bonds into new shares, new shares are equipped with a profit participation right. Depending on whether the option is exercised before or after the general shareholders' meeting, the right to participate in profits starts either from the beginning of the prior financial year or from the beginning of the financial year in which they are issued.

The Management Board is authorized, with the approval of the Supervisory Board, to determine any further details of the implementation of the Conditional Capital 2017.

(f) Authorization to issue convertible bonds

Upon registration and based on a resolution of the Company's general shareholders' meeting held on September 28, 2017, the management board is authorized, with the approval of the supervisory board, to issue, once or repeatedly, until September 27, 2022, bonds, i.e., convertible bonds, warrant bonds, profit participation rights and/or income bonds having an aggregate principal amount of up to EUR 500,000,000.00 and to grant the holders or creditors option or conversion rights to shares of the Company with a maximum proportion of share capital of up to EUR 40,000,000.00 in accordance with the terms and conditions with the bonds.

The conversion or option rights and conversion or option obligations carried by the bonds may be serviced from the conditional capital 2017 or any conditional capital resolved in a future general shareholders' meeting or from the authorized capital 2017 or any future authorized capital.

Pursuant to the terms and conditions of the bonds, bondholders have the right to offer to the Company to participate in a capital increase by way of contribution in kind *(Sacheinlage)* by offering bonds held by it as contribution in kind. It is in the discretion of the Company whether it accepts such offer. If the Company accepts such offer, the new shares would be derived from the Company's authorized or conditional capital.

In November 2017, the Company issued a senior unsecured convertible bond due in 2022. The bond has a total nominal value of EUR 200,000,000.00 with a denomination of EUR 100,000.00. The convertible bond is listed on the open market *(Freiverkehr)* segment of the Frankfurt Stock Exchange, please refer to chapter 9.12 for further details.

(g) Capital reserves

On March 17, 2017, the share capital was increased against cash contributions that were fully paid in. The amount of paid in capital per share that exceeds the par value was allocated to the capital reserve. Therefore an increase of EUR 30,798 thousand in the capital reserve was reported in 2017. The capital increase was registered with the commercial register of the local court of Leipzig, Germany, on March 22, 2017.

In September 2017, another capital increase was carried out against contribution in kind. Therefore an additional increase of EUR 543,916 thousand was reported in 2017, of which transaction costs in the amount of EUR 526 thousand were recognized in directly in equity. The transaction costs include deferred tax consequences of EUR 121 thousand. This capital increase was registered with the commercial register of the local court of Leipzig, Germany, on November 2, 2017.

(h) Other reserves

The other reserves include the results of the Companies included in the consolidated financial statements, retained by the shareholders' meeting, insofar as they were not distributed. The cumulative results in accordance

9. Notes to the consolidated statement of financial position (Continued)

9.11. Equity (Continued)

with IFRS have arisen from the accumulated results of the consolidated financial statements in accordance with German-GAAP and the one-off adjustments recognized directly in equity as part of the first-time adoption of IFRS.

The item also contains the legal reserve required of stock corporations. As of December 31, 2017, the legal reserve amounts to EUR 0 thousand (previous year: EUR 0 thousand).

(i) Non-controlling interests

The non-controlling interest acquired during the financial year 2017 mainly result from business combinations with GxP and CG. For further information please refer to section 7.2.

9.12. Financing liabilities

Financing liabilities increased during 2017 to a total of EUR 1,589,546 thousand. Financing liabilities of EUR 1,146,597 thousand resulted from the acquisition of subsidiaries during 2017, most of which is project related.

Furthermore the following significant financing liabilities were issued during the financial year 2017:

(a) Liabilities from issued notes

On November 8, 2017, the company issued 150,000 notes payable to the bearer and ranking pari passu among themselves. The aggregate principal amount of up to EUR 150,000,000.00 bears interest at a rate of 4.75% per annum. To be redeemed on November 8, 2024, the notes will be represented by a global bearer note without interest coupons attached.

(b) Liabilities from convertible bonds

A convertible bond with a total nominal value of EUR 200,000,000.00 was issued by the Group on November 29, 2017. The convertible bond has a maturity as of November 29, 2022, and was issued at a price of 100 percent of the principal amount in a denomination of EUR 100,000 each. The convertible bonds bear interest at a rate of 4.0 percent per annum, payable semiannually in arrears. In accordance with the convertible bond conditions, bondholders have the right to offer to the Company to participate in a capital increase by way of contribution in kind (Sacheinlage) by offering bonds held by it as contribution in kind. It is in the discretion of the Company whether it accepts such offer. If the Company accepts such offer, the new shares would be derived from the Company's authorized or conditional capital. The exercise of the included termination right leads to a 100% repayment plus accrued interest.

The conversion right and the redemption rights represent an embedded derivative. As the derivative is exposed to the risks of an equity instrument and the host debt contract to interest rate risks, it is a separable embedded derivative. As of December 31, 2017 the fair value of the instrument is recognized at EUR 16,590 thousand.

9.13. Provisions

The additions to personnel related provisions during financial year 2017 result from a pending lawsuit by a former member of the management board of the Company, which was active from April to October 2017. The Company estimates that the dispute will be settled within the next financial year.

The additions to other provisions during financial year 2017 relate to risks resulting from the purchase of a property currently under negotiation. The Company estimates that the dispute will be settled within the next financial year.

9. Notes to the consolidated statement of financial position (Continued)

9.13. Provisions (Continued)

The personnel related provision that was added by way of business combination results from change of control clauses in management contracts of the acquiree. The Company estimates that the potential outflow will resolve until early next financial year and estimates the probability of a cash outflow as low.

in TEUR	as at 01.01.2017	Additions	Additions through business combinations	As at 31.12.2017
Personnel related provisions	**—**	**—**	**220**	**220**
Other provisions	**—**	**3,150**	**—**	**3,150**
Total	**—**	**3,150**	**220**	**3,370**

9.14. Other liabilities

Other liabilities for the two reporting dates presented are as follows:

in TEUR	31.12.2017	31.12.2016
Liabilities to employees	**2,021**	—
Received prepayments	**47**	—
Other taxes	**2,293**	—
Liabilities to minorities (NCIs)	**9,218**	—
Other financial accruals	**21,122**	—
Other liabilities	**4,804**	—
Other financial liabilities	**3,940**	—
Total other liabilities	**43,444**	**—**
– thereof remaining term up to one year	**35,058**	—
– thereof remaining term between one to five years	**8,386**	—

The other financial accruals as of December 31, 2017 mainly relate to outstanding invoices for project development under general contractor obligations.

9.15. Deferred income taxes

Deferred tax assets and liabilities for the two reporting dates presented are as follows:

in TEUR	Deferred tax assets	Deferred tax liabilities
IAS 40 and owner-occupied real estate	—	29,400
Intangibles	—	64
Inventories	—	86,192
Other non-current financial assets	—	—
Other assets	—	16
Other provisions	66	—
Payables/loans to financial institutions	4,882	1,846
Other financial liabilities	421	—
Other liabilities	32	318
Deferred taxes on temporary differences	**5,402**	**117,836**
Losses carried forward	8,710	—
Total deferred taxes	**14,113**	**117,836**
Netting	14,113	14,113
Carrying amount deferred taxes 31.12.2017	**—**	**103,723**

9. Notes to the consolidated statement of financial position (Continued)

9.15. Deferred income taxes (Continued)

The deferred taxes from non-current assets and non-current liabilities are expected to reverse after more than twelve months after the end of the reporting period. The expected reversal of deferred taxes is broken down as follows:

in TEUR	31.12.2017	31.12.2016
Deferred tax assets		
– to be realized after more than 12 months	**14,014**	—
– to be realized within 12 months	**99**	—
Total deferred tax assets	**14,113**	—

in TEUR	31.12.2017	31.12.2016
Deferred tax liabilities		
– to be realized after more than 12 months	**117,836**	—
– to be realized within 12 months	**—**	—
Total deferred tax liabilities	**117,836**	—

in TEUR	2017	2016
Carrying value of deferred tax assets as of 01.01	**—**	**—**
changes recognized through profit and loss	**—**	—
changes recognized in equity	**—**	—
changes due to consolidation scope	**—**	—
Carrying value of deferred tax assets as of 31.12	**—**	—

in TEUR	2017	2016
Carrying value of deferred tax liabilities as of 01.01	**—**	**—**
changes recognized through profit and loss	**5,503**	—
changes recognized in equity	**121**	—
changes due to consolidation scope	**98,099**	—
Carrying value of deferred tax liabilities as of 31.12	**103,723**	—

Tax losses

Tax losses not offset in an assessment period may, under certain conditions, be carried back and / or carried forward to other assessment periods. A tax loss carry-back is only possible up to the amount of EUR 1 million and only for corporate tax purposes in the immediately preceding assessment period. Non-compensated tax losses that have not been carried-back can only be used to fully offset a positive corporate tax total of income or trade income in the following assessment or collection periods up to an amount of EUR 1 million (loss carried forward). Merely 60% of the income and trade income exceeding this amount can be offset with losses carried-forward and are therefore subject to 40% taxation at the applicable tax rate (so-called minimum taxation).

Non-deductible interest expenses

Interest expenses may only be deductible in accordance with the regulations of the so-called interest barrier (Zinsschranke). Accordingly, the net interest expense (i.e. interest expense less interest income) is deductible in the financial year only in the amount of 30% of EBITDA (separate calculation for tax purposes). In particular, the amount of the interest expenses, insofar as it exceeds the amount of the interest income by less than EUR 3 million is fully deductible (so-called ‘‘small business clause’’). Non-deductible interest expense may, under certain conditions, be carried forward to subsequent financial years and deducted thereon in accordance with the interest barrier. Unused EBITDA volume can generally be carried forward to the following five financial years.

Deferred tax assets from unused tax losses are recognized up to the amount of deferred tax liabilities from temporary differences. Deferred tax assets from unused tax losses in excess of this amount are recognized to the

9. Notes to the consolidated statement of financial position (Continued)

9.15. Deferred income taxes (Continued)

extent that it is probable that the company will generate taxable income. As of December 31, 2017, tax loss carryforwards are estimated to amount to EUR 60 million (December 31, 2016 EUR 2 million). These were not capitalized. A tax loss carryforward (or the resulting future tax relief) may only be capitalized if the discharge is sufficiently certain. Due to historical losses at many Group companies as well as lack of sufficient tax planning this was not the case.

No deferred taxes are recognized on temporary differences in connection with investments in subsidiaries or branches (differences between the net assets of the subsidiaries and the respective tax value of the shares in the subsidiaries) at any reporting date because their reversal can be controlled by dividends. Therefore, no significant tax effects are expected.

9.16. Trade payables

Trade payables include liabilities from the development as well as letting of real estate and related transaction costs as of the reporting date. In previous years, trade payables mainly resulted from purchase of real estate and related transaction costs. Trade payable have been classified as current for all periods under review.

9.17. Payables to related parties

Payables to related parties include an accrual of EUR 1,404 thousand that become due to a related party company in case of a sale of real estate property. Further payables to related parties of EUR 4,549 thousand are mainly loans payables to Aggregate Group. For further information please refer to chapter 14.

9.18. Tax payables

In 2017 tax payables result from income taxes such as trade and corporate taxes due to national tax authorities. All liabilities result from subsidiaries acquired during 2017.

Tax liabilities in 2016 exist only to a minor extent and relate exclusively to the tax assessment of the parent company.

9.19. Received prepayments

Includes prepayments received by a subsidiary of the Group.

10. Notes to the consolidated statement of cash flows

Cash and cash equivalents are solely in euro and consist of daily deposits with domestic banks. No credit lines exist.

10.1. Continued operations

Significant non-cash transactions in 2017 particularly include the acquisition of Pebble GmbH as well as CG Gruppe AG and the related financing of the transaction (investing and financing cash flow), please refer to chapter 7.2.

Significant non-cash transactions in 2016 include EUR 1,710 thousand in unpaid transaction costs for property purchases (investing cash flow). In addition, contracts were signed for the purchase of real estate, which are still unfulfilled by both sides (pending commitments). Regarding the obligations of these, reference is made to section 15.

10. Notes to the consolidated statement of cash flows (Continued)

10.1. Continued operations (Continued)

Net debt reconciliation arising from financing activities

The following section sets out an analysis of net debt and the movements in net debt for each of the periods presented.

in TEUR	31.12.2017	31.12.2016
Cash and cash equivalents	**71,340**	17,632
Finance liabilities – repayable within one year (including overdraft)	**(575,929)**	—
Finance liabilities – repayable after one year	**(1,013,617)**	—
Net debt	**(1,518,206)**	17,632
Cash and liquid investments	**71,340**	17,632
Gross debt – fixed interest rates	**(1,355,328)**	—
Gross debt – variable interest rates	**(234,218)**	—
Net debt	**(1,518,206)**	17,632

Other non-cash movements in the financing liabilities result to a significant portion from additions to the scope of consolidation as well as non-cash contributions.

	Liabilities from financing activities			
in TEUR	Cash and cash equivalents	Financing liabilities— repayable within one year	Financing liabilities— repayable after one year	Total
Net Debt as at 01.01.2016	546	—	—	546
Cash Flows	17,087	—	—	17,087
Other non-cash movements	—	—	—	—
Net Debt as at 31.12.2016	17,632	—	—	17,632
(including discountined operations)				
Net Debt as at 01.01.2017	**17,632**	**—**	**—**	**17,632**
Cash Flows	**53,707**	**—**	**(251,511)**	**(197,804)**
Other non-cash movements	**—**	**575,929**	**762,105**	**1,338,034**
Net Debt as at 31.12.2017	**71,340**	**(575,929)**	**(1,013,617)**	**(1,518,206)**

Other non-cash movements during financial year 2017 mainly resulted from the acquisition of subsidiaries during 2017 which increased financing liabilities by EUR 1,146,597 thousand. Furthermore the non-cash vendor loan issued to Aggregate Deutschland S.A as part of the financing of the CG transaction with a nominal of EUR 150,000 thousand contributed to the other non-cash movements.

10.2. Discontinued operations

The Company has discontinued its former business activities as sales manager and coordinator for individual funds of publity Performance GmbH at the beginning of the 2016 financial year. All cash flows generated by the Company to date have been exclusively derived from this activity. Due to the discontinuation, the classification of this business area as a discontinued operation is made for the consolidated statement of cash flows.

The net cash flows were determined using the indirect method (operating activity) or the direct method (investment and financing activities).

10. Notes to the consolidated statement of cash flows (Continued)

10.2. Discontinued operations (Continued)

The cash flows of the discontinued operations in 2017 and 2016 were as follows:

in TEUR	2017	2016
Cash flow from operating activities	—	(340)
Cash flow from investing activities	—	2
Cash flow from financing activities	—	—
Cash flow from discontinued operations	—	(339)

Significant non-cash transactions in discontinued operations of EUR 0 thousand (EUR 295 thousand in 2016) relate to the offsetting of profit transfer agreement obligations with publity AG (financing cash flow).

There were no other significant non-cash transactions.

11. Segment Information

11.1. Operating segments

For management purposes, the Group is organized into business units based on its organizational structure and has three reportable segments, as follows:

- CONSUS: Principal business activities include the renting of real estate, mainly for commercial use.
- GxP: Principal business activities include the renting of real estate, mainly for commercial use.
- CG: Principal business activities include the development of real estate for residential use as well as commercial use. Furthermore CG is engaged in the renting of commercial and residential real estate as well as complementary services.

The chief operating decision makers monitor the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on revenue, Net Loan to Value (Net-LTV) as well as Net Asset Values (NAV) and is measured consistently with values reported in the IFRS consolidated financial statements of the Group.

The Group's financing (including finance costs and finance income) and income taxes are managed on a Group basis and are not allocated to operating segments.

Revenue
2017

in TEUR	Consus	GxP	CG	Other/ Eliminations	Total
Income from letting activities	**7,691**	**2,018**	—	—	**9,710**

Revenue
2016

in TEUR	Consus	GxP	CG	Other/ Eliminations	Total
Income from letting activities	—	—	—	—	—

11. Segment Information (Continued)

11.1. Operating segments (Continued)

Net Loan to Value (Net LTV)
31.12.2017

in TEUR	Consus	GxP	CG	Other/ Eliminations	Total
Investment property (IAS 40)	**148,400**	**165,270**	**213,680**	**—**	**527,350**
Prepayments on investment property (IAS 40)	**10,532**	**—**	**—**	**—**	**10,532**
Inventory (IAS 2) – Property under construction	**—**	**—**	**1,211,827**	**—**	**1,211,827**
Real Estate assets	**158,932**	**165,270**	**1,425,507**	**—**	**1,749,709**
Liabilities to financial institutions	**437,542**	**104,978**	**1,007,706**	**39,319**	**1,589,546**
Cash and cash equivalents	**33,396**	**4,896**	**33,032**	**15**	**71,340**
Net debt	**404,146**	**100,082**	**974,674**	**39,304**	**1,518,206**
Net loan to Value (Net LTV)	**254%**	**61%**	**68%**	**n/a**	**87%**

Net Loan to Value (Net LTV)
31.12.2016

in TEUR	Consus	GxP	CG	Other/ Eliminations	Total
Investment property (IAS 40)	—		—	—	—
Prepayments on investment property (IAS 40)	5,747		—	—	5,747
Inventory (IAS 2) – Property under construction	—		—	—	—
Real Estate assets	5,747		—	—	5,747
Liabilities to financial institutions	—		—	—	—
Cash and cash equivalents	17,632		—	—	17,632
Net debt	(17,632)		—	—	(17,632)
Net loan to Value (Net LTV)	(307)%	n/a	n/a	n/a	(307)%

Net Asset Values (NAV)
31.12.2017

in TEUR	Consus	GxP	CG	Other/ Eliminations	Total
Equity	**574,714**	**58,872**	**317,807**	**(135,384)**	**816,009**
Value adjustments on other fixed assets (IAS 16)	**—**	**—**	**—**	**—**	**—**
Value adjustments on real estate (IAS 2)	**—**	**—**	**—**	**—**	**—**
Fair value of derivative financial instruments	**9,888**	**—**	**—**	**—**	**9,888**
Deferred tax assets	**—**	**—**	**—**	**—**	**—**
Deferred tax liabilities	**5,344**	**5,676**	**92,703**	**—**	**103,723**
Goodwill		**(1,586)**	**(698,490)**	**—**	**(700,076)**
Net Asset Value (NAV)	**589,946**	**62,963**	**(287,981)**	**(135,384)**	**229,544**

11. Segment Information (Continued)

11.1. Operating segments (Continued)

Net Asset Values (NAV)
31.12.2016

in TEUR	Consus	GxP	CG	Other/ Eliminations	Total
Equity	22,056				22,056
Value adjustments on other fixed assets (IAS 16)	—		—	—	—
Value adjustments on real estate (IAS 2)	—		—	—	—
Fair value of derivative financial instruments	—		—	—	—
Deferred tax assets	—		—	—	—
Deferred tax liabilities	—		—	—	—
Goodwill	—		—	—	—
Net Asset Value (NAV)	22,056		—	—	22,056

11.2. Geographical information

Revenue from external customers of EUR 8,492 thousand (previous year: EUR 0) resulting from Group companies located in Germany. Further revenue of EUR 1,218 thousand resulted from Group companies based in Luxembourg. The revenue information above is based on the locations of the Group entities.

The complete amount of non-current assets of EUR 1,245,786 thousand (previous year: EUR 5,747 thousand) is located physically in Germany. Non-current assets for this purpose consist of investment properties including prepayments, property, plant and equipment and intangible assets including goodwill.

12. Capital management and financial instruments

12.1. Capital management

The aim of the Group's capital management is to secure the continued existence of the company as a going concern while generating income for its shareholders and providing all other stakeholders with benefits to which they are entitled. In addition, the overall aim is to ensure the Group's creditworthiness in order to foster the further growth of the Group.

As a common practice for the industry, the Consus Group monitors capital on the basis of net loan-to-value (Net-LTV). Net LTV describes the ratio of net debt to the fair value of investment property and inventories. Net debt is calculated by deducting cash and cash equivalents from financial liabilities.

The Group's goal is to maintain an appropriate level of leverage in order to ensure continued access to debt financing in the long term at economically appropriate costs. Net-LTV as at December 31, 2017 and December 31, 2016 is calculated as follows:

in TEUR	31.12.2017	31.12.2016
Real Estate held as Investment property (IAS 40)	**527,350**	—
Advance payments for investment property (IAS 40)	**10,532**	5,747
Inventories (IAS 2)	**1,211,327**	—
Total Real Estate Assets	**1,749,709**	5,747
Financing liabilities	**1,589,546**	—
Cash and cash equivalents	**71,340**	17,632
Net debt	**1,518,206**	(17,632)
Net Loan to Value (Net – LTV)	**87%**	(307)%

12.2. Classification of financial instruments

The following abbreviations are used for the measurement categories:

- HfT: Held for Trading

12. Capital management and financial instruments (Continued)

12.2. Classification of financial instruments (Continued)

- LaR: Loans and Receivables
- AfS: Available for Sale
- FLaC: Financial Liability at Cost
- FAHfT: Financial Assets Held for Trading
- FIHfT: Financial Liabilities Held for Trading

Financial assets and liabilities by measurement category and class are shown in the following table.

Valuation categories acc. to IAS 39 – 2017

in TEUR	Measurement category (IA5 39)	Carrying value as of 11.12.2017	Nominal value	Amortised costs	Fair value through P/L	Fair value through equity	Fair value as of 31.12.2017	Fair value hierarchy level
Other non-current financial assets (investments)	AfS	1,153	—	—	—	1,153	1,153	3
Other non-current financial assets (other tendings)	LaR	3,847	1,370	2,477	—	—	3,883	2
Trade receivables	LaR	56,017	54,020	1,997	—	—	56,017	2
Other current financial assets	LaR	2,584	2,584	—	—	—	2,584	2
Receivables from related entities	LaR	27,840	27,840	—	—	—	27,840	2
Cash and cash equivalents	LaR	71,340	71,340	—	—	—	71,340	1
Total financial assets		162,780	157,153	4,474	—	1,153	162,816	
Financing liabilities	FLaC	1,572,956	—	1,578,289	—	—	1,577,788	2
Trade payables	FLaC	46,244	41,177	5,067	—	—	46,244	2
Liabilities to related parties	FLaC	5,953	—	5,956			5,956	2
Derivatives	FLHfT	16,590	—	—	16,590	—	16,590	3
Other financial liabilities	FLaC	34,279	—	34,279	—	—	34,279	2
Total financial liabilities		1,676,022	41,177	1,623,592	16,590	—	1,680,858	
Loans and receivables	LaR	161,627	157,153	4,474	—	—	161,664	
Financial liabilities at cost	FLaC	1,659,432	41,177	1,623,592			1,664,268	
Financial liabilities held for trading	FLHfT	16,590	—	—	16,590	—	16,590	
Available for sale	AfS	1,153	—	—	—	1,153	1,153	

12. Capital management and financial instruments (Continued)

12.2. Classification of financial instruments (Continued)

Valuation categories acc. to IAS 39 – 2016

in TEUR	Measurement category (IAS 39)	Carrying value as of 31.12.2016	Nominal value	Amortised costs	Fair value through P/L	Fair value through equity	Fair value as of 31.12.2016	Fair value hierarchy level
Other non-current financial assets (investments)	AfS	—		—	—	—	—	
Other non-current financial assets (other Lendings)	LaR	—	—	—	—	—	—	
Trade receivables	LaR	—	—	—	—	—	—	
Other current financial assets	LaR	—	—	—	—	—	—	
Receivables from related entities	LaR	—		—	—	—	—	
Cash and cash equivalents	LaR	17,632	17,632	—	—	—	17,632	1
Total financial assets		17,632	17,632	—	—	—	17,632	
Liabilities to financial institutions	FLaC	—	—	—	—	—	—	
Trade payables	FLaC	366	366	—	—	—	366	2
Liabilities to shareholders	FLaC	1,710	1,710	—	—	—	1,710	2
Derivatives	FLHfT	—	—	—	—	—	—	
Other financial liabilities	FLaC	—	—	—	—	—	—	
Total financial liabilities		2,076	2,076	—	—	—	2,076	
Loans and receivables	LaR	17,632	17,632	—	—	—	17,632	
Financial liabilities at cost	FLaC	2,076	2,076	—	—	—	2,076	
Financial liabilities held for trading	FLHfT	—	—	—	—	—	—	
Available for sale	AfS	—	—	—	—	—	—	

The following table presents the changes in level 3 instruments for the reporting period:

in TEUR	2017 Assets	2017 Liabilities	2016 Assets	2016 Liabilities
as of 01.01.	**—**	**—**	—	—
Additions due to acquisitions or issuance	**1,153**	**(14,880)**	—	—
Losses recognized in consolidated net income	**—**	**(1,710)**	—	—
as of 31.12.	**1,153**	**(16,590)**	**—**	**—**

12.3. Objectives and methods of financial risk management

Financial assets mainly consist of trade and other receivables, receivables from related parties, other financial assets as well as cash and cash equivalents or short-term deposits that result directly from business activities. Whereas in 2016 the Group financed itself during the start-up phase exclusively from equity in 2017 debt financing as well as equity financing was used for object and well as general purpose financing.

Credit risk

Credit risk is the risk that business partners – primarily the tenants of the properties held by the Consus Group – will be unable to meet their contractual payment obligations and will result in a loss. In order to prevent and control default risk to the greatest possible extent, new tenants are subject to credit checks.

Default risk exists for all classes of financial instruments, and in particular for trade receivables. The Consus Group is not exposed to significant default risk with regard to any individual party. To date, the concentration of default risk is limited due to the Group's heterogeneous tenant base. Trade receivables from sales of real estate properties are against institutional investors with low default risk.

While in 2016 the Group has only been exposed to default risks regarding its financing activities, including deposits with banks and financial institutions as well as receivables from related party. Since begin of continuing

12. Capital management and financial instruments (Continued)

12.3. Objectives and methods of financial risk management (Continued)

operations during 2017 default risks also extend to trade and other receivables as well as receivables from related parties.

Deposits with banks and financial institutions were made exclusively at well-known financial institutions with very high credit ratings. The credit ratings are monitored and assessed by the Consus Group on a regular basis. In the event of substantial deterioration in the credit rating, the Consus Group takes efforts to ensure that its existing exposure is reduced as quickly as possible and that new exposures are no longer entered into with the respective counterparty.

As shown in the table below, the carrying amounts of recognized financial assets less any write-downs represent the highest default risk. The carrying amount of the financial assets corresponds to the maximum default risk to which the Group is exposed at the end of the reporting period. The impairment recognized on financial assets, trade and other receivables as well as receivables from related parties as of balance sheet date are presented in the following table.

in TEUR	Carrying value before impairment	Impairment	Residual carrying value
Trade and other receivables	**56,270**	**(253)**	**56,017**
Receivables from related parties	**27,840**	**—**	**27,840**
Other financial assets	**7,584**	**—**	**7,584**
Total – 31.12.2017	**91,693**	**(253)**	**91,440**

in TEUR	Carrying value before impairment	Impairment	Residual carrying value
Trade receivables	—	—	—
Receivables from related parties	80	—	80
Other financial assets	—	—	—
Total – 31.12.2016	80	—	80

The table below shows the financial assets determined to be impaired and the maturity structure of financial assets past due but not impaired as at the end of the reporting period:

in TEUR	Carrying value	Gross value	Allowances/ Impairments	Neither impaired nor overdue	Overdue but NOT impaired		
					< 90 days	90 – 180 days	> 180 days
Trade receivables	**56,017**	**56,270**	**112**	**55,545**	**303**	**—**	**70**
Receivables from related parties	**27,840**	**27,840**	**—**	**27,840**	**—**	**—**	**—**
Other financial assets	**7,584**	**7,584**	**—**	**7,584**	**—**	**—**	**—**
Total as of 31.12.2017	**91,440**	**91,694**	**112**	**90,968**	**303**	**—**	**70**

in TEUR	Carrying value	Gross value	Allowances/ Impairments	Neither impaired nor overdue	Overdue but NOT impaired		
					< 90 days	90 – 180 days	> 180 days
Trade receivables	—	—	—	—	—	—	—
Receivables from related parties	80	80	—	—	—	—	—
Other financial assets	—	—	—	—	—	—	—
Total as of 31.12.2016	80	80	—	—	—	—	—

Regarding the receivables neither past due nor impaired, there were no indications as at the end of the reporting period that the debtors will fail to meet their payments obligations.

12. Capital management and financial instruments (Continued)

12.3. Objectives and methods of financial risk management (Continued)

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. Market risks in the Consus Group that may arise from currency risks do not exist at the balance sheet date. However, market risks that arise from interest rate risks, such as floating-rate loans from banks, can have a significant impact on the Group's business activities.

In accordance with IFRS 7, interest rate risk is presented using sensitivity analysis to determine the impact that a change in market interest rates would have on the interest income and expenses, trading gains and losses and the equity of the Group as at the end of the reporting period.

The effects on the Consus Group's statement of comprehensive income are analysed using a +/− 50 bp parallel shift in the euro yield curve in the sensitivity analysis. The cash flow effects from the shift in the yield curve relate solely to interest expense and income for the next reporting period.

Based on the financial instruments held or issued by the Consus Group as at the end of the reporting period, a hypothetical change in the applicable interest rates for the respective instruments using sensitivity analysis would have had the following effects (before taxes) as at the end of the reporting period:

in TEUR	Carrying value as at 31.12.2017	+ 50 bp	– 50 bp
Financing liabilities	**234,218**	**751**	**(724)**

in TEUR	Carrying value as at 31.12.2016	+ 50 bp	– 50 bp
Financing liabilities	—	—	—

The Group recognizes participatory interests classified as available-for-sale financial assets which are not traded on an active and liquid market. The valuation of such assets is mainly dependent on fair value appraisals by independent third party experts on the underlying real estate assets.

5.1% minority interests in multiple single object real estate companies, held through its fully consolidated subsidiary GxP Properties AG, are measured at fair value. Unrealized gains or losses are recognized in equity as reserve of other comprehensive income. The cumulative gain or loss is reclassified to other income or expense on disposal. A 10% decrease/increase in the cumulated market value of these interests would have led to a decrease/ increase of TEUR 115, respectively, in equity and total comprehensive income.

Furthermore the Group recognizes participatory interests in business partnerships which are presented as financial liabilities and held through the CG subsidiaries. Said partnerships are not traded on an active and liquid market. After initial recognition, they are subsequently measured at fair value through profit and loss. A 10% decrease/increase in the liability resulting of these interests would have led to an increase/ decrease of EUR 928 thousand, respectively, in consolidated net income.

The Group recognizes a derivative financial instrument resulting from the EUR 200 million convertible bond issued in 2017. Valuation of the derivative particularly depends on inputs such as share price and volatility. A 5% increase of the share price would lead to a loss of EUR 2,085 thousand, whereas a 5% decrease of the share price would lead to a gain of EUR 2,118 thousand. Independently a 5% increase in volatility would have resulted in a loss of EUR 1,148 thousand, whereas a 5% decrease in volatility would have resulted in a gain of EUR 2,000 thousand.

Liquidity risk

Liquidity risk is the risk that a company will be unable to meet its payment obligations on a contractually agreed date.

Liabilities to financial institutions to finance the acquisition and development of real estate properties are usually taken out on the level of property subsidiaries and are secured with the respective properties.

12. Capital management and financial instruments (Continued)

12.3. Objectives and methods of financial risk management (Continued)

A decrease or default in income from letting activities, the premature termination of long-term lease contracts, a failure to materialize expected extensions of long-term lease contracts, a failure to find new tenants and the insolvency of one or multiple tenants, as well as non-scheduled maintenance expenses could lead to a significant decrease in cash flow from operating activities, which in turn could result in risks for the timely repayment of loans.

The loan agreements as of the balance sheet date contain various covenants that are market standard for these agreements, for example a Debt Service Cover Ratio (DSCR) and a maximum Loan-to-Value (LTV) ratio. In the event of non-compliance with the terms of a loan agreement, the Company can resolve such non-compliance by, among others, providing additional funds. However, if a non-compliance is not rectified within a certain period, a bank may have the right to terminate the loan agreement with immediate effect. Additionally, some loan agreements stipulate that the bank may require additional security in the event of increased dependencies from key tenants. Such dependencies can arise from lease agreements with a short WALT and significant maintenance backlogs.

The Company monitors compliance with its loan agreements on an ongoing basis. Any noncompliance during the reporting period was resolved with the lender and did not lead to any loans becoming due prematurely.

in TEUR	Carrying value as of 31.12.2017	Maturities		
		< 1 year	1 – 5 years	> 5 years
Financing liabilities	**1,572,956**	**570,142**	**982,106**	**190,440**
Derivatives	**16,590**	**—**	**—**	**—**
Trade payables	**46,244**	**46,244**	**—**	**—**
Liabilities to related parties	**5,953**	**4,825**	**—**	**—**
Other financial liabilities	**34,279**	**25,888**	**8,386**	**—**
Total	**1,676,022**	**647,100**	**990,492**	**190,440**

in TEUR	Carrying value as of 31.12.2016	Maturities		
		< 1 year	1 – 5 years	> 5 years
Financing liabilities	—	—	—	—
Derivatives	—	—	—	—
Trade payables	366	366	—	—
Liabilities to related parties	1,710	1,710	—	—
Other financial liabilities	—	—	—	—
Total	2,076	2,076	—	—

13. Government grants

The Company did not receive any government grants during the reporting period.

14. Related party transactions

As part of its normal business activities, the Group also exchanges services with related parties and persons.

Related parties include the members of the Supervisory Board and the Executive Board of the Company, including their close family members, as well as those companies over which Board members or their close relatives can exercise significant influence or in which they hold a significant share of the voting rights. In addition, related parties include those companies with which the Company forms a group or in which it holds an investment, which gives the Company significant influence over the business policy of the investee and the principal shareholders of the Company, including affiliated companies. The main shareholder of the Company until February, 28 2017 was ultimately Mr. Thomas Olek, Leipzig (at the same time management board member and managing director of the parent company until April 3, 2017). Through continuous significant influence of Mr Olek thereafter, he continues being a related party after the acquisition of a majority stake in CONSUS Real

14. Related party transactions (Continued)

Estate AG by Aggregate Deutschland S.A., Luxembourg on September 28, 2017. Furthermore Mr. Olek continues to be a major shareholder and CEO of publity AG. In turn, publity AG holds various investments. Moreover, publity AG acts as a fund manager for CCP companies and other companies. The related party disclosures include publity AG and all of its managed funds due to the close personal ties with publity AG Group and its activities as fund manager. Aggregate Deutschland S.A. is a fully owned subsidiary of Aggregate Holdings S.A., Luxembourg being ultimately owned by Mr. Günter Walcher.

(a) Transactions with Aggregate Group

In the financial year 2017, the Company acquired all limited liability shares in Pebble Investment GmbH, Berlin a holding company which at that time held 50% of the outstanding no-par value registered shares in CG Gruppe AG, Berlin and was a 100% subsidiary of Aggregate Deutschland S.A., Luxembourg. Due to its major shareholding in CONSUS Real Estate AG, Aggregate Deutschland S.A. is a related party of the Company. The acquisition was financed through the issuance of registered shares of EUR 55,650,383 as well as the partial debenture to be granted to Aggregate Deutschland S.A with a nominal amount totaling EUR 150,000,000. Through this transaction, the Company acquired a 50% shareholding in CG Gruppe AG. Subsequently, CG Gruppe AG issued mandatorily convertible notes, which could be converted to shares of CG Gruppe AG reflecting about 4.09% of its shares. Notes of EUR 81,500,000 were subscribed for Aggregate Deutschland S.A. and were subsequently transferred via a contribution-in-kind to the Company.

Furthermore, the Company acquired 58.0% of the shares in GxP German Properties AG, Frankfurt am Main. The acquisition was financed through a bridge loan provided by Aggregate.

On November 29, 2017, the Company issued a convertible bond, bearing interest of 4.0% p.a., in the amount of EUR 200,000,000. Aggregate subscribed for notes in the amount of the bridge financing for the GxP AG acquisition of EUR 33,600,000, which was thereby replaced as well as a further amount of EUR 23,600,000 against contribution of a convertible loan issued by CG Gruppe AG. Simultaneously, Aggregate Holdings S.A. contributed the remaining part of the convertible loan issued by CG Gruppe AG of EUR 57,900,000 against a cash payment. For further information regarding the acquisition of CG Gruppe AG please refer to chapter 7.2.

Additionally Pebble GmbH received a loan from a subsidiary of Aggregate Holdings S.A., parent of Aggregate Deutschland S.A. taken out previous its acquisition by CONSUS.

Transactions with Aggregate Group

in TEUR	31.12.2017	31.12.2016
Interest income	**5**	—
Interest expenses	**(583)**	—
Financing receivables	**144**	—
Financing liabilities, including derivatives	**(246,535)**	—

(b) Transactions with Mr. Christoph Gröner (CEO of CG Gruppe AG)

Mr. Christoph Gröner, as CEO of CG Gruppe AG, in which the Company holds 55% of the outstanding shares as of the balance sheet date, is a related party to the Company. In 2017, the Company increased its shareholdings in CG Gruppe AG through the acquisition of further 5.0% of the shares from Mr. Christoph Gröner against a consideration of EUR 12,500 thousand in a transaction linked with the issuance of EUR 100 million convertible bonds by CG. Mr. Gröner is the founder of CG and is member of the management board as well as managing director of CG Gruppe AG, and a major shareholder in CG Gruppe.

Transactions with Christoph Gröner

in TEUR	31.12.2017	31.12.2016
Financing receivables	**15,780**	—
Trade receivables	**11,916**	—

14. Related party transactions (Continued)

(c) Transactions with the publity financial group

The company had its real estate portfolio partly managed by third party asset managers, in particular the publity financial group. The transactions are described in more detail below.

Asset Management Contract

The Group concluded an Asset Management Agreement with publity AG in 2016. The Asset Management Agreement included both publity AG's services in the search for, identification and observation of potential acquisition opportunities for the Group (individual real estate or portfolios), which corresponded to the property or building characteristics defined by the Group, as well as the ongoing real estate asset management directly or indirectly acquired real estate of the Company, i.e. all common portfolio and asset management, development, restructuring, leasing, acquisition, sourcing, sales, marketing and engineering services. In addition, the Group could also rely on the asset manager as part of the sales process.

As part of asset management, the Group did not enjoy exclusivity with regard to the services of publity AG; rather, the Group was aware that in addition to this contract, publity AG is also subject to obligations under other, comparable contracts (third-party mandates). Nevertheless, the parties have agreed that in the course of the acquisition process, publity AG will propose to the Group only objects with a minimum investment (announced net purchase price) of EUR 10 million, but in respect of which the Company would enjoy an object-related, 4-week exclusivity in each case that publity AG could not offer the object to any third party during this time.

The contract has a fixed term of 10 years and is subsequently extended by one year each, unless terminated by either party with a notice period of three calendar months. The right to extraordinary termination remains unaffected.

The task of the publity AG under the asset management contract is the identification of suitable investment objects and the corresponding preparation of the potential investment measure, including the preparation of business plans, in order to provide the Company with a decision basis for initiating the actual purchase process. In the event of a positive decision, publity AG prepares the purchase, coordinates and monitors the required due diligence checks and ultimately (after a positive purchase decision) coordinates the acquisition process with the professional consultants and contracting parties. After completing the acquisition process, publity AG will take over the comprehensive asset management for the property.

Publity AG receives a one-time acquisition fee of 1.0% of the net purchase price plus VAT for the provision of the services as part of the acquisition process as well as an annual management fee as a basic fee of 0.5% p.a. the basis of assessment plus VAT, whereby the respective net purchase price of the object serves as the basis of assessment for the period of one year from the date of the respective purchase contract. Following this, the basis of assessment shall be adjusted if and to the extent that the value appraisals to be prepared annually result in a change in the market value compared to the net purchase price. The amended assessment basis applies from the first of the month following the expert opinion. For the liquidity and risk management to be provided for the property companies (''SPV''), publity AG receives a fee of EUR 2,500.00 per SPV and month plus VAT as well as a fee of EUR 500 per SPV and month plus VAT for the preparation of the VAT return.

Upon sale of an object, publity AG receives a bonus amounting to 10% of the amount by which the ''object return'' includes the ''object capital'' plus 8% p.a. for the period between investment and divestment, where the ''object capital'' means the equity used for a specific object and the ''object return'' that amount, which is the gross sales price after deduction of debt, interest, capex and property taxes, as well as plus the rental income during the term remains.

Amongst other things, the conditions shown are based on the fact that in the asset management contract all forms of co-investments of publity AG have been excluded and corresponding economic contributions therefore do not have to be compensated economically.

14. Related party transactions (Continued)

The following table shows the scope of all income, expenses, receivables and liabilities from the above mentioned transactions in 2017 and 2016, or as of December 31, 2017 and 2016:

Income and expenses with related parties – Asset management contract with publity AG

in TEUR	31.12.2017	31.12.2016
Interest expenses	**17**	—
Other Expenses	**2,348**	—
Acquisition-related costs capitalized as transaction costs	**1,638**	1,437
Liabilities	**1,414**	1,710

* all items are related to continuing operations

Discontinued operations

Prior to the change of legal form, publity Vertriebs GmbH was involved in the distribution and coordination of individual funds of publity Performance GmbH, another 100% subsidiary of publity AG. The tasks of publity Vertriebs GmbH consisted mainly of the sales organization and coordination. For this activity, publity Vertriebs GmbH received a performance-based commission for the limited partner's capital it acquired and a fee in the amount of the premium to be paid by the investors of 5% of the respective subscription amounts.

All income and almost all expenses of its discontinued operations (see Section 10.2) have been made with the publity Financial Group.

The following table shows the scope of all income, expenses, receivables and liabilities from the above mentioned transactions in 2017 and 2016, or as of December 31, 2017 and 2016:

Income and expenses with related parties – Other transactions with publity AG

in TEUR	31.12.2017	31.12.2016
Expenses from profit and loss transfer agreements	**—**	57

* all items are related to discontinuing operations

Income and expenses with related parties – Transactions with mutual funds managed by publity AG

in TEUR	31.12.2017	31.12.2016
Revenue from arrangement of investments for publity Performance Fonds Nr. 7 GmbH & Co. KG	**—**	1,375

* all items are related to discontinuing operations

(d) Other transactions with the publity financial group

The Group had no employees during the financial year 2016. Both the management and the activities related to the discontinued operations (''Arranging of Investments'') as well as the general administration of the Group for the period from January 1, 2016 to December 31, 2016 by employees of the publity AG and in rooms as well as with resources of publity AG. The Group was not charged for the services received. During the financial year 2017 the Group increasingly relied on proprietary management in order to accommodate the growing continued operations.

(e) Other transactions with related parties

On November 1, 2017, the Company entered into a convertible loan agreement with CG Gruppe AG, at that time an associate of the Group. For the time period until the business combination with CG Gruppe AG occurred interest income is recognized. The proportionate share of the associate's interest expenses is recognized within the at-equity result of the associate attributed to the Group. As of December 31, 2017 outstanding balances resulting from the convertible loan are eliminated in accordance with IFRS 10.

14. Related party transactions (Continued)

Transactions with associates

in TEUR	31.12.2017	31.12.2016
Interest income	**436**	—

In financial year 2016, the sole shareholder Consus GmbH, Leipzig, agreed to compensate the Company for expenses in preparation for the new business activity. This amount was offset by the Company in the amount of EUR 80 thousand and recognized as other income. The receivable is shown as a receivable from related parties as of December 31, 2016 and was settled during financial year 2017.

Receivables and liabilities between the Group and the publity financial group as well as the Consus GmbH are payable in the ordinary course of business.

Since its relocation from Leipzig to Berlin CONSUS Real Estate AG resides in the offices of Aggregate Management GmbH, located at Kurfürstendamm 188-189, 10707 Berlin. Since no permanent workplaces are assigned to CONSUS, no rent expenses were recognized during the financial year.

(f) Transactions with members of the Supervisory Board and Management Board

The members of Group's Supervisory Board and Management Board are the management of the Group in key positions within the meaning of IAS 24.9.

Remuneration of the Supervisory Board

According to § 11 of the Articles of Association, each member of the Supervisory Board receives a fixed compensation of EUR 15,000.00 p.a. for each full financial year of his membership of the Supervisory Board in addition to the reimbursement of proven expenses. The Chairman of the Supervisory Board receives double the amount. The remuneration is payable at the end of a financial year. Members who have not been members of the Supervisory Board for a full financial year or who have not chaired the full financial year receive the compensation pro rata temporis. Value added tax will be reimbursed by the Company to the extent that the members of the Supervisory Board are entitled to separately invoice the Group for VAT and exercise this right.

There are no pension provisions at the Company or its other subsidiaries. Currently no pension commitments exist.

With the exception of compensation for the non-competition of the members of the Management Board, there are no service contracts that provide for benefits upon termination of the service.

For its activities in the financial year, the Supervisory Board received total remuneration in the amount of EUR 69 thousand (2016 EUR 15 thousand). The remuneration consists exclusively of fixed agreed short-term benefits in the amount of EUR 69 thousand (2016 EUR 15 thousand). Members of the Supervisory Board do not receive share-based payments.

Remuneration of the Management Board

The total remuneration of the Management Board totals EUR 1,068 thousand (EUR 0 thousand in 2016). They consist of fixed, short-term benefits (salaries) in the amount of EUR 618 thousand (EUR 0 thousand in 2016), variable, short-term benefits (bonus) in the amount of EUR 150 thousand (EUR 0 thousand in 2016), and severance pay of EUR 300 thousand (EUR 0 thousand in 2016). Members of the Management Board did not receive share-based payments.

The following tables provide an overview of both, remuneration of Management as well as Supervisory Board.

Board remuneration – 2017

in TEUR	Accounted	Paid out
Management board	**1,068**	**543**
Short-term benefits	**768**	**543**
Severance pay	**300**	**—**
Supervisory Board	**69**	**69**
Short-term benefits	**69**	**69**

14. Related party transactions (Continued)

Board remuneration – 2016

in TEUR	Accounted	Paid out
Management board	**—**	**—**
Short-term benefits	—	—
Severance pay	—	—
Supervisory Board	**—**	**—**
Short-term benefits	15	15

Other transactions with members of the Supervisory Board and Management Board

With the exception of the transactions described above, there were no transactions with the Supervisory Board and the Management Board.

15. Contingent liabilities and other financial obligations

Future cumulative minimum lease payments from operating lease agreements, with the respective remaining terms, are presented in the following table:

in TEUR	31.12.2017	31.12.2016
up to one year	**2,722**	—
1 – 5 years	**6,368**	—
over 5 years	**934**	—
Total	**10,025**	**—**

These operate lease contracts include renting of office space as well as office equipment. These agreements confer an advantage on continuing business operations as investing measures and the associated cash outflows are not immediately required. There are no evident risks arising from these agreements. The Group does not have significant renewal or purchase options resulting from operate lease contracts.

The expenses for minimum lease payments during the current financial year amount to EUR 38 thousand (31.12.2016: EUR 0).

Obligations to acquire long-term assets

As of December 31, 2017, there are no significant obligations to acquire tangible assets (December 31, 2016: EUR 49,738 thousand). Obligations to acquire intangible assets did not exist as of December 31, 2017 (December 31, 2016: EUR 0 thousand). The obligations described relate exclusively to the obligations existing as of December 31, 2017. As of December 31, 2017 the Group is obliged to acquire investment property of EUR 31,500 thousand.

Other financial obligations

Other financial obligations – 2017

in TEUR	<1 year	2 –5 years	>5 years	Total
Financial obligations as of 31.12.	**77,138**	**1,231**	**—**	**78,370**

Other financial obligations – 2016

in TEUR	<1 year	2 –5 years	>5 years	Total
Financial obligations as of 31.12.	—	—	—	—

Other financial obligations include future obligations from pending share purchase agreements in an amount of EUR 74,400 thousand as of December 31, 2017 (previous year: EUR 0).

Future cumulative obligations from other agreements amount to EUR 2,940 thousand as of December 31, 2017 (previous year: EUR 0). The other agreements primarily relate to the provision of insurance services and other obligations.

15. Contingent liabilities and other financial obligations (Continued)

Litigation

A contingent liability towards a real estate agent of EUR 1 million exist as of balance sheet date. The Company expects a probability of an outflow of resources of between 50% and 10% resulting from this contingent liability.

Furthermore, a lawsuit by (former) shareholders against CONSUS Real Estate AG from the discontinued activities is pending. Currently the Company estimates the contingent liability to be EUR 0.3 million, however not taking into account further potential claimants.

To the Group's knowledge, further litigations have not been pending, commenced or threatened, nor have any such actions been commenced that could materially affect the Group's financial condition. To the Group's knowledge, no further contingent assets and liabilities exist as of balance sheet date.

16. Corporate Governance

Supervisory Board

The Supervisory Board is composed as follows:

Dr. Hans-Jürgen Ahlhoff, Berlin
(Chairman of the Supervisory Board until January 26, 2017)

Mr. Robert Sargent, London, United Kingdom
(Chairman of the Supervisory Board beginning January 30, 2017 until August 15, 2017)

Mr. Matthias Girnth, Bad Soden
(Deputy Chairman of the Supervisory Board until August 15, 2017)

Dr. Andreas Beyer, Munich
(Member of the Supervisory Board until August 15, 2017)

Mr. Thomas Olek, Leipzig
(Member of the Supervisory Board beginning August 16, 2017 until September 28, 2017)

Prof. Dr. Andreas Steyer, Berlin
(Member of the Supervisory Board August 16, 2017 until September 28, 2017)

Mr. Axel Harloff, Hamburg
(Member of the Supervisory Board beginning September 28, 2017)

Dr. Karl Kauermann, Berlin
(Member of the Supervisory Board beginning September 28, 2017)

Dr. Friedrich Oelrich, Erding
(Member of the Supervisory Board beginning September 28, 2017)

Dr. Andreas Beyer and Mr. Matthias Girnth, members of the supervisory board, have vacated their mandate to the supervisory board with immediate effect as of August, 15 2017. By resolution of the district court of Leipzig as of August 16, 2017 and upon proposal by the Management Board in accordance with § 104 (1) AktG Prof. Dr. Andreas Steyer and Mr. Thomas Olek have been appointed members of the supervisory board until the termination of the next shareholders assembly. One further member of the Supervisory Board Mr. Robert Sargent has after resignation by the former member of the supervisory board, Dr. Hans-Jürgen Ahlhoff, already been accepted as member of the Supervisory Board by resolution of the district court of Leipzig as of February 9, 2017 until rectification of the deficiency in accordance with § 104 (6) AktG.

Management Board

Member of the Company's Management Board in the financial year are

Mr. Thomas Olek, Leipzig (CEO) (until April 3, 2017)

Mr. Boris Hardi, Munich (beginning April 3, 2017 until October 25, 2017)

16. Corporate Governance (Continued)

Mr. Jochen Barthelmäs, Hamburg (beginning April 3, 2017 until October 25, 2017)

Mr. Stanley William Bronisz, Tutzing (beginning August 8, 2017 until January 17, 2018)

Mr Norbert Kickum, Berg (beginning October 17, 2017)

Dr. Jürgen Büser, Berlin (beginning November 1, 2017 until February 19, 2018)

17. Events after the balance sheet date

Andreas Steyer has been appointed as member of the Executive Board and c (COO) as of January 1, 2018 with responsibilities for the Group's property management, asset management and real estate strategy.

On January 11, 2018, CONSUS Real Estate AG has forward sold, via its subsidiary company CG Gruppe in its core business unit ''Development and Production of residential properties'', EUR 670 million to the Bayerische Versorgungskammer (BVK). Consus will develop over the next 3 to 4 years a total of more than 1,700 apartments with a residential area and commercial space including parking spaces to be built under the VauVau brand. The transaction has been structured as an asset deal with an overall volume of around EUR 670 million (individual project volumes of EUR 60 – 200 million). The total forward sales backlog for Consus current stands at more than EUR 1.6 billion.

As announced on February 18, 2018. Mr Jürgen Büser, member of the Management Board and CFO, passed away.

As announced on April 3, 2018. Mr. Benjamin Lee, was appointed member of the Management Board by the supervisory board of CONSUS Real Estate AG and will act as CFO of CONSUS.

On April 23, 2018 CONSUS communicated the cash inflow of around EUR 131 million received from the first purchase price payment from recent VauVau forward sale dating back to December 2017.

On May 15, 2018 CONSUS announced the divestiture of 8 commercial assets with a gross asset value of EUR 148 million to an institutional investor. The proceeds generated by the divestment will be used for general corporate purposes including reinvestment in the expansion of the development business.

There were no other significant events after the balance sheet date.

Berlin, May 22, 2018

CONSUS Real Estate AG
Norbert Kickum
Andreas Steyer
Benjamin Lee
Members of the Management Board

Auditor's Report

To Consus Real Estate AG:

We have audited the consolidated financial statements – comprising the consolidated balance sheet, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity, the consolidated cash flow statement as well as the notes to the consolidated financial statements of Consus Real Estate AG, Berlin, for the financial year from 1 January to 31 December 2017. The preparation of the consolidated financial statements in accordance with IFRS, as adopted by the EU, are the responsibility of the parent company's management. Our responsibility is to express an opinion on the consolidated financial statements, based on our audit.

We conducted our audit of the consolidated financial statements in accordance with paragraph 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the group and expectations as to possible misstatements are taken into account in the determination of audit procedures. With the audit, the effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements are verified primarily on a sample basis. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements of Consus Real Estate AG for the financial year from 1 January to 31 December 2017 comply with IFRS, as adopted by the EU, and give a true and fair view of the net assets, financial position and results of operations of the group in accordance with these requirements.

Berlin, 22 May, 2018

Warth & Klein Grant Thornton AG
Wirtschaftsprüfungsgesellschaft

Kathleen Hennig
Wirtschaftsprüferin
(German Certificated Auditor)

Sebastian Koch
Wirtschaftsprüfer
(German Certificated Auditor)

22. VALUATION REPORTS

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 – Global Standards (2017 – Red Book) der Royal Institution of Chartered Surveyors, that relates to the issuing of new shares by **ADO Properties S.A.** (the "Company"[1]). The valuation report comprises a total of 423 valuation units as at 31 December 2019. With the exception of two valuation units in Oranienburg and one valuation unit in Nuthetal all valuation units are located in the city of Berlin. The majority of the 423 valuation units in the portfolio are residential buildings with less than 20% commercial use (336 valuation units). The remainder comprises mixed-use buildings with more than 20% and up to 80% commercial use (72 valuation units), 14 commercial buildings with more than 80% commercial use and one parking unit without area. In total, the portfolio consists of 16,220 residential units (of which 443 are under public rent control), 1,486 commercial units, 585 miscellaneous units and 4,744 parking lots. The total lettable area of the portfolio adds up to 1,235,117 sq m. The area is split into 1,063,446 sq m residential area and 171,670 sq m commercial area.

Date of Valuation: 31 December 2019

Date of Valuation Report: 2 July 2020

Valuer:

CBRE GmbH
Große Gallusstraße 18
60312 Frankfurt/Main
Deutschland
"CBRE"

Addressees:

ADO Properties S.A.
1B Heienhaff
L1736 Senningerberg
Luxembourg

and

J.P. MORGAN SECURITIES PLC
25 Bank Street
Canary Wharf
London E14 5JP
United Kingdom

DEUTSCHE BANK AKTIENGESELLSCHAFT
Taunusanlage 12
60325 Frankfurt am Main
Germany

BARCLAYS BANK PLC
5 The North Colonnade
Canary Wharf
London E14 4BB
United Kingdom

VAN LANSCHOT KEMPEN WEALTH MANAGEMENT N.V.
Beethovenstraat 300
1077 WZ Amsterdam
The Netherlands

(together, in their capacity as Underwriters)

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 Große Gallusstraße 18, 60312 Frankfurt/Main, Germany.

CBRE is not a company that is regulated by any regulatory authority; however, in its valuation department it employs amongst others members of the Royal Institution of Chartered Surveyors (RICS), and valuers certified by HypZert GmbH.

[1] The "Company" herein referred to as "ADO".

Market Instability

Residential Sector – capping of rents of new leases & Berlin law for rent control

On 1st of June 2015, the rent control of new leases ("Mietpreisbremse") was enacted, which enables the federal states to establish individual decrees. The law limits rent increases ("MietNovG") upon re-letting of existing residential units, completed before the 1st of October 2014, in regions with low supply and allows an increase of rent up to local rental table level plus 10 per cent only.

Becoming effective most likely the 1st of April 2020, there are some more adoptions of the federal legal framework for housing: the federal states and municipals will have the right until the end of 2020 to define whether the "Mietpreisbremse" will be prolonged for another five years until the end of 2025.

Albeit the legal framework is defined and clear, there remains uncertainty if and when the individual federal states and/or municipalities will prolongate or implement the rent control of new leases.

Since the beginning of 2019, there have been public discussions about a rental freeze proposition for rental apartments in Berlin. The Berlin Parliament ("Berliner Abgeordnetenhaus") finally enacted the law for rent control in the housing sector ("MietenWoG Bln") as at the 30th of January 2020. The law came into force as at the 23rd of February 2020 by publishing it in the Berlin bulletin for legislation ("Berliner Gesetzes- und Verordnungsblatt").

At the date of valuation, 31 December 2019, the endurance of the Berlin Rental Freeze law was totally unclear. There is a debate among the advocates whether the free market rental law is exclusively ruled by federal legislation (as "Baugesetzbuch", "Mietpreisbremse") or if individual laws or decrees can be passed by a federal state parliament. A check of compatibility of this rental freeze act with constitutional law in front of the Berlin Constitutional Court ("Verfassungsgerichtshof Berlin") or the Federal Constitutional Court in Karlsruhe ("Bundesverfassungsgericht") will be pursued by members of parliament from the political parties CDU/CSU und FDP in the next couple of months.

Until there is no final legal decision, there is some uncertainty with regards to rental cashflow which can have some impact on market pricing and thus valuation results. We therefore recommend observing the behavior of market participants and of the credit procedures of the financing banks constantly.

As we are not legal experts, we cannot forecast if or when this check of compatibility will take place, how long it takes and what the conclusion finally will be. From our perspective it is very likely that there will be long-term legal disputes on this controversial law.

