Q2 of ADC

Half Year Financial Report 2018

KEY FIGURES

PROFIT OR LOSS STATEMENT

In EUR thousand	For the six months ended June 30, 2018	For the six months ended June 30, 2017	For the three months ended June 30, 2018	For the three months ended June 30, 2017	For the year ended Dec 31, 2017
Income from rental activities	64,946	51,398	33,614	26,093	109,181
EBITDA from rental activities	46,739	36,473	24,199	18,458	77,090
EBITDA margin	75.9%	75.5%	76.1%	75.8%	74.6%
EBITDA total	48,161	37,787	25,070	19,033	81,001
FFO 1 (from rental activities)	33,325	26,713	17,418	13,598	54,345
AFFO (from rental activities)	27,249	23,807	12,880	11,891	45,857
FFO 2 (incl. disposal results)	34,747	28,027	18,289	14,173	58,256

FURTHER KPIs

Residential	June 30, 2018	Dec 31, 2017
Monthly in-place rent (EUR per m²)	6.57	6.42
Total vacancy rate	3.1%	3.6%
Number of units	22,064	20,649
Rental growth	5.1%	4.8%

BALANCE SHEET

In EUR thousand	June 30, 2018	Dec 31, 2017
Fair value of properties	3,819,259	3,321,198
LTV	41.8%	39.6%
EPRA NAV	2,188,197	1,988,757
EPRA NAV per share	49.62	45.10

Our approach of combining business and family life is what distinguishes ADO: We live a smart business in which values are appreciated – be they of human or financial nature. This appreciation is reflected not only in our daily business, but also in our success, as the figures for the first half of 2018 clearly show. We are delighted to see that the development was as strong as we had predicted.

BEST PROSPECTS

Perfectly aligned structures and rewarding strategies have led to continuously strong developments in the past three months – the second quarter of 2018.

VALUE CREATION AT ITS BEST

DEAR INVESTORS,

The first half of the 2018 Financial Year has now been completed and today we are happy to present you the most important figures for the second quarter.

According to the latest CBRE valuation, the value of our portfolio, including additions to the portfolio of EUR 268 million, is approximately EUR 3.8 billion. This represents significant growth of EUR 498 million compared to the last external assessment in December 2017.

Like-for-like rental growth is also up to 5.1%, which can be attributed first and foremost to our CAPEX strategy. The investments carried out as part of the CAPEX program, which entailed investing in newly acquired vacant spaces over the course of these past few months, are now starting to pay off. At the same time, this resulted in a drop in the vacancy rate by 50 bps to 3.1%, as forecast.

In recent months, this lower vacancy rate and the substantial like-for-like rental growth have clearly illustrated just how important the unique skills of our company are with regard to ADO's success.

This pleasing development is one which you as an investor are able to experience directly: On 19 June 2018, the shareholders' meeting in Luxembourg agreed on a dividend payout of EUR 0.60 per share. This amounts to a year-on-year increase of approximately 33%.

It is from this strong position that we look ahead to the second half of 2018 with high expectations.

Sincerely yours,

CHIEF FINANCIAL OFFICER

Florian Goldgruber

CHIEF EXECUTIVE OFFICER

Rabin Savion

CHIEF OPERATING OFFICER

Eyal Horn

"EVEN IF VALUE CREATION PROCESSES RESULT IN HIGHER VACANCY RATES IN THE SHORT TERM, THEY REAP BENEFITS IN THE LONG TERM – WHICH OUR CURRENT QUARTERLY FIGURES DEMONSTRATE ONLY TOO WELL."

Eyal Horn
COO

"WE ARE PLEASED TO BE ABLE TO PAY OUT A DIVIDEND OF EUR 0.60 PER SHARE – THE VALUE OF OUR PORTFOLIO AND THAT OF OUR COMPANY ARE GROWING, WHICH IS SOMETHING OUR INVESTORS ALSO BENEFIT DIRECTLY FROM."

Florian Goldgruber
CFO

"THE STRUCTURES AT ADO ARE PERFECTLY ALIGNED TO THE DEMANDS OF THE MARKET. THIS IS WHAT THE FIGURES FOR THE FIRST HALF OF 2018 CLEARLY SHOW. A UNIQUE CONCEPT TAILORED TO MEET THE NEEDS OF A UNIQUE CITY PROMISES GROWTH – FOR OUR COMPANY AS WELL AS FOR BERLIN."