At the date of valuation, 31 December 2019, the process of enacting and the endurance of the Berlin Rental Freeze law, as for today, was totally unclear. For this present valuation, we therefore neither have incorporated any changes in cashflow modelling nor have observed any material changes in market pricing and thus impact on valuation results.

Important Warning – The effect of Novel Coronavirus on the real estate market

Since the valuation date, the outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a "Global Pandemic" on the 11th March 2020, has impacted global financial markets, with travel restrictions being implemented by many countries. This has resulted in an unprecedented set of circumstances on which to base a judgement. Although transaction volumes provided a sufficient amount of up-to-date comparable market evidence upon which to base opinions of value as at the valuation date, as at the date of this report, in Germany in residential real estate, market activity is now being impacted in many sectors. Consequently, if we were requested to undertake a revaluation of this portfolio as at the date of this report, we would need to report subject to 'material valuation uncertainty', as set out in VPS 3 and VPGA 10 of the RICS Valuation – Global Standards. Given the unknown future impact that COVID-19 might have on the real estate market, we recommend that you keep the valuation of the subject portfolio under frequent review. For the avoidance of doubt, the inclusion of the 'material valuation uncertainty' declaration above would not mean that the valuation could not be relied upon. Rather, the declaration has been included to ensure transparency of the fact that – in the current extraordinary circumstances – less certainty can be attached to the valuation than would otherwise be the case. The material uncertainty clause is to serve as a precaution and does not invalidate the valuation.

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 in the portfolio, rounded on asset-to-asset basis, as at 31 December 2019 and held as at that date, is:

3,669,323,000 EUR

(three billion six-hundred-sixty-nine million and three-hundred-twenty-three thousand Euros)

The unrounded net capital value is 3,669,369,688 EUR. The unrounded gross capital value is 3,970,552,543 EUR including 301,182,855 EUR purchaser's costs (8.2%).

The assessment of the Fair Value was carried on asset-to-asset basis. 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 sales of the whole portfolio or if part of the portfolio were to be marketed simultaneously or in lots.

CBRE has not been engaged to update the CBRE valuation for the purpose of the Prospectus, has no obligation to do so and has not updated the CBRE valuation after the date of valuation, 31 December 2019.

The following table shows aggregated key asset data for the portfolio:

Fair Value	3,669,323,000 EUR
Total lettable area:	1,235,117 sq m
Average Fair Value per sq m lettable area:	2,971 EUR
Current annual rental income (gross):	112,681,468 EUR
Potential annual rental income (gross):	116,636,669 EUR
Annual market rent (gross):	137,502,541 EUR
Multiplier (based on current rent):	32.6 times
Multiplier (based on potential rent):	31.5 times
Multiplier (based on market rent):	26.7 times
Net initial yield (based on current rent):	2.38%
Net initial yield (based on potential rent):	2.50%
Net initial yield (based on market rent):	3.03%

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 recent comparable market evidence on arm's length terms.

CONTENTS

1 Basis of Valuation

1.1 Preamble

CBRE has been valuing the ADO portfolio for the Company since 2015 for accounting purposes. CBRE provides semi-annual update valuations with full valuation reports.

1.2 Instruction

CBRE has been appointed to undertake a Fair Value valuation of the Company's assets held as at 31 December 2019 and to prepare a valuation report.

The valuation is based on the information provided for previous valuations (see preamble) and on current data provided by the Company as at 31 December 2019 (date of rent roll: 30 November 2019).

1.3 Purpose of Valuation

We acknowledge that our Valuation Report will be used by the Company as part of the prospectus relating to the public offering of new shares by ADO Properties S.A and their admission to trading on the regulated market segment of the Frankfurt Stock Exchange ("Frankfurter Wertpapierbörse"), (the "Prospectus").

The Valuation Report complies with the legal requirements, in particular Regulation (EU) 2017/1129 dated 14 June 2017 and paragraphs 128 to 130 of the European Securities and Markets Authority (ESMA), update of the Committee of European Securities Regulators' (CESR) recommendations for the consistent implementation of Commission Regulation (EC) no. 809/2004.

1.4 Addressees

The present Valuation Report is addressed to:

- ADO Properties S.A., – Luxembourg; 1B Heienhaff, L1736 Senningerberg, Luxembourg;
- J.P. MORGAN SECURITIES PLC, 25 Bank Street, Canary Wharf, London E14 5JP, United Kingdom;
- DEUTSCHE BANK AKTIENGESELLSCHAFT, Taunusanlage 12, 60325 Frankfurt am Main, Germany;
- BARCLAYS BANK PLC, 5 The North Colonnade, Canary Wharf, London E14 4BB, United Kingdom;
- VAN LANSCHOT KEMPEN WEALTH MANAGEMENT N.V., Beethovenstraat 300, 1077 WZ Amsterdam, The Netherlands;

1.5 Publication

CBRE acknowledges and agrees that the Valuation Report will be published in an unabbreviated form in the Prospectus and will be referred to in marketing and other materials prepared in the context of (i) the public offering of newly issued shares of the Company from a capital increase with subscription rights and (ii) the ensuing admission to trading of such new shares on the regulated market segment of the Frankfurt Stock Exchange ("Frankfurter Wertpapierbörse"). The Prospectus will be accessible on the Company's website. Apart from that, neither the whole nor any part of our Valuation Report nor any references thereto may be included in any published document, circular statement nor published in any way without our prior written approval of the form and context in which it will appear.

1.6 Date of Valuation

The valuation date is 31 December 2019.

1.7 Subject Assets

In accordance with the valuation instructions, the subject of the valuation is ADO's assets held as at 31 December 2019. The valuation report comprises a total of 423 valuation units as at 31 December 2019. With the exception of two valuation units in Oranienburg and one valuation unit in Nuthetal all valuation units are located in the city of Berlin. The majority of the 423 valuation units in the portfolio are residential buildings with less than 20% commercial use (336 valuation units). The remainder comprises mixed-use buildings with more than 20% and up to 80% commercial use (72 valuation units), 14 commercial buildings with more than 80% commercial use and one parking unit without area.

In total, the portfolio consists of 16,220 residential units (of which 443 are under public rent control), 1,486 commercial units, 585 miscellaneous units and 4,744 parking lots. The total lettable area of the portfolio adds up to 1,235,117 sq m. The area is split into 1,063,446 sq m residential area and 171,670 sq m commercial area.

1.8 Tenure

1.8.1 Freehold

Of the 423 valuation units 421 valuation units are freehold-equivalent. Furthermore, 76 of the 421 freehold-equivalent valuation units are separated into condominiums according to German Condominium Act ("WEG").

In addition, there is an owner's heritable building right in the valuation unit VU_7011b. The property is split up according to WEG (Wohnungseigentumsgesetz). The commercial units (ground floor) are not part of the owner's heritable building right. Furthermore, there is a further owner's heritable building right in the valuation unit VU_1606.

1.8.2 Heritable building right

With reference to the land register extracts provided by the Company, the two valuation units VU_8611 and VU_4802b are subject to heritable building rights.

1.9 Compliance with Valuation Standards

This valuation has been prepared in accordance with the RICS Valuation – Global Standards 2017, (Red Book), published by the Royal Institution of Chartered Surveyors. The property details on which each valuation is based are as set out in this report.

The guidelines of the International Valuation Standards Council (IVSC) correspond to the guidelines of the RICS with respect to the definition and interpretation of market value.

We confirm that we have sufficient current local and national knowledge of the particular property market involved and have the skills and understanding to undertake the valuation(s) competently.

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.

This Valuation is a professional opinion and is expressly not intended to serve as a guarantee of any particular value of the subject property. Other valuers may reach different conclusions as to the value of the subject property. This Valuation is for the sole purpose of providing the intended user with the Valuer's independent professional opinion of the value of the subject property as at the valuation date.

1.10 Capital Values

The valuation has been prepared on the basis of "Fair Value" according to IAS 40 in connection with IFRS 13.9 of the "International Financial Reporting Standards" which has been published by the "International Accounting Standards Board" (IASB) and is defined as:

"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" is effectively the same as "Market Value" according to Valuation Practise Statements (VPS) 4 of the Valuation Global Standards (2017 – Red Book) of the Royal Institution of Chartered Surveyors (RICS), London 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 and where the parties had each acted knowledgeably, prudently and without compulsion".

1.11 Currency

The currency used in the Valuation Report is Euro (EUR).

1.12 Documents and Information provided

CBRE has assumed that it was provided with all information and documents that were relevant to CBRE in carrying out this appraisal report. We have assumed that the information and documentation had unrestricted validity and relevance as at the date of valuation.

1.13 Deleterious Material etc.

Since no information to the contrary has been brought to our attention, we have assumed that there are no building materials or structures and no characteristics of the site that could endanger or have a deleterious effect on either the fitness of the subject properties for its purpose or the health of its occupiers and users. Common examples include high alumina cement concrete, calcium chloride, asbestos and wood wool as permanent shuttering.

1.14 Site Conditions

We did not carry out investigations on site in order to determine the suitability of ground conditions and services, nor did we undertake environmental, archaeological, or geotechnical surveys. Unless notified to the contrary, our valuations were carried out on the basis that these aspects are satisfactory and also that the site is clear of underground mineral or other workings, methane gas, or other noxious substances.

In the case of a property which may have redevelopment potential, we have assumed that the site has load bearing capacity suitable for the anticipated form of redevelopment without the need for additional and expensive foundations or drainage systems. Furthermore, we have assumed in such circumstances that no unusual costs will be incurring in the demolition and removal of any existing structure on the property.

1.15 Environmental Contamination

We have neither carried out nor evaluated any environmental impact assessment, which may indicate a real or potential environmental impact. Furthermore, we have not undertaken any investigation into the past or present uses of either the properties or any adjoining or nearby land, to establish whether there is any potential for contamination from these uses and assume that none exists.

Based on the information provided by the Company, the following 65 of the 423 valuation units are listed in the register of potentially contaminated sites.

Valuation Unit	City	Postal Code	Address
VU_3801	Berlin	13359	Drontheimer Str. 20
VU_1014	Berlin	10559	Birkenstr. 56
VU_1093	Berlin	10553	Huttenstr. 6, 7; Rostocker Str. 47-50, 52
VU_1094	Berlin	10553	Huttenstr. 8, 9
VU_1101	Berlin	10559	Rathenower Str. 25
VU_1701	Berlin	10559	Turmstr. 24; Lübecker Str. 52

Valuation Unit	City	Postal Code	Address
VU_2101	Berlin	13357	Pankstr. 46
VU_2201	Berlin	13055	Große-Leege-Str. 97, 98
VU_2901	Berlin	13347	Oudenarder Str. 22
VU_3401	Berlin	13349	Müllerstr. 59b
VU_3901	Berlin	10551	Birkenstr. 47
VU_4601	Berlin	12439	Brückenstr. 27
VU_4702	Berlin	13089	Prenzlauer Promenade 47-48; Treskowstr. 30-34
VU_4807	Berlin	13353	Föhrer Str. 3, 4, 5; Buchstr. 9
VU_5401	Berlin	10551	Putlitzstr. 14
VU_5402	Berlin	13349	Müllerstr. 118
VU_5902	Berlin	10777	Regensburger Str. 10a
VU_6201	Berlin	13359	Koloniestr. 28
VU_6202	Berlin	10553	Huttenstr. 30
VU_6402	Berlin	13347	Reinickendorfer Str. 120
VU_7001	Berlin	14193	Friedrichsruher Str. 33, 33 a–c; Cunostr. 52, 52a
VU_7003	Berlin	14193	Friedrichsruher Str. 14, 15, 17, 18, 20, 21, 23
VU_7023	Berlin	13359	Gotenburger Str. 1, 3, 5; Prinzenallee 65, 66
VU_7024	Berlin	13359	Osloer Str. 33; Drontheimer Str. 1; Koloniestr. 143
VU_7061	Berlin	12043	Karl-Marx-Str. 170, 172; Mittelweg 10, 12, 14, 16
VU_7094	Berlin	14059	Stülpnagelstr. 7, 9, 11, 11a, 13
VU_7096	Berlin	12103	Burgemeisterstr. 30, 32, 34, 36; Friedrich-Wilhelm-Str. 52, 54, 54a, 54b
VU_8011	Berlin	13359	Wollankstr. 32-39
VU_8181	Berlin	13347	Schulstr. 52-53, Martin-Opitz-Str. 8-9
VU_8191	Berlin	13351	Otawistr. 3, 5
VU_8221	Berlin	13351	Kameruner Str. 9
VU_8231	Berlin	12307	Schichauweg 56, 60, 62, 64
VU_8241	Berlin	12099	Alt-Tempelhof 5, 7; Götzstr. 11, 11a, 11b
VU_8354	Berlin	13351	Transvaalstr. 13
VU_8362	Berlin	13353	Seestr. 23
VU_8371	Berlin	12049	Hermannstr. 44, 45; Selchower Str. 35
VU_8604	Berlin	12161	Bundesallee 64, 65
VU_8905	Berlin	14059	Sophie-Charlotten-Str. 24
VU_9021	Berlin	10119	Alte Schönhauser Str. 13
VU_9031	Berlin	13403	Auguste-Viktoria-Allee 45-47; Antonienstr. 51
VU_9055	Berlin	10247	Frankfurter Allee 51; Samariterstr. 1
VU_9044	Berlin	14199	Hohenzollerndamm 53
VU_9033	Berlin	13353	Müllerstr. 138d
VU_9015	Berlin	10559	Perleberger Str. 17
VU_7062	Berlin	10783	Potsdamer Str. 203; Steinmetzstr. 39, 39a, 39b
VU_8974	Berlin	12045	Sonnenallee 77
VU_7043	Berlin	10553	Beusselstr. 31

Valuation Unit	City	Postal Code	Address
VU_9121	Berlin	10707	Olivaer Platz 8, 9, 10
VU_9131	Berlin	13353	Sprengelstr. 39
VU_9167	Berlin	10589	Kaiserin-Augusta-Allee 40
VU_9182	Berlin	13357	Hochstr. 33
VU_1606	Berlin	12559	Salvador-Allende-Str. 76 a-u
VU_9281	Berlin	10997	Wrangelstr. 64
VU_9301	Berlin	12347	Buschrosensteig 5-7
VU_1603	Berlin	13595	Adamstr. 11 /Földerichstr. 40,42
VU_2203	Berlin	12109	Mariendorfer Damm 88-90
VU_9411	Berlin	13359	Koloniestr. 27
VU_9431	Berlin	13357	Pankstr. 80
VU_9531	Berlin	13583	Seegefelder Str. 59 / Staakener Str. 7
VU_9461	Berlin	13409	Ritterlandweg 40
VU_9372	Berlin	12309	Groß-Ziethener Str. 84-104, Nahariyastr. 40, Skarbinastr. 78-88 (Ringo II)
VU_9194	Berlin	10315	Alt-Friedrichsfelde 86
VU_7102	Berlin	12555	Kiekebuschstr. 9
VU_9222	Berlin	12487	Louis-Bleriot-Str. 5; Sportfliegerstr. 9
VU_9571	Berlin	13347	Liebenwalder Str. 41

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 properties 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.

Furthermore, there are six valuation units which are not listed but also named in the information of the local authority, due to the former commercial use.

Valuation Unit	City	Postal Code	Address
VU_6401	Berlin	12051	Emser Str. 40
VU_9192	Berlin	12459	Tabbertstr. 34
VU_9195	Berlin	13347	Lindower Str. 23
VU_9381	Berlin	10551	Emdener Str. 29
VU_9441	Berlin	10553	Wittstocker Str. 19
VU_9493	Berlin	10555	Jagowstr. 18

For 60 of the 423 valuation units we have not been provided with an extract of the register of potentially contaminated sites. For these and all other valuation units, for the purposes of our valuation we have assumed that the subject properties are free from contamination and that the present and previous uses do not indicate a substantial potential for contamination.

1.16 Legal Requirements / Consents and Authorisation for the Use of the Property

An investigation of the compliance of the properties 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 has not been carried out.

In preparing our valuation, we have assumed that all necessary consents and authorisations for the use of the properties and the processes carried out at the properties are in existence, will continue to subsist and are not subject to any onerous conditions.

1.17 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 paid as at the date of valuation.

1.18 Insurance Policy

We have assumed that the subject properties are covered by a valid insurance policy that is adequate both in terms of the sum assured and the types of potential loss covered.

1.19 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 assumed that there are no adverse town planning, highways or other schemes or proposals that will have a detrimental effect on our valuations.

1.20 Statements by Public Officials

In accordance with established legal practice, we have not regarded statements by public officials, particularly regarding factual information, as binding. We do not assume any liability for the application of any such statements or information in the subject appraisal report.

1.21 Assumptions regarding the Future

For the purpose of determining the Fair Value of the subject properties, we have assumed that the existing business will continue (as regards both manner and extent of usage of the subject properties) for the remainder of the useful life determined for the buildings, or that comparable businesses would be available to take over the use of the subject properties.

1.22 Tenants

No investigations have been carried out concerning either the status of payments of any contractually agreed rent or ground rent at the date of valuation, or of the creditworthiness of any tenant(s). Since no information to the contrary has been brought to our attention, we have assumed that there are no outstanding rental payments and that there are no reservations concerning the creditworthiness of any of the tenants.

1.23 Pending Litigation, Legal Restrictions (Easements on Real Estate, Rent Regulation etc.)

Since no information to the contrary has been brought to our attention, we have assumed that the properties are free from any pending litigation, that the ownership is unencumbered and that there are no other legal restrictions such as easements on real estate, rent regulations, restrictive covenants in leases or other outgoings which might adversely affect value. Further information on existing easements can be found under the heading 3.4.16.

Important: Should any of the information or assumptions on which the valuation is based be subsequently found incorrect or incomplete, our calculations may need to be amended and the valuation figure may also be incorrect and should be re-evaluated. We therefore cannot accept any liability for the correctness of this assessment or for any loss or damage resulting there from.

1.24 Verification

We recommend that before any financial transaction is entered into based upon these valuations, you obtain verification of the information contained within our valuation statement and the validity of the assumptions we have adopted.

We would advise you that whilst we have valued the properties reflecting current market conditions, there are certain risks, which may be or may become uninsurable. Before undertaking any financial transaction based upon this valuation, you should satisfy yourselves as to the current insurance cover and the risks that may be involved should an uninsured loss occur.

1.25 Conflict of Interest

We hereby confirm that we have no existing potential conflict of interest in providing the valuation report, either with the Company or with the properties.

Furthermore, we confirm that we will not benefit (other than from receipt of the valuation fee) from this valuation instruction.

1.26 Assignment of Rights

The Addressee of the Valuation Report is not entitled to assign its rights – either in whole or in part – to third parties.

1.27 Place of Performance and Jurisdiction

German law applies. The place of performance and jurisdiction is Frankfurt am Main. For the avoidance of doubt, the German-speaking version has priority over the English-speaking version of this report.

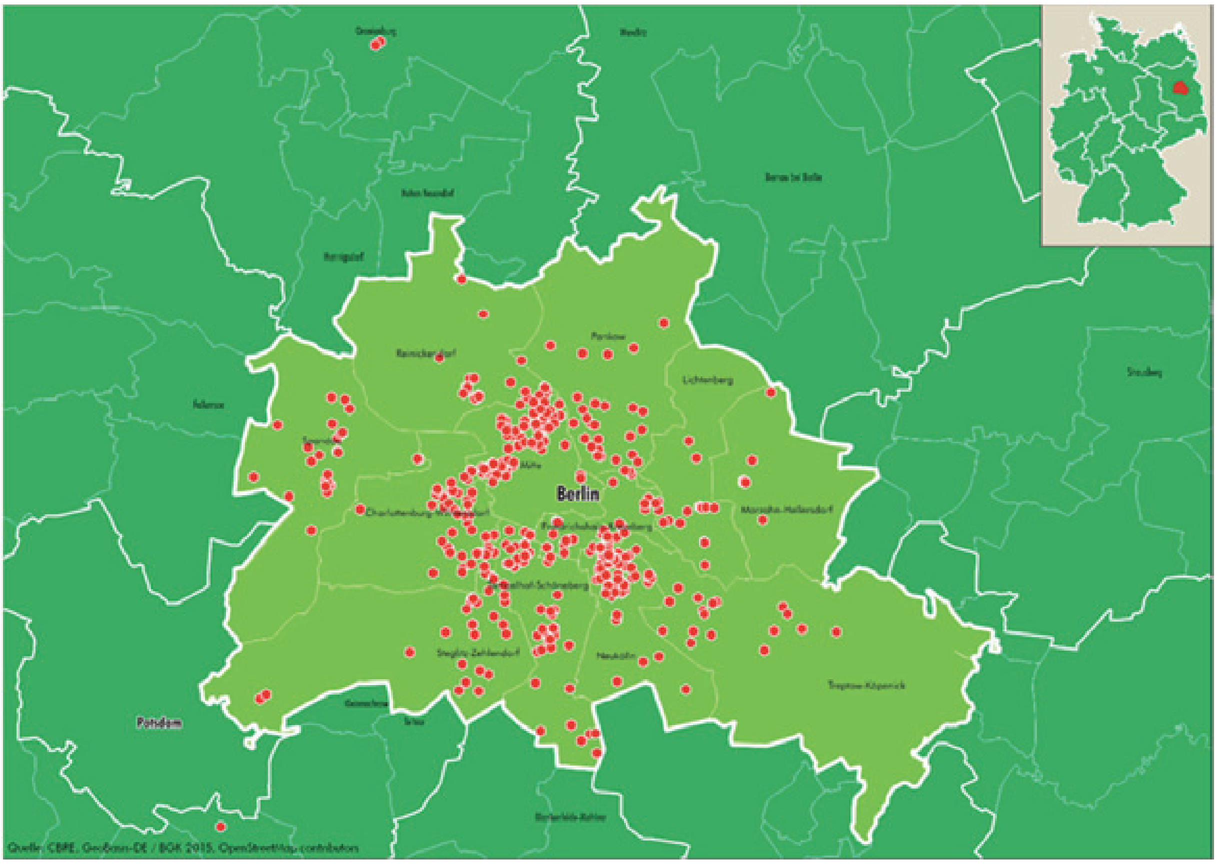
2 Asset Holdings

The geographical distribution of the valuation units as well as the proportional distribution of the lettable area, rental income and reported values by location, are shown in the following parts. The locations are divided into the districts of Berlin and into the locations Oranienburg and Nuthetal.

2.1 Geographic Allocation

With the exception of two valuation units in Oranienburg and one valuation unit in Nuthetal all valuation units are located in the city of Berlin.

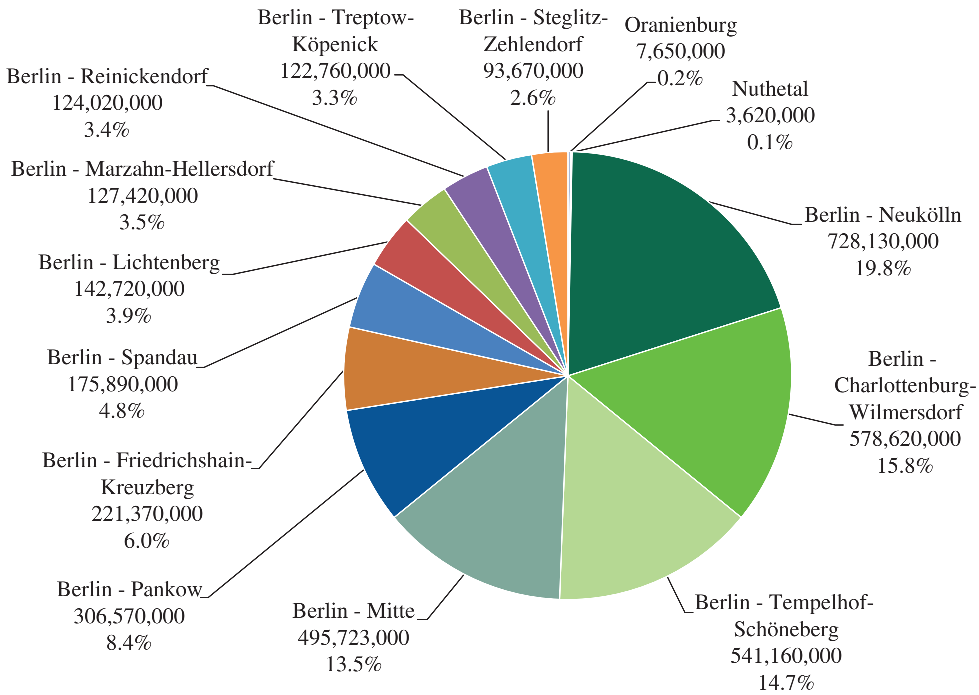
The following map shows the allocation of the 423 valuation units within the districts of Berlin as well as in Oranienburg and Nuthetal.



Source: GeoBasis-DE / BGK 2020, OpenStreetMap contributors

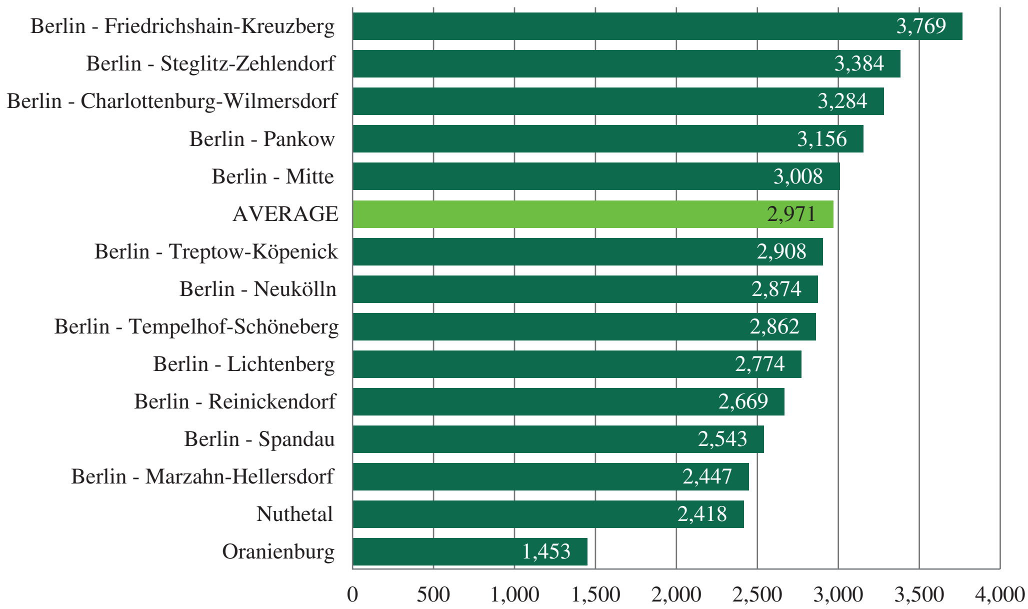
2.2 Fair Value (EUR) by location

The total Fair Value of the valuation subject amounts to 3,669,323,000 EUR. The district Neukölln has the largest proportion (19.8%) with a Fair Value of 728,130,000 EUR. It is followed by the districts Charlottenburg-Wilmersdorf with 578,620,000 EUR (15.8%), Tempelhof-Schöneberg with 541,160,000 EUR (14.7%), Mitte with 495,723,000 EUR (13.5%) and Pankow with 306,570,000 EUR (8.4%). These five locations represent more than two-thirds of the total portfolio Fair Value. The smallest proportion has Nuthetal with 0.1% (3,620,000 EUR).



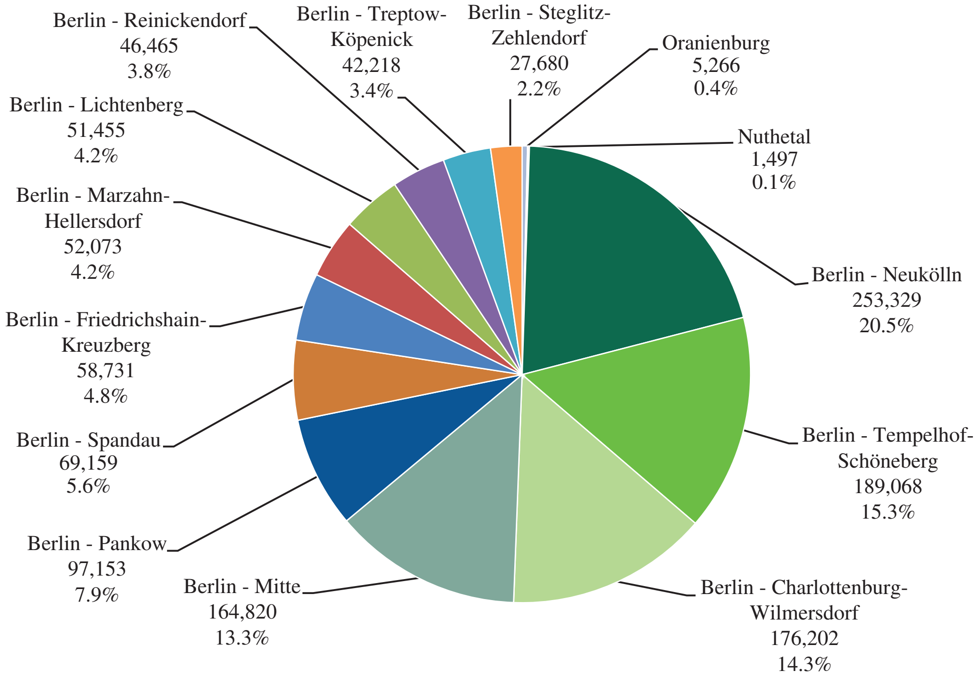
2.3 Fair Value per Lettable Area (EUR per sq m) by Location

The chart below shows the Fair Value per sq m lettable area by location. The average Fair Value per sq m of the portfolio amounts to 2,971 EUR. The highest average Fair Value per sq m (3,769 EUR) was determined in the district Friedrichshain-Kreuzberg. Oranienburg is the location with the lowest average Fair Value per sq m (1,453 EUR).



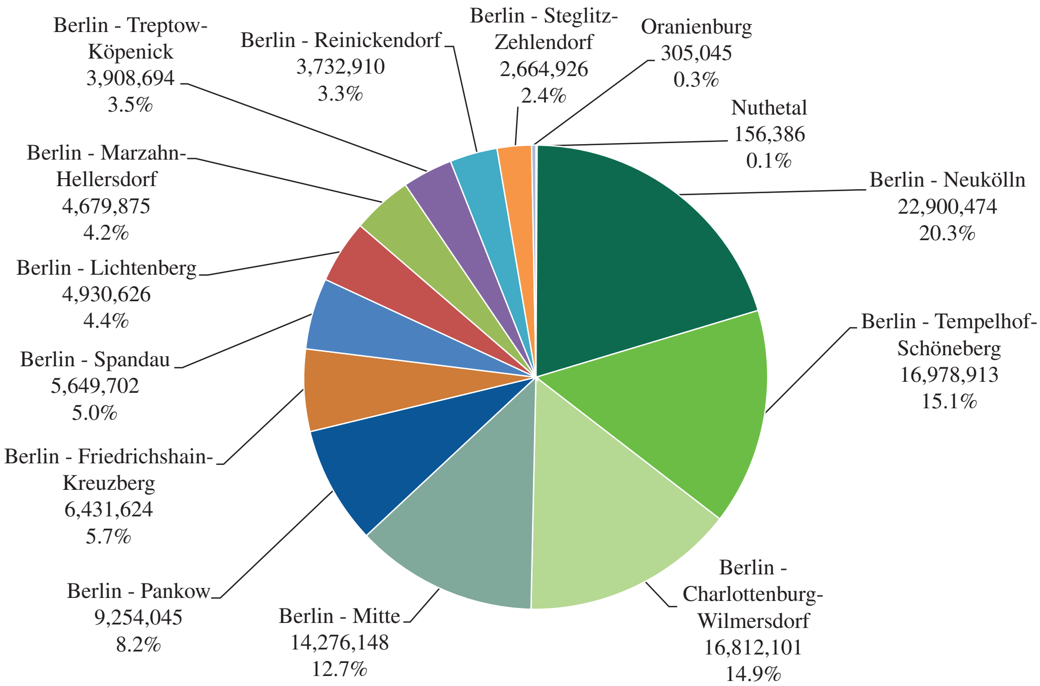
2.4 Total Lettable Area (sq m) by Location

The valuation subject has a total lettable area of 1,235,117 sq m. With 253,329 sq m the valuation units located in the district Neukölln have the largest proportion, representing 20.5% of the total portfolio area. Approximately 15.3% of the total area is located in the district Tempelhof-Schöneberg (189,068 sq m), 14.3% in the district Charlottenburg-Wilmersdorf (176,202 sq m), 13.3% in the district Mitte (164,820 sq m) and 7.9% in the district Pankow (97,153 sq m). These five biggest locations by area represent more than two-thirds of the total portfolio. The smallest proportion of the total portfolio area has Nuthetal with 0.1% (1,497 sq m).



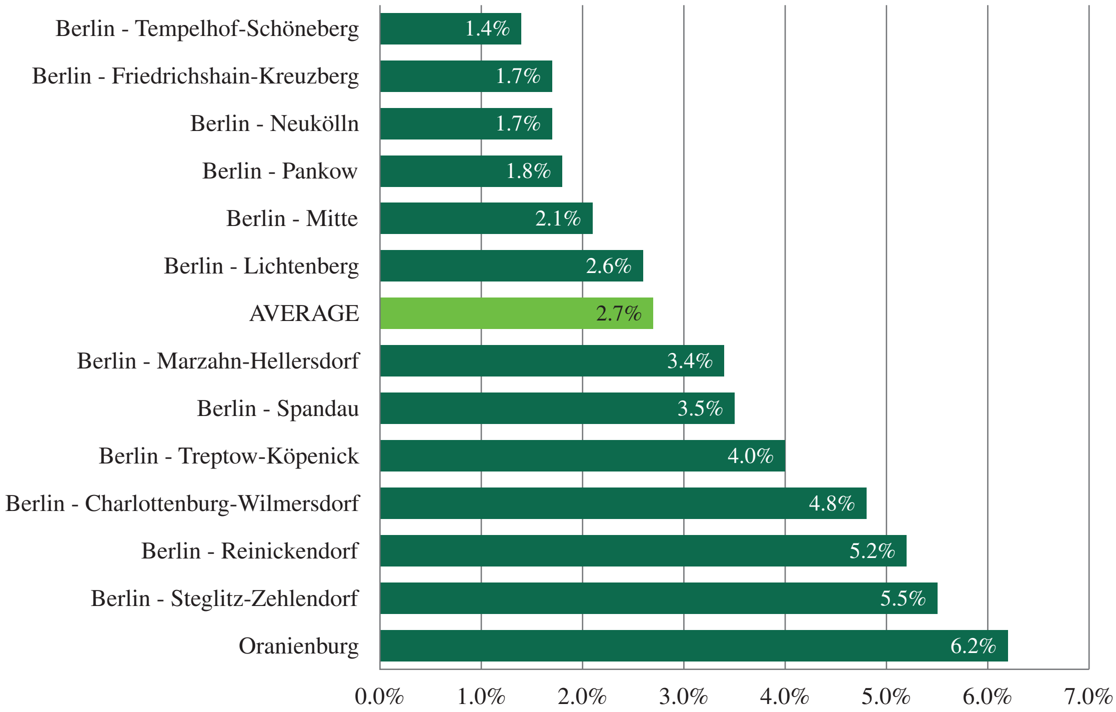
2.5 Current Gross Rental Income (EUR p.a.) by Location

The current annual gross rental income of the portfolio (current annual rent per month according to tenant list x 12) amounts to 112,681,468 EUR. The properties located in the district Neukölln have the highest proportion of the current gross rental income of all locations (22,900,474 EUR). The district Tempelhof-Schöneberg represents the location with the second largest proportion of the gross rental income (16,978,913 EUR), followed by the district Charlottenburg-Wilmersdorf (16,812,101 EUR), the district Mitte (14,276,148 EUR) and the district Pankow (9,254,045 EUR). These five biggest locations represent more than two-thirds of the total portfolio's GRI.



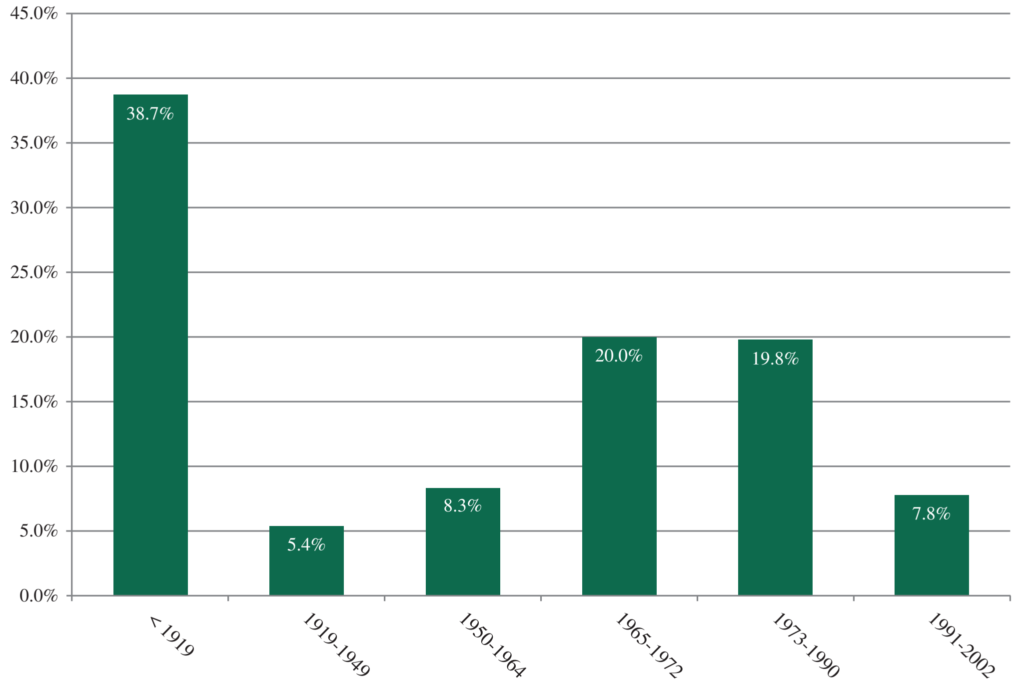
2.6 Vacancy Rate by Location

The average vacancy rate of the portfolio is 2.7%. The valuation units located in the district Tempelhof-Schöneberg have the lowest average vacancy rate of all locations with 1.4%. The valuation units located in Oranienburg (Brandenburg; in total 5,266 sq m) have the highest average vacancy rate (6.2%). The valuation units located in the district Neukölln, the location with the biggest proportion of Fair Value, have an average vacancy rate of 1.7%.



2.7 Lettable Area by Period of Construction

The construction years of the valuation units within the portfolio are broadly diversified. Buildings with the date of construction before 1919 (38.7% of the lettable area) have the largest proportion of the portfolio. Buildings with construction dates between 1965-1972 (20.0% of the total lettable area) have the second largest and buildings with construction dates between 1973-1990 (19.8% of the total lettable area) have the third largest proportion of the portfolio.



2.8 Portfolio Breakdown

The following table shows the breakdown of the valuation results by location (districts of Berlin, Oranienburg and Nuthetal).

Borough	Residential Units	Commercial Units	Total Area	Vacancy Rate	G RI on Current	G RI on Market	Market Value Total	Market Value per sq m
			m²	%	EUR	EUR	EUR	EUR/ sq m
Berlin – Neukölln	3,549	192	253,329	1.7%	22,900,474	27,418,128	**728,130,000**	2,874
Berlin – Charlottenburg-Wilmersdorf	2,184	162	176,202	2.6%	16,812,101	21,050,577	**578,620,000**	3,284
Berlin – Tempelhof-Schöneberg	2,308	181	189,068	2.1%	16,978,913	20,861,865	**541,160,000**	2,862
Berlin – Mitte	2,322	187	164,820	1.7%	14,276,148	18,442,433	**495,723,000**	3,008
Berlin – Pankow	1,071	199	97,153	1.8%	9,254,045	10,816,429	**306,570,000**	3,156
Berlin – Friedrichshain-Kreuzberg	823	75	58,731	5.2%	6,431,624	7,746,719	**221,370,000**	3,769
Berlin – Spandau	920	42	69,159	3.5%	5,649,702	6,966,805	**175,890,000**	2,543
Berlin – Lichtenberg	886	201	51,455	5.5%	4,930,626	5,484,371	**142,720,000**	2,774
Berlin – Marzahn-Hellersdorf	553	130	52,073	1.4%	4,679,875	5,095,998	**127,420,000**	2,447
Berlin – Reinickendorf	610	37	46,465	4.0%	3,732,910	4,969,313	**124,020,000**	2,669
Berlin – Treptow-Köpenick	514	58	42,218	0.0%	3,908,694	4,749,115	**122,760,000**	2,908
Berlin – Steglitz-Zehlendorf	375	15	27,680	6.2%	2,664,926	3,309,521	**93,670,000**	3,384
Oranienburg	90	0	5,266	3.4%	305,045	426,546	**7,650,000**	1,453
Nuthetal	15	7	1,497	4.8%	156,386	164,721	**3,620,000**	2,418
AVERAGE	**16,220**	**1,486**	**1,235,117**	**2.7%**	**112,681,468**	**137,502,541**	**3,669,323,000**	**2,971**

3 Explanation of Valuation

3.1 Inspections

In accordance with the instructions, the valuation of the properties was carried out on an individual level.

As part of the previous valuations (see preamble), since 2015 all properties were fully inspected (internal and external inspection) at least once. As part of the half-year and year-end valuations, CBRE conducted again external inspections of the entire portfolio.

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, combines a transparent arithmetical determination of Market Value with comparison elements (in relation to market rents, costs, Fair Value etc.). 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 Market 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 based on comparable data (if available) 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.

3.2.2 Rental Values

Rental values indicated in this report are those which have been adopted by us as appropriate in assessing the capital value or the letting potential of the properties, subject to market conditions that are either current or expected in the short term. They are mainly based on recent lease agreements within the properties, our experience of the markets and our knowledge of actual comparable market activity.

3.2.3 Berlin Rental Freeze Proposition

In its plenary session January, 30th, 2020, the Berlin Parliament (“Abgeordnetenhaus”) has officially enacted the Rental Freeze Proposition for Berlin (“Berliner Mietendeckel”). The rent level of existing and new leases of residential apartments completed before 2014 and with exception of publicly subsidized apartments will remain stable for five years at the level as at June, 18th, 2019. Furthermore, starting from October, 1st, 2020 the key regulation will be as follows:

- Existing rents (plus, if applicable, individual adjustments) will have to be decreased to the rent level in accordance with the local rental table 2013 plus 20%
- Rents of re-lettings (plus, if applicable, individual adjustments) will have to be decreased to the rent level in accordance with the local rental table 2013 plus 13.5% (compensation for inflation)

From a valuation perspective, as at 31st December 2019 however, the endurance of it and some details are still unclear. There is a debate among the advocates whether the free market rental law is exclusively ruled by federal building legislation ("Baugesetzbuch", "Mietpreisbremse") or if individual laws or decrees can be passed by a federal state parliament. A check of compatibility of this rental freeze act with constitutional law in front of the Berlin Constitutional Court ("Verfassungsgerichtshof Berlin") or the Federal Constitutional Court ("Bundesverfassunggericht") will be pursued by members of parliament from the political parties CDU/CSU und FDP in the next couple of months.

So far, as at 31st December 2019, we do not incorporate any changes in the cashflow of our DCF model as there is no acknowledged and approved legal framework for it. Our assessment of the market rent, independent from the valuation methodology, is carried out based on the existing federal legislation of the capping of rents of new leases ("Mietpreisbremse").

In terms of market sentiment from the direct investors' side, we so far haven't seen any decreases in pricing. Investors are just more cautious and transaction processes are on hold. At the end of January 2020, we carried out a survey based on real transaction prices from the local land valuation board and asking prices, both for multifamily houses, as well as portfolio transactions of multifamily houses in Berlin. By comparing the second half with the first half of 2019 the result of our analysis is that all sources of information indicate stable to slightly increasing prices despite the announcement of the rental freeze proposition. Therefore, our discount and exit cap rates as for today remain stable.

As we are not legal experts, we cannot forecast how this rent freeze proposition will finally end up. From our perspective it is for sure that there will be a long-term legal dispute, as even the legal experts have different opinions on this subject in detail.

3.3 General Valuation Assumptions

3.3.1 The property

Landlord's fixtures such as lifts, escalators, central heating and other normal service installations have been treated as an integral part of the building and are included within our valuations. Tenant-specific process plant and machinery, tenants' fixtures and specialist trade fittings have been excluded from our valuations.

3.3.2 Repair and Condition

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 properties. We are unable, therefore, to give any assurance that the properties are free from defect.

a. In the absence of any information to the contrary, we have assumed that:

b. there are no abnormal ground conditions, nor archaeological remains, present which might adversely affect the current or future occupation, development or value of the properties;

c. the properties are free from rot, infestation, structural or latent defect;

d. 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 properties; and

e. the services, and any associated controls or software, are in working order and free from defect.

We have otherwise had regard to the age and apparent general condition of the properties. Comments made in the property details do not purport to express an opinion about, or advise upon, the condition of uninspected parts and should not be taken as making an implied representation or statement about such parts.

3.3.3 Floor Areas

If not otherwise stated, we have not measured the properties but have relied upon the schedules of area that were provided to us within the tenancy lists and the technical due diligence assessment. In undertaking our work, we have assumed that these floor areas are correct.

3.3.4 Title, Tenure, Planning and Lettings

Unless stated otherwise within this Report and in the absence of any information to the contrary, we have assumed that:

a. the Property possesses a good and marketable title free from any onerous or hampering restrictions or conditions;

b. all buildings have been erected either prior to planning control, or in accordance with planning permissions, and have the benefit of permanent planning consents or existing use rights for their current use;

c. the Property is not adversely affected by town planning or road proposals;

d. all buildings comply with all statutory and local authority requirements including building, fire and health and safety regulations;

e. there are no tenant's improvements that will materially affect our opinion of the rent that would be obtained on review or renewal;

f. tenants will meet their obligations under their leases;

g. there are no user restrictions or other restrictive covenants in leases which would adversely affect value;

h. where appropriate, permission to assign the interest being valued herein would not be withheld by the landlord where required; and

i. vacant possession can be given of all accommodation which is unlet or is let on a service occupancy.

3.3.5 Infrastructure and Services

It is assumed that all the sites are serviced within the meaning of paragraph 123 of the German statutory building code (Baugesetzbuch § 123) i.e. that they are connected to the road system, service mains (water, electricity, gas and district heat) and sewers (for both waste and surface water) and that refuse collection was provided.

3.3.6 Taxes, Insurance

In undertaking our valuation, we have assumed that:

a. all public taxes, contributions, charges etc. which could have an effect on value will have been levied and paid as at the date of valuation.

b. the subject properties are covered by a valid insurance policy that is adequate both in terms of the sum assured and the types of potential loss covered.

3.3.7 Purchaser's costs

Notary and legal fees: The allowance for each individual property of 0.30% to 1.10% is in line with average costs for notarizing a purchase contract (compulsory under German law), land registry costs and miscellaneous legal charges and depends on the volume of the individual property.

Agent's fees: In the German market it is common for the purchaser to be responsible for paying all or at least part of the agent's fees. We have therefore adopted a level for each individual property of 1.00% to 3.00%.

Land transfer tax: Under German tax law, a transfer tax based on the purchase price has to be paid on property purchase. This is generally paid by the purchaser. The tax rate is different in each of the German federal states. At the date of valuation, the tax rate is 6,00% for the federal state Berlin and 6,50% for the federal state Brandenburg.

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.

Under German law, neither management nor maintenance costs are transferable to residential tenants. We have applied our considerable property management experience for the purposes of this valuation. The amounts reflected depend on the number of properties or, in the case of maintenance, the age and condition of the buildings.

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 200 EUR and 350 EUR per residential unit p.a. (depending on the number of residential units in the individual building and the assumed expense).

The weighted average non-recoverable management costs amount to 236 EUR per residential unit p.a.

For the commercial units we have allowed non-recoverable management costs of 3% of the gross rental income on potential rent.

For parking we have allowed non-recoverable management costs of 37 EUR per year per unit.

3.4.2 Non-recoverable Costs for regular Maintenance

The annual costs per square metre of the 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 allowed for in the valuation are between 8.00 EUR per sq m p.a. to 12.75 EUR per sq m p.a, with a weighted average of 10.17. These figures reflect the age and the state of repair of the subject properties. The existence of a lift system is taken into account with an additional 1.25 EUR per sq m p.a. For listed monuments we assumed an increase of ongoing maintenance costs of 10%. For internal parking (garages/underground parking) we have assumed 70 EUR per year per unit and for external parking spaces 30 EUR per year per unit.

3.4.3 Non-recoverable Costs for 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 space, to facilitate renewed letting.

For each of the valuation units we have adopted an amount, based on current market experience, for initial refurbishments or in case of tenant fluctuation as follows:

- 45 EUR per sq m on to 150 EUR per sq m for residential space
  (Ø approx. 88 EUR per sq m)
- 30 EUR per sq m for retail space
- 60 EUR per sq m on to 115 EUR per sq m for office space
- 20 EUR per sq m on to 85 EUR per sq m for other commercial space

Average maintenance costs and costs for tenant improvement for residential area sum up to approximately 17.24 EUR per sq m p.a.

3.4.4 Non-recoverable Service Charges on vacant space

This heading refers to a book reserve for costs such as charges that would normally be borne by the tenant such as heating costs, property tax but due to the vacancy cannot be recovered. Based on the analysis of the German Tenant Association ("Deutscher Mieterbund") a level of 24.00 EUR per sq m per year has been adopted for vacant residential accommodation. For commercial units, a level of 12.00 EUR per sq m per year has been chosen.

3.4.5 Void Period for currently vacant Space/ Future Void Periods on Re-Letting

Currently, the portfolio has a weighted average vacancy rate of 2.7% (weighted by area). On re-letting of rental units currently occupied as well as for future vacant accommodation, a void period of one to six months for residential units (average of approximately 1.8 months) has been assumed. Our assumptions are based on experience of the local property market and depend on the quality of situation, the respective condition of the individual property and the current rental situation.

Depending on the quality of situation and the respective property, the current rental situation and the local vacancy rate we have assumed an initial downtime until structural vacancy of six to twelve months for commercial space. For future vacant accommodation, a void period of three months for commercial units has been assumed.

3.4.6 Deferred maintenance Costs (structural Costs)

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 technical surveys.

Based on our inspections and the information which we were provided with, it is our opinion that the overall condition of the buildings and its technical equipment has been regularly maintained.

The calculations of outstanding, structural maintenance costs in year one are mainly based on the information provided by the Company. In total, we have adopted an amount for deferred maintenance costs of 2,934,671 EUR in this valuation.

3.4.7 Structural Vacancy

Currently, the average vacancy rate (weighted by area) for residential area of the portfolio is 2.7% (Ø vacancy rate residential area 2.6%). We are assuming that the weighted average vacancy rate for residential area of the portfolio has the potential to decrease to a structural vacancy rate of approx. 0.52% with a range of 0.25% to 3.00% at asset level.

Commercially-occupied units were not subject to this modelling process. The cash flow from the commercially-occupied units is oriented on the lease data. If these were not available, CBRE resumed a remaining lease term by 31 December 2022.

3.4.8 Fluctuation Rate

We have done an analysis of about 1,000,000 records based on our database. As a result, we found out that there are different fluctuation rates in Germany. Therefore, we have developed a table with different fluctuation rates (range between 8.0% – 12.0%) for all German cities and districts. For the valuation, we have assumed a fluctuation rate of 8.0% for Berlin and Nuthetal and a fluctuation rate of 9.75% for Oranienburg.

The only exception is valuation unit VU_8031 (Löwenberger Str. 2, 4). Due to the fact that there are almost entirely small apartments with a higher fluctuation rate we have assumed a fluctuation rate of 15.0%.

3.4.9 Credit Loss

We have not conducted credit enquiries on the financial status of any tenants. 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.

3.4.10 Inflation and Rental Growth

Taking explicitly into account inflation, we have assumed annual rates of 1.60% in the first year and 2.00% in the following years. The sources are Consensus Forecast and EZB.

Growth of the residential market rent has been explicitly reflected on a regional basis for all of Germany in eight segments with rates ranging between 0.3% and 3.0% in year 1 to 5 and with rates ranging between 0.25% and 2.0% in year 6 to 10 reflecting the

- household trend in the last 12 years (source: official statistics)
- household forecast 2025 (source: official statistics)
- purchasing power index, latest available figures (source: gfk Nürnberg)
- GDP per capita, latest available figures (source: official statistics)
- Prognos Sustainability Rating
- Vacancy Index, latest available figures (source: CBRE-empirica)
- Residential rental forecast, latest available figures (source: BulwienGesa AG)
- CBRE Rental Database with more 6 million entries

The base case has been individually adjusted considering the respective situation and property condition.

3.4.11 Selection of Discount Rate and Capitalization Rate

The Capitalisation Rate is derived from the average Net Initial Yield ("NIY") achieved in comparable transactions involving residential properties that were observed by CBRE and reflects the market situation as well as the yield expectations of a potential investor. It includes rental growth assumptions implicitly. The Discount Rate, which explicitly reflects rental growth in the cash flows, is derived from the Capitalisation Rate plus the average rental growth.

The Discount Rate and Capitalisation Rate are adjusted individually for each local market to be valued, in accordance with the following criteria:

- Quality of the location
- Demand and levels of value in the relevant local real estate market
- The prospects for the local market
- Development of rents and prices (yield compression)

The assessment of the Discount Rate and Capitalisation Rate for the individual property involves several components. Starting from a basic rate for each location, additions and deductions are made according to various criteria specific to the buildings concerned:

Adjustment for commercial proportion		
Commercial proportion up to	5%	0.00%
Commercial proportion up to	20%	0.25%
Commercial proportion up to	50%	0.50%
Commercial proportion up to	50%	1.00%
Adjustment for quality of situation		
Very good residential area	1	-0.50%
Good residential area	2	-0.25%
Medium residential area	3	0.00%
Modest residential area	4	0.25%
Adjustment for size of building		
No. of storeys: up to	4	0.00%
No. of storeys: up to	6	0.10%
No. of storeys: more than	7	0.20%
Adjustment for type of building		
Detached house	1	-1.00%
Duplex/semi-detached/terraced house	2	-0.75%
Apartment building	3	0.00%
Other adjustments		
Addition for stove heating		0.40%
Addition for ground lease		0.25%
Deduction for new buildings		-0.50%

Additionally, the Discount Rate and Capitalisation Rate can be adjusted individually in accordance with the following criteria:

- The current letting situation in the property as regards vacancy, over-rented or under-rented status, the quality of the tenancy structure, the remaining lease term(s) and (for commercial leases) the indexation provisions and extension options
- The nature of the property, its age, size and condition
- Additional risk adjustments to take into account uncertainties in the forecasting of future cash flows

For example, the limited risk of a lower subsidised rent compared to rents on market level can be reflected in a reduced Discount Rate and/or Capitalisation Rate. On the other hand, a current rent above market level implies the risk that the current rent cannot be achieved in the future; to reflect this a risk premium is appropriate and required.

The Capitalisation Rate is used to capitalise the net rental income after the cashflow period ("Exit Value"). This net rental income comprises the assumed rental income at that time less the non-recoverable operating costs.

The cash flows and the Exit Value are discounted using the selected Discount Rate, monthly in advance.

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. 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 Capitalisation Rate using expert and experienced judgement.

For the subject properties we have adopted a Discount Rate of 3.45% to 5,95% (Ø 4.61%) and an Exit Cap Rate of 1.45% to 4.15% (Ø 2.68%).

3.4.12 Market Rent (ERV)

The market rents adopted for properties which are not applicable for the capping of rents of new leases ("Mietpreisbremse") are in accordance with the results of the recent lease agreements (12 months), our internal CBRE rental data base and other internal sources, the internet data base empirica systeme GmbH (asking rents) and the local rental tables (Mietspiegel) for residential rents, if available.

Since 1 June 2015 the capping of rents of new leases is in force, which enables the federal states to establish individual decrees. The new law limiting rent increases (MietNovG) upon re-letting of existing residential units in regions with low supply only allows an increase of rent up to local rental table level plus 10%. This law applies for five years. There are, however, exceptions: residential units completed after 1 October 2014 are not affected as well as rent increases reflecting modernisation works, pursuant to § 559 section 1 to 3 BGB (German civil code). In such cases, 11% of the total CapEx may still be recouped from the tenant each year. This new law also does not apply for the small market segment of furnished apartments.

The city states Berlin, Bremen and Hamburg were joined by more than 300 local authorities in the federal states of Baden-Württemberg, Bavaria, Brandenburg, Hesse, Lower Saxony, Mecklenburg-Western Pomerania, North Rhine-Westphalia, Rhineland-Palatinate, Schleswig-Holstein and Thuringia in introducing the Mietpreisbremse (capping of rents on re-letting). However, according to CBRE research, neither Bremen nor approx. 200 of these local authorities have either a simple or qualified rent index (as of 31 December 2019).

In our valuation, for the determination of the market rent of properties located in cities where the brake on rents has already been implemented we have adopted the following approach:

1. The upper end of market rents (rents upon re-letting) is determined on rental unit level. An auxiliary calculation provides an overview of market rents on property level based on the weighted floor areas of the individual residential units.
2. In cases where the Company's rents upon re-letting are not aligned with the Local Rental Table (Mietspiegel), we have calculated the maximum rents upon re-letting, which can be adopted, as follows:

   (Local Rental Table Average plus Local Rental Table Maximum) / 2 + 10%
3. Additional Check: if the last rent of an apartment is higher than the calculated rent upon re-letting, then the last rent is taken into consideration
4. Should the determined upper end of the market rent exceed the rent achieved by documented recent leases, we then do not adopt the higher rent by default but the actually achievable rent.
5. For locations where the capping of rents of new leases applies without any existing local rental table we determine the market rent as before the introduction of the capping.

3.4.13 Hereditary Building Rights

With reference to the land register extracts provided by the Company, the two valuations units VU_8611 and VU_4802b are subject to heritable building rights. The affected valuation units, the ground rents and the individual expiration dates are shown in the table below.

Valuation unit	Address	Postal Code	City	Ground Rent EUR p.a.	Expiration Date
VU_4802b	Soldiner Str. 104	13359	Berlin	3,170	2051-06-30
VU_8611	Kantstr. 38; Leibnizstr. 35a	10625	Berlin	0	2067-12-31

In addition, there is an owner's heritable building right in the valuation unit VU_7011b. The property is split up according to WEG (Wohnungseigentumsgesetz). Only the commercial units (ground floor) are not part of the owner's heritable building right.

Furthermore, there is a further owner's heritable building right in the valuation unit VU_1606.

3.4.14 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 subsidized residential units are subject to an economic rent (*Kostenmiete*). For these valuation units, we have calculated with a rental growth of 0.5%, based on our experience.

According to the information provided by the Company 14 of the 423 valuation units are completely or partly under public rent control.

The subsidised valuation units including their expiration date are shown in the following table:

Valuation Unit	City	Postal Code	Address	Expiration Date
VU_4802a	Berlin	13359	Freienwalder Str. 28, 29	2022-12-31
VU_4803	Berlin	10551	Oldenburger Str. 35	2022-12-31
VU_4804	Berlin	10781	Goltzstr. 50	2022-12-31
VU_4805	Berlin	10967	Hasenheide 88	2022-12-31
VU_4806	Berlin	13409	Sommerstr. 10; Nordbahnstr. 15	2022-12-31
VU_9011	Berlin	13583	An der Kappe 128, 128A	2024-12-31
VU_9013	Berlin	10437	Dunckerstr. 70, 70a	2019-12-31
VU_9166	Berlin	10553	Huttenstr. 39	2022-09-02
VU_9164	Berlin	10587	Lohmeyerstr. 25; Otto-Suhr-Allee 141; Kaiser-Friedrich-Str. 105	2021-12-31
VU_1606	Berlin	12559	Salvador-Allende-Str. 76 a-u	2029-12-31
VU_9301	Berlin	12347	Buschrosensteig 5-7	2032-12-31
VU_9321	Berlin	12439	Schnellerstr. 23	2020-11-30
VU_2203	Berlin	12109	Mariendorfer Damm 88-90	2045-12-31
VU_7103	Berlin	12105	Kurfürstenstr. 84, 86, 87, 90, 92	2028-03-31

3.4.15 Listed Buildings

Based on our internet research on the website of the Berlin Senate Department for Urban Development and the Environment (http://www.stadtentwicklung.berlin.de/denkmal/) 19 of the 423 valuation units are completely or partly listed as ancient monuments.

Valuation Unit	City	Postal Code	Address
VU_1041	Berlin	13629	Wernerwerkdamm 25; Hefnersteig 1-4; Ohmstr. 7-9
VU_1051	Berlin	12043	Karl-Marx-Str. 12, 12a
VU_1802	Berlin	10245	Seumestr. 11
VU_2101	Berlin	13357	Pankstr. 46
VU_5302	Berlin	10437	Milastr. 2
VU_7011b	Berlin	13597	Carl-Schurz-Str. 49, 49a
VU_7081	Berlin	13507	Buddestr. 5; Veitstr. 1-4b; Berliner Str. 85
VU_8801	Berlin	10967	Kottbusser Damm 72; Lenaustr. 1
VU_9021	Berlin	10119	Alte Schönhauser Str. 13
VU_9083	Berlin	10119	Max-Beer-Str. 7
VU_9042	Berlin	12209	Parallelstr. 11

Valuation Unit	City	Postal Code	Address
VU_9077	Berlin	10999	Wiener Str. 8
VU_8971	Berlin	12055	Karl-Marx-Str. 194
VU_9122	Berlin	10965	Friesenstr. 11
VU_9161	Berlin	10245	Mainzer Str. 15 / Boxhagener Str. 98
VU_9251	Berlin	12159	Schnackenburgstr. 4
VU_1611	Berlin	10829	Kolonnenstr. 10,11 / Leberstr. 1,3
VU_2203	Berlin	12109	Mariendorfer Damm 88-90
VU_9191	Berlin	12105	Prühßstr. 26 / Richterstr. 33

3.4.16 Land Register Section II

With reference to the land register extracts provided by the Company, for 207 of the 423 valuation units encumbrances or easements are entered in land register section II. The majority of the entries are common agreements in terms of infrastructure provision of the properties or adjacent properties. Based on the inspections as well as in consideration of the entry dates, we have assumed that there are no entries, information or circumstances that could have an impact on Fair Values (including any easements, restrictions, or similar restrictions and encumbrances). We reserve the right to amend our valuation should any such factors be found to exist.

One notable exception is the valuation unit VU_1061 (Steglitzer Damm 42-46; Kellerstr. 3, 12169 Berlin). There is a limited personal easement which specifies a right of residence ("Wohnrecht"). In our valuation, we have therefore determined the period of loss of rent with the aid of the mortality table and considered a deduction of 68,424 EUR for the valuation unit.

3.4.17 Public Land Charges

According to the information provided by the Company, 26 of the 423 valuation units have entries in the public land register. The entries are common agreements. We have assumed that they are in line with the actual condition and use of the properties.

We do not have any information that the actual condition and use of the properties do not comply with the admissibility under building law. Taking into account the existing development, there is no influence on values in these cases.

Valuation Unit	City	Postal Code	Address
VU_1093	Berlin	10553	Huttenstr. 6, 7; Rostocker Str. 47-50, 52
VU_1094	Berlin	10553	Huttenstr. 8, 9
VU_1096	Berlin	10963	Hedemannstr. 10
VU_1097	Berlin	10963	Wilhelmstr. 15
VU_7022	Berlin	13359	Stockholmer Str. 1-3
VU_7023	Berlin	13359	Gotenburger Str. 1, 3, 5; Prinzenallee 65, 66
VU_7081	Berlin	13507	Buddestr. 5; Veitstr. 1-4b; Berliner Str. 85
VU_7095	Berlin	10999	Wiener Str. 46
VU_7096	Berlin	12103	Burgemeisterstr. 30, 32, 34, 36; Friedrich-Wilhelm-Str. 52, 54, 54a, 54b
VU_8231	Berlin	12307	Schichauweg 56, 60, 62, 64
VU_8251	Berlin	13593	Gruberzeile 89
VU_8381	Berlin	12165	Schmidt-Ott-Str. 5a, 5b
VU_9021	Berlin	10119	Alte Schönhauser Str. 13

Valuation Unit	City	Postal Code	Address
VU_9061	Berlin	13189	Berliner Str. 69
VU_7055	Berlin	13587	Hakenfelder Str. 9, 9A
VU_7033	Berlin	12685	Fichtelbergstr. 5-15; Allee der Kosmonauten 151-151 a-h
VU_8993	Berlin	12057	Dieselstr. 3, 5, 7, 9, 11, 13, 15
VU_9121	Berlin	10707	Olivaer Platz 8, 9, 10
VU_1606	Berlin	12559	Salvador-Allende-Str. 76 a-u
VU_1603	Berlin	13595	Adamstr. 11 /Földerichstr. 40,42
VU_9193	Berlin	12355	Alt Rudow 68
VU_9351	Berlin	13589	Falkenseer Chaussee 167-171
VU_9591	Berlin	14055	Angerburger Allee 35-55
VU_9601	Berlin	12437	Ligusterweg 24, 26
VU_7104	Berlin	12109	Mariendorfer Damm 48
VU_7109	Berlin	12107	Lankwitzer Str. 44

For 165 of the 423 valuation units we were not provided with an extract of the register of public land charges.

3.4.18 Potential for additional floor space

According to the information provided by the Principal 4 of the 423 valuation units have potential for additional floor space. The potential for additional floor space was considered as “Other influences” in the valuation and materializes in the following properties:

Valuation Unit	Address	Postal Code	City	Type	Influence on Value in EUR
VU_2903	Schwartzstr. 5, 7	13409	Berlin	Extension of the attic floor	243,438
VU_5302	Milastr. 2	10437	Berlin	Conversion of the vacant theatre in the backyard to office units	4,114,950
VU_7061	Karl-Marx-Str. 170, 172 / Mittelweg 10, 12, 14, 16	12043 / 12053	Berlin	Construction of new residential units	4,486,320
VU_9125	Reinbeckstr. 1 / Wilhelminenhofstr. 82A	12459	Berlin	Extension of the attic floor	71,377

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 in the portfolio, rounded on asset-to-asset basis, as at 31 December 2019 and held as at that date, is:

3,669,323,000 EUR

(three billion six-hundred-sixty-nine million and three-hundred-twenty-three thousand Euros)

The unrounded net capital value is 3,669,369,688 EUR. The unrounded gross capital value is 3,970,552,543 EUR including 301,182,855 EUR purchaser’s costs (8.2%).

The assessment of the Fair Value was carried on asset-to-asset basis. 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 sales of the whole portfolio or if part of the portfolio were to be marketed simultaneously or in lots.

CBRE has not been engaged to update the CBRE valuation for the purpose of the Prospectus, has no obligation to do so and has not updated the CBRE valuation after the date of valuation, 31 December 2019.

The following table shows aggregated key asset data for the portfolio:

Fair Value	3,669,323,000 EUR
Total lettable area:	1,235,117 sq m
Average Fair Value per sq m lettable area:	2,971 EUR
Current annual rental income (gross):	112,681,468 EUR
Potential annual rental income (gross):	116,636,669 EUR
Annual market rent (gross):	137,502,541 EUR
Multiplier (based on current rent):	32.6 times
Multiplier (based on potential rent):	31.5 times
Multiplier (based on market rent):	26.7 times
Net initial yield (based on current rent):	2.38%
Net initial yield (based on potential rent):	2.50%
Net initial yield (based on market rent):	3.03%

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 recent comparable market evidence on arm's length terms.

5 VALUATION KEY DEFINITIONS

Lettable area

The lettable area in this valuation is defined by the entry in the Company's rent roll provided.

Total lettable area

Total lettable area in square metres – sum of residential and commercial floor area – and excluding land; as at 31 December 2019

Residential units

Residential units – number of residential premises excluding internal and external parking units and other units; as at 31 December 2019

Commercial units

Commercial units – number of commercial and special premises; excluding internal and external parking units and other units; as at 31 December 2019

Internal/ External Parking units (Parking lots)

Internal/ External Parking units – number of internal and external parking spaces; as at 31 December 2019

Other units

Other units – e.g. number of antennas; as at 31 December 2019

Current annual rental income (gross):

The current gross rental income represents the rent paid for the units let on contractual agreements as at 31 December 2019, 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 market rent of vacant units – irrespective of any vacancy – as at 31 December 2019, multiplied by 12.

Annual market rent (gross):

The (monthly) market rent of all units as at 31 December 2019 (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 market rent):

Net capital value divided by market rent (gross)

Net initial yield (based on current rent):

Current rental income (net) divided by gross capital value

Net initial yield (based on potential rent):

Potential rental income (net) divided by gross capital value

Net initial yield (based on market rent):

Market rental income (net) divided by gross capital value

Note: the valuation keys above are defined in accordance with the gif Gesellschaft für Immobilienwirtschaftliche Forschung e.V. Arbeitskreis Real Estate Investment Management.

Freehold or freehold-equivalent refers to *Eigentum* title.

Ground lease/leasehold refers to *Erbbaurecht* title.

ppa. Michael Schlatterer, MRICS

Residential Valuation Germany
Senior Director
CBRE GmbH

ppa. Sandro Höselbarth

Head of Residential Valuation Germany
Managing Director
CBRE GmbH

Valuation Report
in the form of a condensed valuation report
("Valuation Report")
"ADO Properties S.A. – Prospectus"

Residential Portfolio
ADLER Real Estate AG

Opinion of Market Value

as at
31 December 2019

on behalf of
ADO Properties S.A.
1B, Heienhaff
1736 Senningerberg
Grand Duchy of Luxembourg

Date of Report: 1 July 2020

Table of Contents

Glossary

Adler	ADLER Real Estate AG
ADO Properties	ADO Properties S.A.
BauGB	German Building Code
Capex	Capital expenditures
CSSF	Commission de Surveillance du Secteur Financier, Luxembourg
DCF	Discounted Cash Flow
ECB	European Central Bank
Empirica	Online Database for Real Estate Research
EPRA	European Public Real Estate Association
ERV	Estimated Rental Value
GDP	Gross Domestic Product
gif	Society of Property Researchers, Germany
GPV	Gross Present Value
GRI	Gross Rental Income
IASB	International Accounting Standards Board
IFRS	International Financial Reporting Standards
IFRS 13	International Financial Reporting Standard 13
IVS	International Valuation Standards
MV	Market Value
NIY	Net Initial Yield
NOI	Net Operating Income
NPV	Net Present Value
Q&A	Question and answer process
RICS	Royal Institution of Chartered Surveyors
RIWIS	Regionales Immobilien-Wirtschaftliches Informations System (Database)
Savills	Savills Advisory Services Germany GmbH & Co. KG
Sqm	square meters
VAT	Value added tax
VPS	Valuation Practice Statement
WAULT	Weighted Average Unexpired Lease Term
WiGeoGis	Provider of geomarketing and market data

A. Summary Overview

Type of Report

This report has been conducted in the form of a condensed Valuation Report (hereinafter referred to as "Valuation Report") for the determination of Market Value carried out by Savills Advisory Services Germany GmbH & Co. KG. The valuation is in accordance with the RICS Global Valuation Standards effective since 31 January 2020 of the Royal Institution of Chartered Surveyors ("Red Book") and the International Standards for the Valuation of Real Estate for Investment Purposes ("International Valuation Standards").

The report has been carried out for inclusion in a securities prospectus (the "Prospectus") intended to be published by ADO Properties S.A. (hereinafter referred to as "ADO Properties") in connection with a proposed offering of subscription rights issue ("Bezugsrechtsemission") and subsequent issue of new ordinary shares in dematerialized form with no nominal value of ADO Properties (the "Offering"). The Offering comprises a public offering of securities by ADO Properties in Germany and Luxembourg.

Savills consents in principle to the Valuation Report being included in the investor materials in connection with the Offering on the terms as set out in this Valuation Report and in our Instruction Letter.

Subject of this Valuation Report is the residential real estate portfolio of ADLER Real Estate AG (hereinafter referred to as „Adler") consisting of 1,375 subject properties as at Date of Valuation.

The Market Value determined by Savills is consistent with the Fair Value in accordance with IFRS 13 of the International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board (IASB).

Date of Valuation

31 December 2019

Subject Portfolio

According to the information provided by Adler the subject portfolio comprises 1,347 residential or residentially dominated subject properties, 10 commercial and mixed-use properties, 15 parking properties and 3 other-use properties. In total the portfolio consists of 1,375 subject properties.

Portfolio Overview by Property Type						
	No. Properties	Lettable Area sqm	Vacancy Rate %	Vacancy Rate %	Current Rent EUR p.a.	WAULT* years
Residential – Multi-family house	1,296	1,882,268	7.1%	6.5%	111,670,044	0.5
Residential – High-rise building	3	32,231	3.5%	4.4%	2,439,701	2.7
Residential – One-/ two-family house	5	868	—	—	46,509	0.1
Residential – Apartment house	1	424	11.8%	12.7%	25,828	0.2
Residentially dominated property	41	72,738	11.4%	9.3%	4,515,509	2.1
Commercially dominated property	9	11,206	10.3%	9.4%	1,074,213	2.1
Mixed-use property	1	349	—	—	25,247	0.5
Commercial Park	1	30,707	46.3%	22.5%	608,194	5.3
Infrastructure – Garage	13	—	—	18.2%	72,135	0.1
Infrastructure – Parking space	2	—	—	36.3%	17,516	0.1
Other	3	612	56.8%	41.3%	35,032	0.2
Total	**1,375**	**2,031,403**	**7.8%**	**6.7%**	**120,529,927**	**1.1**

* *Weighted Average Unexpired Lease Term (not considering contractual options to extend the lease agreements [Verlängerungsoptionen])*

1,361 of the 1,375 subject properties are considered as properties producing sustainable rental income, whereas the remaining 14 properties are subject to liquidation (0.15% of the lettable area respectively 0.003% of the Market Value).

Tenure

In total, 1,247 properties are held on the German equivalent of freehold title. The other 128 properties are held on leasehold title.

Summary of Valuation Results

Upon the assumption that there are no onerous restrictions or unusual costs of which we have no knowledge and based on the provided information, specific comments and assumptions set out in this Valuation Report, we are of the opinion that the aggregate of the individual Market Value of the freehold interests and the leasehold of the subject properties of the Subject Portfolio, rounded at asset level, as at 31 December 2019 is:

Market Value including Leaseholds

EUR 2,030,827,000

(TWO BILLION THIRTY MILLION EIGHT HUNDRED TWENTY SEVEN THOUSAND EURO)

Our opinion of Market Value (including liquidation properties) is equivalent to:

Market Value per sqm	1,000 EUR
Gross Multiplier on Current Rent	16.85 fold
Gross Multiplier on Market Rent	14.15 fold
Net Initial Yield (NIY) on Current Rent	4.23%
Net Initial Yield (NIY) on Market Rent	5.36%

* The yields have been derived without the liquidation properties.

The following table shows aggregated data of the 1,361 properties with a sustainable cash-flow (excluding 14 Liquidation Properties) which represent 99.99% of the total Market Value:

Market Value per sqm	1,001 EUR
Gross Multiplier on Current Rent	16.85 fold
Gross Multiplier on Market Rent	14.15 fold

Market Value excluding Leaseholds

EUR 2,047,518,000

(TWO BILLION FORTY SEVEN MILLION FIVE HUNDRED EIGHTEEN THOUSAND EURO)

The following refers to all valuation results:

The Market Value of the Subject Portfolio reported is the aggregate total of the individual properties and not necessarily a figure that could be achieved if the Subject Portfolio were to be sold as a whole (Individual valuation principle).

Savills has been informed by Adler that there have not been material changes to the building stock of the subject portfolio between the date of valuation 31 December 2019 and the date of this Valuation Report.

The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a "Global Pandemic" on the 11th March 2020, has impacted global financial markets. Travel restrictions have been implemented by many countries.

Market activity is being impacted in many sectors. As at the Report date we consider that we can attach less weight to previous market evidence for comparison purposes to fully inform opinions of value. Indeed, the current response to COVID-19 means that we are faced with an unprecedented set of circumstances on which to base a judgement.

Due to the material change caused by COVID-19 to the global economy, financial markets and almost all aspects of life, a valuation of the subject portfolio as of the date of this Valuation Report would have been reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty – and a higher degree of caution – would have been attached to such valuation than would normally be the case. Given the unknown current and future impact that COVID-19 might have on the real estate market we recommend that you keep the valuation as of 31 December 2019 of the subject properties under frequent review.

We are therefore not in a position to make a statement as to whether the market conditions and movements of the respective real estate markets in which the subject properties are located have led to a change or in fact a material change between 31 December 2019 and the date of this Report.

Regarding changes to the real estate market conditions caused by Covid-19 we refer to chapters "F. Material Changes" and "G. I COVID-19 Commentary".

Please note that this valuation has been carried out on the basis of partly limited documentation, in particular we have been provided with land register lists for all 1,375 subject properties, but not with all land register excerpts. So we have been provided with land register PDF files for 1,315 of the 1,375 subject properties (ca. 96%). Savills compared more than 10% (140) of the provided PDF land register excerpts with the excel files. This comparison did not reveal any relevant differences. We assume that the information contained in these excel files are correct. Please refer to chapter B II.

Breakdown of Market Value by Type of Use

Portfolio Overview													
	No. Properties	Lettable Area	Vacancy Rate (Area)	Vacancy Rate (EPRA)	Current Rent	Market Value	Market Value (Share of Total)	Market Value per sq m	Gross Multiplier on Current Rent	Gross Multiplier on Market Rent	NIY on Current Rent	NIY on Market Rent	WAULT *
		sqm	%		EUR p.a.	EUR	%	EUR per sqm	fold	fold			years
Residential	1,305	1,915,791	7.1%	6.4%	114,182,082	1,923,110,000	94.7%	1,004	16.84	14.15	4.24%	5.36%	0.6
Mixed-use property	51	84,292	11.2%	9.3%	5,614,969	102,386,000	5.0%	1,215	18.23	15.36	3.91%	4.95%	2.1
Commercial Park	1	30,707	46.3%	22.5%	608,194	3,230,000	0.2%	105	5.31	4.25	11.86%	16.74%	5.3
Infrastructure	15	0		22.3%	89,651	1,370,000	0.1%		15.28	11.46	3.94%	5.94%	0.1
Other	3	612	56.8%	41.3%	35,032	731,000	0.0%	1,194	20.87	11.49	2.65%	6.71%	0.2
Total	**1,375**	**2,031,403**	**7.8%**	**6.7%**	**120,529,927**	**2,030,827,000**		**1,000**	**16.85**	**14.15**	**4.23%**	**5.36%**	**1.1**

* Weighted Average Unexpired Lease Term (not considering contractual options to extend the lease agreements [Verlängerungsoptionen])

Breakdown of Market Value by Property Type

Portfolio Overview by Property Type													
	No. Properties	Lettable Area	Vacancy Rate	Vacancy Rate	Current Rent	Market Value	Market Value	Market Value per sq m	Gross Multiplier on	Gross Multiplier on	NIY on Current	NIY on Market	WAULT *
		sqm	%	%	EUR p.a.	EUR	%	EUR per sqm	fold	fold			years
Residential – Multi-family house	1,296	1,882,268	7.1%	6.5%	111,670,044	1,878,340,000	92.5%	998	16.82	14.11	4.23%	5.36%	0.5
Residential – High-rise building	3	32,231	3.5%	4.4%	2,439,701	43,540,000	2.1%	1,351	17.85	15.63	4.40%	5.17%	2.7
Residential – One-/two-family house	5	868	—	—	46,509	750,000	0.0%	864	16.13	14.69	4.37%	4.92%	0.1
Residential – Apartment house	1	424	11.8%	12.7%	25,828	480,000	0.0%	1,132	18.58	14.53	3.72%	5.19%	0.2
Residentially dominated property	41	72,738	11.4%	9.3%	4,515,509	82,516,000	4.1%	1,134	18.27	15.24	3.82%	4.93%	2.1
Commercially dominated property	9	11,206	10.3%	9.4%	1,074,213	19,470,000	1.0%	1,738	18.12	15.90	4.28%	5.05%	2.1
Mixed-use property	1	349	—	—	25,247	400,000	0.0%	1,146	15.84	15.63	4.72%	4.80%	0.5
Commercial Park	1	30,707	46.3%	22.5%	608,194	3,230,000	0.2%	105	5.31	4.25	11.86%	16.74%	5.3
Infrastructure – Garage	13	—	—	18.2%	72,135	1,071,000	0.1%	—	14.85	11.59	4.35%	6.08%	0.1
Infrastructure – Parking space	2	—	—	36.3%	17,516	299,000	0.0%	—	17.07	11.03	2.50%	5.41%	0.1
Other	3	612	56.8%	41.3%	35,032	731,000	0.0%	1,194	20.87	11.49	2.65%	6.71%	0.2
Total	**1,375**	**2,031,403**	**7.8%**	**6.7%**	**120,529,927**	**2,030,827,000**		**1,000**	**16.85**	**14.15**	**4.23%**	**5.36%**	**1.1**

* Weighted Average Unexpired Lease Term (not considering contractual options to extend the lease agreements [Verlängerungsoptionen])

Breakdown of Market Value by Federal State

Geographical Portfolio Distribution by Market Value													
	No. Properties	Lettable Area	Vacancy Rate (Area)	Vacancy Rate (EPRA)	Current Rent	Market Value	Market Value (Share of Total)	Market Value per sq m	Gross Multiplier on Current Rent	Gross Multiplier on Market Rent	NIY on Current Rent	NIY on Market Rent	WAULT *
		sqm	%	%	EUR p.a.	EUR	%	EUR per sqm	fold	fold			years
Lower Saxony	435	934,137	4.5%	4.3%	59,062,629	1,014,098,000	49.9%	1,086	17.17	14.63	4.25%	5.23%	0.6
Saxony	344	295,735	15.5%	14.4%	15,071,258	268,670,000	13.2%	908	17.83	14.12	3.78%	5.34%	0.1
North Rhine-Westphalia	198	217,188	11.0%	5.9%	11,578,408	175,660,000	8.6%	809	15.17	12.84	4.60%	5.76%	2.8
Brandenburg	116	183,032	5.7%	4.8%	10,159,125	154,971,000	7.6%	847	15.25	12.76	4.62%	5.84%	0.1
Saxony-Anhalt	161	168,558	13.3%	12.0%	8,884,086	137,912,000	6.8%	818	15.52	12.81	4.42%	5.83%	0.6
Thuringia	65	84,025	10.8%	10.5%	5,242,831	97,036,000	4.8%	1,155	18.51	15.16	3.84%	5.02%	0.2
Rhineland Palatinate	18	37,247	4.2%	4.5%	3,268,857	61,980,000	3.1%	1,664	18.96	17.21	4.01%	4.53%	2.4
Mecklenburg Western Pomerania	12	48,812	3.6%	3.8%	2,768,214	44,970,000	2.2%	921	16.25	13.95	4.55%	5.52%	0.1
Hesse	8	16,129	3.2%	2.8%	1,503,995	29,310,000	1.4%	1,817	19.49	17.69	4.09%	4.59%	1.8
Bremen	9	27,575	3.6%	3.4%	1,639,080	25,500,000	1.3%	925	15.56	12.73	3.83%	5.19%	1.2
Schleswig Holstein	8	18,037	3.2%	3.1%	1,291,485	18,580,000	0.9%	1,030	14.39	11.34	5.07%	6.80%	1.6
Baden-Württemberg	1	929	38.5%	39.1%	59,959	2,140,000	0.1%	2,305	35.69	22.90	2.00%	3.62%	0.2
Total	**1,375**	**2,031,403**	**7.8%**	**6.7%**	**120,529,927**	**2,030,827,000**		**1,000**	**16.85**	**14.15**	**4.23%**	**5.36%**	**1.1**

* Weighted Average Unexpired Lease Term (not considering contractual options to extend the lease agreements [Verlängerungsoptionen])

Breakdown of Market Value by Tenure

Portfolio overview by Tenure													
	No. Properties	Lettable Area	Vacancy Rate (Area)	Vacancy Rate (EPRA)	Current Rent	Market Value	Market Value (Share of Total)	Market Value per sq m	Gross Multiplier on Current Rent	Gross Multiplier on Market Rent	NIY on Current Rent	NIY on Market Rent	WAULT *
		sqm	%	%	EUR p.a.	EUR	%	EUR per sqm	fold	fold			years
Freehold	1247	1,801,266	8.2%	6.8%	106,530,746	1,831,031,000	90.2%	1,017	17.19	14.36	4.20%	5.33%	1.1
Leasehold	128	230,137	5.3%	5.4%	13,999,181	199,796,000	9.8%	868	14.27	12.44	4.56%	5.58%	1.2
Total	1,375	2,031,403	7.8%	6.7%	120,529,927	2,030,827,000		1,000	16.85	14.15	4.23%	5.36%	1.1

* Weighted Average Unexpired Lease Term (not considering contractual options to extend the lease agreements [Verlängerungsoptionen])

Breakdown of Market Value by Ratio

Within the Subject Portfolio, there are no properties with a Market Value share of nearly 5.0% (or more) of the overall Portfolio Market Value.

B. Instructions and Sources of Information

I. Scope of Instruction

Preamble

ADLER Real Estate AG ("Adler") is a real estate company listed on the Frankfurt Stock Exchange. Savills Advisory Services Germany GmbH & Co. KG ("Savills"). ADO Properties S.A. ("ADO Properties") holds the majority of shares in Adler. This Valuation Report has been prepared pursuant to a framework agreement dated 1 May 2020 between Savills Advisory Services Germany GmbH & Co. KG ("Savills"), Brack German Properties B.V. ("BGP"), Brack Capital Properties N.V. ("BCP"), Adler and ADO Properties on the valuation of the Adler portfolio (the "Framework Agreement").

Savills hereby confirms that as at the date of this Valuation Report there is no existing or potential conflict of interest in relation to the properties to be valued as at the Valuation Date or Report Date.

As instructed, we compiled and delivered for the given purpose this condensed report, which is a summary of the full Valuation Report (the "Original Report") and which will be incorporated in a prospectus prepared in connection with the Offering.

Instruction

Savills carried out a determination of Market Value of the respective freehold interests of the properties in the subject portfolio (as defined below). For the purposes of this Valuation Report references to a "subject property" or "subject properties" shall mean a reference to any property or properties within the Adler portfolio.

The valuation is in accordance with the RICS Global Valuation Standards effective since 31 January 2020 of the Royal Institution of Chartered Surveyors ("Red Book") and the International Standards for the Valuation of Real Estate for Investment Purposes ("International Valuation Standards").

The Market Value is consistent with the "Fair Value" in accordance with IFRS 13 of the International Financial Reporting Standards (IFRS), published by the International Accounting Standards Board (IASB).

Please note that Savills has already carried-out previous valuations of parts of the subject portfolio for Adler as at 31 December 2017, 31 March 2018, 30 June 2018, 30 September 2018, 31 December 2018 and 30 June 2019.

Subject Portfolio

The subject portfolio comprises 1,375 mainly residential properties that are located throughout Germany. Please refer to the table below for an overview of the subject properties by property type:

Portfolio Overview							
	No. Properties	Lettable Area sqm	Vacancy Rate (Area) %	Vacancy Rate (EPRA)	Current Rent EUR p.a.	WAULT * years
Residential	1,305	1,915,791	7.1%	6.4%	114,182,082	0.6
Mixed-use property	51	84,292	11.2%	9.3%	5,614,969	2.1
Commercial Park	1	30,707	46.3%	22.5%	608,194	5.3
Infrastructure	15	0		22.3%	89,651	0.1
Other	3	612	56.8%	41.3%	35,032	0.2
Total	**1,375**	**2,031,403**	**7.8%**	**6.7%**	**120,529,927**	**1.1**

* Weighted Average Unexpired Lease Term (not considering contractual options to extend the lease agreements [Verlängerungsoptionen])

1,361 of the 1,375 subject properties are considered as properties producing sustainable rental income, whereas the remaining 14 properties are subject to liquidation (0.15% of the lettable area respectively 0.003% of the Market Value).

Scope of Work Carried Out

- In the assessment of the Market Value of the Subject Portfolio, inter alia, the following procedures were carried out:
- Analysis and interpretation of the portfolio information provided by the Instructing Party, e.g. tenancy and property schedules, data room information and other data materials relevant to the valuation,
- Site inspections of all 1,375 subject properties in the years 2018 and 2019 in the course of the previous update valuations of Adler,
- Analysis of market, location and situation for each of the subject properties,
- Determination of Market Value at property level.

Instructing Party

ADO Properties S.A.

1B, Heienhaff

1736 Senningerberg

Grand Duchy of Luxembourg (Hereinafter referred to as „Instructing Party")

Addressees

The Valuation Report is addressed to and only for the use of the Instructing Party and the following banks: J.P. MORGAN SECURITIES PLC (25 Bank Street, Canary Wharf, London E14 5JP, UK), VAN LANSCHOT KEMPEN WEALTH MANAGEMENT N.V. (Beethovenstraat 300, 1077 WZ Amsterdam, The Netherlands), BARCLAYS BANK PLC (5 The North Colonnade, Canary Wharf, London E14 4BB, UK) and DEUTSCHE BANK AKTIENGESELLSCHAFT (Taunusanlage 12, 60325 Frankfurt am Main, Germany) (each of them hereinafter referred to as an „Addressee“ and all of them together as „Addressees“), provided that, in relying on this Valuation Report, each of the Addressees acknowledges and agrees that:

(a) this Valuation Report refers to the position at the date the Original Report was originally issued and, unless otherwise confirmed by us in writing, Savills has taken no action to review or update the Valuation Report since the date it was originally issued;

(b) Savills aggregate liability to any one or more or all of the Addressees in respect of the Valuation Report and the Original Report shall be limited to EUR70million; and

(c) the Valuation Report is subject to the terms and conditions set out in the Framework Agreement as varied by the terms contained in the Valuation Report

The Valuation Report was prepared on the basis of the Framework Agreement. Savills is liable for contractual demands to the Addressees of the Report only.

Valuer

Savills Advisory Services Germany GmbH & Co. KG

Taunusanlage 18

60325 Frankfurt am Main

Germany

(Hereinafter referred to as „Savills“)

Purpose of Valuation

This Valuation Report is for inclusion in a securities prospectus (the "Prospectus") in connection with the proposed offering of subscription rights issue ("*Bezugsrechtsemission*") and subsequent issue of new ordinary shares in dematerialized form with no nominal value of ADO Properties (the "Offering"). The Offering comprises a public offering of securities by ADO Properties in Germany and Luxembourg.

Savills prepared this Valuation Report only and accepts no responsibility for any other part of the Prospectus prepared in connection with the Offering.

Savills consents in principle to the Valuation Report being included in the investor materials in connection with the Offering on the terms as set out in the Framework Agreement and until such time as Savills have first approved the form and context in which the Valuation Report appears.

Liability

Savills aggregate liability to any one, or more, or all of the Addressees or any other party who otherwise becomes entitled to rely upon the Valuation Report or the Original Report, under or in connection with this agreement and the Valuation Report, however that liability arises (including, without limitation, a liability arising by breach of contract, arising by tort, including, without limitation, the tort of negligence, or arising by breach of statutory duty) shall be limited to EUR 70 million.

For the avoidance of doubt, the Addressees (including the addressees of the Original Report) agree that the total aggregate liability of Savills in respect of both the Valuation Report and Original Reports shall be EUR 70,000,000, and this liability cap shall apply across both the Valuation Report and the Original Reports

The limitation on Savills aggregate liability to all of the Addressees of both the Original Report and the Valuation Report shall be apportioned by them amongst them. No Addressee shall dispute or challenge the validity, enforceability or operation of this clause on the ground that no such apportionment has been so agreed or that the agreed share of the limitation amount apportioned to any Addressee is unreasonably low. For the avoidance of doubt, this liability cap shall apply in respect of both the Original Report and the Valuation Report.

Date of Valuation

31 December 2019

Report Date

The report date is 7 April 2020. The Valuation Report refers to the position as at the date it was originally issued and Savills has taken no action, nor is it obliged to take any action, to review or to update the Valuation Report since the date it was originally issued.

Currency

The relevant currency for this valuation is EUR.

Interest Valued / Tenure

In total, 1,247 properties are held on the German equivalent of freehold title. The other 128 properties are held on leasehold title.

Publication / Disclosure

Savills acknowledges and agrees that this Valuation Report will be published in unchanged form in the Prospectus for the purpose of the Offering. The Offering will comprise a public offering of securities by ADO Properties in Germany and Luxembourg.

With the exception of the above, neither the whole nor any part of our Valuation Report nor any reference thereto (except references used in the Prospectus) may be included in any other published document, circular statement nor published in any way without our prior written approval of the disclosure and the form and context in which it will appear.

Subject to the terms of the Framework Agreement, the Valuation Report may be disclosed by the Addressees on a strictly non-reliance and without liability basis (i) to their legal and other advisors, and (ii) to competent authorities (i.e. the CSSF). Any other disclosure requires Savills's prior written consent at its sole discretion.

Nature and Source of Information relied on

The valuation has been substantially and mainly based upon the information supplied to us by Adler. Please refer to Section II "Sources of Information and Inspection" for a more detailed list of the information Savills has relied upon for the purposes of preparing this Valuation Report.

Definition of Market Value

Our valuation has been carried out in accordance with the RICS Global Valuation Standards effective since 31 January 2020 of the Royal Institution of Chartered Surveyors ("Red Book").

We have been instructed to value the subject properties on the basis of Market Value in accordance with RICS Global Valuation Standards 2020 (the "Red Book") which is defined as follows:

"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 and where the parties had each acted knowledgeably, prudently and without compulsion."

The "Market Value" is consistent with the "Fair Value" in accordance with IFRS 13 of the International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board (IASB), which is defined as follows:

"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 assessment of Market Value has been carried out by Savills 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 Valuation Standards of the Royal Institution of Chartered Surveyors (Red Book) and in accordance with the relevant prospectus regulations applicable in Germany, including the CESR recommendations for the consistent implementation of the Committee of European Securities Regulators on prospectus 20 March 2013 (ESMA Update of the CESR recommendations).

For the avoidance of doubt, a valuation complying with the "Red Book" requirements is compliant with the International Valuation Standards (IVS) and the Market Value pursuant to § 194 BauGB (German Building Code).

We confirm that we have sufficient current local and national knowledge of the particular property market involved and have the skills and understanding to undertake the valuation competently.

Place of Performance & Jurisdiction

German law applies. The place of performance and jurisdiction is Frankfurt/Main, Germany.

Assignment of Rights

The Addressees of this Valuation Report are not entitled to assign their rights under or in respect of the Framework Agreement and this Valuation Report – either whole or in parts – to any third parties.

Declaration of Independence & Status of Valuer

Savills hereby confirms to the best of its knowledge and belief that it has prepared this Valuation Report in its capacity as external valuer (as defined in the "Red Book") and independent expert.

We further confirm that Savills is not aware of any actual or potential conflict of interest that might have influenced its independent status.

The total fees, earned by Savills Germany from Adler (or other companies forming part of the same group of companies), is less than 5% of the total German revenues earned by Savills Germany in the financial year 2017, 2018, 2019 or 2020.

II. Sources of Information and Inspection

Information Sources

For the purpose of this Valuation Report we have mainly relied on the following information, provided to us by Adler via data room access:

- Rent roll regarding December 2019 as at 10 January 2020

- Updated Capex by figures by Adler as at 23 December 2019
- Updated file regarding ground rents of leaseholds as at 13 December 2019
- Rent overview of rent free periods as at 15 January 2020
- Actual planning figures of the project developments in Göttingen and Wolfsburg as at 13 December 2019
- Excel lists prepared by Adler containing the land register information of all 1,376 subject properties (partially, the land registers were also provided as PDF excerpts)
- Excel overview regarding historical listings
- Previous valuation reports for Adler as at 31 December 2017, 31 March 2018, 30 June 2018, 30 September 2018, 31 December 2018 and 30 June 2019

We have also included following sources into our valuation:

- Savills Research
- Local Land Valuation Boards and other local authorities
- Empirica online-database
- RIWIS online database
- WiGeoGis
- Google Maps

Individual questions and inconsistencies within the data could be clarified with the Instructing Party via a Q&A (question & answer) template & process.

Inspection

In accordance with our instruction, we did not carry out any inspections for this valuation as all 1,375 subject properties have been inspected in the years 2018 and 2019 for the previous valuations for Adler. The Instructing Party agreed that a second inspection is not necessary for the valuation as at 31 December 2019.

In total, for 546 properties full-inspections were carried-out and 829 subject properties were inspected on a drive-by basis. Drive-by basis means that we did not had access to the inside of the properties. We inspected the properties only externally. In some cases we also had no access to the rear of the properties.

In the course of this update valuation we did not inspect these properties again. We assumed that no material changes to the subject properties took place between the last inspection dates and the date of valuation 31 December 2019.

All conclusions made by Savills with regard to the condition and the actual characteristics of the land and buildings have been based on our inspection of the subject properties and on the documents and information provided (please see above).

In the event that only partial internal inspections were possible, it will be assumed that the parts that were inspected are typical of the remainder.

For the avoidance of doubt, Savills did not carry out any building or structural surveys of the subject properties nor tested any of the electrical, heating or other services.

The properties were not measured as part of Savills' inspection, nor were the services or other installations tested.

All Savills' conclusions resulting from the inspections are based purely on visual investigations without any assertion as to their completeness.

Furthermore, investigations that might cause damage to the subject properties have not been carried out. Statements about parts of the structure or materials that are covered or otherwise inaccessible are based on the information or documents provided (or on assumptions, respectively).

C. Portfolio Overview

Short Portfolio Profile

Subject to this Condensed Report are 1,375 subject properties. Thereof 1,346 are mainly residential properties with ca. 32,000 apartments which are located all over Germany. The other 29 properties are commercial (11), parking (15) and other properties (3). The largest property clusters are in Lower Saxony (435) and Saxony (344). According to the provided rent roll the lettable area amounts to ca. 2,031,403 sqm with a Current Rent of EUR 120,529,927 p.a. as at valuation date 31 December 2019.

Tenure

In total, 1,247 properties are held on the German equivalent of freehold title. The other 128 properties are held on leasehold title.

Portfolio Composition

The portfolio is comprised of the following types of space and units:

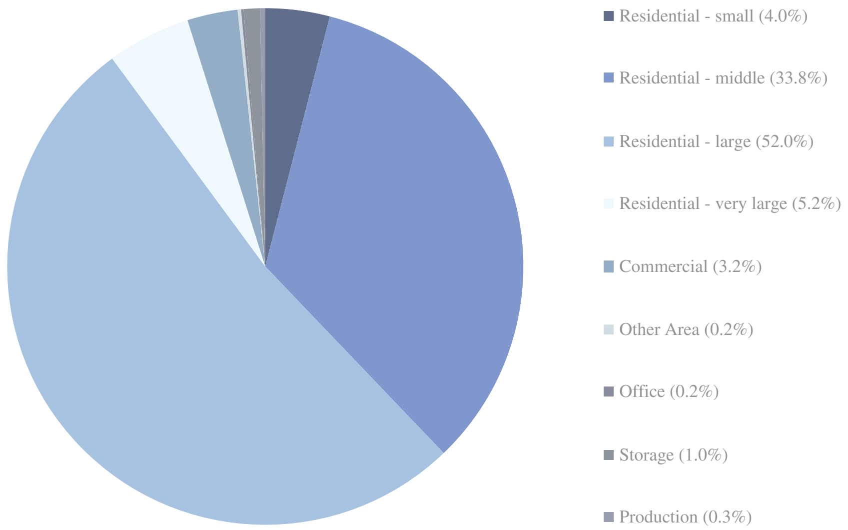
Portfolio overview by use *					
	Lettable area sq m	Vacancy	Current rental income EUR p.a.	Average remaining lease term years	Current rental income with lease expiry
Residential—small	81,838	9.3%	5,582,216	0.14	5.5%
Residential—middle	687,032	6.9%	40,408,160	0.13	3.3%
Residential—large	1,057,166	6.4%	62,301,037	0.14	3.1%
Residential—very large	106,370	7.1%	6,002,608	0.12	2.8%
Commercial	64,170	19.0%	4,040,457	2.56	30.7%
Other Area	4,435	63.5%	16,703		—
Office	3,107	96.0%	4,500	1.83	100.0%
Storage	20,673	53.7%	322,056	1.48	30.5%
Production	6,611	—	222,777	6.84	100.0%
Subtotal	**2,031,403**	**7 .8%**	**118,900,512**	**1.00**	**4.5%**

	Lettable units number	Vacancy	Current rental income EUR p.a.	Average remaining lease term years	Current rental income with lease expiry
Internal Parking	2,491	24.7%	787,257	0.09	3.3%
External Parking	3,254	44.2%	492,301	3.51	5.5%
Other Unit	332	34.0%	349,856	5.13	35.5%
Subtotal	**6,077**	**35.6%**	**1,629,415**	**4.15**	**10.9%**
Total			**120,529,927**	**1.11**	**4.6%**

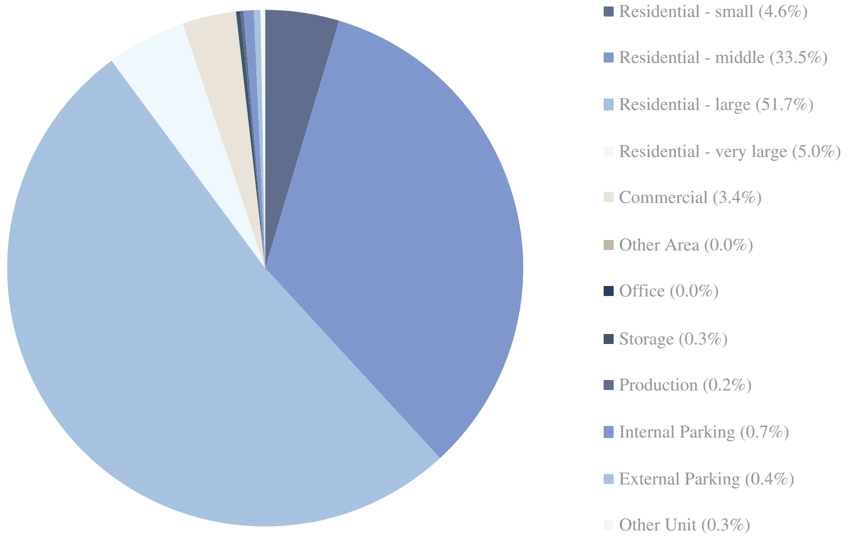
* As at date of valuation; not including future lease contracts

Residential small: < 40 sqm, Residential middle: 40 sqm to < 60 sqm, Residential large: 60 sqm to < 90 sqm, Residential very large: 90 sqm and more

Distribution of lettable area per use



Distribution of current rental income per use

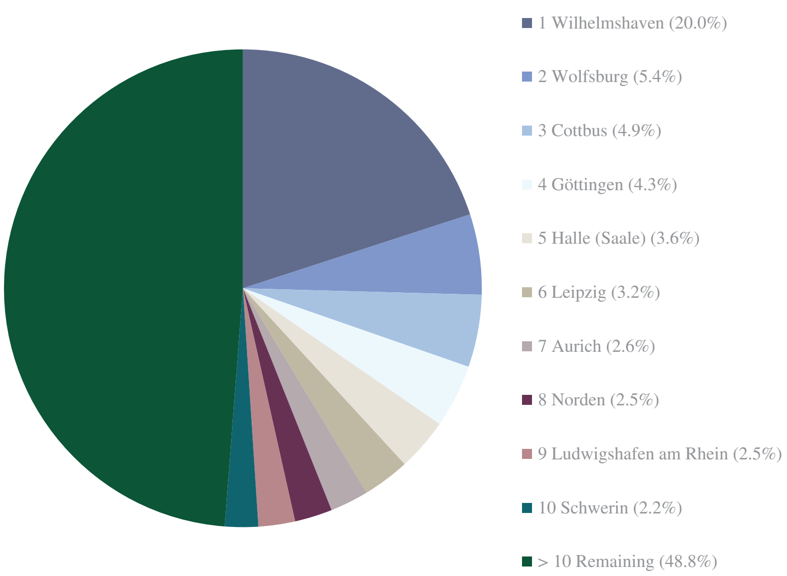


Location Analysis

The total gross rental income is diversified over many different municipalities of the portfolio. The largest cluster is Wilhelmshaven with ca. 20.0% of the total gross rental income followed by Wolfsburg with ca. 5.4%.

Top 10 municipalities by current rental income			
# Municipality	Lettable area sq m	Lettable units number	Current rental income EUR p.a.
1 Wilhelmshaven	407,953	1,082	24,097,357
2 Wolfsburg	87,623	50	6,556,682
3 Cottbus	110,045	96	5,901,936
4 Göttingen	76,141	265	5,165,773
5 Halle (Saale)	80,476	33	4,280,808
6 Leipzig	67,337	94	3,823,760
7 Aurich	52,489	97	3,144,145
8 Norden	46,701	35	3,062,807
9 Ludwigshafen am Rhein	34,128	174	2,987,015
10 Schwerin	48,021	23	2,709,367
> 10 Remaining	1,020,488	4,128	58,800,278

Top 10 municipalities by current rental income



D. VALUATION CONSIDERATIONS

In this chapter we comment on our individual considerations in order to arrive at our Opinion of Market Value.

Please note that our opinion of value is carried out on the basis of a number of assumptions. In the absence of any information to the contrary in the Report, our Opinion of Value is based on, and subject to, the General Valuation Assumptions as described in section H.I of this Report together with the specific assumptions as stated in this report (including without limitation this section D).

In case of any discrepancies the specific assumptions as described in the following will prevail over the General Assumptions. If any of the aforementioned assumptions (General Assumptions or specific assumptions or other) are subsequently found to be incorrect or invalid, our Opinion of Value may need to be reconsidered.

I. Method of Valuation

General Valuation Procedure

The valuation has been carried out on a single property basis. Each property has been valued individually.

Valuation Model

For the 1,361 long-term income-generating properties, we have used a Discounted Cash Flow (DCF) model.

Properties with buildings in a very bad technical condition that do not allow for sustainable revenue generation have been valued according to a Liquidation Value Method (land value less demolition costs and, if applicable, including remaining net operating income). We applied this approach for 14 subject properties.

For more details about the DCF model and the underlying definitions of the key parameters, please refer to Chapter H "General Valuation Assumptions and Applied Definitions" of this Valuation Report.

II. Portfolio Considerations

1. Constituents of the Subject Properties

Fixtures in the subject properties, such as passenger and goods lifts, other conveyor installations, central heating installations and other technical installations have been regarded as integral parts of the subject properties and have, therefore, been reflected in our determination of Market Value. Tenant's fixtures and fittings that would normally be the property of the tenant have not been reflected in our valuation.

2. Legal Aspects

Land Register

Savills has been provided with land register lists in excel for all 1,375 subject properties and land register PDF files for 1,315 subject properties (ca. 96%). Savills compared more than 10% (140) of the provided PDF land register excerpts with the excel files. This comparison did not reveal any relevant differences. We assume that the information contained in these excel files are correct.

According to the provided information 1,247 valuation units are held on freehold title and 128 on leasehold title. The total ground rent of the 128 leasehold properties of the portfolio amounts to EUR 801,206 p.a. which we accordingly considered in our valuations.

In the provided land register excel files are several encumbrances regarding the subject properties like transformer station rights, pipeline way leaves, cable rights, right of ways and restricted personal easements. Based on the information available to us we did not find any indication that the use of the properties is directly affected by the encumbrances and restrictions registered under Section II. Therefore we have assumed no direct impact on value in these regards.

Further Legal and Environmental Aspects

We asked for the following documents:

- Public encumbrances
- Soil contamination
- Building contamination
- Planning law
- Building permits

- Area restrictions
- Other third party rights

Adler currently does not have all documents complete and structured due to the large number of subject properties. Thus, these demanded documents were mainly not provided to Savills.

In this regard Savills made the assumption that possible issues have no direct material impacts on the subject property values.

Furthermore, Savills made the assumption that possible but usually not material value influences by legal aspects balance each other out at subject portfolio level.

Public Encumbrances

We received information on public encumbrances for 176 valuation properties by Adler which equals ca. 13% of the portfolio. The analysis of these files did not show any value effecting encumbrances. For the remaining, we assume that further public encumbrances have no impact on value.

Soil Contamination

Adler provided information on contaminated sites from the authorities for 86 subject properties which all were analysed by Savills. There is a potential contaminated site risk for 13 properties. We have not received precise cost estimates. We do not anticipate an impact on value if the current use is maintained.

Furthermore, Savills received information on the commercial park in Brilon (1026.001) where contaminations were detected. These were considered in the valuation accordingly.

Historical Monuments

Adler has provided an Excel overview that shows for almost all properties whether they are listed or not. Apart from that Adler provided documents by the respective authorities for 182 subject properties regarding historical listings. Accordingly, the portfolio contains 88 monuments. No information was available for 4 properties. The remaining 1283 properties are no monuments according to Adler.

Subsidies

As at valuation date 24 subject properties are affected by rent restrictions. For 22 of these properties we considered the rent restriction in the Current Rent and for re-lettings until the expiration date of the subsidy and applied the respective unrestricted Market Rent for re-letting afterwards.

We were not provided with the information on the rent restrictions (and subsidy expiries) for two properties (A1019.001 and A1019.002) for the valuation as at 31 December 2019. The expiry dates were provided by Adler following the valuation. The Market Value of the two properties equals 0.18% of the Total Portfolio Value.

3. Technical Aspects

We have been provided with information regarding planned capex measures by the Instructing Party for the years 2020 until 2024. We considered all Capex numbers ≥ EUR 10,000.

Overall the (undiscounted) Capex amount to ca. EUR 74.07m (ca. EUR 36 per sqm) for the whole subject portfolio over the next 4 years.

Please note that Savills has not been instructed to perform any technical due diligence and does not possess the necessary detailed technical information.

4. Tenancy Aspects

Rent Roll Information

Our valuation is based on the rent roll for December 2019 of the subject properties received by the Instructing Party as at 10 January 2020.

A full verification of the provided tenancy schedule and the available lease agreements was not part of the scope of this Instruction. Savills therefore relied on the content of the tenancy schedule provided and assumed that the provided document reflects the status quo of all tenancies as at the Date of Valuation 31 December 2019 to a true and comprehensive extent. Please note that Savills cannot verify the accuracy or the completeness of the information of subject tenancies provided to Savills.

Overdue rent payments

Savills has not checked the status of contractually agreed rent payments as at the Date of Valuation. Provided that Savills had no information to the contrary, we have assumed that there are no overdue rent payments.

Lettable Area

In our valuation approach we have generally assumed that the provided information regarding lettable area is in line with the "Richtlinie der Gesellschaft für Immobilienwirtschaftliche Forschung e.V." (gif). We recommend a measurement of all properties according to gif to eliminate current uncertainties.

Please note that it may turn out in a formal measurement that the assumed size or split of lettable areas differs from the correct lettable areas per type of use. In this case our assumptions and valuation results have to be reconsidered and may have to be adjusted.

Structural Vacancy

Please note, we considered ca. 18,193 sqm as structurally vacant which is 0.9% of the total portfolio and affects 59 subject properties. Approx. the half of the structurally vacant area refers to the commercial park in Brilon (1026.001) with 9,122 sqm. Another 2,872 sqm refer to the 10 liquidation properties. The remaining 6,199 sqm refer to 48 subject properties with rather small shares of structurally vacant areas (129 sqm on average).

5. Environmental Aspects

Adler provided information on contaminated sites from the authorities for 86 subject properties which all were analysed by Savills. There is a potential contaminated site risk for 13 properties. We have not received precise cost estimates. We do not anticipate an impact on value if the current use is maintained.

Furthermore, Savills received information on the commercial park in Brilon (1026.001) where contaminations were detected. These were considered in the valuation accordingly.

Please note that Savills has not been instructed to perform any environmental due diligence and does not possess the necessary detailed technical information. Therefore, Savills assumes without verification the accuracy and completeness of the provided information to Savills in this context. Should it subsequently turn out that additional contamination exists at the properties this may have a detrimental effect on the value reported.

6. Properties Subject to Liquidation

The portfolio includes 14 liquidation properties which are either undeveloped plots of land or do not generate a sustainable rental income or the underlying land value exceeds the value of the properties in their current use. For these properties, the land value less any assumed demolition costs for the existing buildings is determined.

In case there are existing lease agreements subject to these properties, the assumed liquidation takes place after expiry of the last lease agreement. Up to this point, the net operating income from the buildings is discounted and finally added to the discounted future liquidation value.

Liquidation Properties													
Adler WE-Code	Portfolio	Postal Code	Municipality	Lettable Area	Vacant Area	Vacancy	Gross Current Rent	Gross Market Rent	Market Value	Market Value	Tenure	Liquidation Date	Land Area
				sq m	sq m		EUR	EUR	EUR	EUR per sq m			sq m
2150.206	Magnus III	6449	Aschersleben	296	205	69.1%	4,277	—	—	—	Freehold	30/06/2021	356
2150.207	Magnus III	6449	Aschersleben	261	261	100.0%	—	—	—	—	Freehold	30/06/2021	583
2150.208	Magnus III	6449	Aschersleben	285	147	51.8%	7,912	—	—	—	Freehold	30/06/2021	518
2150.209	Magnus III	6449	Aschersleben	309	260	84.1%	2,580	—	—	—	Freehold	30/06/2021	290
2150.210	Magnus III	6449	Aschersleben	263	205	78.1%	3,321	—	—	—	Freehold	30/06/2021	294
2150.211	Magnus III	6449	Aschersleben	305	252	82.5%	1,944	—	—	—	Freehold	30/06/2021	690
2150.212	Magnus III	6449	Aschersleben	285	285	100.0%	—	—	—	—	Freehold	30/06/2021	697
2150.213	Magnus III	6449	Aschersleben	269	269	100.0%	—	—	—	—	Freehold	30/06/2021	778
2150.214	Magnus III	6449	Aschersleben	308	201	65.3%	4,992	—	—	—	Freehold	30/06/2021	756
2380.040	Senftenberg	1968	Senftenberg	373	291	78.0%	2,952	—	20,000	11	Freehold	01/01/2020	1,875
				2,954	**2,376**	**80.4%**	**28,673**	**1,260**	**67,000**	**8**			**7,971**

III. Basic Cash Flow Considerations

Preamble

The following summaries of the valuation assumptions and parameters relate to the 1,375 subject properties. In the following section, we seek to comment on all input parameters in our valuation model. Besides a general description of each parameter, the applied ranges of those parameters will be stated, too. The considered parameters result in a value of the individual properties, which were verified by means of appropriate comparable transactions.

Consideration of Rental Cap Law ("Mietpreisbremse")

On June 1 2015, the new federal Tenancy Law Amendment Act on rent control entered into force in Germany. The act authorises individual German federal states to enact regulations in form of temporary rent caps. Besides others, many German cities as Berlin, Hamburg and Munich as well as many large cities in North-Rhine-Westphalia use the rental cap and regulate the residential market today.

The "brake of rents" ("Mietpreisbremse") prohibits landlords in areas designated as "tight housing markets" from charging a rent that is more than 10% above the local average rent for a comparable property (Civil Code § 556d).

However, this prohibition only applies to new leases. If the rent charged to the last tenant was above the 10% limit, a landlord is allowed to demand from a new tenant a rent up to the amount charged in the last lease (§ 556e BGB). The average rents for comparable properties are generally defined in local qualified rent indices ("qualifizierte Mietspiegel"). Nevertheless, existing leases already faced a rent cap ("Kappungsgrenze") of not more than 20% of the average local rent charged within a three-year period (§ 558 BGB). Some cities have reduced the rent cap to 15%. Furthermore, exclusions apply to properties built after October 1, 2014, or to apartments that have been fully modernised (§ 556f BGB). An apartment is considered fully modernised if the extent of the modernisations is comparable to a new property.

In our valuation, the rent cap law was considered for 29 properties or valuation units (VU), as the case may be, altogether. Please note that the rent cap law was only considered in areas which advise a qualified rent index ("qualifizierter Mietspiegel").

Consequently, the local average rent for a comparable property as stated in the locally qualified rent index + 10% was applied as the market rent in our valuation for properties which are subject to both the Tenancy Law Amendment Act and a qualified rent index. However, if the current rent was already above the local average rent + 10%, the current rent was further applied in the valuation. For other properties, the applied market rents were based on contractual and asking comparables "on a free market" as available in Savills´ database and through empirica.

Berlin's New Rental Cap ("Berliner Mietendeckel")

The law to limit rents in housing in Berlin (MietenWoG Bln) was passed by the Berlin House of Representatives on 30 January 2020 and came into force on 23 February 2020.

Since the subject portfolio does not contain any properties in Berlin, no further explanation of this law is given here.

Estimated Rental Value (ERV)

Estimated rental values ("market rents") indicated in this report are those which have been adopted by us as appropriate in assessing the capital value or the letting potential of the properties, being subject to market conditions that are either current or are expected in the short term. They are based on our experience in the markets and our knowledge of actual comparable market activity.

For the purpose of comparison, we considered market evidence by assessment of actual lettings of units with the same or a closest comparable use, where applicable and available. Applied ERVs range as follows in the subject properties:

Market rent			
	Minimum	Maximum	Average*
	EUR per sq m p.m.	EUR per sq m p.m.	EUR per sq m p.m.
Residential – small	4.25	15.00	6.95
Residential – middle	4.00	15.00	5.85
Residential – large	3.75	10.42	5.86
Residential – very large	3.50	9.25	5.51
Commercial	0.50	22.00	6.07
Other Area	—	15.00	1.82
Office	3.00	3.00	3.00
Storage	2.75	2.75	2.75
Production	2.75	2.75	2.75
Internal Parking	—	130.00	35.51
External Parking	—	500.00	20.88
Other Unit	—	1,020.00	169.65

* weighted by sq m /units

Non-Recoverable Costs

Ancillary costs of a property are generally costs of

- ongoing maintenance,
- management and
- other non-recoverable costs.

These costs can generally be allocated to the responsibility of tenants in commercial leases – at least to a very high degree of total costs – whereas there are much stricter regulations for residential leases. Residential tenants may only be obliged to bear services charges as defined in the Ordinance of Services Charges (*Betriebskostenverordnung*) but must never – by law – be made responsible for costs of maintenance or management.

For the purpose of valuing the subject properties, we did not receive details of the amount of non-recoverable costs which remains to be borne by the owner. Therefore, we applied common appropriate assumptions in our valuation.

Costs of Ongoing Maintenance

For costs of ongoing maintenance we have assumed the following for the respective types of use:

Maintenance			
	Minimum EUR per sq m p.a.	Maximum EUR per sq m p.a.	Average* EUR per sq m p.a.
Residential – small	6.00	11.00	8.59
Residential – middle	6.00	11.00	8.63
Residential – large	6.00	11.00	8.38
Residential – very large	6.00	11.00	8.62
Commercial	2.00	9.50	6.88
Other Area	—	4.00	2.62
Office	6.00	6.00	6.00
Storage	3.00	3.00	3.00
Production	3.00	3.00	3.00
Internal Parking	25.00	50.00	49.96
External Parking	10.00	50.00	24.93
Other Unit	—	50.00	0.15

* weighted by sq m /units

Our approach considers both, that commercial tenants bear a considerable portion of maintenance costs, i.e. in their units and of all fixtures and fittings, but that it is also likely that the owner shall bear costs of maintaining the roof and structure ("Dach und Fach"). We assume the applied cost estimation to be sufficient to at least maintain the respective property in the current condition.

All costs include annual inflation which will be adjusted each year of the DCF term.

Management Costs

For the subject properties we have allowed management costs as costs per unit or as a percentage of the annual market rent:

Management Costs	Minimum	Maximum	Average*
	EUR per unit p.a.	EUR per unit p.a.	EUR per unit p.a.
Residential – small	200	300	220
Residential – middle	200	325	227
Residential – large	200	350	227
Residential – very large	200	350	238
Commercial	—	4,940	183
Other Area	—	149	16
Office	—	1,031	171
Storage	—	1,671	205
Production	561	4,270	2,182
Internal Parking	50	50	50
External Parking	50	50	50
Other Unit	—	50	50

* weighted by number of units

For the residential units we applied Management Costs per unit between EUR 200 and EUR 350 p.a.

For office, storage and production use we applied 3.0% on average of the Market Rent. For other commercial uses we considered 2.0% of the Market Rent on average.

Our approach is to reflect a common level of management costs under consideration of the type and complexity of the asset and relevant utilisation(s). We generally assumed the subject asset to require a normal management effort.

Please note all costs include annual inflation which will be adjusted each year of the DCF term.

Non-Recoverable Costs on Vacancy

These are generally non-recoverable service charges, for example any operational costs, which may need to be borne by the landlord should a tenant become unable to pay for any reason (e.g. insolvency) or in the general case of vacancy. These costs are incurred in addition to the regular non-recoverable ancillary costs as explained above.

In the absence of more detailed information of actual non-recoverable costs in the case of vacancy, we considered non-recoverable ancillary costs per sqm p.m. for vacant area as follows:

Vacancy costs			
	Minimum	Maximum	Average*
	EUR per sq m p.m.	EUR per sq m p.m.	EUR per sq m p.m.
Residential – small	1.00	1.00	1.00
Residential – middle	1.00	1.00	1.00
Residential – large	1.00	1.00	1.00
Residential – very large	1.00	1.00	1.00
Commercial	0.25	1.00	1.00
Other Area	—	0.50	0.45
Office	0.75	0.75	0.75
Storage	0.25	0.25	0.25
Production	0.25	0.25	0.25
Internal Parking	—	—	—
External Parking	—	—	—
Other Unit	—	—	—

* weighted by sq m /units

Please note that these costs will only be applied to vacant space and only for the assumed duration of vacancy.

The vacancy costs are only relevant after the expiry of the current lease contracts and initial vacancy.

Void Periods for Current Vacancy and Void Periods after Expiry of Leases

Voids generally represent the time period between the expiry of a lease and the start date of a new lease.

There is currently some initial vacancy in the subject properties. For these units, we have estimated 'Void Periods of Current Vacancy' which are starting at the beginning of the next full month following the reference date of this valuation (the 'projection date').

We have assumed the following void periods for current vacancy:

Void period of current vacancy			
	Minimum months	Maximum months	Average* months
Residential – small	3.00	10.00	3.35
Residential – middle	3.00	15.00	3.83
Residential – large	2.00	15.00	3.88
Residential – very large	2.00	12.00	3.47
Commercial	9.00	9.00	9.00
Other Area	9.00	9.00	9.00
Office	9.00	9.00	9.00
Storage	9.00	9.00	9.00
Production			
Internal Parking	9.00	9.00	9.00
External Parking	9.00	9.00	9.00
Other Unit	9.00	9.00	9.00

* weighted by market rent

Those units which are currently let and which become vacant in the future will be subject to the 'Void Periods after Expiry of Leases'. For all units where leases expire in the future and during the upcoming DCF term of 10 years, we considered the following void periods:

Void Period after expiry of leases			
	Minimum months	Maximum months	Average* months
Residential –small	2.00	6.00	3.00
Residential – middle	2.00	6.00	3.00
Residential – large	2.00	6.00	3.08
Residential – very large	2.00	6.00	2.99
Commercial	3.00	9.00	6.01
Other Area	—	12.00	6.55
Office	12.00	12.00	12.00
Storage	12.00	12.00	12.00
Production	12.00	12.00	12.00
Internal Parking	2.00	12.00	5.78
External Parking	2.00	12.00	5.68
Other Unit	2.00	12.00	6.29

* weighted by market rent

Leasing Commissions

German law does not restrict the charging of agency fees on lettings for commercial properties. In the event that the administration is not able to recover some of the letting costs, book allowances have been made at this level to reflect the management expenses incurred in letting, e.g. meetings to negotiate lease terms, newspaper adverts etc. For residential lettings, agency fees are limited to two months' rent by law.

For the purpose of this valuation, we generally have assumed that letting fees equivalent to

- 2 months' rent for residential units and
- 0 to 3 months' rent for commercial units

would be incurred by the landlord on re-letting for all types of re-lettable units.

Costs of Unit Refurbishment ("Tenant Improvements")

It is frequently the tenant's responsibility to redecorate and to carry out at least minor repairs. When there is a change of tenant, however, additional expenses for basic repairs and a more comprehensive renovation of the unit must normally be allowed for in order to assist marketing and re-letting.

In our DCF model, we differ between costs of "First Time Tenant Improvements" and of "Continuing Tenant Improvements". First time refurbishment costs will be applied to units which are currently vacant and to units which are now let but will become vacant for the first time during the applied DCF term. 'Continuing tenant improvements' will accordingly be applied to remaining cases, i.e. units where there is a second lease expiration during the applied DCF term.

Our DCF model generally considers these costs of refurbishment at the end of the assumed letting void.

We have allowed the following first-time refurbishment costs:

First- time refurbishment costs			
	Minimum EUR per sq m	Maximum EUR per sq m	Average* EUR per sq m
Residential – small	30	180	62
Residential – middle	—	180	76
Residential – large	—	180	76
Residential – very large	—	180	68
Commercial	—	120	99
Other Area	—	10	8
Office	50	50	50
Storage	10	10	10
Production	10	10	10
Internal Parking	—	—	—
External Parking	—	—	—
Other Unit	—	—	—

* weighted by sq m /units

We have allowed the following continuing refurbishment costs:

Continuing refurbishment costs			
	Minimum EUR per sq m	Maximum EUR per sq m	Average * EUR per sq m
Residential – small	30	50	32
Residential – middle	30	50	32
Residential – large	30	50	33
Residential – very large	30	50	34
Commercial	15	30	30
Other Area	—	10	8
Office	50	50	50
Storage	10	10	10
Production	10	10	10
Internal Parking	—	—	—
External Parking	—	—	—
Other Unit	—	—	—

* weighted by sq m /units

Average Lease Term for new Lettings

Under German law, residential tenancies are usually agreed for an indeterminate period. Commercial tenancies in Germany are usually agreed for a fixed period of 5 or 10 years, sometimes longer.

For the purpose of this valuation and based on our experience, we have applied the following lengths of tenancy for any potential new letting in the subject asset:

Duration of new lease			
	Minimum years	Maximum years	Average * years
Residential – small	5.50	9.00	7.04
Residential – middle	5.50	9.00	6.94
Residential – large	5.50	10.00	7.40
Residential – very large	5.50	10.00	7.26
Commercial	5.00	5.00	5.00
Other Area	5.00	6.50	5.04
Office	5.00	5.00	5.00
Storage	5.00	5.00	5.00
Production	5.00	5.00	5.00
Internal Parking	5.00	7.00	6.99
External Parking	5.00	7.00	6.85
Other Unit	5.00	7.00	5.00

* weighted by market rent

Applied Growth Assumptions

We have commonly applied the following growth parameters in our DCF calculations according to the research institute "focus economics":

- 2020: 1.40%
- 2021: 1.50%
- 2022: 1.70%
- 2023: 1.80%
- 2024: 1.90%
- The ongoing annual inflation onwards was assessed at 2.00%.

Furthermore, regarding rental growth, we have assumed the following:

Rental growth: Current rents grow according to actual indexation terms, while market rents grow between 60% and 120% of the assumed inflation rates.

Rates in DCF Calculations

We applied the following range of rates for the individual assets:

Internal yields and rates			
	Minimum	Maximum	Average *
Discount Rate	2.00%	11.00%	4.58%
Exit Capitalisation Rate	3.00%	15.00%	5.24%

* Discount Rate weighted by Gross Present Value
Exit Capitalisation Rate weighted by Exit Value

Please note that Discount Rates and Exit Cap Rates are related to the underlying cash-flow assumptions made for each property. To back-up our valuation results, we have considered comparable transactions and/or market databases.

Costs of Transaction

We applied costs of transaction as follows:

- Real Estate Transfer Tax: 3.50% – 6.50% depending on the federal state
- Notary fees 0.50% – 2.00%
- Agency fees 0.50% – 2.00%

These costs are chosen as they are common in ordinary course of business, i.e. in an asset deal, and for the subject type of property. Costs of transaction may, however, differ in the actual individual case – depending on the type of transaction.

E. Valuation Results

I. Total Secured Rental Income ("Current Rent")

According to the provided tenancy schedule, the current rental income as at 31 December 2019 amounts to:

EUR 120,529,927 p.a.

(ONE HUNDRED TWENTY MILLION FIVE HUNDRED TWENTY NINE THOUSAND NINE HUNDRED TWENTY SEVEN EURO)

II. Opinion of Net Estimated Rental Value (ERV)

The estimated rental value as at 31 December 2019 amounts to:

EUR 143,553,880 p.a.

(ONE HUNDRED FORTY THREE MILLION FIVE HUNDRED FIFTY THREE THOUSAND EIGHT HUNDRED EIGHTY EURO)

III. Opinion of Market Value including Leaseholds

We are of the opinion that the Market Value including Leaseholds of the subject properties as at 31 December 2019 is:

EUR 2,030,827,000

(TWO BILLION THIRTY MILLION EIGHT HUNDRED TWENTY SEVEN THOUSAND EURO)

Our opinion of Market Value (including liquidation properties) is equivalent to:

Market Value per sqm	1,000 EUR
Gross Multiplier on Current Rent	16.85 fold
Gross Multiplier on Market Rent	14.15 fold
Net Initial Yield (NIY) on Current Rent	4.23%
Net Initial Yield (NIY) on Market Rent	5.36%

* The yields have been derived without the liquidation properties.

The following table shows aggregated data of the 1,361 properties with a sustainable cash-flow (excluding 14 Liquidation Properties) which represent 99.99% of the total Market Value:

Market Value per sqm	1,001 EUR
Gross Multiplier on Current Rent	16.85 fold
Gross Multiplier on Market Rent	14.15 fold

IV. Market Value excluding Leaseholds

We are of the opinion that the Market Value excluding Leaseholds of the subject properties as at 31 December 2019 is:

EUR 2,047,518,000

(TWO BILLION FORTY SEVEN MILLION FIVE HUNDRED EIGHTEEN THOUSAND EURO)

V. Comment on all Valuations Results

The Market Value of the Subject Portfolio reported is the aggregate total of the individual properties and not necessarily a figure that could be achieved if the Subject Portfolio were to be sold as a whole (Individual valuation principle).

Savills has been informed by Adler that there have not been material changes to the building stock of the subject portfolio between the date of valuation 31 December 2019 and the date of this Valuation Report.

The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a "Global Pandemic" on the 11th March 2020, has impacted global financial markets. Travel restrictions have been implemented by many countries.

Market activity is being impacted in many sectors. As at the Report date we consider that we can attach less weight to previous market evidence for comparison purposes to fully inform opinions of value. Indeed, the current response to COVID-19 means that we are faced with an unprecedented set of circumstances on which to base a judgement.

Due to the material change caused by COVID-19 to the global economy, financial markets and almost all aspects of life, a valuation of the subject portfolio as of the date of this Valuation Report would have been reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty – and a higher degree of caution – would have been attached to such valuation than would normally be the case. Given the unknown current and future impact that COVID-19 might have on the real estate market we recommend that you keep the valuation as of 31 December 2019 of the subject properties under frequent review.

We are therefore not in a position to make a statement as to whether the market conditions and movements of the respective real estate markets in which the subject properties are located have led to a change or in fact a material change between 31 December 2019 and the date of this Report.

Regarding changes to the real estate market conditions caused by Covid-19 we refer to chapters "F. Material Changes" and "G. I COVID-19 Commentary".

Please note that this valuation has been carried out on the basis of partly limited documentation, in particular we have been provided with land register lists for all 1,375 subject properties, but not with all land register excerpts. So we have been provided with land register PDF files for 1,315 of the 1,375 subject properties (ca. 96%). Savills compared more than 10% (140) of the provided PDF land register excerpts with the excel files. This comparison did not reveal any relevant differences. We assume that the information contained in these excel files are correct. Please refer to chapter B II.

F. MATERIAL CHANGES

Savills hereby confirms that as at the date of this Valuation Report:

- Savills has been informed by Adler that there have not been material changes to the building stock of the subject portfolio between the date of valuation 31 December 2019 and the date of this Valuation Report.

- The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a "Global Pandemic" on the 11th March 2020, has impacted global financial markets. Travel restrictions have been implemented by many countries.
- Market activity is being impacted in many sectors. As at the Report date we consider that we can attach less weight to previous market evidence for comparison purposes to fully inform opinions of value. Indeed, the current response to COVID-19 means that we are faced with an unprecedented set of circumstances on which to base a judgement.
- Due to the material change caused by COVID-19 to the global economy, financial markets and almost all aspects of life, a valuation of the subject portfolio as of the date of this Valuation Report would have been reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty – and a higher degree of caution – would have been attached to such valuation than would normally be the case. Given the unknown current and future impact that COVID-19 might have on the real estate market we recommend that you keep the valuation as of 31 December 2019 of the subject properties under frequent review.
- We are therefore not in a position to make a statement as to whether the market conditions and movements of the respective real estate markets in which the subject properties are located have led to a change or in fact a material change between 31 December 2019 and the date of this Report.
- Regarding changes to the real estate market conditions caused by Covid-19 we refer to the chapter "G. I COVID-19 Commentary" immediately below.

For and on behalf of

Savills Advisory Services Germany GmbH & Co. KG

Klaus Trautner MRICS, CIS HypZert (F) RICS Registered Valuer	Draženko Grahovac MRICS RICS Registered Valuer

G. MARKET COMMENTARIES

I. COVID-19 Impact on European Real Estate

Economy

As the number of new coronavirus cases continues to fall on a weekly basis across Europe, new signs of a return to business and consumer activity are beginning to shine through in monthly data, as society adjusts to the "new norm".

Eurozone consumer confidence readings recovered from -22 to -18.8 between April and May, above consensus forecasts which could provide the first sign that the U-shaped recovery will be less damaging that previously feared. However, this remains at the lowest level ever recorded by some distance.

Consumer trends will be reflected in unemployment rate numbers which we only expect to surface later in the year once furlough schemes are lifted. Bloomberg estimates that 40 million workers have been furloughed across Europe's largest six economies, Germany, UK, France, Italy, Spain and Netherlands, following Covid-19's outbreak. Temporary job subsidies are unlikely to prevent increases in unemployment rates after Europe's furlough schemes are wound up towards the end of 2020. Eurozone (EZ) unemployment is expected to peak at around 11-12 per cent by year end, up from the current level of 7.3 per cent.

The European Central Bank's (ECB) main refinancing rate remains at zero, leaving no further room to lower rates, providing investors with cheap debt (although lending to real estate has become more stretched since Covid-19's outbreak). Southern European economies with higher levels of debt will find servicing existing debt eats into government spending plans unless central aid can be offered.

The ECB must also avoid fears of a deflationary spiral. EZ inflation is expected to have fallen to 0.1 per cent during May 2020, the lowest rate since 2016 due to falling energy demand. The ECB intends to stimulate demand using the Pandemic Emergency Purchase Programme (PEPP), recently increased from €750bn to €1.35tn, to return back to the 2 per cent inflation target, which equity markets welcomed.

Meanwhile, the European Commission's planned €750bn recovery fund is intended to help some of the worst-hit and heavily indebted European economies bounce back from the imminent economic downturn.

Germany's temporary VAT cut from 19 per cent to 16 per cent will also help to stimulate consumer demand for the remainder of 2020. The larger European economies will be able to stomach the additional debt burden more easily in the short term. Yet, closer attention will be paid to whether this has a positive impact on the marginal propensity to consume, or will simply increase household savings ratios. When business activity stabilises in the longer term, governments may opt to increase corporate taxes, which could impact multinational occupiers' decision making.

It is likely that planned infrastructure spending will be put on hold in the short-medium term to service markedly increased debt repayment costs. Countries which have been least affected by Covid-19 will ultimately have more capital to invest in expansionary infrastructure schemes including green energy initiatives and urban cycle routes which have come to the forefront during lockdown periods. However, green policies will remain on the agenda. Germany has announced increased incentives for buying electric vehicles, a welcome boost for the automotive sector which will stabilise logistics demand levels both nationally and throughout neighbouring countries.

Eurozone GDP growth confirmed a 3.8% slump during Q1 2020, and given the depth of decline in the Purchasing Managers Indices (PMIs) during the second quarter, GDP forecasts appear varied. However, the latest Focus Economics consensus forecasts indicate -12% Eurozone GDP growth during Q2, marking -5.9% economic growth for the full year 2020.

Residential

Multifamily

Multifamily investment activity in the first quarter of 2020 was close to €11.5bn for the 12 markets that we monitor, already 27% of last year's total, which was the second strongest year on record, at €43.2bn. Multifamily investment accounted for 23% of total activity. In Germany it was the largest sector, 1.1 times above offices. Germany was once again the largest market, capturing 71% of the total with over €8.2bn of transactions, followed by the UK (€947m) and Sweden (€699m).

Despite the slowdown of investment activity during the second quarter, resulting from strict lockdown measures across Europe that aimed to control the spread of Covid-19, we anticipate at least another €10.3bn to have been deployed in the multifamily sector by the end of June, with half of the countries expected to achieve significantly higher volumes compared to the previous quarter.

The average prime net yield has remained stable on a quarterly basis at 3.35% and 50bps below the prime office yield. Yields are stabilising in most markets, after a significant inward yield shift trend over the past five years. In Q1 2020 prime yields moved in only in Dublin from 3.75% to 3.6%. Prime achievable yields for newly built income producing assets are the highest in Stockholm (4.0%) and London (3.8%). Prime net yields in Amsterdam have moved slightly out to 3.1% (10bps).

The minimal impact of the health crisis on investor appetite for multifamily is supported by the strong fundamentals of the sector: rising urbanisation, smaller households, unaffordable house prices and rising occupier demand for flexibility and services. Additionally housing is a basic need and therefore demand for rental remains stable or even rises in periods of economic uncertainty. Supply of this type of product is low in most markets, and construction activity is restricted by high land values and construction costs, as well as limited labour availability.

The main considerations for multifamily investors following the health crisis are expected to be around affordability and real rental growth prospects. The ability of low income households to meet their rental obligations will be tested over the next few months as government support measures start phasing out. This will eliminate positive rental growth expectations for this year and next, while some moderate downward rent adjustments may also occur.

Note on the German Residential Market

In addition, there are current changes in German law aiming to mitigate the consequences of the COVID-19 pandemic. For example, under a new adopted legislation in Germany a landlord may not terminate a lease agreement solely on the basis that a tenant fails to pay the rents for the period from 1 April 2020 to 30 June 2020 when due, provided that the non-payment by the tenant is caused by implications of the COVID 19 pandemic. The three months period may be extended beyond 30 June 2020 even repeatedly. The tenant is entitled to pay the outstanding amounts until 30 June 2022. It is possible that tenants will make use of this opportunity to postpone rental payments which may impact future cash flows from the Subject Properties.

Student housing

The reliance of Purpose Built Student Accommodation (PBSA) on foreign students and especially Chinese will be the biggest risk for the sector. The Covid-19 outbreak has forced international students to return home and the ones that have stayed are asking for PBSA providers to waive rents. Indeed the majority have cancelled contracts of students returning home or provided rent free periods and discounts for next year's contracts. The negative impact on PBSA rental income is estimated to last between a semester and a full academic year and is most acute in the UK market.

What will happen beyond this time frame will depend on student mobility trends going forward. Past experience shows that education comes out stronger in periods of uncertainty e.g. post GFC when many people who lost their jobs returned to universities. However, the current situation is likely to prompt more students to study closer to home and live with their parents. Also long-distance learning may become a safer and cheaper option for extended learning, until the employment market picks up. Government aid to students will also be of critical importance for their university choices. Chinese students may choose to study in Asian universities and we could see more European universities opening branches in Asia.

We believe that the most resilient markets for student housing now will be the ones with demand and supply imbalances for mainstream student accommodation which targets mainly the local student populations and where the student housing product has less dependency on international students. Markets including Germany, Denmark and Poland remain popular with investors.

Investment Markets

RCA's latest data indicates that EMEA investment transactions to 10th June 2020 fell 6% compared to the same stage last year, reaching a total of €100bn, although this is below the 18% fall in the Americas and 45% fall in Asia-Pacific. What's more, much of this volume was boosted by larger transactions and portfolios. On a deal count basis, investment transactions have fallen by 41% on the same stage last year.

Investment activity for March to May shows Germany and UK investment transaction volumes have held fairly firm so far this year, representing a shift to core markets, however, nearly all markets recorded between 30% to 50% falls in the number of transactions changing hands during this period.

By sector, offices accounted for the largest share of transactions during March-May period, however marking large falls on last year. Apartment transactions actually represented a small increase on the previous year as investors show evidence of a shift to core markets, with a number of large portfolios changing hands.

Grocery anchored retail continues to remain on investors' wish lists, with over 120 monthly transactions over €5m during the months of February and March, more than any other sector and we expect grocery anchored retail to continue to pique investor interest throughout the year.

A number of the largest completed deals for week commencing 8th June indicate a shift to residential and alternative portfolios according to Property EU data from across the core European markets, including Patrizia's forward purchase of a care home portfolio, and L&G's acquisition of 213 residential units in Wembley Park.

Our indication for European investment transactions for the full year 2020 is a fall of between 34% and 52% on the level recorded in 2019 to between €125bn and €170bn. This marks a smaller reduction from the 54% investment transactions decline during the global financial crisis.

Average prime industrial yields remained unchanged during Q1 2020 and 22 bps below last year's levels at 4.93%. Rotterdam (4.25%), Oslo (4.55%) and Dublin (4.75%) experienced a 25bps inward yield shift compared to the previous quarter, while prime yields moved out by 25bps in Amsterdam (4.5%) and Prague (4.5%).

Prime shopping centre yields have moved out by 28bps on average across Europe during the first quarter and by 39bps compared to last year to 5.1% and are now higher than prime logistics for the first time. The most significant yield softening in one quarter was noted in Czech Republic (75bps to 5.75%), Netherlands (50 bps to 5.5%), Ireland and Norway (50bps to 5.0%) and Sweden (50bps to 4.75%).

Given that lockdown only started towards the end of Q2, we expect any price movement to become evident in the second quarter's figures.

We expect investment transaction volumes to recede over the course of the year, particularly as there remains a shortage of openly marketed stock and the bidding process becomes less competitive than in 2019. Bans on travel and self-isolation guidance have made inspecting assets and conducting technical due diligence more difficult in the short term, although some country borders are slowly being reopened. Domestic investors are clearly at an advantage here. Ultimately, we would expect European institutions to be more active in the second half of the year.

With equity still committed and ready to invest across Europe, there appears to be a mismatch in pricing expectations for core product. Vendors have no immediate need to sell and redeploy capital, whilst buyers are seeking 5-10% "COVID chips" on transactions – and a shortage of investment transactions is making repricing difficult.

The majority of the debt market remains in pause mode. Clearing banks in the UK are focused heavily on managing their existing granular loan books. The most active parts of the lending market across Europe are the German banks as well as Insurance companies, with this debt being secured against core product. LTVs have reduced from 60+% to 55%.

Nevertheless, there remains a weight of money available as debt (particularly as many multi-strategy investors see this as a way to diversify their exposure) and, once appetite and pricing becomes clearer in the coming months, we anticipate the return of investment banks, debt funds and private equity to the market.

As part of a shift to core, we expect the proportion of cross border activity to decline compared to previous years, particularly from Asia-Pacific capital where we have observed unprecedented levels of investment in recent years. We anticipate that this will affect the Southern European and Central and Eastern European (CEE) markets which are more heavily dependent on cross border capital, relatively more than those in Western Europe.

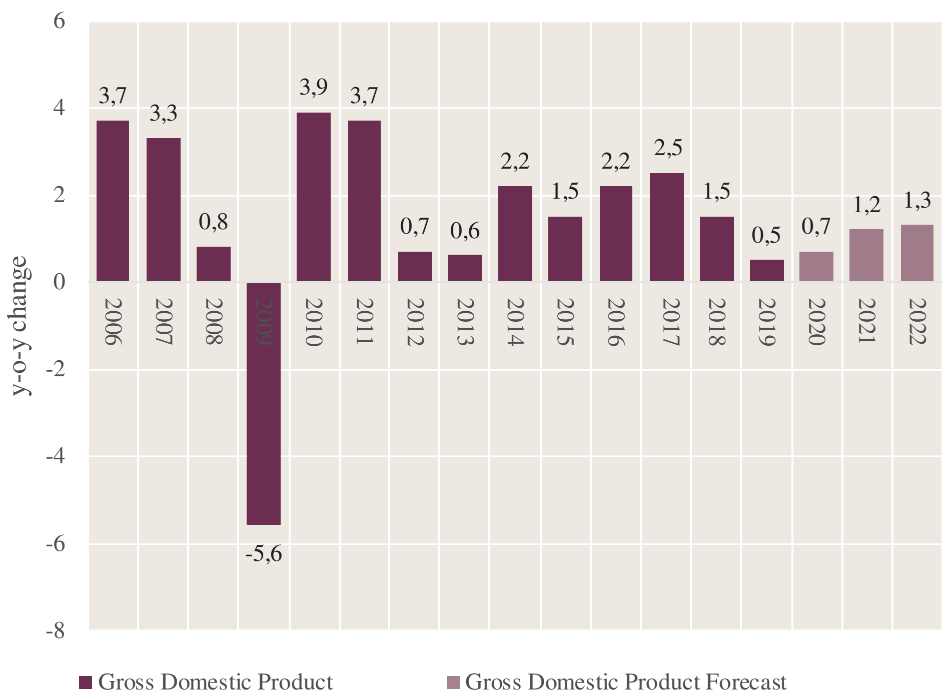
Core-plus and value-add investors are viewing the pandemic as a chance to count stock on their existing office portfolios. Part of this stems from the fact that pricing in these risk profiles is usually more heavily influenced by strong macro fundamentals. At the other end of the scale, we can expect to see US private equity investors seeking distressed Southern European opportunities offering price chips of 50 bps or more.

II. General Economy and Financial Markets as at 31 December 2019

Economic growth has weakened

Following the Global Financial Crisis of 2008/2009, the German economy developed quite substantially and has been in a stable upswing since 2010. Not even the Euro Crisis of 2012/2013 was able to dampen the positive growth. However, in the last quarter of 2018 there were increasing signs that the economic outlook would deteriorate as a result of ongoing global uncertainties. This led to a decline in GDP growth by 100 basis points in both 2018 and 2019. In 2019, GDP growth amounted to no more than 0.5 percent. However, the forecast for 2020 already foresees a trend reversal with 0.7 percent growth. It is also assumed that the upward trend will continue in 2021 and 2022. Growth of 1.2 percent is expected in 2021 and 1.3 percent in 2022.

Gross Domestic Product

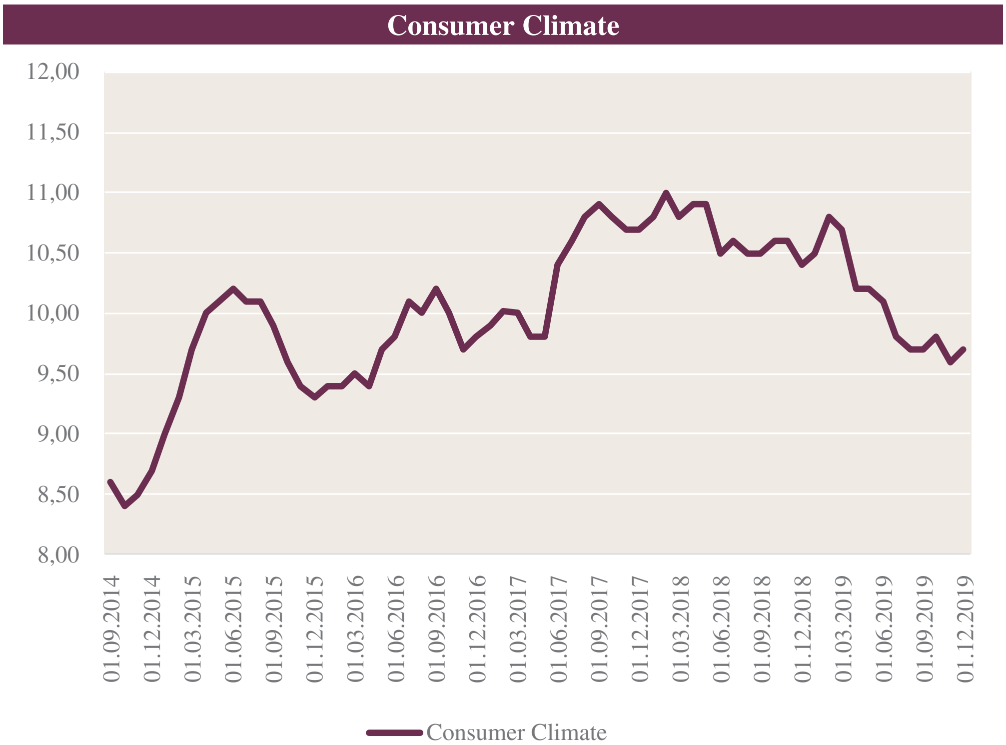


Source: Statistisches Bundesamt, Focus Economics

The positive outlook for 2020 and the two following years is fuelled in particular by expectations that the USA and China will settle their customs dispute and that the EU will agree with the United Kingdom on a Brexit withdrawal treaty, following the Brexit election in 2016. These two uncertainties shaped the years 2018 and 2019 and contributed significantly to the slump in GDP growth after 2017. At present, it looks as if both sources of uncertainty could be resolved in 2020. However, should a resolution of the conflicts become more distant again, fears of recession could also return.

Private and public spending is major economic pillar, but business expectations are worsening

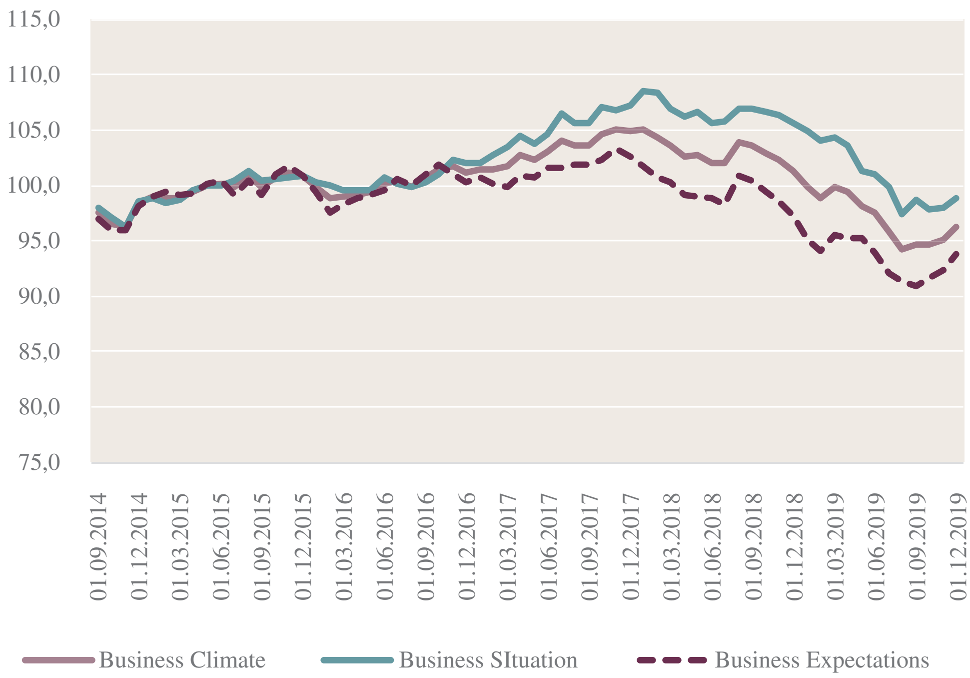
Despite the weakening economy, consumer sentiment remains positive and at a high level of 9.7 points. Domestic demand is thus acting as an important pillar of the economy. One reason for this is that the unemployment rate continued to fall in 2019 and currently lies at 5 percent. The lowest level since the German reunification. The ongoing increase in the number of employees has a positive effect on the buying mood of German households. This continuing buying mood balances out the weaknesses in the industry sector. The latter is currently negatively influenced by the automotive sector that is suffering from difficult world market conditions. Furthermore, the automotive sector undergoes a transformation process towards a higher share of electric mobility.



Source: GfK

The confidence of German companies remains quite high. The business climate index compiled by the ifo Institute has been at a high level for several years. However, the trend in the business climate, business situation and business expectations has been pointing downwards since 2018. This development underlines the fact that the economic outlook has become noticeably gloomier than in 2016 and 2017. Since August 2019, however, the business climate has recovered slightly from 94.3 to 96.3 points and the business situation from 97.4 to 98.8 points. This led to a brightening of the mood in German companies, which is also reflected by an increase in business expectations.

Economic Sentiment Indicator

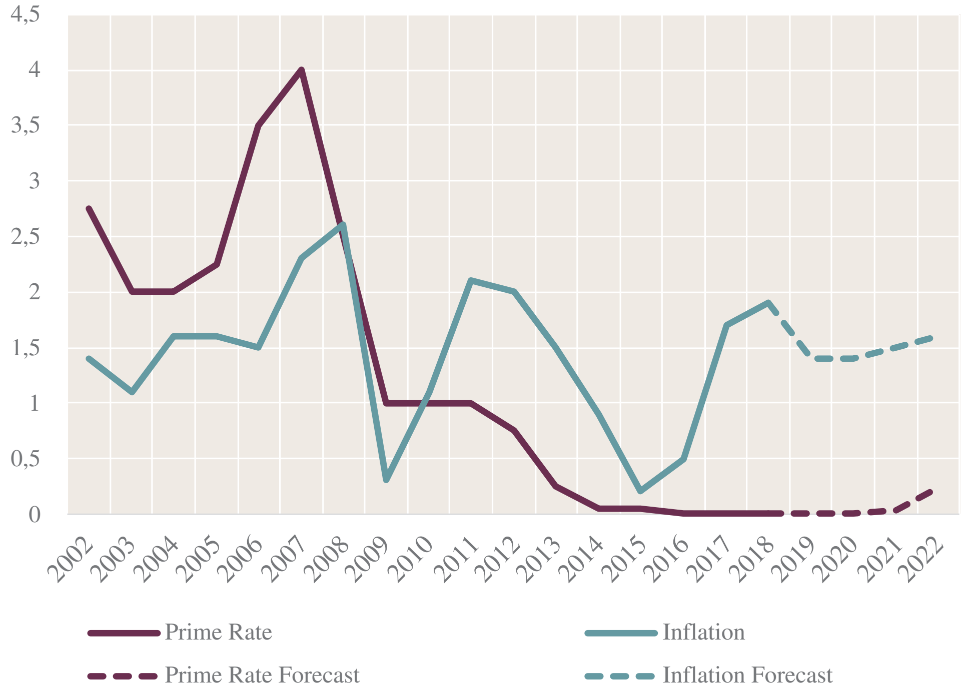


Source: CESifo

Monetary policy becomes more expansionary again

In September 2019, the ECB resumed its net purchase program of securities for various asset classes. The key interest rate remains at 0 percent, but the monetary authority has lowered the deposit rate at which banks at the ECB can store money from -0.4 to -0.5 percent. Monetary policy has thus become more expansionary again. The central bank decided for this step because of lower inflation expectations due to the deteriorating economic outlook in the euro zone. The turnaround in interest rates is thus likely to be postponed beyond 2020 for the time being. Monetary policy is not expected to normalize until inflation expectations reach the target level of 2 percent. These are expected to be just above 1.5 percent in 2021.

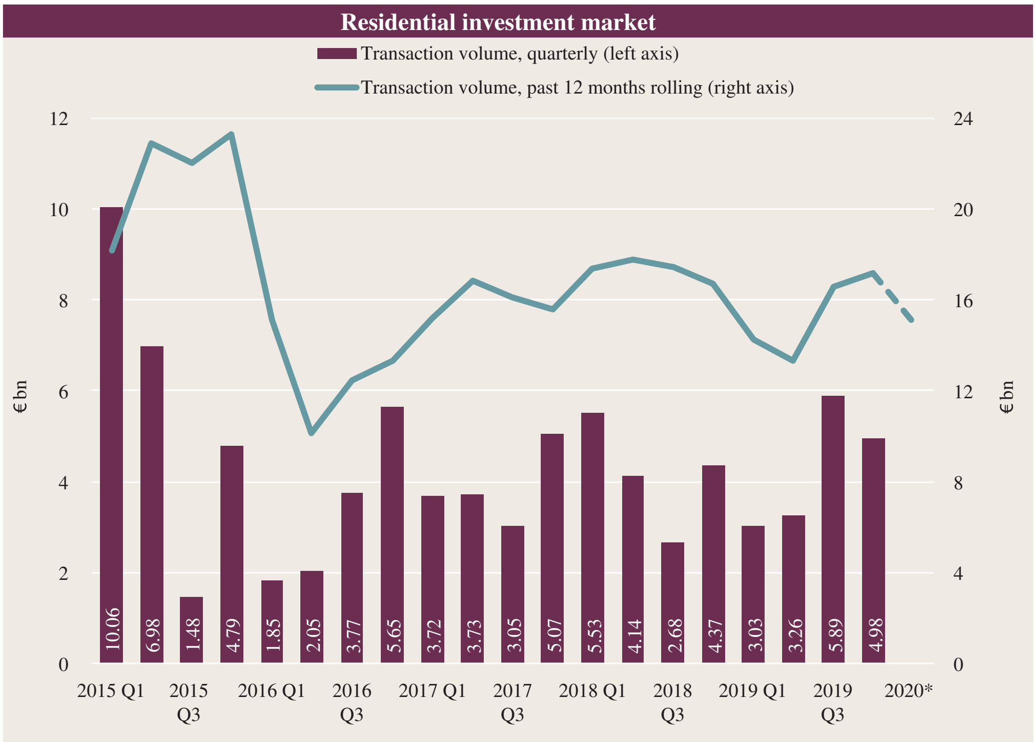
ECB Prime Rate and Inflation



Source: Statistisches Bundesamt, Deutsche Bundesbank, Consensus Economics

III. **Germany Residential Real Estate Investment Market as at 31 December 2019**

On the German residential investment market (transactions of 50 apartments or more), real estate for around €17.2bn was traded in 2019. This corresponds to an increase of 3% compared to the previous year. In total, almost 118,000 apartments changed hands (-11% compared to 2018). The number of transactions also declined (-18%), but their average size increased by 22% to about €71m.



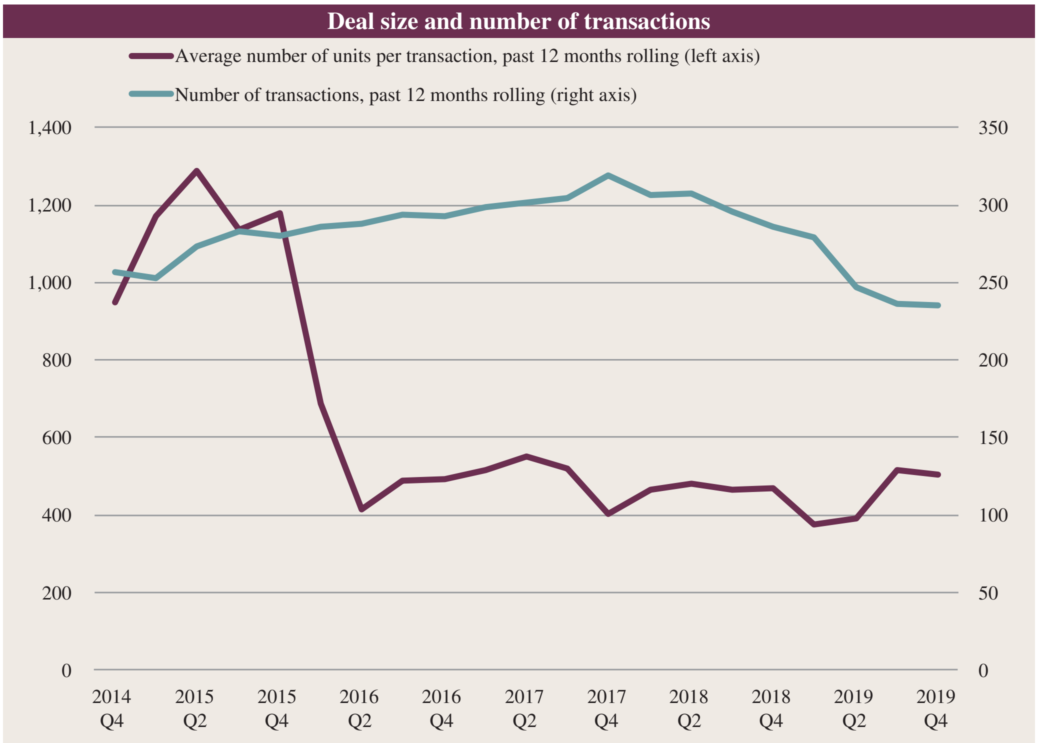
Source: Savills / * forecast

The two most active buyer groups last year were open-ended special funds and residential real estate companies. These investor groups accounted for around half of the transaction volume. The past year, however, was marked by a much stronger commitment by the public sector. In total, municipalities and federal states or their housing companies acquired around 22,700 apartments for around €3.2bn. This was more than two and a half times as high (+269%) as in 2018, with around 84% of the volume being accounted for by the purchase of existing apartments. In the public debate about more affordable housing, the expansion of municipal housing stocks is on the agenda in many places. Although this goal can be achieved more quickly by purchasing existing apartments, this does not change the shortage of supply. With the roughly €2.7bn that the public sector has spent on the purchase of existing apartments in 2019, the construction of probably more than 25,000 apartments on municipal land could have been initiated. This would undoubtedly make a greater contribution to relieving the housing markets.

For the third time in a row, the transaction volume exceeded the €15bn mark. In addition to the further increase in capital values, an above-average proportion of the top 7 cities contributed to this. Almost 39% of all apartments sold were located in one of these cities. While additional regulations, especially in Berlin, have caused great uncertainty among private investors, the public sector has recently made massive purchases. This has also ensured that the previous year's result on the investment market has been exceeded.

Source: Savills

With a share of more than 90% of the transaction volume, German investors were once again responsible for the bulk of market activity. Compared to the previous year (78% of the volume was accounted for by German buyers), they even increased their market share significantly once again. The regulations in place, which vary in part from state to state or even from municipality to municipality, are likely to make it more difficult for international investors to enter the market. This gives local investors and those familiar with the market an advantage.



Source: Savills

With regard to the structure of the transactions, it is striking that the number of portfolio transactions fell by 45%. The number of purchases of project developments remained constant, but these transactions accounted for a significant proportion of the volume. In total, purchases such as the acquisition of the Kleyer Quarter in Frankfurt or the Düsseldorf Glassmakers' Quarter accounted for around €4.7bn or around 27% of the transaction volume. Large-volume quarter developments in particular are currently a kind of trend topic on the German property market. Such larger residential quarters with complementary uses attempt to meet the demands of today's urban living with short distances and a mix of uses. They are therefore likely to be in demand as residential locations in the long term and are therefore increasingly sought after by investors".

The investment turnover with residential student and micro-residential complexes amounted to approximately €940m, which is 60% above the previous year's value. The number of students reached a new high in the winter semester 2019 and the number of single-person households continues to rise. The demand for smaller apartments is therefore still high, particularly in the large and university cities, which is why the fundamental data for these niche segments of the housing market remain positive.

H. General Valuation Assumptions and Applied Definitions

In the following chapter, we comment on the applied method in arriving at our opinion of value as defined in the scope of this Instruction.

I. General Valuation Assumptions

In the absence of any information to the contrary in the Valuation Report (in particular in section D containing specific valuation assumptions and considerations), this valuation has been carried out on the basis of the following assumptions (the "General Assumptions"). If any of these assumptions are subsequently found to be incorrect or invalid, the valuation result(s) in our Valuation Report may need to be reconsidered.

1. Information of Adler

The Instructing Party (and any third parties acting on request of the Instructing Party) has provided Savills with complete, correct and current information and documents as requested by Savills or which are reasonably relevant to Savills in carrying out the agreed Services (in particular the preparation of the Valuation). The Instructing Party did not retain any material facts which may impact the valuation of the real estate (ground) and buildings valued in our Valuation (collectively the "Properties", each a "Property"). Unless otherwise stated in the Valuation, Savills has not verified the information submitted (in particular, but not limited to, where it is stated in the Valuation Report that Savills has "assumed" or "relied" on information). Savills has not requested any information from public authorities, registers or courts.

2. Title

Unless otherwise stated in the Valuation Report, we have valued the 1,247 freehold interests of the Properties and 128 leasehold properties.

It is assumed that the freehold interest is not subject to any restrictions and encumbrances contained in Section II of the land register and that no claims or obligations are present in this regard.

Further, the Valuation of Savills does not consider any mortgages or land charges contained in Section III of the land register.

3. Buildings

The buildings are structurally sound. There are no structural (latent or other) material defects (including rot) which may have influence on the valuation.

In the construction or alteration of the building(s) no use was made of any deleterious or hazardous materials or techniques, such as high alumina cement, calcium chloride additives, wood wool slabs used as permanent shuttering or comparable materials. There are no dangers to health of occupants or tenants resulting from the actual condition of the buildings (for example resulting from contamination with asbestos or mold). Savills has not carried out any investigations concerning these matters.

4. Land

Savills assumes that the site is appropriate and has load bearing capacity suitable for the realized or anticipated form of development, that no abnormal ground conditions exist and no additional or unusual expenditure on, for example, foundations or drainage systems are required. The ground does not contain any archaeological remains. There are no underground mineral or other workings, noxious substances or any other matters that may cause additional costs or delay.

5. Services

The Properties are connected, or capable of being connected, without undue expense, to the public services of gas, electricity, water, telecommunications, sewerage and district heat, where available.

6. Contamination of Land and Buildings

Unless otherwise stated in this Valuation Report, the properties (land and buildings) are not contaminated, and each Property is not and never has been subject to any contaminating or potentially contaminating uses, nor is it likely to become contaminated in the foreseeable future.

Savills has not carried out any investigations with respect to potentially existing environmental contaminations or in order to identify any such contamination.

7. Legal Matters

The buildings were erected in accordance with construction permits, and every building complies with all statutory or local authority requirements. All necessary consents and authorizations for the use of the Properties and the processes carried out at the Properties (in particular to be issued by public authorities, neighbours or other third parties) are in existence, will continue to subsist and are not subject to any onerous conditions.

It is assumed that there are no unusual restrictions with respect to the occupation of the Properties or the level of rent.

8. Lease Agreements; Other Agreements

The tenants are creditworthy and capable of meeting their obligations. There are no arrears of rent or breaches of covenants. It is assumed by Savills that lease agreements and any other agreements provided to Savills are valid, meet the legal requirements of the written form, and no facts do exist which would entitle a party to terminate or cancel such agreements prior to expiry of the agreed term, e.g. by early termination, rescission or likewise.

9. Taxes, Public Contributions, Development Charges

Unless otherwise stated in this Valuation Report, all public taxes, charges and contributions levied by public authorities with respect to the site development, have entirely been levied and paid as at the Date of Valuation. In particular it is assumed that no public infrastructure contributions or similar contributions will be levied in the future.

10. Public Encumbrances; Monumental Protection; (Re)-Development Areas and likewise

The Properties are not subject to any public encumbrances which may give reason for a reduction of the valuation.

None of the Properties to be valued is subject to monumental protection.

None of the Properties is located in a redevelopment area pursuant to Sec. 136 et seq. of the German Federal Building Code or within the scope of any other urban development measure, e.g. refurbishment, redistribution or preservation statutes.

It is assumed that none of the Properties is adversely affected, nor is it likely to become adversely affected, by any highway, town planning or other schemes or proposals.

Savills did not undertake any investigations (for example local searches, enquiries or review of any statutory notices) in order to identify matters adversely affecting the present or future value of the Properties.

11. Subsidies

Unless otherwise stated in this Valuation Report, all valuations are given without consideration of subsidies or grants, received or potentially receivable, and any obligations or limitations in this coherence which could influence the value of the Properties.

12. **Statements by Officials**

Oral statements by public officials, particularly involving factual information, cannot be regarded as legally binding. Savills assumes such oral statements to be correct; however, Savills is unable to accept any liability for the application of any such statements or information in the Valuation Report.

13. **Insurance**

The Properties are covered by a valid adequate and appropriate insurance policy as regards the sum assured and the types of potential loss covered.

14. **Taxation**

Unless otherwise stated in the Valuation Report, no allowance has been made for expenses or taxation that might arise on a disposal. Exceptions may result from standardized valuation methods.

Further, our valuations are exclusive of VAT.

15. **Fixtures and Fittings**

Excluded from our valuations is any additional value attributable to goodwill, or to fixtures and fittings which are only of value in situ to the present/future occupiers.

16. **Valuation of Portfolios (Aggregation)**

Unless otherwise stated in the Valuation Report, each Property – even if it is part of a portfolio – has been valued individually.

17. **Insolvency**

Savills does not take account of any possible effect that the appointment of either an insolvency administrator or an administrative receiver or a compulsory auction might have on the perception of the properties in the market and their subsequent valuation, or the ability to realize the value of the properties in either of these scenarios

II. Rents, Income and Vacancy

1. Current Rent

Definition

In our valuations, the current rental income (or current rent) is defined as the rent passing as at the Date of Valuation. It reflects the rental payments after deducting recoverable costs (e.g. costs for heating, electricity) but before deducting non-recoverable costs. Also, the current rent is excluding VAT.

Method of Determination

If not stated otherwise in the report, we have considered the current rent for each lettable unit as stated in the rent roll provided by the Instructing Party or its advisors.

In case that the date of the rent roll is prior to the valuation date, there may be minor differences in the actual rent and vacancy rates when comparing the rent roll and our valuation.

Among other reasons, this is the result of leases which expire between these dates. In the event that the lease end of lettable area is prior to the valuation date, we consider this as vacant in our valuation as of the valuation date (even if these are rented according to the rent roll).

The rent roll has been checked with the original lease contracts on a sample basis. However, in accordance with the Instruction, Savills did not carry out a full due diligence.

2. Estimated Rental Value (ERV) / Market Rent

Definition

Our opinion of Market Rent is equivalent to the Market Rent as defined in the RICS Valuation – Global Standards 2017 (incorporating the IVSC International Valuation Standards) (the "**Red Book**") published by the Royal Institution of Chartered Surveyors The definition is in line with the IVS 104 paragraph 40.1.

"The estimated amount for which an interest in real property should be leased on the valuation date between a willing lessor and a willing lessee on appropriate lease terms in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion."

The market rent is excluding VAT.

Method of Determination

We research comparable rents by taking into consideration key aspects such as property location, condition and the fit-out standard of rental units as well as common marketing incentives by the landlords (e.g. tenant improvements or rent free periods). With our in-house database, we analyze comparable lease transactions and currently available offers of space to rent. Furthermore, we analyze all leases which were recently closed in the subject asset(s) ("recent lease agreements").

An overview of the selected rental comparables can be found in the appendix to the report "market and location analysis – rental comparables".

In addition, we have also analyzed all recent lease agreements for the subject properties, and a corresponding overview can be found in the appendix to the report "market and location analysis – rental comparables".

Based on this procedure, we estimate rental values with reference to the individual asset, which are then revised in consultations with our agents and under consideration of third-party research, where reliable, appropriate and possible.

3. Potential Rent

Definition

The potential rent expresses the rent that should be achievable in a short time period by leasing vacant areas at our opinion of Market Rent. The potential rent is excluding VAT.

Method of Determination

The potential rent as displayed in our valuations is a "mixed" figure which considers the current rent for all units let and the market rent for all units currently vacant but potentially lettable.

4. Net Operating Income (NOI)

Definition

The net operating income (NOI) is defined as the passing rent after deducting all non-recoverable costs. It is the net cash-flow generated by a property at a point in time or in a time period.

Method of Determination

Generally, the following periodical non-recoverable costs will be deducted from the passing rent:

- Management Costs
- Maintenance Costs
- Non recoverable service charges
- Ground Rents (if applicable)

Furthermore, the following event related non-recoverable costs will be deducted from the passing rent within the cash-flow term:

- Costs for Tenant Improvements
- Capex for Deferred Maintenance (if applicable)
- Vacancy Costs
- Leasing Commissions

5. Vacancy Rates

In this report, two following different vacancy rates are displayed:

- The area vacancy rate is defined by vacant space (in sqm) divided by the total lettable space (in sqm).
- The EPRA vacancy rate is expressed as a percentage being the estimated rental value (in EUR) of vacant space divided by the estimated rental value ERV of the whole property.

III. Values and Results

1. Market Value

Definition

Our Valuation has been carried out in accordance with the RICS Global Valuation Standards effective since 31 January 2020 of the Royal Institution of Chartered Surveyors (the "**Red Book**"). We have been instructed to value the properties within the Subject Portfolio on the basis of Market Value. The definition is in line with the IVS 104 paragraph 30.1.

"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 and where the parties had each acted knowledgeably, prudently and without compulsion."

For the avoidance of doubt, a Market Value complying with the "Red Book" is compliant with the International Valuation Standards (IVS) and the market value pursuant to § 194 BauGB (German Building Code).

Method of Calculation: Discounted Cash Flow (DCF)

For the valuation of long-term income-based properties, we have applied a DCF approach.

The DCF method is a two-stage financial mathematical model to determine the cash value of the future yield of the properties, which is viewed as its present value. In this coherence, a detailed forecast computation of the revenue and expenditures for a "holding period" of usually 10 years is compiled.

Accordingly, our DCF model involves a period-by-period estimation of gross income, i.e. rental income, and of any expenditure which shall not be recovered by third parties. Any estimation for the aforementioned will explicitly be taking into account a range of variables. For example, the estimation of income is substantially and mainly based on the existing contractual agreements as well as market development forecasts. Expenditures, on the other hand, may occur regularly in each period, i.e. costs of management, ongoing maintenance and non-recoverable service charges.

However, one-off costs for anticipated renovations as well as costs during periods of vacancy will also be deducted but considering a specified scheduled time of expenditure in the future.

As a result, the net operating income (NOI) will be calculated for each period, reflecting the anticipated development of the properties over the applied time period. Secondly, the hypothetical sales price at the assumed time of exit will be calculated. Generally, the sales price will be based upon the NOI at market level of the future year after the holding period. Hence, the NOI at market level will be capitalized with the exit capitalization rate in perpetuity in order to derive the Gross Exit Value. However, if fixed leases expire after the holding period, the Gross Exit Value will be adjusted by the capital value of a (potential) over-/ under-rented situation. Please note that in our model those capital value adjustments will be displayed as adjustments to the NOI (calculated in perpetuity). Finally, transaction costs will be deducted from the Gross Exit Value to arrive at the Net Exit Value / sales price.

Finally, both main results of the two-step calculation, i.e. the sum of all NOI and the hypothetical purchase price – will be discounted at the discount rate effective at the Date of Valuation. The result of this step is the Gross Present Value (GPV) as at that date. The GPV is then reduced by the common costs of a transaction, i.e. stamp duty land purchase tax, agent fee, notary fee, which results in the Net Present Value (NPV).

The applied rates are normally set by comparing money market rates (i.e. interest rate for risk-minimized investments) and allowing for the relative disadvantages of real estate ownership. These are generally considered as adjustments to the base rate due to the risks revolving from the specific type of property, due to the risks of illiquidity (marketing periods, costs of transaction etc.) and due to the potential of additional costs of portfolio management.

These risks are evaluated according to the following categories for each property, e.g. by conducting a structured property rating:

- Quality of the macro location (i.e. image, socio-demographics, economy, etc.)
- Quality of the micro location (i.e. local image, local supplier market adequacy for the specific property use, infrastructure, etc.)
- Quality of the building (i.e. age and condition of building, concept of areas/ architecture, fit-out, alternative usability, energy management, plot characteristics, etc.)
- Quality of cash flow (i.e. letting concept, length of lease terms, agreements on ancillary costs, covenant of the tenant, current vacancy, ability for re-letting)

The exit capitalization rate is the reciprocal of the multiplier on potential rent less non-recoverable costs at the end of the cash flow period and is mainly derived from the quality of the location (including the land value) and the building quality.

Method of Calculation: Liquidation Approach

Developed properties, whose developments do not allow for sustainable revenue generation, are valued according to liquidation value method. The liquidation value is also based upon the DCF method as described above. However the following modifications were necessary:

- Holding Period:
- The holding period is usually until the time that the last current lease contract or assumed option period expires. During the holding period, non-recoverable costs are deducted from the current gross rental

income. As a result, the net operating income (NOI) will be calculated for each period. The NOI is discounted with the same approach as defined in the discounted cash-flow for the re-letting scenario.

- Capital Expenditures:
- During the holding period, we do not apply any capital expenditures as we assume that until the liquidation of the property, the costs for ongoing maintenance are sufficient.
- Exit Value:
- At the end of the time horizon, we assume that the property is demolished and the land is sold (liquidation value). The liquidation value is the land value adjusted by the inflation rate minus the inflation adjusted demolition costs.
- Discount Rate:
- As the liquidation value is considered, we have chosen a discount rate which reflects the different risk profile of the Subject Property. This discount rate is set by the rating's sub criteria, namely macro and micro location.

2. Valuation of Land Values

According to the Valuation Law (*Bewertungsgesetz*), the land value may be defined as the value of the land as if it was free of any construction.

Method of Calculation: Land Values

Basically, the purchase prices of comparable property are to be considered in the determination of the value of land (land value). Pursuant to cf. §§ 193 of the Town and Country Planning Code (*BauGB*), the determination of the land value may also be based – in addition to, or instead of, the purchase prices—on suitable recommended land values determined by responsible land valuation boards in consideration of purchase price surveys.

Features, which influence the value, have to be allowed for as increases or reductions or in other appropriate ways. Such features to be considered include in particular: the location, size and layout of the site, the type and extent of the possible uses stipulated by building laws and the actual use, the type and nature of ingresses, the most important commercial and transport connections, possibilities of connections to services, sewers and drains, the recoupment charge for local public infrastructure still to be incurred, and, existing reference values and comparable prices. Once comparable transaction values are verified and adjusted to the Subject Property, the determined price per sqm will be applied to the total area of the site which will result in the total land value.

IV. Yields and Multipliers

1. Gross Multipliers

A gross multiplier expresses the ratio of the market value to the rental income of a property. In our report, we state three different kinds of gross multipliers:

- Gross Multiplier on Current Rent = Market Value / Current Rent
- Gross Multiplier on Market Rent = Market Value / Market Rent
- Gross Multiplier on Potential Rent = Market Value / Potential Rent

Please note that the Gross Multiplier on Current Rent can be misleading if the property is currently let at rents considerably below average or has significant vacancies. In those cases, we suggest also to consider multipliers and yields on market or potential rent.

2. Net Initial Yields

A Net Initial Yield expresses the ratio of the Net Operating Income (Rental income as of Date of Valuation reduced by management costs, ongoing maintenance, costs for vacancy and further non recoverable costs) to the Gross Present Value (Market Value including acquisition costs).

In our report, we state three different kinds of Net Initial Yields:

- Net Initial Yield on Current Rent = Net Operating Income derived from Current Rent / Market Value + Acquisition costs
- Net Yield on Market Rent = Net Operating Income derived from Market Rent / Market Value + Acquisition costs
- Net Yield on Potential Rent = Net Operating Income derived from Potential Rent / Market Value + Acquisition costs

Please note that the Net Initial Yield on Current Rent can be misleading if the property is currently let at rents considerably below average or has significant vacancies. In those cases we suggest also to consider multipliers and yields on market or potential rent.

Condensed Valuation Report

NAI apollo

1. Assignment

1.1. Principal

ADLER Real Estate AG
Joachimsthaler Str. 34
10719 Berlin
Germany

(hereafter: 'the Principal')

1.2. Addresses

ADO Properties S.A.
1B, Heienhaff
L-1736 Senningerberg
Grand Duchy of Luxembourg

J.P. MORGAN SECURITIES PLC
25 Bank Street
Canary Wharf
London E14 5JP
United Kingdom

DEUTSCHE BANK AKTIENGESELLSCHAFT
Taunusanlage 12
60325 Frankfurt am Main
Germany

BARCLAYS BANK PLC
5 The North Colonnade
Canary Wharf
London E14 4BB
United Kingdom

Van Lanschot Kempen Wealth Management N.V.
Beethovenstraat 300
1077 WZ Amsterdam
The Netherlands

1.3. Contractor

apollo valuation & research GmbH
Große Eschenheimer Str. 13
60313 Frankfurt am Main
Germany

(hereafter: 'NAI apollo' or 'the Contractor')

The contractor is a limited liability company, registered under commercial law in Germany under the registration number 92507. NAI apollo employs publicly appointed and sworn-in appraisers, members of the Royal Institution of Chartered Surveyors (RICS) as well as real estate valuers certified by HypZert GmbH according to DIN EN/ISO 17024.

1.4. Subject of Valuation

The portfolio to be valued (hereinafter: "the subject of valuation") consisted of existing properties and project developments.

In total, 500 existing economic units with a total lettable area of around 912,964 sqm were valued. Detailed information on these properties is attached as Annex A to the report.

Further, nine project developments (properties) with a planned lettable area of approx. 79,500 sqm (were available) were valued, whereby as per instruction, it was assumed that no unit had been sold by the valuation date. For further information, please refer to Annex B of this report.

The subject of valuation were the aforementioned plots of land, including the building structure considered essential components in accordance with section 94 BGB (German Civil Code) and excluding accessories in accordance with section 97 BGB.

1.5. Scope of Work and Purpose of Valuation

1.5.1. Scope of Work

On 20 November 2019, the Contractor was instructed as an independent valuer by the Principal to determine the market value of the properties mentioned in section 1.3 of this report on the basis of the RICS Valuation – Professional Standards 2017 ('RICS Red Book') published by the Royal Institution of Chartered Surveyors and in accordance with IVSC International Valuation Standards 2017 (11th edition).

As per instructions, the updated valuation as per 31 December 2019 was based on a desktop analysis without conducting new property inspections. According to information provided by the Principal, the existing properties are in comparable conditions as found in the last inspections in regard to their main structural features. The nine project developments were inspected anew in July resp. December 2019.

According to VPS 2 paragraph 1.8 RICS Red Book the valuer should consider whether the information, supplied by a party other than the valuer, is credible and may be relied on. Information on construction costs for the project developments, development times and compensated services/progress of construction were provided by the owner. These were compared e.g. with BKI Baukosten in accordance with the planned standard.

The market value was determined at individual property level without taking into account the fact that the properties were part of a portfolio. Therefore, no portfolio discounts or premiums were taken into account. The market value of the portfolio thus corresponds to the sum of the individual market values of the properties to be valued.

Furthermore, the Contractor was instructed to prepare a condensed valuation report (hereinafter referred to as 'the report') on 02 April 2020.

1.5.2. Purpose of Valuation

The purpose of this condensed valuation report is the determination of the market value of the subject of valuation as of the valuation date.

The report has been carried out for inclusion in a securities prospectus intended to be published by ADO Properties S.A. ('ADO Properties') in connection with a proposed offering of subscription rights issue (Bezugsrechtsemission) and subsequent issue of new ordinary shares in dematerialized form with no nominal value of ADO Properties (the 'Offering'). The Offering comprises a public offering of securities by ADO Properties in Germany and Luxembourg.

1.6. Valuation Methodology

NAI apollo used different approaches to the valuation depending on the respective property status:

1.6.1. Existing Properties

NAI apollo used a discounted cash flow (DCF) model to estimate the market value of the subject properties. The cash flows are projected according to the above structure for a holding period of 10 years and subsequently discounted to the dates of valuation.

At the end of the holding period, a sale of the asset is assumed to estimate the present value of the cash flow beyond the holding period. The terminal value, or sometimes referred to as 'exit value', is also discounted to the valuation date to determine its present value.

The sum of all present values adds up to the gross capital value (GCV) of the investment. By deducting usual transaction costs that a potential investor will face in an asset deal (as the RICS definition of 'market value' assumes an asset to be traded at the valuation date), NAI apollo arrives at the net capital value (NCV). The rounded NCV is the market value.

1.6.2. Development Properties

The valued properties are project developments which are valued according to the residual value method, based on the progress of the development of the project as of the valuation date.

The residual value method is a common approach to calculating the value of project developments. It is a deductive method for deriving the value of an undeveloped land plot or of development projects based on their respective development progress. The approach is based on the assumption that the market value of a project development can be derived from the future notional market value of the completed project less the services that still need to be considered for realisation.

NAI apollo's residual value model has the following structure:

In the first step the fictitious (gross) market value of the completed project was determined. Since this is a value that can only be realised in the future, it was discounted over the development period. In the next step, the estimated market value of the finished project value was adjusted by usual development discounts, project developer risks, marketing costs as well as the still necessary completion expenses (remaining construction and financing costs). Information provided by the project developer was used to estimate the development times and completion costs (budget and construction progress). The information was reviewed. Finally, the resulting (gross) residual value was adjusted by the transaction costs to be borne by a buyer.

In the event of completion and discontinuation of project-specific discounting and services, the resid-ual value model used here is converted to an income value model (known as the initial yield method).

Properties where no definite development was planned by the Principal and/or no building permission was available were valued in a land valuation ("Dresden-Trachau" and "Stiege"). If necessary, we accounted for demolition costs for existing building structure.

1.7. Date of Valuation

The valuations were conducted as per 31 December 2019.

1.8. Qualification

The valuation mandate was led by experienced valuers who have sufficient knowledge of the German real estate market and the necessary professional qualifications to carry out the valuation mandate competently.

1.9. Independence and Objectivity

Within this mandate NAI apollo acted as external advisor in a service relationship for the Principal. The valuation was made impartially, without directives, without consideration of unusual or personal circumstances and without own interest in the result to the best of our knowledge and belief with objective scrutiny.

Neither NAI apollo, nor the experts working within the scope of the mandate and who are permanently employed at NAI apollo have a direct or indirect personal or business relationship to the subject of valuation or to the Principal, which could lead to a potential conflict of interest. The Contractor does not profit from this assignment in any other way than by collecting the agreed fee. The amount of this fee was fixed before the start of the project and was in no way dependent on the valuation result.

1.10. Service Delimitation

1.10.1. Collection and Evaluation of Information

In the course of preparing our valuation, unless provided by the Principal, we – as instructed – did not specifically procure land register excerpts, public easement register excerpts or site contamination in-formation for the reviewed properties, but have relied on lists and information referring to such documents provided by the Principal. The relevant documents were analysed in the valuation process and examined randomly for plausibility. If there were no obvious inconsistencies, the submitted documents were assumed to be correct and valid as of the valuation date regardless of their date; the Principal confirmed to us that the provided documents reflected the current status.

1.10.2. Measurement

The preparation of an area survey was not part of the assignment. The area and unit information provided by the Principal was roughly checked for plausibility during the inspections and, if no major differences were identified, were assumed to be correct.

1.10.3. Structural Defects and Damages

A structural analysis and/or a damage assessment of the buildings were not part of this assignment. Destructive examinations and tests of the functionality of technical facilities (especially sanitary, electrical, and heating installations) were not carried out. Thus, the valuation only includes such building damages/defects that could be unequivocally identified in a non-destructive way through a normal visual inspection. In this valuation, the impact of any possible building defects and building damage on the value of the properties is only taken into account in very general terms. Hence reference to building defects within this valuation does not exclude the presence of other defects. In this respect, this report does not represent a specialist survey on building defects and damage.

1.10.4. Pests and Contaminants

Surveys to determine the presence of plant-based or animal pests were not carried out. Also, not carried out were tests on materials that limit the long-term serviceability of the valuation property or which present a danger to third parties or the environment or on contaminated sites as stipulated by the German Soil Protection law (‘Bundesbodenschutzgesetz’).

1.10.5. Subsoil

Soil investigations were not performed. The local soil situation was considered in the valuation as far as it is included in comparative purchase prices or the standard land value. Should a soil survey provide different results, these are to be taken into account in the result of this valuation. Unless explicitly noted otherwise, the soil is assumed to be of a normal load-bearing capacity.

1.10.6. Building Law

An examination of permissibility under planning and building law were not included in the mandate. The valuation was carried out on the basis of the completed project. The conformance of the com-pleted project with architectural drawings, the building permit and building law and the binding devel-opment plan were not checked. Within the scope of this valuation, the material legality of the (planned) structural works and uses was assumed.

1.10.7. Taxes, Public Charges and Financial Charges

Tax liabilities and costs resulting from the purchase or sale of a property were taken into account to the extent that they were implicitly included in the market data used. Land transfer taxes were explicitly taken into account in the valuation. Any repayments of government or other subsidies or tax benefits to be made as a result of the sale were not taken into account.

The market rents of commercial units and areas stated in the report were stated in euros (€) excluding the applicable statutory value-added tax.

Obligations that may have been recorded in section III of the land registers were not taken into account in this valuation. It was assumed that any outstanding debts would be deleted upon sale or offset by a reduction in the sale price.

2. Portfolio Analysis

2.1. Portfolio Composition

At the time of the valuation, the subject of the valuation comprised a total of 500 existing economic units located in Germany. Detailed information on these properties is attached as Annex A to the report.

Further, the subject of valuation included nine project developments, respectively plots of land. Detailed information on these developments is attached as Annex B to the report.

2.2. Ownership

According to information provided by the Principal, all properties which were part of the subject of valuation were owned by the Principal or a subsidiary at the date of valuation. 492 existing economic units and all nine development properties are held in freehold ownership. Owner leasehold rights have been granted for a further eight existing economic units (WIE 2040.039 – 2040.046).

2.3. Geographical Distribution

The existing economic units are spread across nine federal states, whereof North Rhine-Westphalia ranks first with a share of 38 % of the economic units (191). Saxony (99) and Lower Saxony (96) are second and third with 20 % and 19 %. The shares of the remaining states do not exceed the 10 %-mark.

The nine development properties are situated in North Rhine-Westphalia (3; 33 %), Berlin (2; 22 %), Brandenburg, Hesse, Saxony and Saxony-Anhalt (each 1 resp. 11 %).

2.4. Lettable Area

The existing properties comprise a total lettable area of 912,964 sqm. Thereof, around 28,410 sqm (3.1 %) is commercial rental space, while the remaining 884,554 sqm (96.9 %) are used for residential purposes.

With a share of 28 % (259,242 sqm) Duisburg is the largest location amongst the existing assets, followed by Berlin (18 %, 163,752 sqm) and Helmstedt (8 %, 70,630 sqm). Schöningen (5 %, 50,192 sqm) and Düsseldorf (4 %, 38,209 sqm) ranked 4th and 5th.

2.5. Vacancy

The existing properties displayed a vacancy rate of 10.8 % as of the valuation date. The majority of the existing vacancies were regarded to be temporary. Only around 0.3 % of the lettable area was treated as structurally vacant.

2.6. Current Rent and Market Rent

The existing properties included in the valuation had an actual net cold rent of around € 57,247,690 p.a. as of the valuation date. The market rent for the properties (assuming full occupancy incl. temporary vacancies) was determined at approx. € 77,856,642 p.a.

3. Valuation Results

3.1. Definition of Market Value

In VPS 4, section 4, the RICS Red Book 2017 adopts the following definition of the market value set by the International Valuation Standards Council (IVSC):

'The estimated amount for which an asset or liability should exchange on the valuation date be-tween a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.'

3.2. Market Value

NAI apollo has determined the market value of the properties described in section 1.3 and Annex A and Annex B of this report as per the date of valuation 31 December 2019 with:

1,726,872,000 EUR

(One Billion Seven Hundred Twenty-Six Million Eight Hundred Seventy-Two Thousand Euro)

The above value corresponds to the sum of the individual market values of the properties to be valued. This assessment is based on the assumptions, caveats and comments made in this report as well as on the assumption that there are no unusual circumstances which were unknown to NAI apollo at the time of preparing this report.

Frankfurt am Main, 01 July 2020

Stefan Mergen
Managing Partner
for and on behalf of
apollo valuation & research GmbH

Dr. Peter Stark MRICS, RICS Registered Valuer
Director – Valuation
for and on behalf of
apollo valuation & research GmbH

Annex A: Overview of key information of existing properties

Annex B: Overview of key information of development properties

Annex A Overview of key information of existing properties

WIE	Address	ZIP	City	Residential and commercial units [amnt]	Lettable area [sqm]
2050.001	Steinbacher Str. 13-19b	01157	Dresden	48	3,410
2050.002	Hebbelplatz 1-5	01157	Dresden	39	2,544
2050.003	Hörigstr. 20	01157	Dresden	17	1,119
2050.004	Werkstättenstr. 1	01157	Dresden	11	611
2050.005	Werkstättenstr. 4	01157	Dresden	11	603
2050.006	Flensburger Str. 12	01157	Dresden	5	360
2050.007	Gambrinusstr. 7	01159	Dresden	24	1,555
2050.008	Grillparzer Str. 30	01157	Dresden	8	538
2050.009	Hubertusstr. 10	01129	Dresden	8	395
2050.010	Tharandter Str. 134	01187	Dresden	8	368
2050.011	Weimarische Str. 32, 34	01127	Dresden	20	1,206
2050.017	Cöllner Str.8/ Kurt-Hein-Str. 28	01662	Meißen	17	1,122
2050.018	Gabelsberger Str. 1, 3	01662	Meißen	12	893
2050.019	Gartenstr. 10/12	01662	Meißen	14	1,040
2050.020	Gartenstr.13/15	01662	Meißen	15	1,203
2050.021	Gartenstr.14/16	01662	Meißen	14	1,054
2050.022	Gustav-Graf-Str. 13/Wolyniezstr. 5	01662	Meißen	22	1,238
2050.023	Gustav-Graf-Str. 18	01662	Meißen	6	386
2050.024	Gustav-Graf-Str. 20-26	01662	Meißen	25	1,321
2050.025	Gustav-Graf-Str. 28- 32	01662	Meißen	21	1,402
2050.026	Hirschbergstr. 5	01662	Meißen	8	345
2050.027	Hirschbergstr. 12	01662	Meißen	9	429
2050.028	Höroldtstr. 1, Wilhelm-Walkhoff-Platz 8, 9	01662	Meißen	21	1,410
2050.029	Kalkberg 3, 5	01662	Meißen	12	892
2050.030	Köhlerstr. 6	01662	Meißen	6	375
2050.031	Köhlerstr. 7-9	01662	Meißen	18	1,221
2050.032	Köhlerstr. 10, Ossietzkystr. 5, 6, 7	01662	Meißen	24	1,477
2050.033	Melzerstr. 18, 20, 22	01662	Meißen	27	1,908
2050.034	Ossietzkystr. 54-57	01662	Meißen	24	1,014
2050.035	Ossietzkystr. 58	01662	Meißen	6	270
2050.036	Ringstr. 23	01662	Meißen	9	513
2050.037	Weinberggasse 9	01662	Meißen	5	330
2050.038	Am Hang 37, 39, 41	01589	Riesa	24	1,429
2050.039	Amselweg 2, 4	01589	Riesa	18	876
2050.043	Franz-Stephan-Str. 45, 47	07549	Gera	20	1,073
2050.044	Andreas-Tentzel-Str. 4-6	99718	Greußen	24	1,268
2050.045	Andreas-Tentzel-Str. 10-12	99718	Greußen	24	1,244
2050.046	Friedrich-von-Hardenberg-Str.1-3	99718	Greußen	24	1,228
2050.047	Nordhäuser Str. 12, 14 ,16	99718	Greußen	18	903
2050.048	Hermann-Hesse-Str. 7-9	99718	Greußen	24	1,376
2340.001	Breitenbachplatz 10	14195	Berlin	11	1,383

WIE	Address	ZIP	City	Residential and commercial units [amnt]	Lettable area [sqm]
2170.002	Kalver Landweg 1-5	58511	Lüdenscheid	21	1,482
2170.003	Leifringhauser Str. 8-16	58511	Lüdenscheid	46	3,235
2170.004	Brunestraße 2	58511	Lüdenscheid	8	576
2170.005	Dickestraße 2-6	58511	Lüdenscheid	28	1,996
2170.015	Ottostraße 13-17	59067	Hamm	24	1,372
2170.017	Knapper Straße 40-42	58507	Lüdenscheid	16	1,173
2170.018	Am Hohen Graben 6-8	58097	Hagen	10	927
2170.022	St.-Anton-Straße 99-105	47798	Krefeld	29	1,370
2170.024	Virchowstraße 19-23	59077	Hamm	37	2,589
2170.026	Gutenbergstraße 17	58089	Hagen	10	552
2170.027	Bergstr. 32	58095	Hagen	11	732
2170.029	Boeler Str. 40	58097	Hagen	9	546
2170.031	Friedensstraße 110	58097	Hagen	10	822
2170.032	Inrather Strasse 566-570	47803	Krefeld	18	1,285
2170.033	Gerber Strasse 26-28	47798	Krefeld	10	490
2170.034	Moerser Strasse 2-4, Ostwall 251	47798	Krefeld	40	1,871
2170.035	Lohstrasse 186-188, Nordwall 42-44	47798	Krefeld	44	1,934
2170.036	Vennfelder Strasse 37	47805	Krefeld	7	507
2170.037	Gartenstraße 100	47798	Krefeld	15	798
2170.038	Hülser Straße 129/131	47803	Krefeld	9	556
2170.039	Neue Linner Str. 40	47799	Krefeld	7	444
2170.040	St.-Anton-Strasse 152	47798	Krefeld	5	402
2170.041	Hülser Straße 462	47803	Krefeld	8	400
2170.042	Hubertusstrasse 144	47798	Krefeld	11	713
2170.043	Viersener Str. 8.10,12	47805	Krefeld	20	1,128
2170.044	Geldernsche Straße 77	47798	Krefeld	7	318
2170.045	Bergerstraße 152-158	50321	Brühl	24	1,479
2170.046	Hufelandstraße 1	58097	Hagen	10	649
2170.048	Auf dem Wichterbruch 2	58135	Hagen	8	450
2170.050	Selbecker Str. 70	58091	Hagen	6	243
2180.001	Zwickauer Str. 2-6	44139	Dortmund	43	2,893
2180.003	Rückertstraße 30-32	44147	Dortmund	16	778
2180.005	Robertstraße 9-15	44145	Dortmund	19	996
2180.006	Humperdinckstr. 2-6	44147	Dortmund	23	1,288
2180.007	Dürener Straße 6-7	44145	Dortmund	14	741
2180.009	Auf der Höchte 2-18, Kampstraße 1-27	46117	Oberhausen	312	23,546
2180.012	Fastenrathstr. 1	42853	Remscheid	10	1,370
2180.013	Franzstr. 1, Hastener Str. 95/97	42855	Remscheid	24	1,317
2180.015	Wellinghofer Str. 67	44263	Dortmund	12	726
2180.016	Hörder Bruch 1, Phönixstraße 29-33	44263	Dortmund	32	1,939
2180.017	Berliner Str. 141-143	42277	Wuppertal	27	2,725

WIE	Address	ZIP	City	Residential and commercial units [amnt]	Lettable area [sqm]
2180.018	Alter Hellweg 81-83	44379	Dortmund	16	899
2180.019	Oestermärsch 83	44145	Dortmund	14	934
2180.020	Neumühler Straße 25-27	46149	Oberhausen	16	1,111
2180.023	Fritz-Reuter-Straße 24	44147	Dortmund	10	600
2180.024	Johanna-Melzer-Str. 15	44147	Dortmund	11	658
2180.025	Düsseldorfer Straße 49	42115	Wuppertal	8	424
2180.027	Querstraße 14	42119	Wuppertal	9	455
2180.028	Nettenberg 37-39	42349	Wuppertal	15	928
2180.029	Rheinische Straße 139	44147	Dortmund	15	790
2180.030	Roonstraße 5-7	45476	Mülheim an der Ruhr	11	593
2180.031	Borsigstr. 60	44145	Dortmund	7	460
2180.032	Schlosserstr. 40	44145	Dortmund	10	685
2180.033	Steigerstraße 13	44145	Dortmund	8	493
2180.034	Nohlstraße 16	46045	Oberhausen	7	450
2180.035	Robert-Koch-Straße 51	44143	Dortmund	9	628
2180.036	Wambeler Straße 1	44145	Dortmund	8	580
2180.037	Dickswall 102	45468	Mülheim an der Ruhr	10	636
2180.038	Kesselstraße 50	44147	Dortmund	9	489
2180.039	Limburgstraße 9	45476	Mülheim an der Ruhr	7	485
2180.040	Schürbankstraße 72	44287	Dortmund	9	540
2310.001	Bröndbystr. 42 -44	12207	Berlin	18	1,399
2310.002	Waldhornstraße 7	13469	Berlin	9	816
2310.003	Heideläuferweg 4	12353	Berlin	10	683
2060.001	Am Wall 1-7	46286	Dorsten	57	4,120
2030.001	Weststraße 42-52	58509	Lüdenscheid	40	2,983
2030.002	Werdohler Straße 175,179,191,193	58511	Lüdenscheid	30	1,414
2030.003	Am Steilhang 7-11a	58509	Lüdenscheid	42	2,395
2030.004	Corneliusstraße 11/13, Thünenstraße 5	58511	Lüdenscheid	15	866
2030.005	Hochstraße 90	58511	Lüdenscheid	7	369
2030.006	Vollmerstraße 93	58511	Lüdenscheid	9	614
2030.007	Lösenbacherstraße 25	58511	Lüdenscheid	7	414
2270.001	Forstweg 44	08280	Aue	4	234
2270.002	Gabelsberger Straße 42	08280	Aue	6	477
2270.003	Krügerstraße 8	09131	Chemnitz	6	286
2270.004	Alberodaer Straße 40	08280	Aue	6	435
2270.005	Alberodaer Straße 42	08280	Aue	6	435
2270.006	Neumarkt 3	08280	Aue	8	592
2270.007	Auer Straße 70	08315	Lauter-Bernsbach	11	769
2270.008	Schwarzenberger Straße 7	08280	Aue	1	35
2270.009	Albrechtstraße 29	09130	Chemnitz	8	512
2270.010	Bornaer Straße 80/80a	09114	Chemnitz	12	686

WIE	Address	ZIP	City	Residential and commercial units [amnt]	Lettable area [sqm]
2270.011	Franz-Wiesner-Straße 15	09131	Chemnitz	9	471
2270.012	Lichtenwalder Straße 7	09131	Chemnitz	8	694
2270.013	Matthesstraße 16	09113	Chemnitz	12	508
2270.014	Zeißstraße 56	09131	Chemnitz	11	612
2270.015	An der Alten AWG 68a	08294	Lößnitz	1	48
2270.016	Friedrich-Engels-Straße 23	08523	Plauen	6	392
2270.017	Moritzstraße 55	08523	Plauen	9	645
2270.018	Fröbelstraße 15	08412	Werdau	6	384
2270.019	Kopernikusstraße 14	08056	Zwickau	12	628
2270.020	Leonhardtstraße 3	09112	Chemnitz	20	1,438
2270.021	R.-Breitscheid-Straße 51-51b	09366	Stollberg	21	1,324
2270.022	Vertrauenschachtstraße 6-10e	09385	Lugau	23	1,450
2270.023	Stadionallee 2a/2b	08393	Meerane	20	1,293
2270.024	Jöllenbecker Str. 1a/b, Sachsenallee 9a-f	08371	Glauchau	59	4,532
2270.025	Bernsdorfer Str. 90	09126	Chemnitz	14	1,052
2270.026	Fliederweg 2	08112	Wilkau-Haßlau	10	687
2270.027	Fliederweg 6/10	08112	Wilkau-Haßlau	20	1,226
2270.028	Fliederweg 8/12	08112	Wilkau-Haßlau	19	1,230
2270.029	Am Hexenberg 29	09224	Chemnitz	8	543
2270.030	Riesenweg 11	09224	Chemnitz	12	704
2270.032	Riesenweg 15	09224	Chemnitz	12	808
2270.034	Riesenweg 19	09224	Chemnitz	12	808
2270.036	Schumannstr. 07	08056	Zwickau	4	500
2270.037	Am Hexenberg 29, Riesenw. 11-21	09224	Chemnitz	0	0
2070.001	Kaiserstr. 44-48b, Markgrafenstr. 11, Moltkestr.31	58332	Schwelm	197	14,906
2240.001	Brunnenstr. 5	25524	Itzehoe	162	8,810
2240.002	Feldschmiedekamp 4	25524	Itzehoe	176	8,735
2240.003	Feldschmiedekamp 2/4	25524	Itzehoe	0	0
2280.001	Stellbrinkstr. 3a -15	23566	Lübeck	36	2,584
2280.002	Scharhörnstr. 14-16	23554	Lübeck	19	864
2280.003	Beckergrube 30	23552	Lübeck	5	459
2280.004	Herweghstr. 18	18055	Rostock	4	340
2280.005	Waldemarstr. 1	18057	Rostock	4	360
2280.006	Hospitalstr. 5a	18057	Rostock	8	379
2280.007	Friesenstr. 3	18057	Rostock	15	597
2280.008	Anklamer Str. 2	18057	Rostock	8	567
2280.009	Borwinstr. 8	18057	Rostock	5	316
2280.010	Budapester Str. 57	18057	Rostock	14	1,038
2280.011	Drostenstr. 5a	18147	Rostock	4	421
2280.012	Friesenstr. 11	18057	Rostock	14	706

WIE	Address	ZIP	City	Residential and commercial units [amnt]	Lettable area [sqm]
2280.013	Oberhalb des Gerberbruches 3	18055	Rostock	1	372
2280.014	Humboldtstr. 4	18057	Rostock	3	351
2280.015	St.-Georg-Str. 100	18055	Rostock	22	470
2280.016	Ulmenstr. 37	18057	Rostock	5	308
2280.017	Borwinstr. 5	18057	Rostock	10	493
2280.018	Elisabethstr. 23	18057	Rostock	10	413
2280.019	Fährstr. 22	18147	Rostock	5	328
2280.020	Fritz-Reuter-Str. 39	18057	Rostock	4	398
2280.021	Jahnstr. 6	18057	Rostock	13	508
2280.022	Landreiterstr. 5	18147	Rostock	6	708
2280.023	Pressentinstr. 12	18147	Rostock	5	342
2280.024	Waldemarstr. 48	18057	Rostock	10	412
2280.026	Rahnstädter Weg 42/43	18069	Rostock	11	629
2280.027	Fahnenstr. 1	18057	Rostock	10	580
2280.028	Parkstr. 59	18057	Rostock	7	751
2280.031	Weißenburgstr. 48	24116	Kiel	10	455
2280.032	Weißenburgstr. 50	24116	Kiel	13	859
2280.033	Eckernförder Str. 16	24103	Kiel	11	667
2280.034	Harmsstr. 47	24114	Kiel	10	432
2280.036	Westring 277	24116	Kiel	12	1,150
2290.001	Dresdner Str. 39	01156	Dresden	6	398
2290.002	Dresdner Str. 41	01156	Dresden	6	591
2290.005	Bernhardstr. 33	04315	Leipzig	19	1,094
2290.008	Königsbrücker Landstr. 55	01109	Dresden	10	694
2290.009	Mügelner Str. 14/14a	01237	Dresden	22	1,060
2290.010	Paulinenstr.16	04315	Leipzig	13	997
2290.011	Ungerstr. 11	04318	Leipzig	12	788
2290.012	Moritzstr. 16	08056	Zwickau	5	383
2290.013	Moritzstr. 18	08056	Zwickau	5	382
2290.015	Leizpiger Str. 3	08412	Werdau	6	376
2290.016	Leipziger Str. 5	08412	Werdau	4	221
2290.018	Dieskaustr. 43	04229	Leipzig	16	687
2290.019	Schönlebestr. 38	09599	Freiberg	8	471
2290.020	Schönlebestr. 42	09599	Freiberg	8	506
2290.021	Humboldtstr. 56	09599	Freiberg	10	604
2290.022	Humboldtstr. 35	09599	Freiberg	8	481
2290.023	Edisonstr. 4	09116	Chemnitz	11	749
2290.024	Agricolastr. 6	09112	Chemnitz	21	774
2290.025	Straße der Nationen 108	09111	Chemnitz	6	706
2290.026	Zietenstr. 79	09130	Chemnitz	7	737
2290.027	Annaberger Str. 107	09120	Chemnitz	11	880

WIE	Address	ZIP	City	Residential and commercial units [amnt]	Lettable area [sqm]
2290.028	Straße der Nationen 110	09111	Chemnitz	7	527
2290.029	Solbrigstr. 15	09120	Chemnitz	8	477
2290.030	Frankenbergerstr. 208	09131	Chemnitz	12	867
2290.031	Moritzstr. 29	08056	Zwickau	12	833
2290.032	Friedrich-Engels-Str. 61	08058	Zwickau	9	503
2290.033	Döhnerstr. 12-14	08058	Zwickau	9	477
2290.034	Talstr. 8b	08066	Zwickau	7	637
2290.035	Schönlebestr. 10	09599	Freiberg	8	492
2290.036	Schönlebestr. 40	09599	Freiberg	8	462
2290.037	Königsbrücker Str. 32	01099	Dresden	13	938
2300.003	Dreieckstr. 2/2b	58097	Hagen	16	1,656
2300.005	Hochstr. 97b	58095	Hagen	8	635
2300.006	Körnerstr. 81-83	58095	Hagen	30	2,396
2300.007	Körnerstr. 71	58095	Hagen	8	539
2300.008	Wittekindstr. 26	58097	Hagen	8	470
2300.009	Frankfurter Str. 26	51065	Köln	7	748
2300.011	Friedrich-Engels-Allee 296	42285	Wuppertal	12	792
2300.014	Heerstr. 49-57	47053	Duisburg	36	2,451
2300.015	Neue Fruchtstr. 9-11	47057	Duisburg	34	1,471
2300.018	Frankenweg 26-50, Keltenweg 7, Sachsenring 8	44867	Bochum	61	4,840
2300.020	Ewaldstr. 16	42859	Remscheid	7	376
2300.023	Unterstr. 46	45359	Essen	4	280
2300.024	Hauskampstr. 5	45476	Mülheim an der Ruhr	6	666
2300.025	In der Heide 5	45881	Gelsenkirchen	7	324
2300.026	Devenstr. 36	45899	Gelsenkirchen	5	261
2300.027	Lindener Str. 82	44879	Bochum	7	482
2300.028	Sonnenwall 62	47051	Duisburg	15	944
2300.030	Franklinstr. 60	40479	Düsseldorf	17	1,050
2300.031	Geistenstr. 28	40476	Düsseldorf	12	721
2300.032	Graf-Adolf-Str. 98	40210	Düsseldorf	10	1,045
2300.033	Heerstr. 68	40227	Düsseldorf	10	521
2300.034	Helmholtzstr. 12	40215	Düsseldorf	15	1,089
2300.035	Höherweg 61	40233	Düsseldorf	15	1,318
2300.036	Josefstr. 25	40227	Düsseldorf	19	864
2300.037	Langerstr. 57	40233	Düsseldorf	9	543
2300.038	Lindenstr. 186	40233	Düsseldorf	10	823
2300.039	Mintropstr. 28	40215	Düsseldorf	24	924
2300.040	Oberbilker Allee 266	40227	Düsseldorf	11	597
2300.041	Eckampstr. 2, Rather Broich 57	40472	Düsseldorf	21	1,382
2300.042	Scheurenstr. 27	40215	Düsseldorf	13	858

WIE	Address	ZIP	City	Residential and commercial units [amnt]	Lettable area [sqm]
2300.043	Suitbertusstr. 95	40223	Düsseldorf	13	560
2300.044	Brunnenstr. 2a	40223	Düsseldorf	17	1,231
2420.001	Am Delft 13, 14	26721	Emden	15	1,813
2420.002	Am Delft 22_23	26721	Emden	9	551
2420.003	Hansastrasse 12/12a	26723	Emden	28	1,809
2420.004	Liekeweg 19,21,23	26725	Emden	28	1,872
2420.005	Warfenweg 14,16,20	26506	Norden	48	3,516
2330.001	Potsdamer Str. 117/ 119	10783	Berlin	72	2,097
2080.001	Tangermuehlenweg 44-56	38350	Helmstedt	55	3,034
2080.002	Conringstr. 17-21, Friedrichstr. 22	38350	Helmstedt	50	2,526
2080.003	Friedrichstr. 23, Virchowweg 1-5	38350	Helmstedt	50	2,514
2080.004	Friedrichstr. 24-28, Meibomstr. 23	38350	Helmstedt	45	2,412
2080.005	An den Luebbensteinen 1-10, Dammgarten 1-6	38350	Helmstedt	94	4,904
2080.006	Maschweg 13	38350	Helmstedt	1	73
2080.007	An den Luebbensteinen 7/8	38350	Helmstedt	18	883
2080.008	Tangermuehlenweg 35-45	38350	Helmstedt	48	2,583
2080.009	Beethovenstr. 1-9, Joh.-Seb.-Bach-Str. 2-20, Masch	38350	Helmstedt	236	13,288
2080.010	Rich.-Wagner-Straße	38350	Helmstedt	0	0
2080.011	Mozartstraße	38350	Helmstedt	0	0
2080.012	Harbker Weg 21	38350	Helmstedt	1	77
2080.013	Rich.-Wagner-Platz 5	38350	Helmstedt	29	1,969
2080.014	Herm.-Loens-Weg 1-10, Lessingstr. 21-40, Moerikest	38350	Helmstedt	198	11,886
2080.015	Glockbergstr. 23-27, Heinr.-Kremp-Str. 47-61	38350	Helmstedt	44	2,727
2080.016	Th.-Storm-Weg 10/12	38350	Helmstedt	12	736
2080.017	Langer Kamp 24B/C	38350	Helmstedt	12	706
2080.018	Heinr.-Kremp-Str. 44/46	38350	Helmstedt	12	804
2080.019	Mosheimstr. 6/8/12	38350	Helmstedt	12	706
2080.020	Heinr.-Kremp-Str. 42	38350	Helmstedt	6	402
2080.021	Glockbergstr. 29-33, Mosheimstr. 10	38350	Helmstedt	16	942
2080.022	Cranachweg 1, Feuerbachweg 1, Glockbergstr. 4-14	38350	Helmstedt	44	2,759
2080.023	Duererplatz 1-6, Gruenewaldweg 1, Rembrandtstr. 1-	38350	Helmstedt	40	2,508
2080.024	Mozartstraße	38350	Helmstedt	0	0
2080.025	Duererplatz 2-3	38350	Helmstedt	22	1,244
2080.026	Langer Kamp 24A	38350	Helmstedt	4	234
2080.027	Heinr.-Kremp-Str. 48-50, Mosheimstr. 14-18	38350	Helmstedt	20	1,168
2080.028	Glockbergstr. 35-39	38350	Helmstedt	12	855
2080.029	Beethovenstraße, Rich.-Wagner-Platz	38350	Helmstedt	0	0
2080.030	Beethovenstr., Dammgarten, Glockenbergstr. Heinr.-	38350	Helmstedt	0	0
2080.031	Elzweg 50-58, Glockbergstr. 39A/B	38350	Helmstedt	24	1,530

WIE	Address	ZIP	City	Residential and commercial units [amnt]	Lettable area [sqm]
2080.032	Elzweg 50-58, Glockbergstr. 39A/B	38350	Helmstedt	18	1,148
2080.033	Brandenburger Str. 26, Stendaler Str. 25	38350	Helmstedt	47	2,980
2080.034	Brandenburger Str. 26, Genthiner Str. 1	38350	Helmstedt	48	3,030
2080.035	A. d. Lübbenst., Beethovenstr., Dammgarten, Elzw	38350	Helmstedt	0	0
2080.036	Brandenburger Straße	38350	Helmstedt	0	0
2080.037	Langer Kamp, Wilh.-Busch-Str.	38350	Helmstedt	0	0
2080.038	Th.-Storm-Weg	38350	Helmstedt	0	0
2080.039	In der Gehrenbreite	38350	Helmstedt	0	0
2080.040	In der Gehrenbreite	38350	Helmstedt	0	0
2080.041	Joh.-Seb.-Bach-Straße	38350	Helmstedt	0	0
2080.042	D.-Bonhoeffer-Straße	38350	Helmstedt	0	0
2080.043	Lessingstraße	38350	Helmstedt	0	0
2080.044	Thomas Mann Straße	38350	Helmstedt	0	0
2080.045	Lessingstraße	38350	Helmstedt	0	0
2080.046	Herderstraße	38350	Helmstedt	0	0
2080.047	Elzweg	38350	Helmstedt	0	0
2080.048	Heinrich-Kremp-Strasse 42	38350	Helmstedt	0	0
2080.049	Heinrich-Kremp-Strasse 44	38350	Helmstedt	0	0
2080.051	Burgstr. 10-22, Eichendorffstr. 5-26	38364	Schöningen	147	7,679
2080.052	Eichendorffstr. 29/42, Goetheplatz 1-6, Schillerst	38364	Schöningen	100	5,635
2080.053	Gerhart-Hauptmann-Straße	38364	Schöningen	0	0
2080.054	Clausfeldstr. 11-22, Mueller-Muehlenbein-Str. 4-6,	38364	Schöningen	16	1,079
2080.055	Gerhart-Hauptmann-Straße	38364	Schöningen	0	0
2080.056	Clausfeldstr. 11-22, Mueller-Muehlenbein-Str. 4-6,	38364	Schöningen	76	4,405
2080.057	Salinentrift 1a-c, Weinbergstr. 7-10, Windmuelenwe	38364	Schöningen	135	7,957
2080.058	Windmuehlenweg 2/4/18	38364	Schöningen	18	1,109
2080.059	Schuettestr. 13/13a	38364	Schöningen	8	471
2080.060	Ludwig-Uhland-Str. 1-5, Wilhelm-Busch-Str. 24-44	38364	Schöningen	56	3,387
2080.061	Wilhelm-Busch-Str. 46-60	38364	Schöningen	28	1,648
2080.062	Wilhelm-Busch-Str. 56	38364	Schöningen	4	235
2080.063	Cunostr. 1-29	38364	Schöningen	40	2,355
2080.064	Cunostr. 13	38364	Schöningen	6	353
2080.065	Stettiner Str. 20-34	38364	Schöningen	46	2,901
2080.066	Stettiner Str. 20-34	38364	Schöningen	14	883
2080.067	Am Brauerteiche 3-9	38364	Schöningen	42	2,648
2080.068	Cunostr., Gottfried-Keller-Str., Ringstr., Schille	38364	Schöningen	0	0
2080.069	Saarstr. 6	38364	Schöningen	6	434
2080.070	Am Brauerteiche 10-11	38364	Schöningen	12	765
2080.071	Am Brauerteiche,Clausfeldstr., Cunostr., Gottfried	38364	Schöningen	0	0
2080.072	Brandenburger Str. 8-12, Voelpker Str. 2-6	38364	Schöningen	36	2,422
2080.073	Voelpker Str. 8-14	38364	Schöningen	32	2,138

WIE	Address	ZIP	City	Residential and commercial units [amnt]	Lettable area [sqm]
2080.074	Voelpker Straße	38364	Schöningen	0	0
2080.075	Voelpker Str. 1-5	38364	Schöningen	24	1,687
2080.076	Voelpker Straße	38364	Schöningen	0	0
2080.077	Gerhart-Hauptmann-Straße	38364	Schöningen	0	0
2080.078	Clausfeldstraße, Cunostraße	38364	Schöningen	0	0
2080.079	Burgstrasse 36	38364	Schöningen	0	0
2080.080	Schäferbreite	38364	Schöningen	0	0
2080.081	Voelpker Straße	38364	Schöningen	0	0
2080.082	Gerhart-Hauptmann-Straße	38364	Schöningen	0	0
2080.083	Windmühlenweg	38364	Schöningen	0	0
2080.084	Herderstraße	38364	Schöningen	0	0
2080.085	Ludwig-Uhland-Straße	38364	Schöningen	0	0
2080.086	Stettiner Straße	38364	Schöningen	0	0
2080.087	Stettiner Straße	38364	Schöningen	0	0
2080.088	Glueckaufstr. 6/8, Klausbreite 1-5	38364	Esbeck	25	1,400
2080.089	Klausbreite	38364	Esbeck	0	0
2080.090	Kurze Str. 1-5	38364	Esbeck	12	706
2080.091	Am Eschenbach 2-12	38364	Esbeck	25	1,471
2080.092	Am Alten Tore 2/4	38364	Esbeck	8	467
2040.001	Beethovenstr. 15-17	47226	Duisburg	63	3,152
2040.002	Neustr. 32-36	47228	Duisburg	48	3,333
2040.003	Beethovenstr. 1-7	47239	Duisburg	64	4,953
2040.004	Brahmsstr. 2-46	47226	Duisburg	182	10,626
2040.005	Albert-Schweitzer-Str. 1-3, Enge Gasse 4, Robert-K	47229	Duisburg	7	706
2040.006	In den Bänden 38-42	47229	Duisburg	15	1,099
2040.007	Beguinenstr. 46	47228	Duisburg	3	229
2040.008	Atroper Str. 56/58, Erzstr. 1-5, Industriestr. 42-	47226	Duisburg	36	2,978
2040.009	Werthauser Str. 48-68	47226	Duisburg	44	2,365
2040.010	Werthauser Str. 72, 74	47226	Duisburg	8	555
2040.011	Werthauser Str. 76-90	47226	Duisburg	31	2,210
2040.012	Werthauser Str. 110, 114	47226	Duisburg	7	441
2040.013	Werthauser Str. 95-113	47226	Duisburg	43	2,232
2040.014	Werthauser Str. 123, 125	47226	Duisburg	10	446
2040.015	Gillhausenstr. 10/12, Kreuzstr. 20-26	47226	Duisburg	17	1,634
2040.016	Klausstr. 2-12	47226	Duisburg	28	1,812
2040.017	Margarethenstr. 21-25, Andreasstr. 33	47226	Duisburg	12	756
2040.018	Atroper Str. 39-43, Magarethenstr. 2-4, Barbarastr	47226	Duisburg	20	1,092
2040.019	Atroper Str. 45	47226	Duisburg	4	209
2040.020	Schwarzenberger Str. 1-3, Atroper Str. 60-64	47226	Duisburg	18	1,201
2040.021	Atroper Str. 74-76, Industriestr. 1	47226	Duisburg	10	526
2040.022	Friedrich-Alfred-Str. 107-109, Eisenstr. 28-30	47226	Duisburg	11	639

WIE	Address	ZIP	City	Residential and commercial units [amnt]	Lettable area [sqm]
2040.023	Beethovenstr. 1-7	47239	Duisburg	0	0
2040.024	Beethovenstr. 5a, Brahmsstr. 2	47226	Duisburg	1	29
2040.025	Neustr. 32-36	47228	Duisburg	0	0
2040.026	Albert-Schweitzer-Str. 1-3, Enge Gasse 4	47229	Duisburg	0	0
2040.027	Gillhausenstr. 10	47226	Duisburg	0	0
2040.028	Erzstr. 1-3	47226	Duisburg	0	0
2040.029	Benrodestr. 54	40597	Düsseldorf	6	398
2040.030	Am Wald 7	40597	Düsseldorf	2	112
2040.031	Haydnstr. 32, 34	40593	Düsseldorf	2	235
2040.032	Jagenbergstr. 33, 35	40597	Düsseldorf	4	184
2040.033	Steinhauerstr. 16, 18	40597	Düsseldorf	12	776
2040.034	Zoppoter Str. 6-18, Bromberger Str. 9/11, Am Wald	40597	Düsseldorf	40	2,056
2040.035	Capitostr.20-22	40597	Düsseldorf	12	570
2040.036	Zoppoter Str. 34,36	40599	Düsseldorf	12	586
2040.037	Jagenbergstr. 35	40597	Düsseldorf	0	0
2040.038	Hospitalstr. 34-41, Melanchthonstr. 1-9, Weststr.	40597	Düsseldorf	121	7,387
2040.039	Bismarckstr. 153-161, Erlinghagenplatz 1-8	47229	Duisburg	69	3,791
2040.040	Franz-Schubert-Str. 2-24	47226	Duisburg	72	4,258
2040.041	Mozartstr. 2-32	47226	Duisburg	96	5,500
2040.042	Mozartstr. 1-15	47226	Duisburg	64	3,656
2040.043	Mozartstr. 36-52	47226	Duisburg	72	4,584
2040.044	Franz-Schubert-Str. 26/28, Richard-Wagner-Str. 1-1	47226	Duisburg	184	11,546
2040.045	Richard-Wagner-Str. 13-17	47226	Duisburg	24	1,529
2040.046	Richard-Wagner-Str. 19-25	47226	Duisburg	32	2,686
2040.047	Beethovenstr. 1-9, Brahmsstr. 1-27, Friedrich-Alfr	47226	Duisburg	521	30,783
2040.048	Lortzingstr.1-30, Beethovenstr. 11-13, Brucknerstr	47226	Duisburg	315	16,420
2040.049	Beethovenstr. 2-14, Schwarzenberger Str. 29-37	47226	Duisburg	186	9,866
2040.050	Lessingstr. 5-23, Lindenallee 14-34, Krefelder Str	47226	Duisburg	174	10,719
2040.051	Händelstr. 1-21	47226	Duisburg	88	5,596
2040.052	Gerhart-Hauptmann-Str. 1-25, Hölderlinstr. 1-24, L	47226	Duisburg	343	23,576
2040.053	Gudrunstr. 1-7, Hochfelder Str. 3	47226	Duisburg	60	4,209
2040.054	Wagnerstr. 2-6	47239	Duisburg	48	3,378
2040.055	Graf-Bernadotte-Str. 1-6	47228	Duisburg	36	2,621
2040.056	Graf-Bernadotte-Str. 7-17	47228	Duisburg	48	3,589
2040.057	Eichenstr. 33-35	47228	Duisburg	12	903
2040.058	Joseph-Haydn-Str. 5-28, Lindenallee 15-17	47229	Duisburg	168	11,881
2040.059	Joseph-Haydn-Str. 1-12, Lindenallee 13, Gluckstr.	47229	Duisburg	72	5,520
2040.060	Behringstr. 33-37, Joseph-Haydn-Str. 2-6, Lindenal	47229	Duisburg	88	6,698
2040.061	Werthauser Str. 123-137	47226	Duisburg	45	2,964
2040.062	Hochfelder Str. 72-74	47226	Duisburg	16	1,161
2040.063	Gerhart-Hauptmann-Str. 2-6	47226	Duisburg	60	4,519

WIE	Address	ZIP	City	Residential and commercial units [amnt]	Lettable area [sqm]
2040.064	Gerhart-Hauptmann-Str. 8-12	47226	Duisburg	60	4,519
2040.065	Hugo-Bansen-Str. 2	47229	Duisburg	19	1,267
2040.066	Friedrich-Alfred-Str. 108-116	47226	Duisburg	24	1,947
2040.067	Brückenstr. 1-23, Margarethenstr. 27-37	47226	Duisburg	70	4,326
2040.068	Gillhausenstr. 14-44, Kreuzstr. 37/39	47226	Duisburg	73	4,115
2040.069	Gillhausenstr. 9-35, Kreuzstr. 33/35	47226	Duisburg	66	3,670
2040.070	Margarethenstr. 52-64	47226	Duisburg	22	1,472
2040.071	Margarethenstr. 48-50	47226	Duisburg	4	231
2040.072	Hochfelder Str. 13-19, Rosastr. 15-27	47226	Duisburg	46	2,359
2040.073	Atroper Str. 47-57, Hochfelder Str. 1	47226	Duisburg	39	2,422
2040.074	Werthauser Str. 114-116	47226	Duisburg	34	1,894
2040.075	Schwarzenbergerstr. 38-40	47226	Duisburg	8	572
2040.076	Friedrich-Alfred-Str. 167-171	47226	Duisburg	8	406
2040.077	Beethovenstr. 7	47226	Duisburg	0	0
2040.078	Lortzingstr. 25/26	47226	Duisburg	0	0
2040.079	Robert-Koch-Str. 10-20	47229	Duisburg	0	0
2040.080	Friedrich-Alfred-Str. 108-116	47226	Duisburg	0	0
2040.081	Kreuzstr. 26	47226	Duisburg	0	0
2040.082	Capitostr. 3-31	40597	Düsseldorf	18	960
2040.083	Capitostr. 13-15	40597	Düsseldorf	12	830
2040.084	Flenderstr. 10/10a	40597	Düsseldorf	8	408
2040.085	Hochfelder Str., Werthauser Str.,Erzstr.,Industrie	47226	Duisburg	0	0
2350.001	Kasseler Str. 2	99089	Erfurt	137	8,047
2360.001	Mainzer Str. 21	99089	Erfurt	137	8,043
1005.008	Garagenpachtfläche	15517	Fürstenwalde	0	0
1005.009	Ring der Freundschaft 1-4	15517	Fürstenwalde	24	1,513
1005.010	Ring der Freundschaft 5-6	15517	Fürstenwalde	13	949
1005.011	Ring der Freundschaft 7-8	15517	Fürstenwalde	12	966
1005.012	Ring der Freundschaft 9-11	15517	Fürstenwalde	18	1,140
1005.013	Ring der Freundschaft 12-14	15517	Fürstenwalde	18	1,139
1005.014	Ring der Freundschaft 15-17	15517	Fürstenwalde	18	1,128
1005.015	Ring der Freundschaft 18-20	15517	Fürstenwalde	18	1,137
1005.016	Ring der Freundschaft 21-23	15517	Fürstenwalde	12	762
1005.017	Ring der Freundschaft 24-26	15517	Fürstenwalde	18	1,332
1005.018	Ring der Freundschaft 26a-26c	15517	Fürstenwalde	12	932
1005.019	Ring der Freundschaft 27a-31	15517	Fürstenwalde	20	843
1005.020	Ring der Freundschaft 32-33a	15517	Fürstenwalde	16	841
1005.021	Straße der Einheit 1	15517	Fürstenwalde	6	288
1005.022	Straße der Einheit 2	15517	Fürstenwalde	6	299
1005.023	Straße der Einheit 3, 5	15517	Fürstenwalde	12	519
1005.024	Straße der Einheit 4, 6	15517	Fürstenwalde	12	496

WIE	Address	ZIP	City	Residential and commercial units [amnt]	Lettable area [sqm]
1005.025	Straße der Einheit 40, 42, 44	15517	Fürstenwalde	24	958
1005.026	Straße der Einheit 46, 48	15517	Fürstenwalde	10	605
1005.027	Platz der Republik 1-2	15517	Fürstenwalde	12	506
1005.028	Platz der Republik 3-5	15517	Fürstenwalde	24	947
1005.029	Platz der Republik 6-7	15517	Fürstenwalde	10	597
1005.030	Puschkinplatz 1-2a	15517	Fürstenwalde	12	667
1005.031	Puschkinplatz 3-5	15517	Fürstenwalde	27	1,326
1005.032	Puschkinplatz 6-9, Platz der Solidarität 1-4	15517	Fürstenwalde	16	686
1005.033	Platz der Solidarität 5-7	15517	Fürstenwalde	27	1,300
1005.034	Platz der Solidarität 8-8b	15517	Fürstenwalde	12	667
1005.035	Platz des Gedenkens 1-3	15517	Fürstenwalde	27	1,310
1005.036	Platz des Gedenkens 4-7a	15517	Fürstenwalde	16	686
1005.037	Splettstößer Straße 1-3	15517	Fürstenwalde	12	765
1005.038	Szymanowski Straße 1-1a, 3-3a, 5 -5a, 7-7a, 9-	15517	Fürstenwalde	20	843
1005.039	Carl-Maria-von Weber Straße 1, 3, Szymanowski Stra	15517	Fürstenwalde	16	841
1005.040	Carl-Maria-von Weber Straße 12, 14, Lortzingstraße	15517	Fürstenwalde	16	841
1005.041	Lortzingstraße 2, 2a, 4, 4a	15517	Fürstenwalde	16	841
1005.042	Carl-Maria-von Weber Straße 2, 4, 6, 8, 10, Lortzi	15517	Fürstenwalde	20	843
1005.043	Smetana Straße 1 -5a, Smetana Straße 1 -5a	15517	Fürstenwalde	20	843
1005.044	Platz der Solidarität 9	15517	Fürstenwalde	1	210
1005.045	Heizstationen	15517	Fürstenwalde	0	0
1005.046	Pachtfläche Gartenverein	15517	Fürstenwalde	0	0
1005.001	Alte Heerstraße 230-234	06132	Halle (Saale)	59	3,204
1005.002	Alte Heerstraße 235-240	06132	Halle (Saale)	60	3,284
1005.003	Hanoier Str. 39-48	06132	Halle (Saale)	100	5,546
1005.004	Hanoier Str. 58-66	06132	Halle (Saale)	90	4,959
1005.006	Tangermünder Straße 69/Zerbster Straße 2-46	12627	Berlin	270	16,138
1005.005	Zerbster Str. 48-78	12627	Berlin	180	11,419
1006.001	Pillnitzer Weg 10-32, Loschwitzer Weg 5	13593	Berlin	315	22,134
1006.002	Pillnitzer Weg 25-41, Cosmarweg 33-47	13593	Berlin	468	32,608
1006.003	Heerstr. 428, 430	13593	Berlin	39	2,546
1006.004	Cosmarweg 49-59	13591	Berlin	171	11,703
1006.005	Loschwitzer Weg 4	13593	Berlin	99	6,081
1006.006	Loschwitzer Weg 6	13593	Berlin	1	209
2320.001	Beusselstr. 44 R / Sickingenstr. 1	10553	Berlin	36	2,518
6115.001	Heidestraße 19, 19a, 20/Hedwig-Porschütz-Straße 32	10557	Berlin	217	7,111
6110.001	Heidestraße 21-24/ Hedwig-Porschütz-Straße 22-30	10557	Berlin	149	10,870
6100.001	Hedwig-Porschütz-Straße 5-13	10557	Berlin	93	6,514
6125.001	Otto-Weidt-Platz 1-5, 17, 17a/ Hedwig-Porschütz-S	10557	Berlin	97	7,423
6120.001	Heidestraße 7-13/ Hedwig-Porschütz-Straße 8-14	10557	Berlin	135	11,894

WIE	Address	ZIP	City	Residential and commercial units [amnt]	Lettable area [sqm]
6105.001	Hedwig-Porschütz-Straße 16-18	10557	Berlin	40	3,319
6115.002	Heidestraße 19, 19a, 20/ Tiefgarage (A)₩r₩n	10557	Berlin	0	0
6110.002	Heidestraße 21-24/ Tiefgarage	10557	Berlin	0	0
6125.002	Otto-Weidt-Platz 7-13, 17, 17a/ Hedwig-Porschütz-S	10557	Berlin	0	0
6120.002	Heidestraße 7-13/ Hedwig-Porschütz-Straße 8-14/ Ti	10557	Berlin	0	0
n.a.	Hohenzollernallee 53, 55; Walter-Eucken-Str. 101	40235	Düsseldorf	16	1,291
n.a.	Hohenzollernallee 53, 55; Walter-Eucken-Str. 101; Röpkestraße 100	40235	Düsseldorf	54	4,016
n.a.	Walter-Eucken-Str. 103-109 ungerade	40235	Düsseldorf	42	3,511
n.a.	Hohenzollernallee 18 (Kita)	40235	Düsseldorf	1	1,363
n.a.	Hans-Thoma-Str. 5-6a	14467	Potsdam	35	3,222
n.a.	Behlertstr. 37	14467	Potsdam	8	744
n.a.	Röbellweg 2, 8	13125	Berlin	18	1,815
n.a.	Röbellweg 4, 6, 8a, 10, 10a	13125	Berlin	35	3,069

Annex B Overview of key information of development properties

Project	Address	ZIP	City	Planned residential and commercial units [amnt]	Planned lettable area [sqm]
Wasserstadt – TF8	Heidestraße	10557	Berlin	n.a.	2,456
Wasserstadt – TF3	Heidestraße	10557	Berlin	n.a.	8,606
Grafenberg	Ernst-Poensgen-Allee	40629	Düsseldorf	84	13,760
Grafental II_sozial	Hohenzollernallee u.a.	40235	Düsseldorf	206	14,804
Grafental III_sozial	Hohenzollernallee u.a.	40235	Düsseldorf	256	18,384
Potsdam	Behlertstraße	14467	Potsdam	29	2,855
Eurohaus	Lyoner Str. 24-26	60528	Frankfurt	436	18,657
Dresden-Trachau	Hufewiesen Dresden-Trachau	01139	Dresden	n.a.	n.a.
Stiege	Grundstücksareal „Albrechtshaus“	38899	Oberharz am Brocken / OT Stiege	n.a.	n.a.

Valuation Report

in the form of a condensed valuation report
("Valuation Report") "ADO Properties S.A. – Prospectus"

Residential Portfolio
Brack German Properties B.V. and ADLER Real Estate AG

Opinion of Market Value

as at
31 December 2019

on behalf of
ADO Properties S.A.
1B, Heienhaff
1736 Senningerberg
Grand Duchy of Luxembourg

prepared by
Savills Advisory Services Germany GmbH & Co. KG
Taunusanlage 18
60325 Frankfurt am Main

Date of Report: 1 July 2020

Table of Contents

Glossary

Adler	ADLER Real Estate AG
ADO Properties	ADO Properties S.A.
BauGB	German Building Code
BGP	Brack German Properties B.V.
Capex	Capital expenditures
CSSF	Commission de Surveillance du Secteur Financier, Luxembourg
DCF	Discounted Cash Flow
ECB	European Central Bank
EPRA	European Public Real Estate Association
ERV	Estimated Rental Value
GDP	Gross Domestic Product
gif	Society of Property Researchers, Germany
GPV	Gross Present Value
GRI	Gross Rental Income
IASB	International Accounting Standards Board
IFRS	International Financial Reporting Standards
IFRS 13	International Financial Reporting Standard 13
IVS	International Valuation Standards
MV	Market Value
NIY	Net Initial Yield
NOI	Net Operating Income
NPV	Net Present Value
Q&A	Question and answer process
RICS	Royal Institution of Chartered Surveyors
RIWIS	Regionales Immobilien-Wirtschaftliches Informations System
Savills	Savills Advisory Services Germany GmbH & Co. KG
Sqm	square meters
VAT	Value added tax
VPS	Valuation Practice Statement
WAULT	Weighted Average Unexpired Lease Term
WiGeoGis	Provider of geomarketing and market data

A. Summary Overview

Type of Report

This report has been conducted in the form of a condensed Valuation Report (hereinafter referred to as "Valuation Report") for the determination of Market Value carried out by Savills Advisory Services Germany GmbH & Co. KG. The valuation is in accordance with the RICS Global Valuation Standards effective since 31 January 2020 of the Royal Institution of Chartered Surveyors ("Red Book") and the International Standards for the Valuation of Real Estate for Investment Purposes ("International Valuation Standards").

The report has been carried out for inclusion in a securities prospectus (the "Prospectus") intended to be published by ADO Properties S.A. (hereinafter referred to as "ADO Properties") in connection with a proposed offering of subscription rights issue ("*Bezugsrechtsemission*") and subsequent issue of new ordinary shares in dematerialized form with no nominal value of ADO Properties (the "Offering"). The Offering comprises a public offering of securities by ADO Properties in Germany and Luxembourg.

Savills consents in principle to the Valuation Report being included in the investor materials in connection with the Offering on the terms as set out in this Valuation Report and in the instruction letter.

Subject of this Valuation Report is the residential real estate portfolio of BGP consisting of 325 subject properties as at Date of Valuation.

The Market Value determined by Savills is consistent with the Fair Value in accordance with IFRS 13 of the International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board (IASB).

Date of Valuation

31 December 2019

Subject Portfolio

According to the information provided by ADO Properties, BGP and Adler, the subject portfolio comprises 325 residential or residentially dominated subject properties.

All 325 subject properties are considered as properties producing sustainable rental income.

Tenure

All properties are held on the German equivalent of freehold title except for one property (4120.001 in Hannover) which is a leasehold.

Summary of Valuation Results

Upon the assumption that there are no onerous restrictions or unusual costs of which we have no knowledge and based on the provided information, specific comments and assumptions set out in this Valuation Report, we are of the opinion that the aggregate of the individual Market Value of the freehold interests and the leasehold of the subject properties of the Subject Portfolio, rounded at asset level, as at 31 December 2019 is:

Market Value including Leaseholds

EUR 995,754,000

(NINE HUNDRED NINETY FIVE MILLION SEVEN HUNDRED FIFTY FOUR THOUSAND EURO)

Our opinion of Market Value is equivalent to:

Market Value per sq m	1,412 EUR
Gross Multiplier on Current Rent	19.11 fold
Gross Multiplier on Market Rent	16,06 fold
Net Initial Yield (NIY) on Current Rent	3.99%
Net Initial Yield (NIY) on Market Rent	4.93%

Market Value excluding Leaseholds

EUR 995,754,000

(NINE HUNDRED NINETY FIVE MILLION SEVEN HUNDRED FIFTY FOUR THOUSAND EURO)

The following refers to all valuation results:

The Market Value of the Subject Portfolio reported is the aggregate total of the individual properties and not necessarily a figure that could be achieved if the Subject Portfolio were to be sold as a whole (Individual valuation principle).

Savills has been informed by BGP/Adler that there have not been material changes to the building stock of the subject portfolio between the date of valuation 31 December 2019 and the date of this Valuation Report.

The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a "Global Pandemic" on the 11th March 2020, has impacted global financial markets. Travel restrictions have been implemented by many countries.

Market activity is being impacted in many sectors. As at the Report date we consider that we can attach less weight to previous market evidence for comparison purposes to fully inform opinions of value. Indeed, the current response to COVID-19 means that we are faced with an unprecedented set of circumstances on which to base a judgement.

Due to the material change caused by COVID-19 to the global economy, financial markets and almost all aspects of life, a valuation of the subject portfolio as of the date of this Valuation Report would have been reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty – and a higher degree of caution – would have been attached to such valuation than would normally be the case. Given the unknown current and future impact that COVID-19 might have on the real estate market we recommend that you keep the valuation as of 31 December 2019 of the subject properties under frequent review.

We are therefore not in a position to make a statement as to whether the market conditions and movements of the respective real estate markets in which the subject properties are located have led to a change or in fact a material change between 31 December 2019 and the date of this Report.

Regarding changes to the real estate market conditions caused by Covid-19 we refer to chapters “F. Material Changes” and “G. I COVID-19 Commentary”.

Breakdown of Market Value by Type of Use

Portfolio Overview													
	No. Properties	Lettable Area	Vacancy Rate (Area)	Vacancy Rate (EPRA)	Current Rent	Market Value	Market Value (Share of Total)	Market Value per sq m	Gross Multiplier on Current Rent	Gross Multiplier on Market Rent	NIY on Current Rent	NIY on Market Rent	WAULT
		sqm	%		EUR p.a.	EUR	%	EUR per sqm	fold	fold			years
Residential	265	604,896	3.5%	3.7%	43,523,123	823,320,000	82.7%	1,361	18.92	15.80	4.01%	5.00%	
Mixed-use property	57	100,207	4.6%	4.4%	8,393,008	169,474,000	17.0%	1,691	20.19	17.55	3.88%	4.60%	
Infrastructure	3	0		10.3%	188,950	2,960,000	0.3%		15.67	12.98	4.39%	5.60%	
Total	**325**	**705,104**	**3.7%**	**3.8%**	**52,105,081**	**995,754,000**		**1,412**	**19.11**	**16.06**	**3.99%**	**4.93%**	

Breakdown of Market Value by Property Type

Portfolio Overview by Property Type													
	No. Properties	Lettable Area	Vacancy Rate	Vacancy Rate	Current Rent	Market Value	Market Value	Market Value per	Gross Multiplier on	Gross Multiplier on	NIY on Current	NIY on Market	WAULT
		sqm	%	%	EUR p.a.	EUR	%	EUR per sqm	fold	fold			years
Residential – Multi-family house	262	592,030	3.5%	3.6%	42,547,273	806,710,000	81.0%	1,363	18.96	15.83	4.00%	4.99%	
Residential – High-rise building	2	12,729	2.0%	5.8%	967,150	16,480,000	1.7%	1,295	17.04	14.22	4.48%	5.57%	
Residential – One-/two-family house	1	137	—	5.2%	8,700	130,000	0.0%	949	14.94	14.16	4.95%	5.29%	
Residentially dominated property	55	91,709	5.0%	4.8%	7,243,309	150,614,000	15.1%	1,642	20.79	17.78	3.71%	4.50%	
Commercially dominated property	2	8,498	0.5%	1.9%	1,149,699	18,860,000	1.9%	2,219	16.40	15.91	5.17%	5.35%	
Infrastructure – Garage	2	—	—	10.1%	130,451	1,910,000	0.2%	—	14.64	11.86	4.30%	5.75%	
Infrastructure – Parking space	1	—	—	10.8%	58,499	1,050,000	0.1%	—	17.95	15.68	4.56%	5.31%	
Total	**325**	**705,104**	**3.7%**	**3.8%**	**52,105,081**	**995,754,000**		**1,412**	**19.11**	**16.06**	**3.99%**	**4.93%**	

Breakdown of Market Value by Federal State

Geographical Portfolio Distribution by Market Value													
	No. Properties	Lettable Area	Vacancy Rate (Area)	Vacancy Rate (EPRA)	Current Rent	Market Value	Market Value (Share of Total)	Market Value per sq m	Gross Multiplier on Current Rent	Gross Multiplier on Market Rent	NIY on Current Rent	NIY on Market Rent	WAULT
		sqm	%	%	EUR p.a.	EUR	%	EUR per sqm	fold	fold			years
Lower Saxony	27	56,150	1.9%	2.4%	5,377,754	111,900,000	11.2%	1,993	20.81	19.00	3.82%	4.25%	
Saxony	98	184,870	3.1%	3.2%	13,625,899	305,420,000	30.7%	1,652	22.41	18.29	3.44%	4.40%	
North Rhine-Westphalia	117	290,473	4.1%	4.3%	20,060,361	333,094,000	33.5%	1,147	16.60	13.76	4.47%	5.65%	
Saxony-Anhalt	28	36,467	11.1%	10.9%	2,248,003	47,700,000	4.8%	1,308	21.22	16.45	3.35%	4.70%	
Bremen	32	65,760	3.8%	4.6%	4,736,689	81,540,000	8.2%	1,240	17.21	14.06	4.41%	5.65%	
Schleswig Holstein	23	71,384	0.8%	1.2%	6,056,375	116,100,000	11.7%	1,626	19.17	17.80	4.11%	4.48%	
Total	**325**	**705,104**	**3.7%**	**3.8%**	**52,105,081**	**995,754,000**		**1,412**	**19.11**	**16.06**	**3.99%**	**4.93%**	

Breakdown of Market Value by Tenure

In total, 324 of 325 subject properties are held on the German equivalent of freehold title which amount to ca. 99.65% of the Portfolio Market Value. Only one property (4120.001) is held as leasehold which amounts to ca. 0.35% of the Portfolio Market Value.

Breakdown of Market Value by Ratio

Within the Subject Portfolio, there are no properties with a Market Value share of nearly 5.0% (or more) of the overall Portfolio Market Value.

Breakdown of Market Value by Value (Positive/Negative)

In our valuation of the Subject Portfolio, we assessed no properties to have a negative value.

B. INSTRUCTIONS AND SOURCES OF INFORMATION

I. Scope of Instruction

Preamble

Brack German Properties B.V. ("BGP") is a 100% subsidiary of Brack Capital Properties NV ("BCP") which is listed on the Tel Aviv stock exchange and which has its headquarters in the Netherlands. ADLER Real Estate AG ("Adler") holds an interest in Brack Capital Properties N.V. ADO Properties S.A. holds the majority of shares in Adler.

This Valuation Report has been prepared pursuant to an agreement dated 1 May 2020 between Savills Advisory Services Germany GmbH & Co. KG ("Savills"), BGP, BCP, Adler and ADO Properties (the "Framework Agreement").

Adler is a real estate company listed on the Frankfurt Stock Exchange. Savills and Adler have a separate valuation agreement under which Savills determined the market value of Adler's real estate as of 31 December 2019.

Savills hereby confirms that as at the date of this Valuation Report there is no existing or potential conflict of interest in relation to the properties to be valued as at the Valuation Date or Report Date.

As instructed, we compiled and delivered for the given purpose this condensed report, which is a summary of the full Valuation Report and which will be incorporated in a prospectus prepared in connection with the Offering.

Instruction

Savills carried out a determination of Market Value of the respective freehold interests of the properties in the subject portfolio (as defined below). For the purposes of this Valuation Report references to a "subject property" or "subject properties" shall mean a reference to any property or properties within the BGP portfolio.

The valuation is in accordance with the RICS Global Valuation Standards effective since 31 January 2020 of the Royal Institution of Chartered Surveyors ("Red Book") and the International Standards for the Valuation of Real Estate for Investment Purposes ("International Valuation Standards").

The Market Value is consistent with the "Fair Value" in accordance with IFRS 13 of the International Financial Reporting Standards (IFRS), published by the International Accounting Standards Board (IASB).

Please note that Savills has already carried-out previous valuations of the subject portfolio for Adler/BGP as at 31 March 2018, as at 30 June 2018, 30 September 2018, 31 December 2018 and 30 June 2019. And as Adler has been the majority owner of BGP since April 2018, there is no conflict of interest for Savills in relation to the subject portfolio to act as an independent valuer on behalf of the Instructing Party.

Subject Portfolio

The subject portfolio comprises 325 mainly residential properties that are located throughout Germany. Please refer to the table below for an overview of the subject properties by property type:

Portfolio Overview	No. Properties	Lettable Area	Vacancy Rate (Area)	Vacancy Rate (EPRA)	Current Rent	WAULT
		sqm	%		EUR p.a.	years
Residential	265	604,896	3.5%	3.7%	43,523,123	
Mixed-use property	57	100,207	4.6%	4.4%	8,393,008	
Infrastructure	3	0		10.3%	188,950	
Total	**325**	**705,104**	**3.7%**	**3.8%**	**52,105,081**	

All 325 are considered as properties producing sustainable rental income.

Scope of Work Carried Out

In the assessment of the Market Value of the Subject Portfolio, inter alia, the following procedures were carried out:

- Analysis and interpretation of the portfolio information provided by the Instructing Party, e.g. tenancy and property schedules, data room information and other data materials relevant to the valuation,
- Site inspections of the subject properties (last inspection of all 325 subject properties between 6 August 2018 and 9 October 2018 in the course of the quarterly valuations of Adler and BGP)
- Analysis of market, location and situation for each of the subject properties,
- Determination of Market Value at property level.

Instructing Party

ADO Properties S.A.

1B, Heienhaff

1736 Senningerberg

Grand Duchy of Luxembourg (Hereinafter referred to as „Instructing Party")

Addressees

The Valuation Report is addressed to and only for the use of the Instructing Party and the following banks: J.P. MORGAN SECURITIES PLC (25 Bank Street, Canary Wharf, London E14 5JP, UK), VAN LANSCHOT KEMPEN WEALTH MANAGEMENT N.V. (Beethovenstraat 300, 1077 WZ Amsterdam, The Netherlands), BARCLAYS BANK PLC (5 The North Colonnade, Canary Wharf, London E14 4BB, UK) and DEUTSCHE BANK AKTIENGESELLSCHAFT (Taunusanlage 12, 60325 Frankfurt am Main, Germany) (each of them hereinafter referred to as an „Addressee" and all of them together as „Addressees"), provided that, in relying on this Valuation Report, each of the Addressees acknowledges and agrees that:

(a) this Valuation Report refers to the position at the date the Original Report was originally issued and, unless otherwise confirmed by us in writing, Savills has taken no action to review or update the Valuation Report since the date it was originally issued;

(b) Savills aggregate liability to any one or more or all of the Addressees in respect of the Valuation Report and the Original Report shall be limited to EUR30million; and

(c) the Valuation Report is subject to the terms and conditions set out in the Framework Agreement as varied by the terms contained in the Valuation Report

The Valuation Report was prepared on the basis of the Framework Agreement between ADO Properties, BGP, Adler and Savills. Savills is liable for contractual demands to the Addressees of the Report only.

Valuer

Savills Advisory Services Germany GmbH & Co. KG

Taunusanlage 18

60325 Frankfurt am Main

Germany

(Hereinafter referred to as „Savills")

Purpose of Valuation

This Valuation Report is for inclusion in a securities prospectus (the "Prospectus") in connection with the proposed offering of subscription rights issue ("*Bezugsrechtsemission*") and subsequent issue of new ordinary shares in dematerialized form with no nominal value of ADO Properties (the "Offering"). The Offering comprises a public offering of securities by ADO Properties in Germany and Luxembourg.

Savills prepared this Valuation Report only and accepts no responsibility for any other part of the Prospectus prepared in connection with the Offering.

Savills consents in principle to the Valuation Report being included in the investor materials in connection with the Offering on the terms as set out in the Framework Agreement and until such time as Savills have first approved the form and context in which the Valuation Report appears.

Liability

Savills aggregate liability to any one, or more, or all of the Addressees or any other party who otherwise becomes entitled to rely upon the Valuation Report or the Original Report, under or in connection with this agreement and the Valuation Report, however that liability arises (including, without limitation, a liability arising by breach of contract, arising by tort, including, without limitation, the tort of negligence, or arising by breach of statutory duty) shall be limited to EUR 30 million.

For the avoidance of doubt, the Addressees (including the addressees of the Original Report) agree that the total aggregate liability of Savills in respect of both the Valuation Report and Original Reports shall be EUR 30,000,000, and this liability cap shall apply across both the Valuation Report and the Original Reports

The limitation on Savills aggregate liability to all of the Addressees of both the Original Report and the Valuation Report shall be apportioned by them amongst them. No Addressee shall dispute or challenge the validity, enforceability or operation of this clause on the ground that no such apportionment has been so agreed or that the agreed share of the limitation amount apportioned to any Addressee is unreasonably low. For the avoidance of doubt, this liability cap shall apply in respect of both the Original Report and the Valuation Report.

Date of Valuation

31 December 2019

Report Date

The report date is 7 April 2020. The Valuation Report refers to the position as at the date it was originally issued and Savills has taken no action, nor is it obliged to take any action, to review or to update the Valuation Report since the date it was originally issued.

Currency

The relevant currency for this valuation is EUR.

Interest Valued / Tenure

All properties are held on the German equivalents of freehold title except for one property (4120.001 in Hannover) which is a leasehold.

Publication / Disclosure

Savills acknowledges and agrees that this Valuation Report will be published in unchanged form in the Prospectus for the purpose of the Offering. The Offering will comprise a public offering of securities by ADO Properties in Germany and Luxembourg.

With the exception of the above, neither the whole nor any part of our Valuation Report nor any reference thereto (except references used in the Prospectus) may be included in any other published document, circular statement nor published in any way without our prior written approval of the disclosure and the form and context in which it will appear.

Subject to the terms of the Framework Agreement, the Valuation Report may be disclosed by the Addressees on a strictly non-reliance and without liability basis (i) to their legal and other advisors and (ii) to competent authorities (i.e. the CSSF). Any other disclosure requires Savills's prior written consent at its sole discretion.

Nature and Source of Information relied on

The valuation has been substantially and mainly based upon the information supplied to us by BGP and Adler. Please refer to Section II "Sources of Information and Inspection" for a more detailed list of the information Savills has relied upon for the purposes of preparing this Valuation Report.

Definition of Market Value

Our valuation has been carried out in accordance with the RICS Global Valuation Standards effective since 31 January 2020 of the Royal Institution of Chartered Surveyors ("Red Book").

We have been instructed to value the subject properties on the basis of Market Value in accordance with RICS Global Valuation Standards 2020 (the "Red Book") which is defined as follows:

"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 and where the parties had each acted knowledgeably, prudently and without compulsion."

The “Market Value” is consistent with the “Fair Value” in accordance with IFRS 13 of the International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board (IASB), which is defined as follows:

“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 assessment of Market Value has been carried out by Savills 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 Valuation Standards of the Royal Institution of Chartered Surveyors (Red Book) and in accordance with the relevant prospectus regulations applicable in Germany, including the CESR recommendations for the consistent implementation of the Committee of European Securities Regulators on prospectus 20 March 2013 (ESMA Update of the CESR recommendations).

For the avoidance of doubt, a valuation complying with the “Red Book” requirements is compliant with the International Valuation Standards (IVS) and the Market Value pursuant to § 194 BauGB (German Building Code).

We confirm that we have sufficient current local and national knowledge of the particular property market involved and have the skills and understanding to undertake the valuation competently.

Place of Performance & Jurisdiction

German law applies. The place of performance and jurisdiction is Frankfurt/Main, Germany.

Assignment of Rights

The Addressees of this Valuation Report are not entitled to assign their rights under or in respect of the Framework Agreement and this Valuation Report – either whole or in parts – to any third parties.

Declaration of Independence & Status of Valuer

Savills hereby confirms to the best of its knowledge and belief that it has prepared this Valuation Report in its capacity as external valuer (as defined in the “Red Book”) and independent expert.

We further confirm that Savills is not aware of any actual or potential conflict of interest that might have influenced its independent status.

The total fees, earned by Savills Germany from BGP and Adler (or other companies forming part of the same group of companies), is less than 5% of the total German revenues earned by Savills Germany in the financial year 2017, 2018, 2019 or 2020.

II. Sources of Information and Inspection

Information Sources

For the purpose of this Valuation Report we have mainly relied on the following information, provided to us by BGP and Adler via data room access:

- Rent roll in MS Excel as at December 2019 regarding all 325 residential properties received via e-mail on 10 January 2019
- Land register excerpts for all 325 subject properties
- Subsidy details / agreements regarding six properties in Hannover (5) and Oberhausen (1)
- Excel overview regarding historical listings

We have also included following sources into our valuation:

- Savills Research
- Local Land Valuation Boards and other local authorities
- Empirica online-database
- RIWIS online database
- WiGeoGis
- Google Maps

Individual questions and inconsistencies within the data could be clarified with the Instructing Party via a Q&A (question & answer) template & process.

Inspection

In accordance with our instruction, we did not carry out any inspections for this valuation as all 325 subject properties have been inspected between 6 August 2018 and 9 October 2018 for the quarterly valuations of the Instructing Party. The Instructing Party agreed that a second inspection is not necessary for the valuation as at 31 December 2019.

All inspections in 2018 have been carried out on a drive-by basis. This means that we did not have access to the inside of the properties. We inspected the properties only externally. In some cases we also had no access to the rear of the properties.

In the course of this update valuation we did not inspect these properties again. We assumed that no material changes to the subject properties (building stock and condition) took place between the last inspection dates and the date of valuation 31 December 2019.

All conclusions made by Savills with regard to the condition and the actual characteristics of the land and buildings have been based on our inspection of the subject properties and on the documents and information provided (please see above).

In the event that only partial internal inspections were possible, it will be assumed that the parts that were inspected are typical of the remainder.

For the avoidance of doubt, Savills did not carry out any building or structural surveys of the subject properties, nor tested any of the electrical, heating or other services.

The properties were not measured as part of Savills' inspection, nor were the services or other installations tested.

All Savills' conclusions resulting from the inspections are based purely on visual investigations without any assertion as to their completeness.

Furthermore, investigations that might cause damage to the subject properties have not been carried out. Statements about parts of the structure or materials that are covered or otherwise inaccessible are based on the information or documents provided (or on assumptions, respectively).

C. Portfolio Overview

Short Portfolio Profile

Subject to this Condensed Report are 325 residential valuation properties (ca. 11,800 apartments which are located all over Germany). The largest clusters are in Leipzig and North-Rhine-Westphalia. According to the provided rent roll the lettable area amounts to ca. 705,104 sqm.

Tenure

All properties are held on the German equivalents of freehold title except for one property (4120.001 in Hannover) which is held on leasehold title.

Portfolio Composition

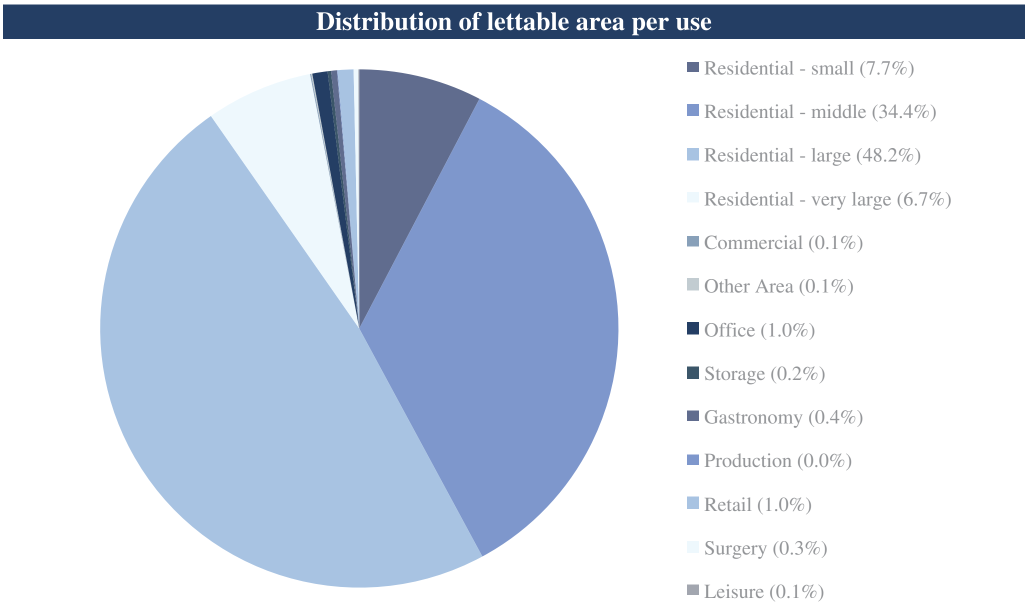
The portfolio is comprised of the following types of space and units:

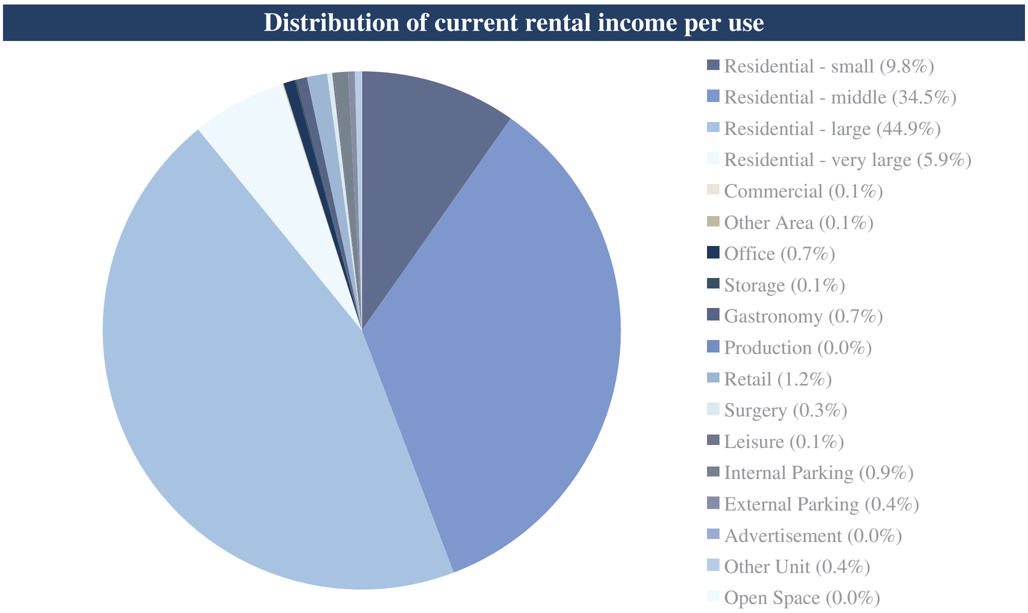
Portfolio overview by use*	Lettable area	Vacancy	Current rental income
	sq m		EUR p.a.
Residential – small	54,148	3.1%	5,082,416
Residential – middle	242,833	2.6%	17,958,345
Residential – large	339,654	4.1%	23,396,827
Residential – very large	46,999	4.4%	3,061,236
Commercial	445	19.2%	29,048
Other Area	505	10.3%	29,610
Office	6,725	6.0%	375,260
Storage	1,507	9.8%	55,348
Gastronomy	2,617	3.2%	343,659
Production	271	—	11,701
Retail	6,922	13.6%	647,058
Surgery	2,089	—	167,103
Leisure	388	14.4%	48,552
Subtotal	**705,104**	**3.7%**	**51,206,162**

	Lettable units	Vacancy	Current rental income
	number		EUR p.a.
Internal Parking	1,707	25.4%	459,997
External Parking	1,061	35.3%	216,067
Advertisement	3	—	4,260
Other Unit	184	23.4%	218,416
Open Space	10	80.0%	177
Subtotal	**2,965**	**29.0%**	**898,919**
Total			**52,105,081**

* As at date of valuation; not including future lease contracts

Residential small: < 40 sqm, Residential middle: 40 sqm to < 60 sqm, Residential large: 60 sqm to < 90 sqm, Residential very large: 90 sqm and more





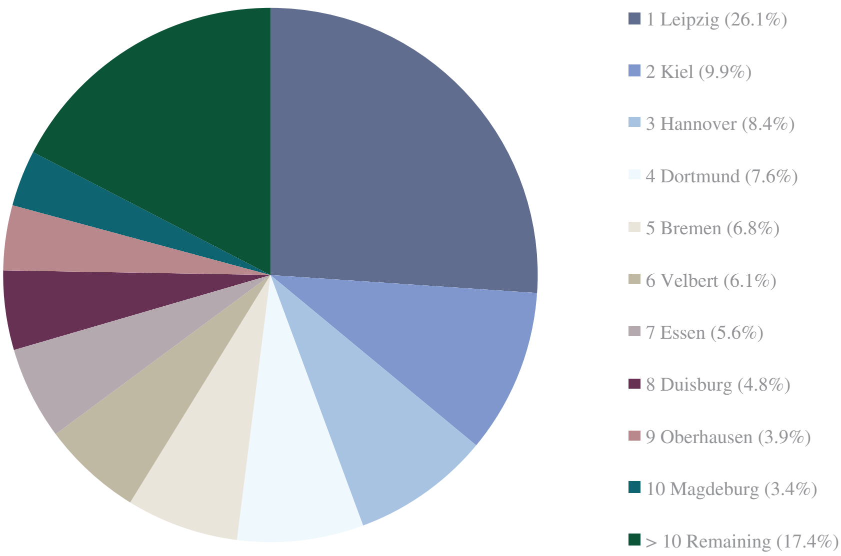
Location Analysis

The total gross rental income is diversified over many different municipalities of the portfolio. The largest cluster is Leipzig with ca. 26.1% of the total gross rental income followed by Kiel with ca. 9.9%.

Top 10 municipalities by current rental income

# Municipality	Lettable area	Lettable units	Current rental income	Average remaining lease term	Current rental income with lease expiry
	sq m	number	EUR p.a.	years	
1 Leipzig	184,037	377	13,584,232	—	—
2 Kiel	63,205	202	5,177,730	—	—
3 Hannover	47,053	212	4,350,900	—	—
4 Dortmund	50,511	130	3,982,301	—	—
5 Bremen	44,577	371	3,539,368	—	—
6 Velbert	48,041	182	3,156,347	—	—
7 Essen	39,446	392	2,930,132	—	—
8 Duisburg	36,505	126	2,499,722	—	—
9 Oberhausen	37,250	262	2,052,609	—	—
10 Magdeburg	27,522	141	1,770,140	—	—
> 10 Remaining	126,959	570	9,061,600	—	—

Top 10 municipalities by current rental income



D. VALUATION CONSIDERATIONS

In this chapter we comment on our individual considerations in order to arrive at our Opinion of Market Value.

Please note that our opinion of value is carried out on the basis of a number of assumptions. In the absence of any information to the contrary in the Report, our Opinion of Value is based on, and subject to, the General Valuation

Assumptions as described in section H.I of this Report together with the specific assumptions as stated in this report (including without limitation this section D).

In case of any discrepancies the specific assumptions as described in the following will prevail over the General Assumptions. If any of the aforementioned assumptions (General Assumptions or specific assumptions or other) are subsequently found to be incorrect or invalid, our Opinion of Value may need to be reconsidered.

I. Method of Valuation

General Valuation Procedure

The valuation has been carried out on a single property basis. Each property has been valued individually.

Valuation Model

We have used a Discounted Cash Flow (DCF) model for all 325 subject properties.

For more details about the DCF model and the underlying definitions of the key parameters, please refer to Chapter H "General Valuation Assumptions and Applied Definitions" of this Valuation Report.

II. Portfolio Considerations

1. Constituents of the Subject Properties

Fixtures in the subject properties, such as passenger and goods lifts, other conveyor installations, central heating installations and other technical installations have been regarded as integral parts of the subject properties and have, therefore, been reflected in our determination of Market Value. Tenant's fixtures and fittings that would normally be the property of the tenant have not been reflected in our valuation.

2. Legal Aspects

Land Register

Savills has analysed the provided PDF land register excerpts for all 325 subject properties.

According to the provided information 324 of the valuation units are held on freehold title and only one on leasehold title (4120.001: multifamily house in Hannover).

In the provided land registers there are several encumbrances regarding the subject properties like transformer station rights, pipeline way leaves, cable rights, right of ways and restricted personal easements. Based on the information available to us we did not find any indication that the use of the properties is affected by the encumbrances and restrictions registered under Section II. Therefore we have assumed no impact on value in these regards.

Apart from that, we identified further entries such as building restrictions, (temporary) apartment occupation rights (16 properties) and redevelopment areas (16 properties). We asked for further information on these topics. As we were not provided with further details, we assumed in our valuation that these entries have no impact on value.

The registered annual ground rent of the leasehold property "4120.001" (Hannover) only amounts to ca. EUR 0.04 per sqm site area (ca. EUR 95 p.a.) and therefore we did not consider this ground rent in our valuation separately as the impact on value is negligible.

Finally we identified a waiver of inferior mining damages regarding "4155.014" (Essen). We did not receive further information on this topic. Thus, we considered no impact on value in this regard.

Further legal Aspects

We asked for the following documents:

- Public encumbrances
- Soil contamination
- Building contamination
- Planning law
- Building permits
- Area restrictions
- Other third party rights

Adler and BGP currently do not have all documents complete and structured due to the large number of subject properties. Thus, these demanded documents were mainly not provided to Savills.

In this regard Savills made the assumption that possible issues have no direct material impacts on the subject property values.

Furthermore, Savills made the assumption that possible but usually not material value influences by legal aspects balance each other out at subject portfolio level.

Historical Monuments

Adler/BGP has provided an Excel overview that shows for all 325 properties whether they are listed or not. Accordingly, the portfolio contains 60 monuments. The remaining 265 properties are no monuments according to Adler/BGP.

Subsidies

As at valuation date six properties are affected by rent restrictions (4110.001, 4120.009, 4210.001, 4210.002, 4210.003 and 4210.004). For these properties we considered the rent restrictions in the Current Rent and for relettings until the expiration date of the subsidy in 2026. We applied the unrestricted Market Rents for reletting after the respective restriction expiry date.

Rental Cap Law ("Mietpreisbremse")

In total 46 subject properties are affected by the so called "Mietpreisbremse". Please see section C. II. Basic Cash Flow Considerations for more detailed information on the rental cap law and how it was considered in our valuation.

3. Technical Aspects

We were not provided by an actual Technical Due Diligence or Capex list for this valuation.

For the previous valuations for the Instructing Party we have been provided with Capex-overviews on sub-portfolio level dated between 2010 and 2016 but mainly from 2014 and 2015. These costs were divided into short-term, mid-term and long-term Capex. As these Capex-overviews are out-dated we did not consider these Capex numbers separately in our valuation.

When assessing the maintenance costs we were taking into account our impressions from our drive-by inspections and the construction/modernisation years. Thus, we assumed that all damages can be repaired with the regular ongoing maintenance budgets.

Please note that Savills has not been instructed to perform any technical due diligence and does not possess the necessary detailed technical information.

4. Tenancy Aspects

Rent Roll Information

Our valuation is based on the rent roll by BGP as at December 2019 received on 10 January 2020 for the subject properties.

A full verification of the provided tenancy schedule and the available lease agreements was not part of the scope of this Instruction. Savills therefore relied on the content of the tenancy schedule provided and assumed that the provided document reflects the status quo of all tenancies as at the Date of Valuation 31 December 2019 to a true and comprehensive extent. Please note that Savills cannot verify the accuracy or the completeness of the information of subject tenancies provided to Savills.

Overdue rent payments

Savills has not checked the status of contractually agreed rent payments as at the Date of Valuation. Provided that Savills had no information to the contrary, we have assumed that there are no overdue rent payments.

Lettable Area

In our valuation approach we have generally assumed that the provided information regarding lettable area is in line with the "Richtlinie der Gesellschaft für Immobilienwirtschaftliche Forschung e.V." (gif). We recommend a measurement of all properties according to gif to eliminate current uncertainties.

Please note that it may turn out in a formal measurement that the assumed size or split of lettable areas differs from the correct lettable areas per type of use. In this case our assumptions and valuation results have to be reconsidered and may have to be adjusted.

Structural Vacancy

Please note, we considered ca. 112 sqm as structurally vacant which refer to one subject property (4105.028, Duisburg, Moltkestr. 6). This equals a share of 0.02% of the total lettable area.

5. Environmental Aspects

We were not provided with excerpts from the register of soil contamination for the 325 subject properties.

Savills assumes that no contaminations exist and considered no impact on value in this regard.

Please note that Savills has not been instructed to perform any environmental due diligence and does not possess the necessary detailed technical information. Therefore, Savills assumes without verification the accuracy and completeness of the provided information to Savills in this context. Should it subsequently turn out that additional contamination exists at the properties this may have a detrimental effect on the value reported.

6. Properties Subject to Liquidation

The portfolio includes no liquidation properties.

III. Basic Cash Flow Considerations

Preamble

The following summaries of the valuation assumptions and parameters relate to the 325 subject properties. In the following section, we seek to comment on all input parameters in our valuation model. Besides a general description of each parameter, the applied ranges of those parameters will be stated, too. The considered parameters result in a value of the individual properties, which were verified by means of appropriate comparable transactions.

Consideration of Rental Cap Law ("Mietpreisbremse")

On June 1 2015, the new federal Tenancy Law Amendment Act on rent control entered into force in Germany. The act authorises individual German federal states to enact regulations in form of temporary rent caps. Besides others, many German cities as Berlin, Hamburg and Munich as well as many large cities in North-Rhine-Westphalia use the rental cap and regulate the residential market today.

The "brake of rents" ("Mietpreisbremse") prohibits landlords in areas designated as "tight housing markets" from charging a rent that is more than 10% above the local average rent for a comparable property (Civil Code § 556d).

However, this prohibition only applies to new leases. If the rent charged to the last tenant was above the 10% limit, a landlord is allowed to demand from a new tenant a rent up to the amount charged in the last lease (§ 556e BGB). The average rents for comparable properties are generally defined in local qualified rent indices ("qualifizierte Mietspiegel"). Nevertheless, existing leases already faced a rent cap ("Kappungsgrenze") of not more than 20% of the average local rent charged within a three-year period (§ 558 BGB). Some cities have reduced the rent cap to 15%. Furthermore, exclusions apply to properties built after October 1, 2014, or to apartments that have been fully modernised (§ 556f BGB). An apartment is considered fully modernised if the extent of the modernisations is comparable to a new property.

In our valuation, the rent cap law was considered for 50 properties or valuation units (VU), as the case may be, altogether. Please note that the rent cap law was only considered in areas which advise a qualified rent index ("qualifizierter Mietspiegel").

Consequently, the local average rent for a comparable property as stated in the locally qualified rent index + 10% was applied as the market rent in our valuation for properties which are subject to both the Tenancy Law Amendment Act and a qualified rent index. However, if the current rent was already above the local average rent + 10%, the current rent was further applied in the valuation. For other properties, the applied market rents were based on contractual and asking comparables "on a free market" as available in Savills' database and through empirica.

Berlin's New Rental Cap ("Berliner Mietendeckel")

The law to limit rents in housing in Berlin (MietenWoG Bln) was passed by the Berlin House of Representatives on 30 January 2020 and came into force on 23 February 2020.

Since the subject portfolio does not contain any properties in Berlin, no further explanation of this law is given here.

Estimated Rental Value (ERV)

Estimated rental values ("market rents") indicated in this report are those which have been adopted by us as appropriate in assessing the capital value or the letting potential of the properties, being subject to market conditions that are either current or are expected in the short term. They are based on our experience in the markets and our knowledge of actual comparable market activity.

For the purpose of comparison, we considered market evidence by assessment of actual lettings of units with the same or a closest comparable use, where applicable and available. Applied ERVs range as follows in the subject properties:

Market rent			
	Minimum EUR per sq m p.m.	Maximum EUR per sq m p.m.	Average* EUR per sq m p.m.
Residential – small	5.50	14.75	9.32
Residential – middle	5.00	13.00	7.36
Residential – large	4.25	12.00	6.83
Residential – very large	4.25	10.00	6.27
Commercial	5.00	8.75	6.50
Other Area	4.00	9.00	5.88
Office	—	11.10	5.54
Storage	—	18.00	3.65
Gastronomy	4.00	17.00	11.15
Production	3.50	3.75	3.69
Retail	3.50	25.00	8.07
Surgery	3.70	12.00	6.68
Leisure	1.00	18.00	10.35
Internal Parking	—	80.00	33.81
External Parking	—	60.00	24.97
Advertisement	3.20	304.20	119.13
Other Unit	—	1,035.30	135.75
Open Space	—	—	—

* weighted by sq m /units

Non-Recoverable Costs

Ancillary costs of a property are generally costs of

- ongoing maintenance,
- management and
- other non-recoverable costs.

These costs can generally be allocated to the responsibility of tenants in commercial leases – at least to a very high degree of total costs – whereas there are much stricter regulations for residential leases. Residential tenants may only be obliged to bear services charges as defined in the Ordinance of Services Charges (*Betriebskostenverordnung*) but must never – by law – be made responsible for costs of maintenance or management.

For the purpose of valuing the subject properties, we did not receive details of the amount of non-recoverable costs which remains to be borne by the owner. Therefore, we applied common appropriate assumptions in our valuation.

Costs of Ongoing Maintenance

For costs of ongoing maintenance we have assumed the following for the respective types of use:

Maintenance			
	Minimum EUR per sq m p.a.	Maximum EUR per sq m p.a.	Average* EUR per sq m p.a.
Residential – small	6.50	10.00	8.39
Residential – middle	6.50	10.00	8.59
Residential – large	6.50	10.00	8.19
Residential – very large	6.50	10.00	8.09
Commercial	7.00	7.00	7.00
Other Area	3.00	3.00	3.00
Office	—	7.00	6.65
Storage	3.00	4.00	3.99
Gastronomy	5.00	7.00	6.95
Production	7.00	7.00	7.00
Retail	6.00	6.00	6.00
Surgery	7.00	7.00	7.00
Leisure	4.00	5.00	4.50
Internal Parking	50.00	50.00	50.00
External Parking	25.00	25.00	25.00
Advertisement	—	—	—
Other Unit	—	—	—
Open Space	—	—	—

* weighted by sq m /units

Our approach considers both that commercial tenants bear a considerable portion of maintenance costs, i.e. in their units and of all fixtures and fittings, but that it is also likely that the owner shall bear costs of maintaining the roof and structure ("Dach und Fach"). We assume the applied cost estimation to be sufficient to at least maintain the respective property in the current condition.

All costs include annual inflation which will be adjusted each year of the DCF term.

Management Costs

For the subject properties we have allowed management costs as costs per unit or as a percentage of the annual market rent:

Management costs			
	Minimum EUR per unit p.a.	Maximum EUR per unit p.a.	Average* EUR per unit p.a.
Residential – small	200	250	226
Residential – middle	200	250	235
Residential – large	200	250	229
Residential – very large	200	250	227
Commercial	60	233	116
Other Area	10	166	89
Office	—	575	110
Storage	—	504	66
Gastronomy	102	3,565	417
Production	50	190	120
Retail	6	2,372	292
Surgery	55	458	223
Leisure	13	605	321
Internal Parking	50	50	50
External Parking	50	50	50
Advertisement	50	50	50
Other Unit	50	50	50
Open Space	—	10	9

* weighted by number of units

For the residential units we applied Management Costs per unit between EUR 200 and EUR 250 p.a.

For commercial uses (such as office, retail, storage, etc.) we applied between 2.0% – 3.0% (mainly 2.0%) of the Market Rent.

Our approach is to reflect a common level of management costs under consideration of the type and complexity of the asset and relevant utilisation(s). We generally assumed the subject asset to require a normal management effort.

Please note all costs include annual inflation which will be adjusted each year of the DCF term.

Non-Recoverable Costs on Vacancy

These are generally non-recoverable service charges, for example any operational costs, which may need to be borne by the landlord should a tenant become unable to pay for any reason (e.g. insolvency) or in the general case of vacancy. These costs are incurred in addition to the regular non-recoverable ancillary costs as explained above.

In the absence of more detailed information of actual non-recoverable costs in the case of vacancy, we considered non-recoverable ancillary costs per sqm p.m. for vacant area as follows:

Vacancy costs			
	Minimum EUR per sq m p.m.	Maximum EUR per sq m p.m.	Average* EUR per sq m p.m.
Residential – small	1.00	1.00	1.00
Residential – middle	1.00	1.00	1.00
Residential – large	1.00	1.00	1.00
Residential – very large	1.00	1.00	1.00
Commercial	1.00	1.00	1.00
Other Area	0.50	0.50	0.50
Office	—	1.00	0.95
Storage	0.50	1.00	0.99
Gastronomy	1.00	1.00	1.00
Production	1.00	1.00	1.00
Retail	1.00	1.00	1.00
Surgery	1.00	1.00	1.00
Leisure	1.00	1.00	1.00
Internal Parking	—	—	—
External Parking	—	—	—
Advertisement	—	—	—
Other Unit	—	—	—
Open Space	—	—	—

* weighted by sq m /units

Please note that these costs will only be applied to vacant space and only for the assumed duration of vacancy. The vacancy costs are only relevant after the expiry of the current lease contracts and initial vacancy.

Void Periods for Current Vacancy and Void Periods after Expiry of Leases

Voids generally represent the time period between the expiry of a lease and the start date of a new lease.

There is currently some initial vacancy in the subject properties. For these units, we have estimated 'Void Periods of Current Vacancy' which are starting at the beginning of the next full month following the reference date of this valuation (the 'projection date').

We have assumed the following void periods for current vacancy:

Void periods of current vacancy			
	Minimum months	Maximum months	Average* months
Residential – small	3.00	5.00	3.37
Residential – middle	3.00	5.00	3.17
Residential – large	3.00	5.00	3.41
Residential – very large	3.00	5.00	3.40
Commercial	9.00	9.00	9.00
Other Area	9.00	9.00	9.00
Office	9.00	9.00	9.00
Storage	9.00	9.00	9.00
Gastronomy			
Production			
Retail	9.00	9.00	9.00
Surgery			
Leisure	9.00	9.00	9.00
Internal Parking	9.00	9.00	9.00
External Parking	4.00	9.00	8.59
Advertisement			
Other Unit	9.00	9.00	9.00
Open Space	9.00	9.00	

* weighted by market rent

Those units which are currently let and which become vacant in the future will be subject to the 'Void Periods after Expiry of Leases'. For all units where leases expire in the future and during the upcoming DCF term of 10 years, we considered the following void periods:

Void Period after expiry of leases			
	Minimum months	Maximum months	Average* months
Residential – small	3.00	3.00	3.00
Residential – middle	3.00	3.00	3.00
Residential – large	3.00	3.00	3.00
Residential – very large	3.00	3.00	3.00
Commercial	6.00	6.00	6.00
Other Area	6.00	6.00	6.00
Office	6.00	6.00	6.00
Storage	6.00	6.00	6.00
Gastronomy	6.00	6.00	6.00
Production	6.00	6.00	6.00
Retail	6.00	6.00	6.00
Surgery	6.00	6.00	6.00
Leisure	6.00	6.00	6.00
Internal Parking	6.00	6.00	6.00
External Parking	3.00	6.00	5.37
Advertisement	6.00	6.00	6.00
Other Unit	—	6.00	4.47
Open Space	6.00	6.00	

* weighted by market rent

Leasing Commissions

German law does not restrict the charging of agency fees on lettings for commercial properties. In the event that the administration is not able to recover some of the letting costs, book allowances have been made at this level to reflect the management expenses incurred in letting, e.g. meetings to negotiate lease terms, newspaper adverts etc. For residential lettings, agency fees are limited to two months' rent by law.

For the purpose of this valuation, we generally have assumed that letting fees equivalent to

- 2 months' rent for residential units and
- 0 to 3 months' rent for commercial units

would be incurred by the landlord on re-letting for all types of relettable units.

Costs of Unit Refurbishment ("Tenant Improvements")

It is frequently the tenant's responsibility to redecorate and to carry out at least minor repairs. When there is a change of tenant, however, additional expenses for basic repairs and a more comprehensive renovation of the unit must normally be allowed for in order to assist marketing and re-letting.

In our DCF model, we differ between costs of "First Time Tenant Improvements" and of "Continuing Tenant Improvements". First time refurbishment costs will be applied to units which are currently vacant and to units which are now let but will become vacant for the first time during the applied DCF term. 'Continuing tenant improvements' will accordingly be applied to remaining cases, i.e. units where there is a second lease expiration during the applied DCF term.

Our DCF model generally considers these costs of refurbishment at the end of the assumed letting void.

We have allowed the following first-time refurbishment costs:

First- time refurbishment costs			
	Minimum EUR per sq m	Maximum EUR per sq m	Average* EUR per sqm
Residential – small	30	180	58
Residential – middle	30	180	77
Residential – large	30	180	80
Residential – very large	30	180	72
Commercial	100	100	100
Other Area	10	10	10
Office	—	100	93
Storage	—	10	10
Gastronomy	30	50	49
Production	100	100	100
Retail	50	50	50
Surgery	100	100	100
Leisure	10	50	24
Internal Parking	—	—	—
External Parking	—	—	—
Advertisement	—	—	—
Other Unit	—	—	—
Open Space	—	—	—

* weighted by sq m /units

We have allowed the following continuing refurbishment costs:

Continuing refurbishment costs			
	Minimum EUR per sq m	Maximum EUR per sq m	Average* EUR per sq m
Residential – small	30	30	30
Residential – middle	30	30	30
Residential – large	30	30	30
Residential – very large	30	30	30
Commercial	30	30	30
Other Area	10	10	10
Office	—	50	46
Storage	—	10	10
Gastronomy	30	30	30
Production	30	30	30
Retail	30	30	30
Surgery	50	50	50
Leisure	10	10	10
Internal Parking	—	—	—
External Parking	—	—	—
Advertisement	—	—	—
Other Unit	—	—	—
Open Space	—	—	—

* weighted by sq m /units

Average Lease Term for new Lettings

Under German law, residential tenancies are usually agreed for an indeterminate period. Commercial tenancies in Germany are usually agreed for a fixed period of 5 or 10 years, sometimes longer.

For the purpose of this valuation and based on our experience, we have applied the following lengths of tenancy for any potential new letting in the subject asset:

Duration of new lease			
	Minimum years	Maximum years	Average* years
Residential – small	8.00	8.00	8.00
Residential – middle	8.00	8.00	8.00
Residential – large	8.00	8.00	8.00
Residential – very large	7.00	8.00	8.00
Commercial	5.00	5.00	5.00
Other Area	5.00	5.00	5.00
Office	5.00	5.00	5.00
Storage	5.00	5.00	5.00
Gastronomy	5.00	5.00	5.00
Production	5.00	5.00	5.00
Retail	5.00	5.00	5.00
Surgery	5.00	5.00	5.00
Leisure	5.00	5.00	5.00
Internal Parking	7.00	7.00	7.00
External Parking	7.00	7.00	7.00
Advertisement	5.00	5.00	5.00
Other Unit	5.00	5.00	5.00
Open Space	5.00	5.00	

* weighted by market rent

Applied Growth Assumptions

We have commonly applied the following growth parameters in our DCF calculations according to the research institute "focus economics":

- 2020: 1.40%
- 2021: 1.50%
- 2022: 1.70%
- 2023: 1.80%
- 2024: 1.90%
- The ongoing annual inflation onwards was assessed at 2.00%.

Furthermore, regarding rental growth, we have assumed the following:

Rental growth: Current rents grow according to actual indexation terms, while market rents grow between 55% and 115% of the assumed inflation rates.

Rates in DCF Calculations

We applied the following range of rates for the individual assets:

Internal yields and rates			
	Minimum	Maximum	Average*
Discount Rate	3.25%	8.40%	4.65%
Exit Capitalisation Rate	3.45%	8.00%	5.06%

* Discount Rate weighted by Gross Present Value Exit Capitalisation Rate weighted by Exit Value

Please note that Discount Rates and Exit Cap Rates are related to the underlying cash-flow assumptions made for each property. To back-up our valuation results, we have considered comparable transactions and/or market databases.

Costs of Transaction

We applied costs of transaction as follows:

- Real Estate Transfer Tax: 3.50% - 6.50% depending on the federal state
- Notary fees 0.50% - 2.00%
- Agency fees 0.50% - 2.00%

These costs are chosen as they are common in ordinary course of business, i.e. in an asset deal, and for the subject type of property. Costs of transaction may, however, differ in the actual individual case – depending on the type of transaction.

E. Valuation Results

I. Total Secured Rental Income ("Current Rent")

According to the provided tenancy schedule, the current rental income as at 31 December 2019 amounts to:

EUR 52,105,081 p.a.

(FIFTY TWO MILLION ONE HUNDRED FIVE THOUSAND EIGHTY ONE EURO)

II. Opinion of Net Estimated Rental Value (ERV)

The estimated rental value as at 31 December 2019 amounts to:

EUR 62,009,947 p.a.

(SIXTY TWO MILLION NINE THOUSAND NINE HUNDRED FORTY SEVEN EURO)

III. **Opinion of Market Value**

We are of the opinion that the Market Value of the subject properties as at 31 December 2019 is:

EUR 995,754,000

(NINE HUNDRED NINETY FIVE MILLION SEVEN HUNDRED FIFTY FOUR THOUSAND EURO)

Our opinion of Market Value is equivalent to:

Market Value per sq m	1,412 EUR
Gross Multiplier on Current Rent	19.11 fold
Gross Multiplier on Market Rent	16,06 fold
Net Initial Yield (NIY) on Current Rent	3.99%
Net Initial Yield (NIY) on Market Rent	4.93%

IV. **Market Value excluding Leaseholds**

EUR 995,754,000

(NINE HUNDRED NINETY FIVE MILLION SEVEN HUNDRED FIFTY FOUR THOUSAND EURO)

V. **Comment on all Valuations Results**

The Market Value of the Subject Portfolio reported is the aggregate total of the individual properties and not necessarily a figure that could be achieved if the Subject Portfolio were to be sold as a whole (Individual valuation principle).

Savills has been informed by Adler that there have not been material changes to the building stock of the subject portfolio between the date of valuation 31 December 2019 and the date of this Valuation Report.

The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a "Global Pandemic" on the 11th March 2020, has impacted global financial markets. Travel restrictions have been implemented by many countries.

Market activity is being impacted in many sectors. As at the Report date we consider that we can attach less weight to previous market evidence for comparison purposes to fully inform opinions of value. Indeed, the current response to COVID-19 means that we are faced with an unprecedented set of circumstances on which to base a judgement.

Due to the material change caused by COVID-19 to the global economy, financial markets and almost all aspects of life, a valuation of the subject portfolio as of the date of this Valuation Report would have been reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty – and a higher degree of caution – would have been attached to such valuation than would normally be the case. Given the unknown current and future impact that COVID-19 might have on the real estate market we recommend that you keep the valuation as of 31 December 2019 of the subject properties under frequent review.

We are therefore not in a position to make a statement as to whether the market conditions and movements of the respective real estate markets in which the subject properties are located have led to a change or in fact a material change between 31 December 2019 and the date of this Report.

Regarding changes to the real estate market conditions caused by Covid-19 we refer to chapters "F. Material Changes" and "G. I COVID-19 Commentary".

F. Material Changes

Savills hereby confirms that as at the date of this Condensed Report:

- Savills has been informed by Adler that there have not been material changes to the building stock of the subject portfolio between the date of valuation 31 December 2019 and the date of this Valuation Report.
- The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a "Global Pandemic" on the 11th March 2020, has impacted global financial markets. Travel restrictions have been implemented by many countries.
- Market activity is being impacted in many sectors. As at the Report date we consider that we can attach less weight to previous market evidence for comparison purposes to fully inform opinions of value. Indeed, the current response to COVID-19 means that we are faced with an unprecedented set of circumstances on which to base a judgement.
- Due to the material change caused by COVID-19 to the global economy, financial markets and almost all aspects of life, a valuation of the subject portfolio as of the date of this Valuation Report would have been reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty – and a higher degree of caution – would have been attached to such valuation than would normally be the case. Given the unknown current and future impact that COVID-19 might have on the real estate market we recommend that you keep the valuation as of 31 December 2019 of the subject properties under frequent review.
- We are therefore not in a position to make a statement as to whether the market conditions and movements of the respective real estate markets in which the subject properties are located have led to a change or in fact a material change between 31 December 2019 and the date of this Report.
- Regarding changes to the real estate market conditions caused by Covid-19 we refer to the chapter "G. I COVID-19 Commentary" immediately below.

For and on behalf of

Savills Advisory Services Germany GmbH & Co. KG

Klaus Trautner MRICS, CIS HypZert (F)	Draženko Grahovac MRICS
RICS Registered Valuer	RICS Registered Valuer

G. Market Commentaries

I. COVID-19 Impact on European Real Estate

Economy

As the number of new coronavirus cases continues to fall on a weekly basis across Europe, new signs of a return to business and consumer activity are beginning to shine through in monthly data, as society adjusts to the "new norm".

Eurozone consumer confidence readings recovered from -22 to -18.8 between April and May, above consensus forecasts which could provide the first sign that the U-shaped recovery will be less damaging that previously feared. However, this remains at the lowest level ever recorded by some distance.

Consumer trends will be reflected in unemployment rate numbers which we only expect to surface later in the year once furlough schemes are lifted. Bloomberg estimates that 40 million workers have been furloughed across Europe's largest six economies, Germany, UK, France, Italy, Spain and Netherlands, following Covid-19's outbreak. Temporary job subsidies are unlikely to prevent increases in unemployment rates after Europe's furlough schemes are wound up towards the end of 2020. Eurozone (EZ) unemployment is expected to peak at around 11-12 per cent by year end, up from the current level of 7.3 per cent.

The European Central Bank's (ECB) main refinancing rate remains at zero, leaving no further room to lower rates, providing investors with cheap debt (although lending to real estate has become more stretched since Covid-19's outbreak). Southern European economies with higher levels of debt will find servicing existing debt eats into government spending plans unless central aid can be offered.

The ECB must also avoid fears of a deflationary spiral. EZ inflation is expected to have fallen to 0.1 per cent during May 2020, the lowest rate since 2016 due to falling energy demand. The ECB intends to stimulate demand using the Pandemic Emergency Purchase Programme (PEPP), recently increased from €750bn to €1.35tn, to return back to the 2 per cent inflation target, which equity markets welcomed.

Meanwhile, the European Commission's planned €750bn recovery fund is intended to help some of the worst-hit and heavily indebted European economies bounce back from the imminent economic downturn.

Germany's temporary VAT cut from 19 per cent to 16 per cent will also help to stimulate consumer demand for the remainder of 2020. The larger European economies will be able to stomach the additional debt burden more easily in the short term. Yet, closer attention will be paid to whether this has a positive impact on the marginal propensity to consume, or will simply increase household savings ratios. When business activity stabilises in the longer term, governments may opt to increase corporate taxes, which could impact multinational occupiers' decision making.

It is likely that planned infrastructure spending will be put on hold in the short-medium term to service markedly increased debt repayment costs. Countries which have been least affected by Covid-19 will ultimately have more capital to invest in expansionary infrastructure schemes including green energy initiatives and urban cycle routes which have come to the forefront during lockdown periods. However, green policies will remain on the agenda. Germany has announced increased incentives for buying electric vehicles, a welcome boost for the automotive sector which will stabilise logistics demand levels both nationally and throughout neighbouring countries.

Eurozone GDP growth confirmed a 3.8% slump during Q1 2020, and given the depth of decline in the Purchasing Managers Indices (PMIs) during the second quarter, GDP forecasts appear varied. However, the latest Focus Economics consensus forecasts indicate -12% Eurozone GDP growth during Q2, marking -5.9% economic growth for the full year 2020.

Residential

Multifamily

Multifamily investment activity in the first quarter of 2020 was close to €11.5bn for the 12 markets that we monitor, already 27% of last year's total, which was the second strongest year on record, at €43.2bn. Multifamily investment accounted for 23% of total activity. In Germany it was the largest sector, 1.1 times above offices. Germany was once again the largest market, capturing 71% of the total with over €8.2bn of transactions, followed by the UK (€947m) and Sweden (€699m).

Despite the slowdown of investment activity during the second quarter, resulting from strict lockdown measures across Europe that aimed to control the spread of Covid-19, we anticipate at least another €10.3bn to have been deployed in the multifamily sector by the end of June, with half of the countries expected to achieve significantly higher volumes compared to the previous quarter.

The average prime net yield has remained stable on a quarterly basis at 3.35% and 50bps below the prime office yield. Yields are stabilising in most markets, after a significant inward yield shift trend over the past five years. In Q1 2020 prime yields moved in only in Dublin from 3.75% to 3.6%. Prime achievable yields for newly built income producing assets are the highest in Stockholm (4.0%) and London (3.8%). Prime net yields in Amsterdam have moved slightly out to 3.1% (10bps).

The minimal impact of the health crisis on investor appetite for multifamily is supported by the strong fundamentals of the sector: rising urbanisation, smaller households, unaffordable house prices and rising occupier demand for flexibility and services. Additionally housing is a basic need and therefore demand for rental remains stable or even rises in periods of economic uncertainty. Supply of this type of product is low in most markets, and construction activity is restricted by high land values and construction costs, as well as limited labour availability.

The main considerations for multifamily investors following the health crisis are expected to be around affordability and real rental growth prospects. The ability of low income households to meet their rental obligations will be tested over the next few months as government support measures start phasing out. This will eliminate positive rental growth expectations for this year and next, while some moderate downward rent adjustments may also occur.

Note on the German Residential Market

In addition, there are current changes in German law aiming to mitigate the consequences of the COVID-19 pandemic. For example, under a new adopted legislation in Germany a landlord may not terminate a lease agreement solely on the basis that a tenant fails to pay the rents for the period from 1 April 2020 to 30 June 2020 when due, provided that the non-payment by the tenant is caused by implications of the COVID 19 pandemic. The three months period may be extended beyond 30 June 2020 even repeatedly. The tenant is entitled to pay the outstanding amounts until 30 June 2022. It is possible that tenants will make use of this opportunity to postpone rental payments which may impact future cash flows from the Subject Properties.

Student housing

The reliance of Purpose Built Student Accommodation (PBSA) on foreign students and especially Chinese will be the biggest risk for the sector. The Covid-19 outbreak has forced international students to return home and the ones that have stayed are asking for PBSA providers to waive rents. Indeed the majority have cancelled contracts of students returning home or provided rent free periods and discounts for next year's contracts. The negative impact on PBSA rental income is estimated to last between a semester and a full academic year and is most acute in the UK market.

What will happen beyond this time frame will depend on student mobility trends going forward. Past experience shows that education comes out stronger in periods of uncertainty e.g. post GFC when many people who lost their jobs returned to universities. However, the current situation is likely to prompt more students to study closer to home and live with their parents. Also long-distance learning may become a safer and cheaper option for extended learning, until the employment market picks up. Government aid to students will also be of critical importance for their university choices. Chinese students may choose to study in Asian universities and we could see more European universities opening branches in Asia.

We believe that the most resilient markets for student housing now will be the ones with demand and supply imbalances for mainstream student accommodation which targets mainly the local student populations and where the student housing product has less dependency on international students. Markets including Germany, Denmark and Poland remain popular with investors.

Investment Markets

RCA's latest data indicates that EMEA investment transactions to 10th June 2020 fell 6% compared to the same stage last year, reaching a total of €100bn, although this is below the 18% fall in the Americas and 45% fall in Asia-Pacific. What's more, much of this volume was boosted by larger transactions and portfolios. On a deal count basis, investment transactions have fallen by 41% on the same stage last year.

Investment activity for March to May shows Germany and UK investment transaction volumes have held fairly firm so far this year, representing a shift to core markets, however, nearly all markets recorded between 30% to 50% falls in the number of transactions changing hands during this period.

By sector, offices accounted for the largest share of transactions during March-May period, however marking large falls on last year. Apartment transactions actually represented a small increase on the previous year as investors show evidence of a shift to core markets, with a number of large portfolios changing hands.

Grocery anchored retail continues to remain on investors' wish lists, with over 120 monthly transactions over €5m during the months of February and March, more than any other sector and we expect grocery anchored retail to continue to pique investor interest throughout the year.

A number of the largest completed deals for week commencing 8th June indicate a shift to residential and alternative portfolios according to Property EU data from across the core European markets, including Patrizia's forward purchase of a care home portfolio, and L&G's acquisition of 213 residential units in Wembley Park.

Our indication for European investment transactions for the full year 2020 is a fall of between 34% and 52% on the level recorded in 2019 to between €125bn and €170bn. This marks a smaller reduction from the 54% investment transactions decline during the global financial crisis.

Average prime industrial yields remained unchanged during Q1 2020 and 22 bps below last year's levels at 4.93%. Rotterdam (4.25%), Oslo (4.55%) and Dublin (4.75%) experienced a 25bps inward yield shift compared to the previous quarter, while prime yields moved out by 25bps in Amsterdam (4.5%) and Prague (4.5%).

Prime shopping centre yields have moved out by 28bps on average across Europe during the first quarter and by 39bps compared to last year to 5.1% and are now higher than prime logistics for the first time. The most significant yield softening in one quarter was noted in Czech Republic (75bps to 5.75%), Netherlands (50 bps to 5.5%), Ireland and Norway (50bps to 5.0%) and Sweden (50bps to 4.75%).

Given that lockdown only started towards the end of Q2, we expect any price movement to become evident in the second quarter's figures.

We expect investment transaction volumes to recede over the course of the year, particularly as there remains a shortage of openly marketed stock and the bidding process becomes less competitive than in 2019. Bans on travel and self-isolation guidance have made inspecting assets and conducting technical due diligence more difficult in the short term, although some country borders are slowly being reopened. Domestic investors are clearly at an advantage here. Ultimately, we would expect European institutions to be more active in the second half of the year.

With equity still committed and ready to invest across Europe, there appears to be a mismatch in pricing expectations for core product. Vendors have no immediate need to sell and redeploy capital, whilst buyers are seeking 5-10% "COVID chips" on transactions – and a shortage of investment transactions is making repricing difficult.

The majority of the debt market remains in pause mode. Clearing banks in the UK are focused heavily on managing their existing granular loan books. The most active parts of the lending market across Europe are the German banks as well as Insurance companies, with this debt being secured against core product. LTVs have reduced from 60+% to 55%.

Nevertheless, there remains a weight of money available as debt (particularly as many multi-strategy investors see this as a way to diversify their exposure) and, once appetite and pricing becomes clearer in the coming months, we anticipate the return of investment banks, debt funds and private equity to the market.

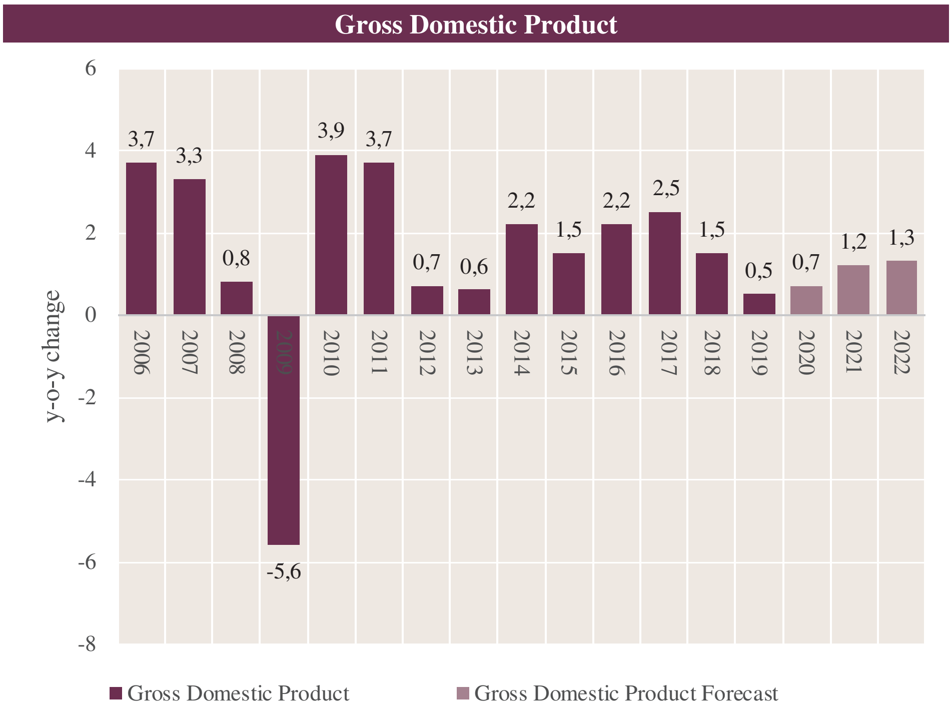
As part of a shift to core, we expect the proportion of cross border activity to decline compared to previous years, particularly from Asia-Pacific capital where we have observed unprecedented levels of investment in recent years. We anticipate that this will affect the Southern European and Central and Eastern European (CEE) markets which are more heavily dependent on cross border capital, relatively more than those in Western Europe.

Core-plus and value-add investors are viewing the pandemic as a chance to count stock on their existing office portfolios. Part of this stems from the fact that pricing in these risk profiles is usually more heavily influenced by strong macro fundamentals. At the other end of the scale, we can expect to see US private equity investors seeking distressed Southern European opportunities offering price chips of 50 bps or more.

II. General Economy and Financial Markets as at 31 December 2019

Economic growth has weakened

Following the Global Financial Crisis of 2008/2009, the German economy developed quite substantially and has been in a stable upswing since 2010. Not even the Euro Crisis of 2012/2013 was able to dampen the positive growth. However, in the last quarter of 2018 there were increasing signs that the economic outlook would deteriorate as a result of ongoing global uncertainties. This led to a decline in GDP growth by 100 basis points in both 2018 and 2019. In 2019, GDP growth amounted to no more than 0.5 percent. However, the forecast for 2020 already foresees a trend reversal with 0.7 percent growth. It is also assumed that the upward trend will continue in 2021 and 2022. Growth of 1.2 percent is expected in 2021 and 1.3 percent in 2022.



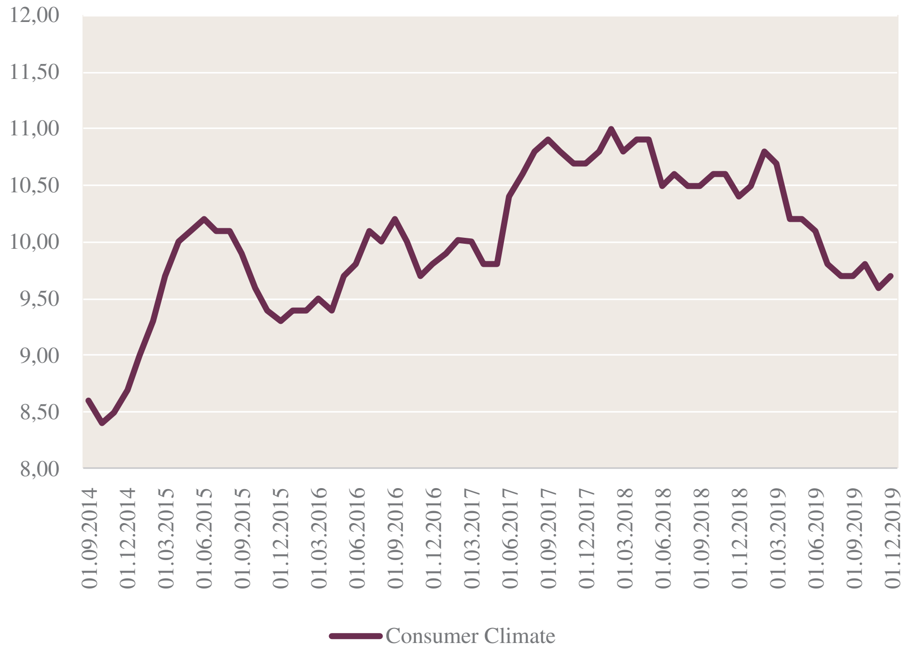
Source: Statistisches Bundesamt, Focus Economics

The positive outlook for 2020 and the two following years is fuelled in particular by expectations that the USA and China will settle their customs dispute and that the EU will agree with the United Kingdom on a Brexit withdrawal treaty, following the Brexit election in 2016. These two uncertainties shaped the years 2018 and 2019 and contributed significantly to the slump in GDP growth after 2017. At present, it looks as if both sources of uncertainty could be resolved in 2020. However, should a resolution of the conflicts become more distant again, fears of recession could also return.

Private and public spending is major economic pillar, but business expectations are worsening

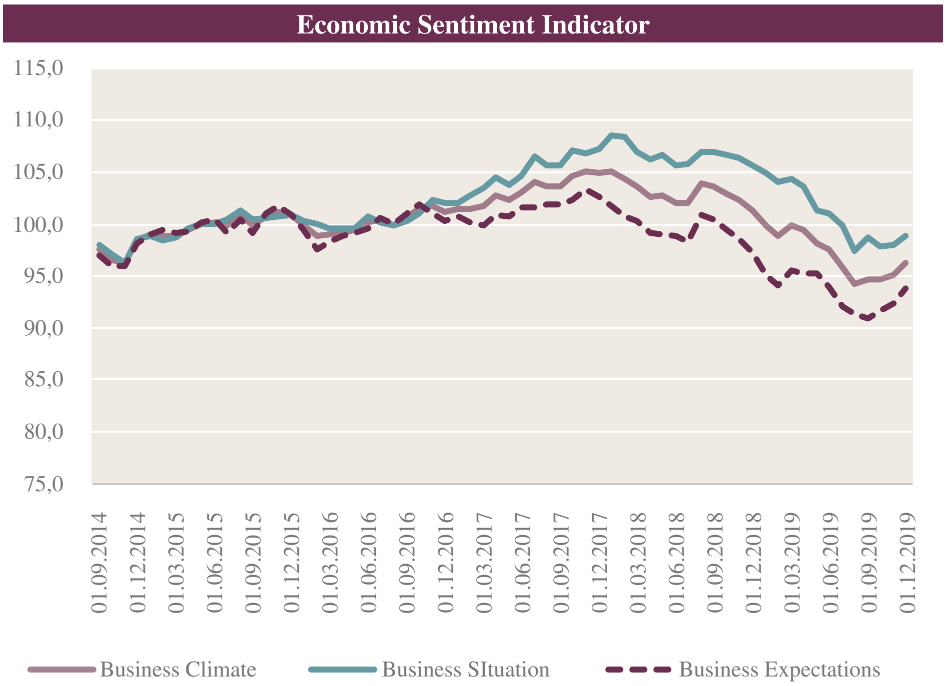
Despite the weakening economy, consumer sentiment remains positive and at a high level of 9.7 points. Domestic demand is thus acting as an important pillar of the economy. One reason for this is that the unemployment rate continued to fall in 2019 and currently lies at 5 percent. The lowest level since the German reunification. The ongoing increase in the number of employees has a positive effect on the buying mood of German households. This continuing buying mood balances out the weaknesses in the industry sector. The latter is currently negatively influenced by the automotive sector that is suffering from difficult world market conditions. Furthermore, the automotive sector undergoes a transformation process towards a higher share of electric mobility.

Consumer Climate



Source: GfK

The confidence of German companies remains quite high. The business climate index compiled by the ifo Institute has been at a high level for several years. However, the trend in the business climate, business situation and business expectations has been pointing downwards since 2018. This development underlines the fact that the economic outlook has become noticeably gloomier than in 2016 and 2017. Since August 2019, however, the business climate has recovered slightly from 94.3 to 96.3 points and the business situation from 97.4 to 98.8 points. This led to a brightening of the mood in German companies, which is also reflected by an increase in business expectations.

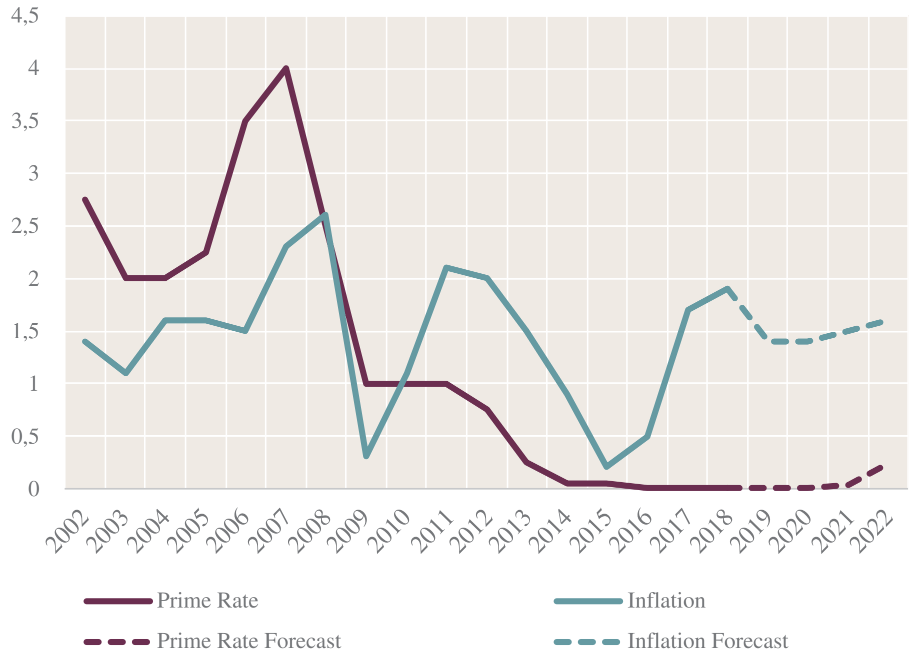


Source: CESifo

Monetary policy becomes more expansionary again

In September 2019, the ECB resumed its net purchase program of securities for various asset classes. The key interest rate remains at 0 percent, but the monetary authority has lowered the deposit rate at which banks at the ECB can store money from -0.4 to -0.5 percent. Monetary policy has thus become more expansionary again. The central bank decided for this step because of lower inflation expectations due to the deteriorating economic outlook in the euro zone. The turnaround in interest rates is thus likely to be postponed beyond 2020 for the time being. Monetary policy is not expected to normalize until inflation expectations reach the target level of 2 percent. These are expected to be just above 1.5 percent in 2021.

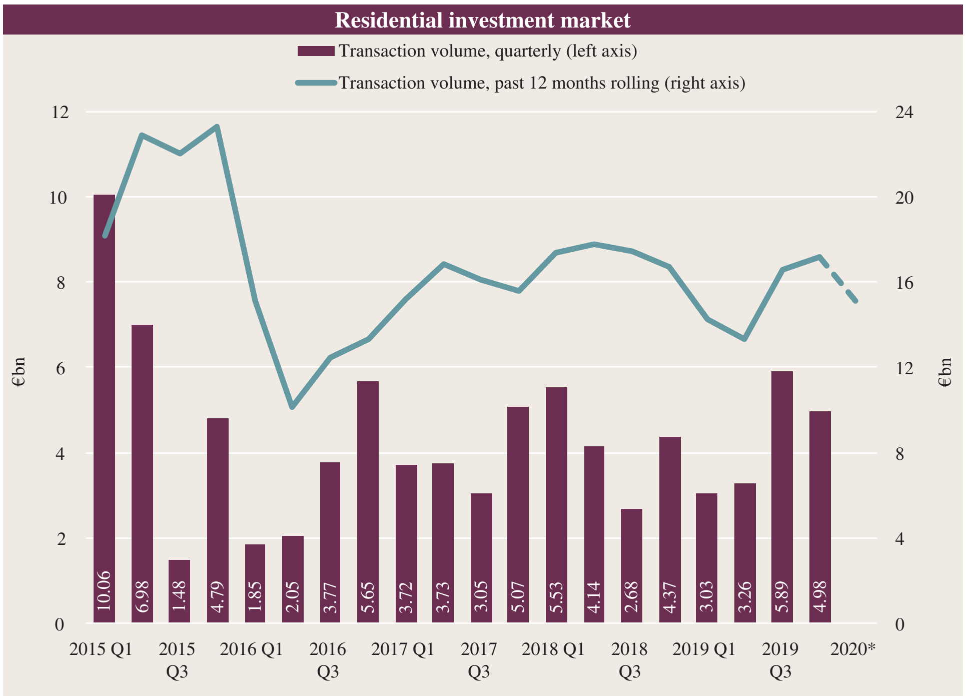
ECB Prime Rate and Inflation



Source: Statistisches Bundesamt, Deutsche Bundesbank, Consensus Economics

III. Germany Residential Real Estate Investment Market as at 31 December 2019

On the German residential investment market (transactions of 50 apartments or more), real estate for around €17.2bn was traded in 2019. This corresponds to an increase of 3% compared to the previous year. In total, almost 118,000 apartments changed hands (-11% compared to 2018). The number of transactions also declined (-18%), but their average size increased by 22% to about €71m.



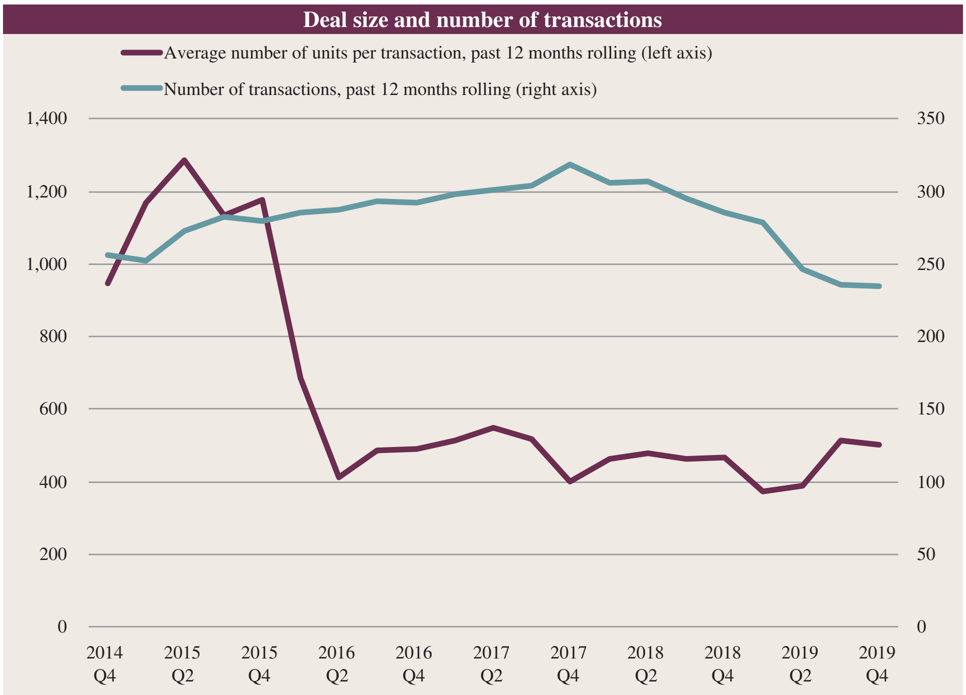
*Source: Savills / * forecast*

The two most active buyer groups last year were open-ended special funds and residential real estate companies. These investor groups accounted for around half of the transaction volume. The past year, however, was marked by a much stronger commitment by the public sector. In total, municipalities and federal states or their housing companies acquired around 22,700 apartments for around €3.2bn. This was more than two and a half times as high (+269%) as in 2018, with around 84% of the volume being accounted for by the purchase of existing apartments. In the public debate about more affordable housing, the expansion of municipal housing stocks is on the agenda in many places. Although this goal can be achieved more quickly by purchasing existing apartments, this does not change the shortage of supply. With the roughly €2.7bn that the public sector has spent on the purchase of existing apartments in 2019, the construction of probably more than 25,000 apartments on municipal land could have been initiated. This would undoubtedly make a greater contribution to relieving the housing markets.

For the third time in a row, the transaction volume exceeded the €15bn mark. In addition to the further increase in capital values, an above-average proportion of the top 7 cities contributed to this. Almost 39% of all apartments sold were located in one of these cities. While additional regulations, especially in Berlin, have caused great uncertainty among private investors, the public sector has recently made massive purchases. This has also ensured that the previous year's result on the investment market has been exceeded.

Source: Savills

With a share of more than 90% of the transaction volume, German investors were once again responsible for the bulk of market activity. Compared to the previous year (78% of the volume was accounted for by German buyers), they even increased their market share significantly once again. The regulations in place, which vary in part from state to state or even from municipality to municipality, are likely to make it more difficult for international investors to enter the market. This gives local investors and those familiar with the market an advantage.



Source: Savills

With regard to the structure of the transactions, it is striking that the number of portfolio transactions fell by 45%. The number of purchases of project developments remained constant, but these transactions accounted for a significant proportion of the volume. In total, purchases such as the acquisition of the Kleyer Quarter in Frankfurt or the Düsseldorf Glassmakers' Quarter accounted for around €4.7bn or around 27% of the transaction volume. Large-volume quarter developments in particular are currently a kind of trend topic on the German property market. Such larger residential quarters with complementary uses attempt to meet the demands of today's urban living with short distances and a mix of uses. They are therefore likely to be in demand as residential locations in the long term and are therefore increasingly sought after by investors".

The investment turnover with residential student and micro-residential complexes amounted to approximately €940m, which is 60% above the previous year's value. The number of students reached a new high in the winter semester 2019 and the number of single-person households continues to rise. The demand for smaller apartments is therefore still high, particularly in the large and university cities, which is why the fundamental data for these niche segments of the housing market remain positive.

H. General Valuation Assumptions and Applied Definitions

In the following chapter, we comment on the applied method in arriving at our opinion of value as defined in the scope of this Instruction.

I. General Valuation Assumptions

In the absence of any information to the contrary in the Valuation Report (in particular in section D containing specific valuation assumptions and considerations), this valuation has been carried out on the basis of the following assumptions (the "General Assumptions"). If any of these assumptions are subsequently found to be incorrect or invalid, the valuation result(s) in our Valuation Report may need to be reconsidered.

1. Information of BGP and Adler

The Instructing Party (and any third parties acting on request of the Instructing Party) has provided Savills with complete, correct and current information and documents as requested by Savills or which are reasonably relevant to Savills in carrying out the agreed Services (in particular the preparation of the Valuation). The Instructing Party did not retain any material facts which may impact the valuation of the real estate (ground) and buildings valued in our Valuation (collectively the "Properties", each a "Property"). Unless otherwise stated in the Valuation, Savills has not verified the information submitted (in particular, but not limited to, where it is stated in the Valuation Report that Savills has "assumed" or "relied" on information). Savills has not requested any information from public authorities, registers or courts.

2. Title

Unless otherwise stated in the Valuation Report, we have valued the 324 freehold interests of the Properties and one leasehold property.

It is assumed that the freehold interest is not subject to any restrictions and encumbrances contained in Section II of the land register and that no claims or obligations are present in this regard.

The registered annual ground rent of the leasehold property "4120.001" (Hannover) only amounts to ca. EUR 0.04 per sqm site area (ca. EUR 95 p.a.) and therefore we did not consider this ground rent in our valuation separately as the impact on value is negligible.

Further, the Valuation of Savills does not consider any mortgages or land charges contained in Section III of the land register.

3. Buildings

The buildings are structurally sound. There are no structural (latent or other) material defects (including rot) which may have influence on the valuation.

In the construction or alteration of the building(s) no use was made of any deleterious or hazardous materials or techniques, such as high alumina cement, calcium chloride additives, wood wool slabs used as permanent shuttering or comparable materials. There are no dangers to health of occupants or tenants resulting from the actual condition of the buildings (for example resulting from contamination with asbestos or mold). Savills has not carried out any investigations concerning these matters.

4. Land

Savills assumes that the site is appropriate and has load bearing capacity suitable for the realized or anticipated form of development, that no abnormal ground conditions exist and no additional or unusual expenditure on, for example, foundations or drainage systems are required. The ground does not contain any archaeological remains. There are no underground mineral or other workings, noxious substances or any other matters that may cause additional costs or delay.

5. Services

The Properties are connected, or capable of being connected, without undue expense, to the public services of gas, electricity, water, telecommunications, sewerage and district heat, where available.

6. Contamination of Land and Buildings

The Properties (land and buildings) are not contaminated, and each Property is not and never has been subject to any contaminating or potentially contaminating uses, nor is it likely to become contaminated in the foreseeable future.

Savills has not carried out any investigations with respect to potentially existing environmental contaminations or in order to identify any such contamination.

7. Legal Matters

The buildings were erected in accordance with construction permits, and every building complies with all statutory or local authority requirements. All necessary consents and authorizations for the use of the Properties and the processes carried out at the Properties (in particular to be issued by public authorities, neighbours or other third parties) are in existence, will continue to subsist and are not subject to any onerous conditions.

It is assumed that there are no unusual restrictions with respect to the occupation of the Properties or the level of rent.

8. Lease Agreements; Other Agreements

The tenants are creditworthy and capable of meeting their obligations. There are no arrears of rent or breaches of covenants. It is assumed by Savills that lease agreements and any other agreements provided to Savills are valid, meet the legal requirements of the written form, and no facts do exist which would entitle a party to terminate or cancel such agreements prior to expiry of the agreed term, e.g. by early termination, rescission or likewise.

9. Taxes, Public Contributions, Development Charges

Unless otherwise stated in this Valuation Report, all public taxes, charges and contributions levied by public authorities with respect to the site development, have entirely been levied and paid as at the Date of Valuation. In particular it is assumed that no public infrastructure contributions or similar contributions will be levied in the future.

10. Public Encumbrances; Monumental Protection; (Re)-Development Areas and likewise

The Properties are not subject to any public encumbrances which may give reason for a reduction of the valuation.

None of the Properties to be valued is subject to monumental protection.

None of the Properties is located in a redevelopment area pursuant to Sec. 136 et seq. of the German Federal Building Code or within the scope of any other urban development measure, e.g. refurbishment, redistribution or preservation statutes.

It is assumed that none of the Properties is adversely affected, nor is it likely to become adversely affected, by any highway, town planning or other schemes or proposals.

Savills did not undertake any investigations (for example local searches, enquiries or review of any statutory notices) in order to identify matters adversely affecting the present or future value of the Properties.

11. Subsidies

Unless otherwise stated in this Valuation Report, all valuations are given without consideration of subsidies or grants, received or potentially receivable, and any obligations or limitations in this coherence which could influence the value of the Properties.

12. Statements by Officials

Oral statements by public officials, particularly involving factual information, cannot be regarded as legally binding. Savills assumes such oral statements to be correct; however, Savills is unable to accept any liability for the application of any such statements or information in the Valuation Report.

13. Insurance

The Properties are covered by a valid adequate and appropriate insurance policy as regards the sum assured and the types of potential loss covered.

14. Taxation

Unless otherwise stated in the Valuation Report, no allowance has been made for expenses or taxation that might arise on a disposal. Exceptions may result from standardized valuation methods.

Further, our valuations are exclusive of VAT.

15. Fixtures and Fittings

Excluded from our valuations is any additional value attributable to goodwill, or to fixtures and fittings which are only of value in situ to the present/future occupiers.

16. Valuation of Portfolios (Aggregation)

Unless otherwise stated in the Valuation Report, each Property – even if it is part of a portfolio – has been valued individually.

17. Insolvency

Savills does not take account of any possible effect that the appointment of either an insolvency administrator or an administrative receiver or a compulsory auction might have on the perception of the properties in the market and their subsequent valuation, or the ability to realize the value of the properties in either of these scenarios.

II. Rents, Income and Vacancy

1. Current Rent

Definition

In our valuations, the current rental income (or current rent) is defined as the rent passing as at the Date of Valuation. It reflects the rental payments after deducting recoverable costs (e.g. costs for heating, electricity) but before deducting non-recoverable costs. Also, the current rent is excluding VAT.

Method of Determination

If not stated otherwise in the report, we have considered the current rent for each lettable unit as stated in the rent roll provided by the Instructing Party or its advisors.

In case that the date of the rent roll is prior to the valuation date, there may be minor differences in the actual rent and vacancy rates when comparing the rent roll and our valuation.

Among other reasons, this is the result of leases which expire between these dates. In the event that the lease end of lettable area is prior to the valuation date, we consider this as vacant in our valuation as of the valuation date (even if these are rented according to the rent roll).

The rent roll has been checked with the original lease contracts on a sample basis. However, in accordance with the Instruction, Savills did not carry out a full due diligence.

2. Estimated Rental Value (ERV) / Market Rent

Definition

Our opinion of Market Rent is equivalent to the Market Rent as defined in the RICS Global Valuation Standards effective since 31 January 2020 of the Royal Institution of Chartered Surveyors (the "**Red Book**") which is defined as follows:

"The estimated amount for which an interest in real property should be leased on the valuation date between a willing lessor and a willing lessee on appropriate lease terms in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion."

The market rent is excluding VAT.

Method of Determination

We research comparable rents by taking into consideration key aspects such as property location, condition and the fit-out standard of rental units as well as common marketing incentives by the landlords (e.g. tenant improvements or rent free periods). With our in-house database, we analyze comparable lease transactions and currently available offers of space to rent. Furthermore, we analyze all leases which were recently closed in the subject asset(s) ("recent lease agreements").

An overview of the selected rental comparables can be found in the appendix to the report "market and location analysis - rental comparables".

In addition, we have also analyzed all recent lease agreements for the subject properties, and a corresponding overview can be found in the appendix to the report "market and location analysis – rental comparables".

Based on this procedure, we estimate rental values with reference to the individual asset, which are then revised in consultations with our agents and under consideration of third-party research, where reliable, appropriate and possible.

3. Potential Rent

Definition

The potential rent expresses the rent that should be achievable in a short time period by leasing vacant areas at our opinion of Market Rent. The potential rent is excluding VAT.

Method of Determination

The potential rent as displayed in our valuations is a "mixed" figure which considers the current rent for all units let and the market rent for all units currently vacant but potentially lettable.

4. Net Operating Income (NOI)

Definition

The net operating income (NOI) is defined as the passing rent after deducting all non-recoverable costs. It is the net cash-flow generated by a property at a point in time or in a time period.

Method of Determination

Generally, the following periodical non-recoverable costs will be deducted from the passing rent:

- Management Costs
- Maintenance Costs
- Non recoverable service charges
- Ground Rents (if applicable)

Furthermore, the following event related non-recoverable costs will be deducted from the passing rent within the cash-flow term:

- Costs for Tenant Improvements
- Capex for Deferred Maintenance (if applicable)
- Vacancy Costs
- Leasing Commissions

5. Vacancy Rates

In this report, two following different vacancy rates are displayed:

- The area vacancy rate is defined by vacant space (in sqm) divided by the total lettable space (in sqm).
- The EPRA vacancy rate is expressed as a percentage being the estimated rental value (in EUR) of vacant space divided by the estimated rental value ERV of the whole property.

III. Values and Results

1. Market Value

Definition

Our Valuation has been carried out in accordance with the RICS Global Valuation Standards effective since 31 January 2020 of the Royal Institution of Chartered Surveyors (the "**Red Book**"). We have been instructed to value the properties within the Subject Portfolio on the basis of Market Value. The definition is in line with the IVS 104 paragraph 30.1.

"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 and where the parties had each acted knowledgeably, prudently and without compulsion."

For the avoidance of doubt, a Market Value complying with the "Red Book" is compliant with the International Valuation Standards (IVS) and the market value pursuant to § 194 BauGB (German Building Code).

Method of Calculation: Discounted Cash Flow (DCF)

For the valuation of long-term income-based properties, we have applied a DCF approach.

The DCF method is a two-stage financial mathematical model to determine the cash value of the future yield of the properties, which is viewed as its present value. In this coherence, a detailed forecast computation of the revenue and expenditures for a "holding period" of usually 10 years is compiled.

Accordingly, our DCF model involves a period-by-period estimation of gross income, i.e. rental income, and of any expenditure which shall not be recovered by third parties. Any estimation for the aforementioned will explicitly be taking into account a range of variables. For example, the estimation of income is substantially and mainly based on the existing contractual agreements as well as market development forecasts. Expenditures, on the other hand, may occur regularly in each period, i.e. costs of management, ongoing maintenance and non-recoverable service charges.

However, one-off costs for anticipated renovations as well as costs during periods of vacancy will also be deducted but considering a specified scheduled time of expenditure in the future.

As a result, the net operating income (NOI) will be calculated for each period, reflecting the anticipated development of the properties over the applied time period. Secondly, the hypothetical sales price at the assumed time of exit will be calculated. Generally, the sales price will be based upon the NOI at market level of the future year after the holding period. Hence, the NOI at market level will be capitalized with the exit capitalization rate in perpetuity in order to derive the Gross Exit Value. However, if fixed leases expire after the holding period, the Gross Exit Value will be adjusted by the capital value of a (potential) over-/ under-rented situation. Please note that in our model those capital value adjustments will be displayed as adjustments to the NOI (calculated in perpetuity). Finally, transaction costs will be deducted from the Gross Exit Value to arrive at the Net Exit Value / sales price.

Finally, both main results of the two-step calculation, i.e. the sum of all NOI and the hypothetical purchase price - will be discounted at the discount rate effective at the Date of Valuation. The result of this step is the Gross Present Value (GPV) as at that date. The GPV is then reduced by the common costs of a transaction, i.e. stamp duty land purchase tax, agent fee, notary fee, which results in the Net Present Value (NPV).

The applied rates are normally set by comparing money market rates (i.e. interest rate for risk-minimized investments) and allowing for the relative disadvantages of real estate ownership. These are generally considered as adjustments to the base rate due to the risks revolving from the specific type of property, due to the risks of illiquidity (marketing periods, costs of transaction etc.) and due to the potential of additional costs of portfolio management.

These risks are evaluated according to the following categories for each property, e.g. by conducting a structured property rating:

- Quality of the macro location (i.e. image, socio-demographics, economy, etc.)
- Quality of the micro location (i.e. local image, local supplier market adequacy for the specific property use, infrastructure, etc.)
- Quality of the building (i.e. age and condition of building, concept of areas/ architecture, fit-out, alternative usability, energy management, plot characteristics, etc.)
- Quality of cash flow (i.e. letting concept, length of lease terms, agreements on ancillary costs, covenant of the tenant, current vacancy, ability for re-letting)

The exit capitalization rate is the reciprocal of the multiplier on potential rent less non-recoverable costs at the end of the cash flow period and is mainly derived from the quality of the location (including the land value) and the building quality.

IV. Yields and Multipliers

1. Gross Multipliers

A gross multiplier expresses the ratio of the market value to the rental income of a property. In our report, we state three different kinds of gross multipliers:

- Gross Multiplier on Current Rent = Market Value / Current Rent
- Gross Multiplier on Market Rent = Market Value / Market Rent
- Gross Multiplier on Potential Rent = Market Value / Potential Rent

Please note that the Gross Multiplier on Current Rent can be misleading if the property is currently let at rents considerably below average or has significant vacancies. In those cases, we suggest also to consider multipliers and yields on market or potential rent.

2. Net Initial Yields

A Net Initial Yield expresses the ratio of the Net Operating Income (Rental income as of Date of Valuation reduced by management costs, ongoing maintenance, costs for vacancy and further non recoverable costs) to the Gross Present Value (Market Value including acquisition costs).

In our report, we state three different kinds of Net Initial Yields:

- Net Initial Yield on Current Rent = Net Operating Income derived from Current Rent / Market Value + Acquisition costs
- Net Yield on Market Rent = Net Operating Income derived from Market Rent / Market Value + Acquisition costs
- Net Yield on Potential Rent = Net Operating Income derived from Potential Rent / Market Value + Acquisition costs

Please note that the Net Initial Yield on Current Rent can be misleading if the property is currently let at rents considerably below average or has significant vacancies. In those cases we suggest also to consider multipliers and yields on market or potential rent.

Condensed Valuation Report

NAI apollo

1. Assignment

1.1. Principal

ADO Properties S.A.
1B Heienhaff
L-1 736 Senningerberg
Grand Duchy of Luxembourg

(hereafter: 'the Principal')

1.2. Addresses

J.P. MORGAN SECURITIES PLC
25 Bank Street
Canary Wharf
London E14 5JP
United Kingdom

DEUTSCHE BANK AKTIENGESELLSCHAFT
Taunusanlage 12
60325 Frankfurt am Main
Germany

BARCLAYS BANK PLC
5 The North Colonnade
Canary Wharf
London E14 4BB
United Kingdom

Van Lanschot Kempen Wealth Management N.V.
Beethovenstraat 300
1077 WZ Amsterdam
The Netherlands

1.3. Contractor

apollo valuation & research GmbH
Große Eschenheimer Str. 13
60313 Frankfurt am Main
Germany

(hereafter: 'NAI apollo' or 'the Contractor')

The contractor is a limited liability company, registered under commercial law in Germany under the registration number 92507. NAI apollo employs publicly appointed and sworn-in appraisers, members of the Royal Institution of Chartered Surveyors (RICS) as well as real estate valuers certified by HypZert GmbH according to DIN EN/ISO 17024.

1.4. Subject of Valuation

In general the portfolio to be valued (hereinafter: "the subject of valuation") consisted of project developments (properties) with a planned lettable area of approx. 1,295,000 sqm (approx. 58% residential space). Detailed information on these properties is attached as Annex A to the report and in 2.3.

The subject of valuation were the aforementioned plots of land, including the building structure considered essential components in accordance with section 94 BGB (German Civil Code) and excluding accessories in accordance with section 97 BGB.

1.5. Scope of Work and Purpose of Valuation

1.5.1. Scope of Work

On 11 March 2020, the Contractor was instructed as an independent valuer by the Principal to determine the market value of the properties mentioned in section 1.4 of this report on the basis of the RICS Valuation – Professional Standards 2020 ('RICS Red Book') published by the Royal Institution of Chartered Surveyors and in accordance with IVSC International Valuation Standards 2020 (12th edition) with a valuation date being 29 February 2020.

Due to the travel restrictions that have arisen and the requirements to limit personal contacts, the otherwise obligatory external and internal inspections of the properties were only partially possible.

The properties to be valued consisted of projects for portfolio management as well as properties already sold in a forward deal or as condominiums. The forward deals or condominiums were partly financed by the buyer by means of advance payments. No financing costs were considered for these projects. Information on the payment status was not available. These were not taken into account for the determination of the market value in accordance with our agreement.

According to VPS 2 paragraph 1.8 RICS Red Book the valuer should consider whether the information, supplied by a party other than the valuer, is credible and may be relied on. Information on construction costs for the project developments, development times and compensated services/progress of construction were provided by the owner. These were compared e.g. with BKI Baukosten in accordance with the planned standard.

The market value was determined at individual property level without taking into account the fact that the properties were part of a portfolio. Therefore, no portfolio discounts or premiums were taken into account. The market value of the portfolio thus corresponds to the sum of the individual market values of the properties to be valued.

Furthermore, the Contractor was instructed to prepare a condensed valuation report (hereinafter referred to as 'the report').

1.5.2. Purpose of Valuation

The purpose of this condensed valuation report is the determination of the market value of the subject of valuation as of the valuation date.

The report has been carried out for inclusion in a securities prospectus intended to be published by ADO Properties S.A. ('ADO Properties') in connection with a proposed offering of subscription rights issue (Bezugsrechtsemission) and subsequent issue of new ordinary shares in dematerialized form with no nominal value of ADO Properties (the 'Offering'). The Offering comprises a public offering of securities by ADO Properties in Germany and Luxembourg.

1.6. Valuation Methodology

NAI apollo used different approaches to the valuation depending on the respective property status:

1.6.1. Existing Properties

NAI apollo used a discounted cash flow (DCF) model to estimate the market value of the subject properties. The cash flows are projected according to the above structure for a holding period of 10 years and subsequently discounted to the dates of valuation.

At the end of the holding period, a sale of the asset is assumed to estimate the present value of the cash flow beyond the holding period. The terminal value, or sometimes referred to as 'exit value', is also discounted to the valuation date to determine its present value.

The sum of all present values adds up to the gross capital value (GCV) of the investment. By deducting usual transaction costs that a potential investor will face in an asset deal (as the RICS definition of 'market value' assumes an asset to be traded at the valuation date), NAI apollo arrives at the net capital value (NCV). The rounded NCV is the market value.

1.6.2. Development Properties

The valued properties are project developments which are valued according to the residual value method, based on the progress of the development of the project as of the valuation date. The portfolio includes project developments that have been sold by way of forward agreements.

The residual value method is a common approach to calculating the value of project developments. It is a deductive method for deriving the value of an undeveloped land plot or of development projects based on their respective development progress. The approach is based on the assumption that the market value of a project development can be derived from the future notional market value of the completed project less the services that still need to be considered for realisation.

NAI apollo's residual value model has the following structure:

In the first step the fictitious (gross) market value of the completed project was determined. In the case of projects already marketed as forward deals, the (gross) sales price agreed in the purchase contract and plausibly verified by NAI apollo was used. Since this is a value that can only be realised in the future, it was discounted over the development period. In the next step, the estimated market value of the finished project value was adjusted by usual development discounts, project developer risks, marketing costs as well as the still necessary completion expenses (remaining construction and financing costs). Information provided by the project developer was used to estimate the development times and completion costs (budget and construction progress). The information was reviewed. Finally, the resulting (gross) residual value was adjusted by the transaction costs to be borne by a buyer.

In the event of completion and discontinuation of project-specific discounting and services, the residual value model used here is converted to an income value model (known as the initial yield method).

1.7. Date of Valuation

The valuations were conducted as per 29 February 2020.

1.8. Qualification

The valuation mandate was led by experienced valuers who have sufficient knowledge of the German real estate market and the necessary professional qualifications to carry out the valuation mandate competently.

1.9. Independence and Objectivity

Within this mandate NAI apollo acted as external advisor in a service relationship for the Principal. The valuation was made impartially, without directives, without consideration of unusual or personal circumstances and without own interest in the result to the best of our knowledge and belief with objective scrutiny.

Neither NAI apollo, nor the experts working within the scope of the mandate and who are permanently employed at NAI apollo have a direct or indirect personal or business relationship to the subject of valuation or to the Principal, which could lead to a potential conflict of interest. The Contractor does not profit from this assignment in any other way than by collecting the agreed fee. The amount of this fee was fixed before the start of the project and was in no way dependent on the valuation result.

1.10. Service Delimitation

1.10.1. Collection and Evaluation of Information

In the course of preparing our valuation, unless provided by the Principal, we – as instructed – did not specifically procure land register excerpts, public easement register excerpts or site contamination in-formation for the reviewed properties, but have relied on lists and information referring to such documents provided by the Principal. The relevant documents were analysed in the valuation process and examined randomly for plausibility. If there were no obvious inconsistencies, the submitted documents were assumed to be correct and valid as of the valuation date regardless of their date; the Principal confirmed to us that the provided documents reflected the current status.

1.10.2. Measurement

The preparation of an area survey was not part of the assignment. The area and unit information provided by the Principal was roughly checked for plausibility and, if no major differences were identified, were assumed to be correct.

1.10.3. Structural Defects and Damages

A structural analysis and/or a damage assessment of the buildings were not part of this assignment. Destructive examinations and tests of the functionality of technical facilities (especially sanitary, electrical, and heating installations) were not carried out. In this valuation, the impact of any possible building defects and building damage on the value of the properties is only taken into account in very general terms. Hence reference to building defects within this valuation does not exclude the presence of other defects. In this respect, this report does not represent a specialist survey on building defects and damage.

1.10.4. Pests and Contaminants

Surveys to determine the presence of plant-based or animal pests were not carried out. Also, not carried out were tests on materials that limit the long-term serviceability of the valuation property or which present a danger to third parties or the environment or on contaminated sites as stipulated by the German Soil Protection law ('Bundesbodenschutzgesetz').

1.10.5. Subsoil

Soil investigations were not performed. The local soil situation was considered in the valuation as far as it is included in comparative purchase prices or the standard land value. Should a soil survey provide different results, these are to be taken into account in the result of this valuation. Unless explicitly noted otherwise, the soil is assumed to be of a normal load-bearing capacity.

1.10.6. Building Law

An examination of permissibility under planning and building law were not included in the mandate. The valuation was carried out on the basis of the completed project. The conformance of the completed project with architectural drawings, the building permit and building law and the binding development plan were not checked. Within the scope of this valuation, the material legality of the (planned) structural works and uses was assumed.

1.10.7. Taxes, Public Charges and Financial Charges

Tax liabilities and costs resulting from the purchase or sale of a property were taken into account to the extent that they were implicitly included in the market data used. Land transfer taxes were explicitly taken into account in the valuation. Any repayments of government or other subsidies or tax benefits to be made as a result of the sale were not taken into account.

Obligations that may have been recorded in section III of the land registers were not taken into account in this valuation. It was assumed that any outstanding debts would be deleted upon sale or offset by a reduction in the sale price.

2. Portfolio Analysis

2.1. Portfolio Composition

In general the portfolio to be valued consisted of project developments (properties) with a planned lettable area of approx. 1,295,000 sqm (approx. 58% is residential space). A further (besides 2.3.) overview of the properties is attached as Annex A to the report.

2.2. Geographical Distribution

The properties are spread across 12 cities in Germany, whereof Düsseldorf ranks first with a share of approx. 21 % of the planned lettable area. Stuttgart, Berlin, Hamburg and Frankfurt am Main are second, third (Berlin and Hamburg) and fourth with approx. 17 %, each approx. 15% and approx. 9 %.

2.3. Property Descriptions

Project	Description
Four Living VauVau	The property is part of new developments/revitalisation along Prager Strasse, a central arterial road in the south-eastern district of the Saxon city of Leipzig. With a population of around 600,000, Leipzig is the largest city of the Freistaat Sachsen and one of the economically strongest-performing cities of the new federal states. The valuation property is the project development of the revitalization of the city's former Technisches Rathaus as residential units according to the concept of Vertical Village Apartments (VauVau concept). For the conversion, the 9-storey building will be divided into four similar towers. The lower floors will be used for commercial purposes and the upper floors are planned for living space according to the VauVau concept. The basement level contains an underground car park.
Cologne Apart VauVau	The property is located in the district Altstadt-Nord in the urban municipality Cologne. Cologne is the largest city in the federal state of North Rhine-Westphalia and the fourth largest city in Germany. The city is an integral part of both the Cologne / Bonn conurbation and the Rhine-Ruhr metropolitan region. The metropolis on the Rhine is one of the five most important economic centres in Germany. The valuation property is an existing building. Within the scope of the reconstruction the building will be extended by a 6th floor. Around 200 residential units are to be developed in the building. The ground floor will continue to be used for commercial purposes.
MaryAnn Apartments VauVau	The property belongs to the new developments south of the Postplatz in the Saxon state capital Dresden. Together with the "Zwinger" to the north, the square forms the western edge of the historic old town or city centre of the state capital. The city is the second largest city in the Saxony with just over 550,000 inhabitants. The city is one of the most dynamic regions in the new federal states. The valuation Property is a new development according to the concept of the Vertical Village Apartments (VauVau concept). The development will have 6 storeys with basement. The use

Project	Description
	will include residential use on the upper floors and commercial use with offices, retail and gastronomy on the ground floor. An underground car park is located in the basement.
UpperNord Tower VauVau	The property is located in the district Flingern in the urban municipality Düsseldorf. Düsseldorf is the state capital of North Rhine-Westphalia and, with a population of around 645,000, the second largest city in the federal state after Cologne. In Germany, Düsseldorf is the seventh largest city in terms of population. Düsseldorf is part of the Rhine-Ruhr metropolitan region with around ten million inhabitants. The plan is to build a new 120 m high residential tower with 36 floors. Gastronomy areas are planned on the ground floor and on the 36. floor, an underground car park is planned in the basement. On the 1. to 3. floors, office space (including co-working) is planned. From the 4. to the 10. floor there will be affordable housing, from the 10. to the 35. floor residential units according to the VauVau- resp. Vertical Village concept.
NewFrankfurt Towers VauVau / Vitopia-Kampus Kaiserlei Residential	The property is located in the district Kaiserlei of the city of Offenbach am Main. Kaiserlei is one of 21 districts of the city of Offenbach. Kaiserlei is bordered by the Main River to the north, the Frankfurt Mainufer with the district of Frankfurt-Ostend and the Frankfurt Osthafen to the opposite, Kaiserlei is in the west and southwest in the direct vicinity of the Frankfurt district of Frankfurt-Oberrad, and the Offenbach Westend to the south. The two developments consist of two existing buildings completed by three new buildings. The eye-catchers of the spacious quarter are the two 19- and 22-storey towers of the former Siemens power plant division, which will be completely refurbished. Around them, residential buildings with six to seven floors are planned. In addition, areas for local supply, services, a hotel and a a daycare facility for children are to be developed.
Residenz am Ernst-Reuter Platz	The property is a project development in a side street of Ernst-Reuter-Platz in the centre of the former West Berlin district of Charlottenburg-Willmersdorf. The capital Berlin is the centre of the metropolitan region Berlin/Brandenburg (6 million inhabitants) and is considered an international metropolis of culture, politics, media and science. The valuation property is the new construction of an apartment building in the Fraunhoferstraße, about 300 m north of the central Ernst-Reuter-Platz of the district in direct neighbourhood to the TU-Campus Berlin. The building itself is an 8-storey building with underground parking.
Carré Sama Riga	The property is a project development in the Samariter-Viertel in the Berlin district of Friedrichshain. The capital Berlin is the centre of the metropolitan region Berlin/Brandenburg (6 million inhabitants) and is considered an international metropolis of culture, politics, media and science. The valuation property is a development consisting of two renovated existing buildings and three new buildings for

Project	Description
	redensification in Rigaer Straße north of the district's "Kiez". The buildings are 5- to 6-storey buildings including an underground car park. The usage includes residential use in the front and partially renovated rear buildings and office use in the eastern building stock. Furthermore, a kindergarten is located in the commercially used part.
Ostforum / Ostplatz	The property is part of the new developments/revitalisation along Prager Strasse, a central arterial road in the south-eastern district of the Saxon city of Leipzig. With a population of around 600,000, Leipzig is the largest city of the Freistaat Sachsen and one of the economically strongest-performing cities of the new federal states. The valuation property is a new ensemble consisting of three buildings. The buildings comprise up to 10 storeys and a central underground car park. The two buildings facing Prager Strasse are planned for office use on the upper floors and retail and gastronomy use on the ground floor. The rear building will be a residential building.
Quartier Hoym	The property is a new development in the historic old town of the Saxon state capital Dresden. The property is located east of the Neumarkt with the Frauenkirche. The city is the second largest city in the Free State of Saxony with just over 550,000 inhabitants. The city is one of the most dynamic regions in the new federal states. The valuation property is a new development as a reconstruction of the Palais Hoyms, which was destroyed in the last world war. Due to the exposed location, an architectural competition was held. The results are several building elements that are integrated into the historic old town in a creative way around an inner courtyard with a substructure with a common underground car park. In addition to a residential use with retail, office, a hostel and gastronomy, the project includes various commercial uses.
Dessauer/ Hamburger Straße	The property is the project "Magnolia" at the intersection of Dessauer-/Hamburger Strasse in the Eutritzsch district of the Saxon city of Leipzig, to the north of the city centre. With a population of around 600,000, Leipzig is the largest city of the Freistaat Sachsen and one of the economically strongest-performing cities of the new federal states. The valuation property is a new construction project consisting of two 6-storey building ensembles along Dessauer Strasse and Hamburger Strasse. The use comprises various residential concepts with a shared underground car park.
Cologneo I Part 1	The property is located in the district Mülheim in the urban municipality Cologne. Cologne is the largest city in the federal state of North Rhine-Westphalia and the fourth largest city in Germany. The city is an integral part of both the Cologne / Bonn conurbation and the Rhine-Ruhr metropolitan region. The metropolis on the Rhine is one of the five most important economic centres in Germany.

Project	Description
	The valuation property is part of the former factory premises of Klöckner-Humboldt-Deutz AG. A new residential, office, retail and hotel quarter with underground parking is to be developed here.
Königshöfe im Barockviertel	The property is part of the development, consisting of the revitalization of the listed building of the former "Königlichen Brandversicherungsanstalt" for condominiums and a subsequent new development "Königshöfe" on Palaisplatz in the historic baroque quarter of the Saxon state capital Dresden. The city is the second largest city in the Free State of Saxony with just over 550,000 inhabitants. The city is one of the most dynamic regions in the new federal states. The new buildings comprise a total of nine 7- to 9-storey apartment buildings with green inner courtyards, some of which are built in a closed construction. The property will have an underground car park, which will include parking spaces for adjacent plots of land, including the condominiums on the neighbouring plot.
Steglitzer Kreisel Tower	The property is part of the project to revitalise the "Steglitzer Kreisel" at the south-western end of the Schloßstraße shopping street in the centre of the Berlin district of Steglitz. The capital Berlin is the centre of the metropolitan region Berlin/ Brandenburg (6 million inhabitants) and is considered an international metropolis of culture, politics, media and science. The valuation property is a complex consisting of the commercially used base building with a multi-storey car park and a 120 m tower. Furthermore, the central bus station is integrated in the complex. The valuation property is the revitalisation of the 28-storey tower building for condominiums as well as a refurbishment of the associated base part for commercial use. The parking spaces will be provided in the adjacent parking garage.
Palatium (Palaisplatz Altbau)	The property is part of the development, consisting of the revitalization of the listed building of the former "Königlichen Brandversicherungsanstalt" for condominiums and a subsequent new development "Königshöfe", of the CG group on Palaisplatz in the historic baroque quarter of the Saxon state capital Dresden. The city is the second largest city in the Free State of Saxony with just over 550,000 inhabitants. The city is one of the most dynamic regions in the new federal states. The valuation property is the part of the revitalization of the building of the former "Royal Fire Insurance Institution". The building is a 5-storey listed building with a neo-baroque sandstone facade and numerous art nouveau elements from the Wilhelminian style. Parking spaces are provided in the underground car park of the neighbouring development "Königshöfe".
Westend Ensemble – Grand Ouest	The property is located in the city of Frankfurt am Main in the federal state of Hesse. Frankfurt is classified as a regional

Project	Description
	centre. Frankfurt is the largest city in Hesse and the fifth largest in Germany. It also forms the centre of the Frankfurt/Rhine-Main conurbation. The valuation property is the Westend Ensemble project development, consisting of the Grand Quest (component A) and Upper West (component B) projects. The Grand Quest is an existing listed building; the development of condominiums on six floors is planned. A total of around 165 units and an underground car park are to be built.
Westend Ensemble – Upper West	The property is located in the city of Frankfurt am Main in the federal state of Hesse. Frankfurt is classified as a regional centre. Frankfurt is the largest city in Hesse and the fifth largest in Germany. It also forms the centre of the Frankfurt/Rhine-Main conurbation. The valuation property is the Westend Ensemble project development, consisting of the Grand Quest (component A) and Upper West (component B) projects. The Upper West is an existing office building, which is being extensively refurbished and converted into a mixed quarter with apartments, offices and other commercial units as well as an underground car park.
COL III (Windmühlenquartier)	The property is located in the district Kalk in the urban municipality Cologne. Cologne is the largest city in the federal state of North Rhine-Westphalia and the fourth largest city in Germany. The city is an integral part of both the Cologne / Bonn conurbation and the Rhine-Ruhr metropolitan region. The metropolis on the Rhine is one of the five most important economic centres in Germany. The valuation property is part of the former factory premises of Klöckner-Humboldt-Deutz AG. A mix of office building and hotel with currently 123 rooms and approx. 365 condominiums is planned for this development area.
Steglitzer Kreisel Parkhaus & Sockel	The property is part of the project to revitalise the “Steglitzer Kreisel” at the south-western end of the Schloßstraße shopping street in the centre of the Berlin district of Steglitz. The capital Berlin is the centre of the metropolitan region Berlin/ Brandenburg (6 million inhabitants) and is considered an international metropolis of culture, politics, media and science. The “Steglitzer-Kreisel” is a complex consisting of the commercially used base building with a multi-storey car park and a 120 m tower. Furthermore, the central bus station is integrated in the complex. The valuation property is the revitalisation of the up to 7-storey base building for mixed commercial use as well as the multi-storey car park. With retail, office and hotel space as well as commercial living, a broad mix of uses is being planned.
Forum Pankow / Staytion	The property is the project development of “Forum Pankow” in the old centre of the Pankow district to the northeast of the city. The capital Berlin Stadt is the centre of the metropolitan region Berlin/Brandenburg (6 million inhabitants) and is considered an international metropolis of culture, politics, media and science.

Project	Description
	The valuation property comprises the demolition of existing buildings and new development. The new development is to comprise a total of five apartment buildings as well as two office and one retail section. Most of the existing buildings, including a rehabilitation clinic and a specialty shopping centre, are currently still let.
Ostend	The property is located in the city of Frankfurt am Main in the federal state of Hesse. Frankfurt is classified as a regional centre. Frankfurt is the largest city in Hesse and the fifth largest in Germany. It also forms the centre of the Frankfurt/Rhine-Main conurbation. Five new buildings with underground parking will be constructed on the site of the former telecommunications office as part of a project development. Depending on the building, 6 to 12 full floors plus staggered floors are planned. 173 free financed apartments and 77 subsidized apartments as well as around 16,200 sqm of office space are to be developed.
UpperNord Quartier	The property is located in the district Flingern in the urban municipality Düsseldorf. Düsseldorf is the state capital of North Rhine-Westphalia and, with a population of around 645,000, the second largest city in the federal state after Cologne. In Germany, Düsseldorf is the seventh largest city in terms of population. Düsseldorf is part of the Rhine-Ruhr metropolitan region with around ten million inhabitants. The plan is to build a residential quarter with free financed rental apartments, affordable and social housing as well as condominiums in modern villas, a daycare facility for children and an underground car park.
Böblingen	The property is located in the city of Böblingen in the federal state of Baden-Württemberg and, together with Sindelfingen, forms a medium-sized centre. Böblingen is located about 20 kilometers southwest of Stuttgart and is one of the most important industrial locations in Germany. The property comprises the development of a mix-used complex. The new complex will comprise 4 residential buildings with a common base for commercial and communal areas on the ground floor and basement and an underground car park. All pedestrian accesses will be at ground level and barrier-free from the respective terrain level.
Schwabenland Tower	The property is located in the east of the city of Fellbach. Fellbach is a town in Baden-Württemberg on the north-eastern city limits of Stuttgart. It is part of both the Stuttgart region and the Stuttgart European metropolitan region. It is the second largest town in the Rems-Murr district after the city of Waiblingen and, together with Waiblingen, forms a medium-sized centre for the surrounding municipalities. The property comprises the development of a high-rise residential building with around 190 apartments and a hotel with currently 168 rooms. The high-rise building will have 34 floors and a height of around 107 m. In addition, a mobility concept with the city for the surrounding area is to be planned.

Project	Description
Ostplatz – FLI Mensa	The property is part of the new developments/revitalisation along Prager Strasse, a central arterial road in the south-eastern district of the Saxon city of Leipzig. With a population of around 600,000, Leipzig is the largest city of the Freistaat Sachsen and one of the economically strongest-performing cities of the new federal states. The valuation property is the 2-storey former canteen and event building for the former "Technisches Rathaus" (currently being revitalised as a residential project). The property is vacant at the valuation date.
Kreuzstraße	The property is the project "Graphisches Viertel"on Kreuzstraße in the district of Zentrum-Ost of the Saxon city of Leipzig, located northeast of the city centre. With a population of around 600,000, Leipzig is the largest city of the Freistaat Sachsen and one of the economically strongest-performing cities of the new federal states. The project development is a mixture of old buildings to be revitalized and new buildings on the edge of a block. The existing building along the Lange Straße and the two commercial buildings inside the Carré will be revitalised into residential properties. On the southern (Kreuzstraße) and eastern (Ludwig-Erhard-Straße) boundaries, two new building blocks will be constructed with commercial use on the ground floor and residential use on the upper floors including an underground car park.
Benrather Gärten	The property is located in the district Benrath in the urban municipality Düsseldorf. Düsseldorf is the state capital of North Rhine-Westphalia and, with a population of around 645,000, the second largest city in the federal state after Cologne. In Germany, Düsseldorf is the seventh largest city in terms of population. Düsseldorf is part of the Rhine-Ruhr metropolitan region with around ten million inhabitants. In this district development, an attractive mix of modern, family-friendly residential buildings with subsidised, affordable and free financed residential units is planned. A daycare facility for children, primary school and other social facilities as well as local supply options are also planned. The commercial part will include a hotel, a multi-storey car park as well as production, logistics and service areas.
Arthur Hoffmann Str	The property is a new building at the intersection of Arthur-Hoffmann- / Arno-Nitzsche-Strasse in the district of Connewitz in the Saxon city of Leipzig, located to the south of the city centre. With a population of around 600,000, Leipzig is the largest city of the Freistaat Sachsen and one of the economically strongest-performing cities of the new federal states. The project development is a new multi-family house for redensification. The building is planned as a 6-storey building with basement.
Franklinstrasse 26	The property is a new development of an office property in the commercially used northern part of the former West Berlin

Project	Description
	district of Charlottenburg. The capital Berlin is the centre of the metropolitan region Berlin/Brandenburg (6 million inhabitants) and is considered an international metropolis of culture, politics, media and science. The valuation property is a new office building on Franklinstraße, a commercial location that has been upgraded in recent years by various new commercial developments. The building will have 6 storeys plus a staggered storey with an underground car park.
No.1	The property is located directly at the main railway station in Mannheim in the federal state of Baden-Württemberg. Mannheim is the third largest city in the state with a population of just under 310,000. Mannheim is situated directly in the border triangle with Baden-Württemberg, Rhineland-Palatinate and Hesse. The valuation property is a development of a multifunctional building with an underground car park. The building consists of a low-rise building with five upper floors and a 14-storey office tower built on top of the low-rise building. The intended uses are hotel, retail, gastronomy and office.
Bundesallee (incl. MOMENTE)	The property is the new development of the "Quartier Bundesallee" in the north-east of the former West Berlin district of Wilmersdorf. The capital Berlin is the centre of the metropolitan region Berlin/Brandenburg (6 million inhabitants) and is considered an international metropolis of culture, politics, media and science. The valuation property is a new development on the retained underground car park of a former office building from the 70's, which was used by the BfA (Federal Insurance Institution for Employees). The new development consists of 7 up to 10-storey building sections. The three northern sections will be developed as offices, the three southern sections as residential buildings and the rear section for condominiums.
Wohnen an der Villa Berg	The property is located in the district Berg, which belongs to the city centre of Stuttgart. The city of Stuttgart is the capital of the federal state of Baden-Württemberg and is its largest city. It forms the centre of the Stuttgart metropolitan region with around 5.3 million inhabitants. The property is an advanced project development of a condominium complex consisting of 3 buildings with 16 apartments each and an underground car park.
2stay	The property is located in the city of Frankfurt am Main in the federal state of Hesse. Frankfurt is classified as a regional centre. Frankfurt is the largest city in Hesse and the fifth largest in Germany. It also forms the centre of the Frankfurt/Rhine-Main conurbation. The valuation property is an existing office building. The existing building is divided into a 13-storey high-rise and the 7-storey building sections adjoining to the west and south. The entire building, with the exception of the basement floors, will

Project	Description
	be completely refurbished and will be used primarily for office purposes.
Holsten Quartiere	The property is located in the district Altona-Nord of the city of Hamburg. With approx. 1.8 million inhabitants, Hamburg is the second largest city in the Federal Republic of Germany. The city has the largest cargo port in Germany and the third largest in Europe. The project development called Holsten Quartier is planned on the site of the former Holsten brewery. The develpoment will focus on residential use, which will be based on the so-called one-third mix of the Hanseatic city - 1/3 subsidised housing, 1/3 free financed housing and 1/3 condominiums. In addition, a mix of commercial, gastronomic and socio-cultural uses will be developed.
Neues Korallusviertel	The property is located in the district Wilhelmsburg of the city of Hamburg. With approx. 1.8 million inhabitants, Hamburg is the second largest city in the Federal Republic of Germany. The city has the largest cargo port in Germany and the third largest in Europe. The development will focus on residential use. A total of approximately 112 condominiums, 262 free financed and 87 subsidised apartments are to be built. Furthermore, a day-care centre for children, a smaller commercial unit and an underground car park are planned.
VAI Campus	The property is located in the district Vaihingen. The city of Stuttgart is the capital of the federal state of Baden-Württemberg and is its largest city. It forms the centre of the Stuttgart metropolitan region with around 5.3 million inhabitants. On the approx. 14.5 hectare site, around the listed “Eiermann Ensemble”, a new mixed-use urban district comprising residential, office and other commercial units with an area of around 195,000 m² is to be planned. Several kindergartens and a school are also to be built in the quarter, which will be built to state-of-the-art building standards.
The Wilhelm	The property is the project development “The Wilhelm” in an exclusive central location in Berlin Mitte close to the “ Brandenburger Tor” and the British Embassy. The capital Berlin is the centre of the metropolitan region Berlin/ Brandenburg (6 million inhabitants) and is considered an international metropolis of culture, politics, media and science. The valuation property is a very exclusive residential development for an upscale international clientele. The building is planned as a 5-storey building with staggered storeys and an underground car park of the highest quality. The internationally renowned architect Ramsa of the architectural office Robert a.M. Stern Architects was commissioned for the development. Commercial use is planned on the ground floor.
Weg beim Jäger	The property is located in the district Fuhlsbüttel of the city of Hamburg, vis-à-vis Hamburg Airport. With approx. 1.8 million

Project	Description
	inhabitants, Hamburg is the second largest city in the Federal Republic of Germany. The city has the largest cargo port in Germany and the third largest in Europe. The valuation property is a split-level parking garage.
Berliner Straße	The property is located in Falkensee, a city with about 44,000 inhabitants in the east of the district of Havelland. It is a medium-sized centre in Brandenburg. Falkensee is situated on the north-western edge of Berlin. The valuation property is a city villa, which includes 9 condominiums.

3. Valuation Results

3.1. Definition of Market Value

In VPS 4, section 4, the RICS Red Book 2020 adopts the following definition of the market value set by the International Valuation Standards Council (IVSC):

'The estimated amount for which an asset or liability should exchange on the valuation date be-tween a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.'

3.2. Market Value

NAI apollo has determined the market value of the properties described in section 1.4, 2.3 and Annex A of this report as per the date of valuation 29 February 2020 with:

2,810,200,000 EUR

(Two Billion Eight Hundred Ten Million Two Hundred Thousand Euro)

The above value corresponds to the sum of the individual market values of the properties to be valued. This assessment is based on the assumptions, caveats and comments made in this report as well as on the assumption that there are no unusual circumstances which were unknown to NAI apollo at the time of preparing this report.

Frankfurt am Main, 01 July 2020

Stefan Mergen
Managing Partner
for and on behalf of
apollo valuation & research GmbH

Dr. Peter Stark MRICS, RICS Registered Valuer
Director - Valuation
for and on behalf of
apollo valuation & research GmbH

Annex A: Overview of key information of the properties

Annex A Overview of key information of the properties

Project	Address	ZIP	City	Residential space (planned/existing) [sqm]	Commercial space (planned/existing) [sqm]
Four Living VauVau	Pragerstr. 20-28	04103	Leipzig	16,042	4,250
Cologne Apart VauVau	Stolkgasse 4	50672	Cologne	10,841	13,104
MaryAnn Apartments VauVau	Annenstr. 5	01067	Dresden	11,054	3,439
UpperNord Tower VauVau	Mercedesstraße 2 et. al.	40470	Düsseldorf	24,124	1,516
NewFrankfurt Towers VauVau	Berliner Straße 295-299 et. al	63067	Offenbach am Main	31,533	6,207
Vitopia-Kampus Kaiserlei Residential	Berliner Straße 295-299 et. al	63067	Offenbach am Main	13,838	338
Residenz am Ernst-Reuter Platz	Fraunhoferstr. 29	10587	Berlin	10,897	157
Carré Sama Riga	Rigaer Str. 71 - 73	10247	Berlin	9,420	2,708
Ostforum / Ostplatz	Pragerstr. 20-28	04103	Leipzig	3,180	14,598
Quartier Hoym	Rampische str. / Landhausstr	01067	Dresden	18,923	8,731
Dessauer/ Hamburger Straße	Dessauer Str. 42, Hamburger Str. 11	04129	Leipzig	10,464	0
Cologneo I Part 1	Deutz-Mülheimer-Straße 127-133	51063	Cologne	33,744	20,059
Königshöfe im Barockviertel	Wallgässchen 1, Theresienstr. 4	01099	Dresden	15,309	168
Steglitzer Kreisel Tower	Albrechtstraße 1-3 u.a.	12165	Berlin	24,113	3,197
Palatium (Palaisplatz Altbau)	Palaisplatz 2a - 2d	01099	Dresden	4,982	0
Westend Ensemble - Grand Ouest	Ludwig-Erhard-Anlage 2-8	60325	Frankfurt am Main	9,107	0
Westend Ensemble - Upper West	Ludwig-Erhard-Anlage 2-8	60325	Frankfurt am Main	14,804	5,039
COL III (Windmühlenquartier)	Deutz-Mülheimer-Straße 216	51063	Cologne	16,742	7,484
Steglitzer Kreisel Parkhaus & Sockel	Albrechtstraße 1-3 u.a.	12165	Berlin	5,921	47,330
Forum Pankow / Staytion	Hadlichstr. 19 / Damerowstr. 8	13187	Berlin	19,519	20,034
Ostend	Danziger Platz 12	60314	Frankfurt am Main	26,280	16,282
UpperNord Quartier	Mercedesstraße 2 et. al.	40470	Düsseldorf	23,752	1,944
Böblingen	Bahnhofstraße 11 et. al	71034	Böblingen	6,961	2,380
Schwabenland Tower	Schorndorfer Str. 60	70736	Stuttgart	11,512	5,088
Ostplatz - FLI Mensa	Pragerstr. 20-28	04103	Leipzig	0	3,084
Kreuzstraße	Kreuzstraße 21–31, Lange Straße 22–24	04103	Leipzig	11,659	949
Benrather Gärten	Hildener Straße	40597	Düsseldorf	95,042	120,473
Arthur Hoffmann Str	Arthur-Hoffmann-Str./Arno-Nietsche-Str.	04277	Leipzig	1,809	0

Project	Address	ZIP	City	Residential space (planned/existing) [sqm]	Commercial space (planned/existing) [sqm]
Franklinstrasse 26	Franklinstraße 26A	10587	Berlin	0	11,492
No.1	Glücksteinallee 1	68163	Mannheim	0	19,054
Bundesallee (incl. MOMENTE)	Bundesallee 204 bis 206	10717	Berlin	6,969	21,699
Wohnen an der Villa Berg	Sickstraße 145 -149	70190	Stuttgart	4,358	0
2stay	Mainzer Landstraße 23, 23a	60329	Frankfurt am Main	0	41,144
Holsten Quartiere	Holstenstraße 214, Holstenstraße 224, Haubachstraße 93, u.a.	22765	Hamburg	89,351	60,681
Neues Korallusviertel	Thielenstraße 8A, Korallusstraße 15, u.a.	21109	Hamburg	33,938	4,081
VAI Campus	Pascalstraße 100	70569	Stuttgart	115,311	80,395
The Wilhelm	Wilhelmstraße 56 bis 59	10117	Berlin	16,502	1,285
Weg beim Jäger	Weg beim Jäger 206	22335	Hamburg	multi-storey car park	
Berliner Straße	Berliner Straße 61	14612	Falkensee	531	0

23. GLOSSARY

ADLER Change of Control	If a third person or a group of third persons acting in concert within the meaning of Section 2 para. 5 of the German Securities Acquisition and Takeover Act (*Wertpapiererwerbs- und Übernahmegesetz*) become the legal or beneficial owner of more than 50% of the voting rights in ADLER Real Estate, or (ii) in the event of a public tender offer for ADLER Shares, circumstances where the shares already in the control of the bidder and the shares which have already been tendered carry in aggregate more than 50% of the voting rights in ADLER Real Estate.
ADLER Change of Control relating to a public tender offer	In the event of a public tender offer for ADLER Shares, where the shares already in the control of the bidder and the shares which have already been tendered carry in aggregate more than 50% of the voting rights in ADLER Real Estate.
ADLER Group	ADLER Real Estate together with its consolidated subsidiaries.
ADLER Real Estate	ADLER Real Estate Aktiengesellschaft.
ADLER Shares	All ordinary shares of ADLER Real Estate with ISIN DE0005008007 and with a proportionate amount of the share capital of ADLER Real Estate of €1.00 each, including full dividend entitlements and all ancillary rights.
ADLER Shareholder	Each shareholder of ADLER Real Estate.
ADO 2024 Notes	The notes issued by the Company in an aggregate principal amount of €400,000,000 with a coupon of 1.500% per annum due 2024.
ADOF	ADO Lux Finance S.à r.l.
ADO Immobilien	ADO Immobilien Management GmbH.
ADO Properties Group	The Company together with its consolidated subsidiaries. Prior to April 9, 2020, the ADO Properties Group did not include the subsidiary ADLER Real Estate.
AFFO (from rental activities)	FFO 1 (from rental activities) adjusted for maintenance capital expenditures.
Aggregate	Aggregate Holding S.A.
Annual General Meeting	The annual General Meeting.
Annual Tax Act 2019	The German Act on the Further Tax Promotion of Electric Mobility and the Amendment of Further Tax Regulations (*Jahressteuergesetz 2019).*
Articles of Association	The Company's articles of association.
Assets	Any property, asset, securities or other investment.
Audited Consolidated Financial Statements of ADO Properties Group	The audited consolidated financial statements of the ADO Properties Group as of and for the fiscal years ended December 31, 2019, December 31, 2018 and December 31, 2017.
Authorized Capital	The authorization of the Board of Directors for a period of five (5) years ending from the date of the publication of such resolution (*i.e.* August 20, 2015) creating the authorized capital in the Official Gazette of Luxembourg (unless amended or extended by the General Meeting) to increase the Company's share capital up to €750,000,000 by issuing new shares with no nominal value against contributions in cash and/or in kind.
Barclays	Barclays Bank PLC, 5 The North Colonnade, Canary Wharf, London E14 4BB, United Kingdom.
BaFin	The German Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht*).
BCA	The business combination agreement dated December 15, 2019 between the Company and ADLER Real Estate.
BCP	Brack Capital Properties N.V.
BCP Acquisition	Acquisition of BCP by the ADLER Group.
BCP Group	BCP together with its subsidiaries.
BerlinHyp1 Agreement	The amendment and restatement agreement dated June 26, 2017 between ADO Sonnensiedlung S.à r.l. and Berlin-Hannoversche Hypothekenbank AG.

BerlinHyp2 Agreement	The term loan agreement dated June 22, 2016 between 44 German limited liability companies of the ADO Properties Group and Berlin-Hannoversche Hypothekenbank AG.
Berlin Rent Limitation Law	The Law on Rent Limitation in Housing in Berlin (*Gesetz zur Mietenbegrenzung im Wohnungswesen in Berlin – MietenWoG Bln*).
BGB	The German Civil Code (*Bürgerliches Gesetzbuch*).
BGP	Brack German Properties B.V., a wholly-owned subsidiary of BCP.
Board of Directors	The board of directors of the Company.
Board Resolution	The resolution of the Board of Directors, adopted on July 2, 2020, resolving, in principle, to increase the Company's share capital from €91,718.51 to €129,934.56 by the issuance of 30,819,391 New Shares against contribution in cash by way of partial utilization of the Authorized Capital with subscription rights for existing shareholders of the Company, launching the Subscription Offer as well as determining the Subscription Price and the Subscription Ratio.
Brexit	The withdrawal of the United Kingdom from the EU.
Bridge Facility	A bridge term facility available to the Company under the Bridge Facility Agreement under which €885,470,000 have been drawn as of the date of this Prospectus.
Bridge Facility Agreement	The bridge term loan facility agreement between the Company as borrower and J.P. Morgan Securities Plc as mandated lead arranger, J.P. Morgan AG as original lender and J.P. Morgan Europe Limited as agent.
Business Combination	The combination of the business of ADLER Group with the business of ADO Properties Group.
CAGR	Compound annual growth rate.
Call/Put-Option Agreement	The call/put-option agreement dated December 15, 2019 between the Company and Aggregate Holding S.A, as amended.
CBRE	CBRE GmbH.
CBRE Valuation Report	A condensed valuation report prepared by the CBRE on the fair value of the ADO Properties Group's properties with the valuation date of December 31, 2019 pursuant to IAS 40 in conjunction with IFRS 13.
CCM	CCM City Construction Management GmbH.
CEST	Central European time or Central European summertime, as the case may be.
CFM	Central Facility Management GmbH.
CG Group	CG Gruppe AG.
Chairman	The chairman of the Board of Directors.
Combined Group	ADO Properties Group together with ADLER Group.
Committees Rules of Procedure	The rules of procedure for the committees, governed by the Company's rules of procedure for the Audit Committee, the Nomination and Compensation Committee, the Investment and Financing Committee and the Ad-Hoc Committee as adopted by the Board of Directors on April 28, 2020.
Company	ADO Properties S.A.
Completion	The completion of the Business Combination.
Consolidated Interim Financial Statements of the ADO Properties Group	The ADO Properties Group's unaudited condensed consolidated interim financial statements as of and for the three-month period ended March 31, 2020.
Consus Group	Consus Real Estate together with its consolidated subsidiaries.
Consus Real Estate	Consus Real Estate AG.
Consus Real Estate Acquisition	The Consus Real Estate Majority Acquisition and the Consus Real Estate Minority Acquisition.
Consus Real Estate Call Option Exercise	The call option exercise under the Call/Put-Option Agreement.

Consus Real Estate Minority Acquisition	The acquisition of a 22.18% stake in Consus Real Estate by the Company at an average price of €9.72 per Consus Real Estate share.
Coronavirus	SARS-CoV-2.
COVID-Act	The law to mitigate the impact of the Coronavirus pandemic in civil and insolvency laws as well as in criminal law proceedings passed by the German parliament (*Gesetz zur Abmilderung der Folgen der COVID-19-Pandemie im Zivil-, Insolvenz- und Strafverfahrensrecht*).
CSSF	The Financial Sector Supervisory Authority (*Comission de Surveillance du Secteur Financier*) of the Grand Duchy of Luxembourg, a public institution which supervises the professionals and products of the Luxembourg financial sector.
Custodian Bank	The respective custodian banks of the shareholders of the Company.
D&O	Directors and officers.
Daily Manager	One or more persons appointed for the daily management of the Company and the authority to represent the Company.
Delegated Regulation (EU) 2019/980	The Commission Delegated Regulation (EU) 2019/980 of 14 March 2019.
Deutsche Bank	Deutsche Bank Aktiengesellschaft, Taunusanlage 12, 60325 Frankfurt am Main, Germany.
DDT	Dichlorodiphenyltrichloroethane.
DGHyp Agreement	The term loan agreement dated November 27, 2014 between Yona Investment GmbH & Co. KG and Yanshuf Investment GmbH & Co. KG and Deutsche Genossenschafts-Hypothekenbank AG.
DKB Agreement	The loan agreements between Alexandra Properties B.V., Jessica Properties B.V. and Meghan Properties B.V., companies within the ADO Properties Group, and Deutsche Kreditbank AG.
€, EUR or Euro	The currency introduced at the start of the third stage of the European economic and monetary union, and as defined in Article 2 of Council Regulation (EC) No 974/98 of May 3, 1998 on the introduction of the Euro, as amended.
EBITDA from rental activities	Net rental income and income from facility services, minus cost of rental activities and overhead costs.
EBITDA from rental activities margin	EBITDA from rental activities divided by net rental income.
EBITDA total (including disposal results) (adjusted)	EBITDA from rental activities including net profit from privatizations.
EBITDA total (including disposal results) (adjusted) margin	EBITDA total (including disposal results) (adjusted) divided by net rental income and revenues from selling of condominiums.
EEA	The European Economic Area.
EEA Member State	Any member state of the European Economic Area.
EPRA	The European Public Real Estate Association.
EPRA NAV	An indicator of the ADO Properties Group's long-term equity which is calculated based on the total equity attributable to shareholders of the Company increased by the revaluation of trading properties, the fair value of derivative financial instruments and deferred taxes.
EPRA Vacancy Rate	Vacancy rate calculated in accordance with the definition recommended by the European Public Real Estate Association.
EStG	The German Income Tax Act (*Einkommenssteuergesetz*).
Fair Value	The price that would be received when selling an asset or transferring a liability in an orderly transaction between market participants at the measurement date.
FCO	Federal Cartel Office (*Bundeskartellamt*).
FFO	Funds from operations is an indicator of available cash flow from operating activities.
FFO 1	EBITDA from rental activities for the respective periods adjusted to generally reflect net cash interest and current income taxes.
FFO 2	FFO 1 (from rental activities) including the net profit from privatizations.

FFO 1 (from rental activities) per share (in €) and FFO 2 (including disposal results) per share (in €)	Is calculated using the weighted average of shares for the respective period.
FFO 1 Guidance 2020	The guidance published by the Company on March 31, 2020 regarding its FFO 1 for the fiscal year ending December 31, 2020 (on a consolidated basis).
Fiscal Year 2017	As of and for the fiscal year ended December 31, 2017.
Fiscal Year 2018	As of and for the fiscal year ended December 31, 2018.
Fiscal Year 2019	As of and for the fiscal year ended December 31, 2019.
FSMA	United Kingdom Financial Services and Markets Act 2000.
FTT	The proposal for a Directive by the European Commission for a common Financial Transaction Tax.
GDP	Gross domestic product. The gross domestic product is the value of all goods and services produced in a country (or in a region or a city etc.) in a certain period.
GDPR	Regulation 2016/679/EU of April 27, 2016 (General Data Protection Regulation).
GDR	The former German Democratic Republic (*Deutsche Demokratische Republik).*
GDV	Gross development value.
Germany	Federal Republic of Germany.
German Disbursing Agent	The domestic branch of the domestic or foreign credit or financial services institution (*inländisches Kredit – oder Finanzdienstleistungsinstitut*), 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.
General Meeting	The general meeting of the shareholders of the Company.
Gewobag	GEWOBAG Wohnungsbau-Aktiengesellschaft Berlin.
Gewobag Agreement	The share purchase agreement dated September 26, 2019 between the Company and GEWOBAG Wohnungsbau-Aktiengesellschaft Berlin.
Gewobag Sale	The Company's sale of certain subsidiaries owning 23 properties, consisting in aggregate of approximately 5,900 residential apartment units to Gewobag.
Holsten Quartier	The Holsten Quartier project development in Hamburg.
IAS	International Accounting Standards.
IFRS	The International Financial Reporting Standards, as adopted by the European Union.
ILS	Israel new shekel, the currency of Israel.
In-place rent (per month in € per sqm)	The current gross rental income per month for rented residential, commercial and other units and parking spaces as agreed in the corresponding rent agreements, before deducting non-recoverable operating costs, divided by the lettable area of rented units as of the same dates.
Integration	The integration of the ADLER Group into the ADO Properties Group.
Interest-Free Loan	The interest-free loan facility agreement between IrishCo and ADOF dated December 20, 2017.
Internal Restructuring	The internal restructuring of the ADO Properties Group that was completed in early January 2020.
IrishCo	ADO FC Management Unlimited Company.
ISIN	International Securities Identification Number.
Joint Bookrunners	Barclays and Kempen & Co.
Joint Global Coordinators	J.P. Morgan and Deutsche Bank.
J.P. Morgan	J.P. Morgan Securities plc, 25 Bank Street, Canary Wharf, London E14 5JP, London, United Kingdom.
Kempen & Co	Van Lanschot Kempen Wealth Management N.V., Beethovenstraat 300, 1077 WZ Amsterdam, The Netherlands.
KPMG	KPMG Luxembourg, *Société cooperative*.

LBB Agreement	The loan agreement dated January 20, 2016 between Berliner Sparkasse, a branch of the Landesbank Berlin AG, as the lender and the ADO 9370 Gründstücks GmbH, a company within the ADO Properties Group, as the borrower.
LBBW ADLER Loan Agreement	The loan agreement dated June 29, 2020 between certain group companies of the ADLER Group as borrowers and LBBW as lender in an amount of €110,000,000.
LBBW ADO Loan Agreement	The loan agreement dated June 26, 2020 between certain group companies of the ADO Properties Group as borrowers and LBBW as lender in an amount of €272,000,000.
LBBW ADO Loan Facilities	The LBBW ADO Loan Agreement together with a revolving credit facility in the amount of €48,000,000 between certain group companies of the ADO Properties Group as borrowers and LBBW as lender.
LBBW	Landesbank Baden-Württemberg.
LEI	Legal Entity Identifier.
Listing Agent	J.P. Morgan in its capacity as listing agent.
Like-for-like rental growth (residential)	The growth for the respective period in rental income on residential units owned at the end of the respective period compared to the rental income on the same units owned at the end of the corresponding period in the prior year.
LTI	A performance-related variable cash or share payment in the form of a long-term incentive.
LTV	Loan-to-value.
LTV-Ratio	The ratio of the net financial liabilities (calculated as financial liabilities less cash and cash equivalents, net assets and liabilities of disposal groups classified as held for sale and deferred taxes related to liabilities held for sale) to the fair value of properties (including investment properties and trading properties at their fair value, advances paid in respect of investment properties and trading properties as of the respective reporting date).
Luxembourg	Grand Duchy of Luxembourg.
Luxembourg Companies Law	The Luxembourg Commercial Companies Law of August 10, 1915, as amended (*loi du 10 août 1915 sur les sociétés commerciales telle que modifiée*).
LuxCSD	The single settlement organization LuxCSD S.A., 42, Avenue John F. Kennedy, L-1855 Luxembourg, Grand Duchy of Luxembourg, acting as the single settlement organization.
Luxembourg Mandatory Squeeze-Out and Sell-Out Law	The Luxembourg law of July 21, 2012 on the squeeze-out and sell-out of securities of companies admitted or having been admitted to trading on a regulated market or which have been subject to a public offer *(loi du 21 juillet 2012 relative au retrait obligatoire et au rachat obligatoire de titres de sociétés admis ou ayant été admis à la négociation sur un marché réglementé ou ayant fait l'objet d'une offer au public*).
Luxembourg Prospectus Law	The Luxembourg law of 16 July 2019 on prospectuses for securities.
Luxembourg Shareholder Rights Law	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, as amended by the Luxembourg law of August 1, 2019 to implement Directive (EU) 2017/828 as regards the encouragement of long-term shareholder engagement.
Luxembourg Transparency Law	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.
MaltaCo	ADO Malta Limited.

Mandatory Sell-Out	The holders of the remaining shares or securities of a company that may require the owner of 95% of the share capital of that company to purchase the remaining shares or other voting securities of that company.
Mandatory Squeeze-Out	The owner of 95% of the share capital of a company that may require the holders of the remaining shares or other voting securities of that company to sell these remaining securities to the respective owner of 95% of the share capital of that company.
MAR	Regulation (EU) No 596/2014 of the European Parliament and of the Council of April 16, 2014.
Merger Agreement	An agreement and plan of merger by way of reverse-triangular merger entered into on September 23, 2019, by (i) ADLER Real Estate, (ii) LI Lorgen Ltd., Ramat Gan, Israel, a wholly-owned subsidiary of ADLER Real Estate, which was acquired solely for purposes of the acquisition, and (iii) ADO Group whose most substantial asset is its stake in ADO Properties S.A.
Merger Bridge Facility	A bridge loan facility to, in the amount of €710 million was secured in connection with the consideration for the Merger.
MietNovG	The German Act on Curbing Rent Increases in Tight Housing Markets and the Strengthening of the Orderer Principle with respect to the Business of Rental Agents – Tenancy Law Amendment Act (*Gesetz zur Dämpfung des Mietanstiegs auf angespannten Wohnungsmärkten und zur Stärkung des Bestellerprinzips bei der Wohnungsvermittlung—Mietrechtsnovellierungsgesetz*) entered into force on June 1, 2015.
MiFID II	Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU
Moody's	Moody's Investors Service Ltd.
NAI Apollo	Apollo valuation & research GmbH.
NAI ADLER Valuation Report	The condensed valuation report on the fair value of certain existing properties and the development projects of the ADLER Group prepared by NAI Apollo as of February 29, 2020.
NAI Consus Valuation Report	The condensed valuation report on the fair value of the Consus Group's development projects prepared by NAI Apollo as of December 31, 2019.
NAV	Net asset value.
New LuxCo	ADO Lux-EEME S.à r.l.
New Shares	30,819,391 newly issued ordinary shares in dematerialized form with no nominal value of the Company.
Notes	The 2022 Notes together with the 2023 Notes and together with the 2026 Notes.
Novation	The novation of IrishCo's rights and obligations to MaltaCo under the Interest-Free Loan.
Capital Increase	The Board Resolution and the Share Issuance Resolution.
Offering	The Subscription Offer together with the Rump Placement.
PCB	Polychlorinated biphenyl.
PCP	Pentachlorophenol.
PFIC	A passive foreign investment company.
***Pro Forma* Consolidated Financial Information**	The *pro forma* consolidated profit or loss data for the period from January 1, 2019 to December 31, 2019 and for the three-month period ended March 31, 2020 and *pro forma* consolidated financial position data as of March 31, 2020, supplemented by *pro forma* notes, as included in the Prospectus.
Prospectus	Means this prospectus in relation to ordinary shares in dematerialized form with no nominal value, International Securities Identification Number: LU1250154413, of the Company.
Prospectus Regulation	Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017.

Record Date	The record date for general meetings is the fourteenth day at midnight (24:00 hours) (Luxembourg time) before the date of the general meeting.
Revolving Facility	The revolving credit facility (and a swingline facility as part of the revolving facility) with an aggregate nominal amount of €175,000,000 that the Company may utilize under the Revolving Facility Agreement, as amended.
Revolving Facility Agreement	A revolving facility agreement entered into on March 9, 2018 by the Company, ADO Lux Finance S.à r.l. and ADO Treasury GmbH with Barclays Bank Plc, ABN AMRO Bank N.V., BNP Paribas S.A., Niederlassung Deutschland and Société Générale S.A., Frankfurt Branch, as supplemented by an additional commitment confirmation dated March 27, 2018.
Rules of Procedure	The rules of procedure of the Company.
Rump Shares	Any New Shares that are not subscribed for in the Subscription Offer.
Rump Placement	The Rump Shares that will be offered by the Underwriters in a rump placement to qualified investors outside the United States in offshore transactions in reliance on Regulation S under the Securities Act and qualified institutional buyers in the United States in reliance on Rule 144A under the Securities Act.
RETT	German Real Estate Transfer Tax (*Grunderwerbssteuer*).
S&P	Standard & Poor's Global Ratings Europe Ltd.
SCA	Strategic Cooperation Agreement.
SDAX	The "Small-Cap-DAX", a stock market index composed of 70 small to medium-sized companies in Germany.
Series B Debentures	Debentures issued by BCP on July 22, 2014 and April 5, 2016, with an issue size of NIS 102,165,000 and NIS 60,058,000, respectively.
Series C Debentures	Debentures issued by BCP on July 22, 2014 and April 4, 2016, with an issue size of NIS 102,165,000 and NIS 85,015,000, respectively.
Savills	Savills Advisory Services Germany GmbH & Co. KG.
Savills Valuation Report	The condensed valuation reports on the fair value of the ADLER Group's residential rental units (including non-core properties) and on the fair value of the residential rental units owned by BGP prepared by Savills as of December 31, 2019.
Securities Act	The United States Securities Act of 1933, as amended.
Senior Management	The senior management of the Company.
Share Issuance Resolution	A resolution expected to be adopted on or about July 21, 2020 by a duly appointed delegate of the Board of Directors effectively implementing the capital increase by issue of the New Shares.
Share Purchase Agreements	Various share purchase agreements dated December 15, 2019 between the Company and the minority shareholders of Consus Real Estate in the course of the acquisition of a 22.18% share in Consus Real Estate.
Specific Rules of Procedure	The rules of procedure for related parties' transactions as adopted by the Board of Directors on April 28, 2020.
STI	A performance-related annual variable cash payment in the form of a short-term incentive.
STI-Targets	The achievement of certain individual targets, which affect payments under the STI.
Strategic Cooperation	The cooperation between the Company and Consus Real Estate to fully investigate and potentially undertake mutually beneficial property developments, including the acquisitions of land plots for new-builds.
Strategic Cooperation Agreement	The strategic cooperation agreement dated December 15, 2019 between the Company and Consus Real Estate.
Subscription Offer	The offer of 30,819,391 New Shares which will be offered to the Company's shareholders at the Subscription Ratio and for the Subscription Price during the Subscription Period.
Subscription Period	The period from July 6, 2020 up to and including July 20, 2020 in which the Company's shareholders must exercise their subscription rights in the New Shares.
Subscription Price	The subscription price of €14.60 per New Share.

Subscription Ratio	The ratio for the Subscription Offer, pursuant to which 12 existing shares of the Company entitle their holder to subscribe for 5 New Shares.
Tax Losses	The aggregate amount of the ADO Properties Group's companies tax loss carry forwards.
Tender Offer	The Company's voluntary public takeover offer for ADLER Shares in the form of an exchange offer as announced on December 15, 2019 and settled on April 9, 2020.
Top 9 Cities	Berlin, Cologne, Düsseldorf, Dresden, Frankfurt am Main, Hamburg, Leipzig, Munich and Stuttgart.
Total portfolio value	The sum of investment properties and trading properties.
Transactions	The strategic cooperation agreement together with the Business Combination, the Consus Real Estate Acquisition and the Call/Put-Option Agreement.
U.S. Holder	A beneficial owner of ADLER Shares exchanged for New Shares that after the Completion is to be treated as a U.S. person for U.S. federal income tax purposes.
Underwriters	The Joint Global Coordinators, Barclays and Kempen & Co.
Underwriting Agreement	The agreement entered into in connection with the Offering between the Company and each of the Underwriters on July 2, 2020, pursuant to which the Underwriters agree to offer the New Shares to the existing shareholders by way of indirect subscription rights to the New Shares during the Subscription Period, in accordance with the Subscription Ratio and at the Subscription Price.
United States	The United States of America.
Vacancy rate at period end (in % of sqm)	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.
Valuation Reports	The CBRE Valuation Report, the Savills Valuation Report, the NAI ADLER Valuation Report and the NAI Consus Valuation Report.
Vertical Villages	Office buildings and high-rises which are renovated by the Consus Group and converted into modern residential and commercial buildings, which it then sells primarily to institutional purchasers under its "VauVau" brand.
WpÜG	The German Securities Acquisition and Takeover Act (*Wertpapererwerbs- und Übernahmegesetz*).
2021 Convertible Bonds	The up to 10,000,000 convertible bonds due July 19, 2021 issued by ADLER Real Estate.
2021 Notes	The senior unsecured notes issued by ADLER Real Estate in an aggregate principal amount of €500,000,000 with a coupon of 1.500% per annum due 2021.
2021/2024 Notes	The 2021 Notes together with the 2024 Notes.
2022 Notes	The senior unsecured notes issued by ADLER Real Estate in an aggregate principal amount of €400,000,000 with a coupon of 1.500% per annum due 2022.
2023 Notes	The senior unsecured notes issued by ADLER Real Estate in an aggregate principal amount of €500,000,000 with a coupon of 1.875% per annum due 2023.
2023/2026 Notes	The 2023 Notes together with the 2026 Notes.
2024 Notes	The senior unsecured notes issued by ADLER Real Estate in an aggregate principal amount of €300,000,000 with a coupon of 2.125% per annum due 2024.
2026 Notes	The senior unsecured notes issued by ADLER Real Estate in an aggregate principal amount of €300,000,000 with a coupon of 3.000% per annum due 2026.
3M 2019	As of and for the three-month period ended March 31, 2019.
3M 2020	As of and for the three-month period ended March 31, 2020.

24. RECENT DEVELOPMENTS AND OUTLOOK

24.1 Recent Developments

Except for the developments mentioned below, no significant changes in our financial performance, financial position or results of operations have occurred between March 31, 2020 and the date of this Prospectus.

24.1.1 Tender Offer and the integration of ADLER Real Estate

On December 15, 2019, the Company announced its decision to make a voluntary public takeover offer for all shares of ADLER Real Estate in the form of the Tender Offer, which launched on February 7, 2020 and expired on March 25, 2020. 92.51% of ADLER Real Estate shareholders accepted the Tender Offer.

On March 30, 2020, the Board of Directors appointed Maximilian Rienecker, the co-chief executive officer of ADLER Real Estate, as a co-chief executive officer of the Company, as a member of the Senior Management and as Daily Manager, in each case with effect as of April 9, 2020.

On March 31, 2020, a duly appointed delegate of the Board of Directors resolved to increase the share capital by 27,651,006 shares as a result of the Tender Offer. Settlement of the Tender Offer occurred on and ADLER Real Estate was consolidated into the ADO Properties Group with effect from April 9, 2020. As a result of the completion of the Tender Offer, the Company held, directly and indirectly, 25.75% of the share capital of Consus Real Estate.

On April 28, 2020, Florian Sitta resigned from the Board of Directors. Maximilian Rienecker was appointed as a member of the Board of Directors as of the same date.

On April 28, 2020, the Board of Directors resolved to initiate a domination agreement pursuant to Sections 291 *et seq.* of the German Stock Corporation Act (*Aktiengesetz – AktG*) between the Company (as controlling entity) and ADLER Real Estate (as controlled entity) (the "**ADLER Domination Agreement**") in order to further pursue the integration. Such measures include, among others, the appointment of a valuer to perform the required IDW S1 company valuation. The conclusion of the ADLER Domination Agreement is subject to further steps, among others, the approval of the general meeting of ADLER Real Estate. If the ADLER Domination Agreement is concluded, the minority shareholders of ADLER Real Estate would be entitled to a guaranteed dividend in cash (*Garantiedividende*) for the duration of the ADLER Domination Agreement and would also be able to demand that the Company acquire their shares in ADLER Real Estate for a cash compensation or shares in the Company.

To enable the participation in the Tender Offer after Completion of an investor, whose acceptance of the Tender Offer was not completed earlier due to technical reasons, the Company implemented a further capital increase. By resolution of the Board of Directors dated April 28, 2020 and by the resolution of the delegate of the Board of Directors dated May 13, 2020, the Company's share capital was increased, (against a contribution in kind) in an amount of €216.79, from €89,088.56 to €89,305.35, represented by 72,020,446 ordinary shares in dematerialized form with no nominal value.

24.1.2 Takeover and Delisting Offer for WESTGRUND Aktiengesellschaft

On March 25, 2020, the Company announced its decision to make a voluntary public takeover offer to all shareholders of WESTGRUND, for the acquisition of all ordinary bearer shares of WESTGRUND against payment of a cash consideration. On April 17, 2020, the Company announced its decision to, simultaneously with the takeover offer, combine the takeover offer with a delisting offer to delist the WESTGRUND shares from the regulated market (*Regulierter Markt*) of the Düsseldorf Stock Exchange (*Börse Düsseldorf*).

On May 6, 2020, the Company published the voluntary public takeover offer and delisting tender offer, pursuant to which it offers a cash consideration of €11.74 per WESTGRUND share. On June 25, 2020, in the publication required pursuant to Section 23 para. 1 sentence 1 no. 2 of the German Takeover and Acquisition Act, the Company announced that 1.36% of WESTGRUND shareholders have tendered their shares into the Company's voluntary public takeover offer and delisting tender offer.

As of the date of this Prospectus, ADLER Real Estate holds 77,093,817 WESTGRUND Shares (corresponding to 96.88% of the share capital and voting rights in WESTGRUND). The Company expects that the voluntary public takeover offer and the delisting offer will be settled on July 3, 2020. Following such settlement, the Company will hold 78,178,448 WESTGRUND Shares (corresponding to 98.24% of the share capital and voting rights in WESTGRUND).

Due to the fact that the Company indirectly holds 96.88% of the shares in WESTGRUND, pursuant to section 39c of the German Securities Acquisition and Takeover Act (*Wertpapiererwerbs- und Übernahmegesetz – WpÜG*), the minority shareholders in WESTGRUND have the right to demand that the Company acquires their respective shares in WESTGRUND within a further tender period from June 23, 2020 to September 22, 2020.

24.1.3 Consus Real Estate Acquisition

On May 26, 2020, the Company received the merger control clearance pursuant to Section 39 of the German Act Against Restraints of Competition (*Gesetz gegen Wettbewerbsbeschränkungen – GWB*) in anticipation of a potential exercise of the call option under the Call/Put-Option Agreement.

Furthermore, on June 29, 2020, the Company, by way of a resolution of a delegate authorized by the Board of Directors, exercised the call option under the Call/Put-Option Agreement. The settlement of the Consus Real Estate Call Option Exercise occurs in two tranches by transfer of the Company's treasury shares and transfer of newly issued shares in the Company. The Company will transfer to Aggregate 14,692,889 of the Company's treasury shares currently indirectly held by ADLER Real Estate and has transferred newly issued shares created in utilization of the Authorized Capital. The first tranche was settled on July 2, 2020, by issue of 1,946,093 new shares in the Company, and the second tranche is expected to be settled during the subscription period on or around July 6, 2020 by transfer of all of the Company's treasury shares.

On June 29, 2020, in connection with the Consus Real Estate Call Option Exercise, the Company increased its share capital against a contribution in kind in an amount of €2,413.16, from €89,305.35 to €91,718.51 represented by 73,966,539 ordinary shares in dematerialized form with no nominal value**.**

24.1.4 Dividends

The Board of Directors resolved to recommend to the General Meeting to make no distribution of dividends to shareholders for the fiscal year ended December 31, 2019.

24.2 Outlook

We expect the development of real property prices, the dynamic uptrend in rents, higher purchase prices in Germany (especially in major cities), and strong population growth to continue contributing to the strong fundamentals of the German residential real estate market. Measures to counteract increasing rent levels, such as the "*Mietendeckel*" (rent cap) in Berlin, have negatively affected the real estate market, even though strict rental limitations and controls have already existed in Germany for some time. The immediate future of the Berlin real estate market will be challenging for property owners but, outside of Berlin, certain market fundamentals, such as the housing deficit, population growth, negative interest rates, and cheap mortgages, continue to be intact.

The Coronavirus has resulted in a deterioration of the political, socio-economic and financial situation in Germany. Even though the rapid expansion of the Coronavirus in Germany has been stopped by various governmental counter-measures, the negative impact on our business cannot be adequately determined or reliably quantified as of the date of this Prospectus.

Following a successful integration of the ADLER Group, the Combined Group will implement the strategy pursued with the business combination and consolidate its position as one of the leading German residential real estate companies with improved governance and leverage the expected synergies (see "*11.8 Economic and Strategic Reasons for the Transactions*"). Moreover, the Combined Group intends to expand it operational strategy and increase the share of real estate development in its overall business operations. Also, the Combined Group will streamline its property portfolio by making opportunistic divestments at attractive sales prices and in cases where, in its estimation, the affected property does not promise to add value to the existing portfolio. Furthermore, the Combined Group will seek to opportunistically use attractive refinancing possibilities, including through the issuance of bonds.

Under the Call/Put-Option Agreement, the Company undertakes to, following the Consus Real Estate Call Option Exercise, conduct a voluntary tender offer in the form of an exchange offer to acquire the remaining shares of Consus Real Estate (save for any applicable RETT-Blocker). The consideration for one share in Consus Real Estate will, in each case, be 0.2390 newly issued shares in the Company, provided that this ratio will be adjusted to any dividends paid and equity raises done by the Company, including this Offering, or Consus Real Estate. Accordingly, the Company intends to make the Consus Tender Offer, which shall be based on an exchange ratio corresponding to the applicable ratio of the Consus Real Estate Call Option Exercise, subject to an adjustment for the Offering.

As of the date of the Prospectus, €885,470,000 has been drawn under the Bridge Facility (see also "*13.7.7 Bridge Facility Agreement*"). We expect to refinance the Bridge Facility, in full or in part, with capital markets indebtedness in the third or fourth quarter of 2020. In the event that the Company issues any senior notes in connection therewith, the Company is targeting to issue such notes with a coupon, covenants and other terms materially similar to the existing ADO 2024 Notes, which remain outstanding as of the date of this Prospectus. For a more detailed description of the existing ADO 2024 Notes, see "*13.7.8.1 ADO 2024 Notes*".

It is intended that Tomas de Vargas Machuca, who currently serves as co-CEO and chairman of the executive committee of ADLER Real Estate, replaces Dr. Ben Irle as a member of the Board of Directors. Furthermore, the Board of Directors intends to recommend to the General Meeting to increase the membership in the Board of Directors from seven to ten members and proposes to appoint Claus Jorgensen, Thilo Schmid and another independent board member.

The Company has issued a profit forecast as set out under "*9. Profit Forecast*". Assuming the ADLER Group had been consolidated as of January 1, 2020, we would expect our FFO 1 to range between €120 million and €140 million and our net rental income to range between €340 million and €360 million for the fiscal year ending December 31, 2020, subject to the assumptions set out under "*9. Profit Forecast*".

25. ADDRESSES

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