Rabin Savion
CEO

STOCK MARKET AND THE ADO SHARE

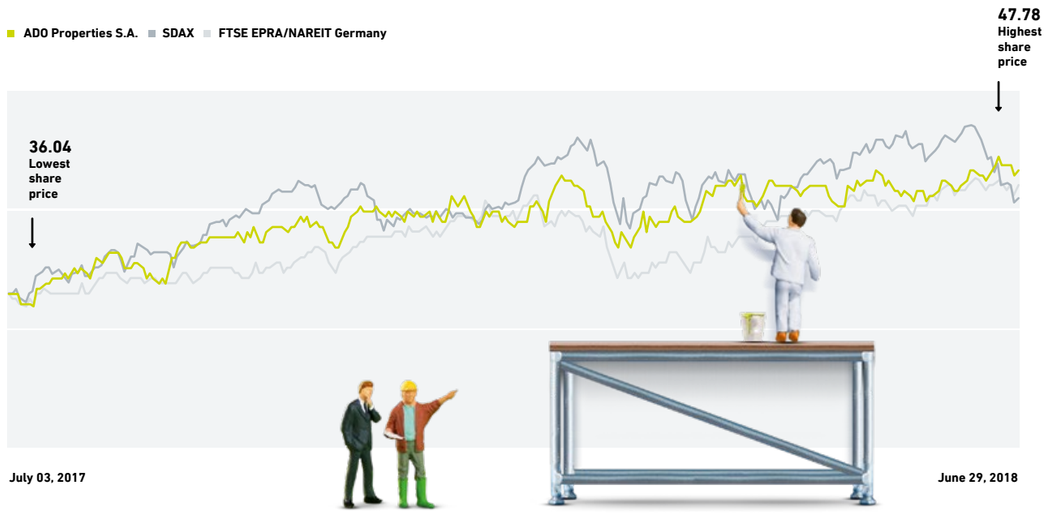
THE SHARE

SHARE INFORMATION (AS AT 30/06/2018)

1st day of trading	Jul 23, 2015
Subscription price	EUR 20.00
Price at the end of Q2 2018	EUR 46.56
Highest share price LTM	EUR 47.78
Lowest share price LTM	EUR 36.04
Total number of shares	44.1 m
ISIN	LU1250154413
WKN	A14U78
Symbol	ADJ

Class	Dematerialized shares
Free float	61.8%
Stock exchange	Frankfurt Stock Exchange
Market segment	Prime Standard
Market index	SDAX
EPRA indices	FTSE EPRA/NAREIT Global Index, FTSE EPRA/NAREIT Developed Europe Index, FTSE EPRA/NAREIT Germany Index

SHARE PRICE DEVELOPMENT



KEY STOCK MARKET DATA

ADO shares are traded on the Prime Standard of the Frankfurt Stock Exchange. During the 12 months ended June 30, 2018, the shares traded between EUR 36.04 and EUR 47.78. ADO shares are included in the SDAX index of Deutsche Börse and the relevant real estate sector indices of the EPRA index family.

SHAREHOLDER STRUCTURE

The total number of outstanding shares of ADO Properties amounts to 44.1 million. Alongside the main shareholder ADO Group Ltd., which holds a 38.2% stake in ADO Properties S.A., the 61.8% free float shares are held mainly by institutional investors.

ANALYST COVERAGE

ADO shares are currently covered by ten analysts. The target prices range from EUR 42.00 to EUR 65.00 per share with an average target price of EUR 50.00.

INVESTOR RELATIONS ACTIVITIES

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

DIVIDEND POLICY

On June 19, 2018, the Annual General Meeting approved a dividend payout totaling EUR 26.5 million or EUR 0.60 per share representing a 49% payout of the total FFO 1 of the year 2017 and an increase of 33% compared to the previous dividend. Going forward, ADO Properties aims to distribute an annual dividend of up to 50% of FFO 1.

EUR

2.1 bn

market capitalization

COMBINED INTERIM MANAGEMENT REPORT

FUNDAMENTALS OF THE GROUP

FUNDAMENTALS OF THE GROUP

BUSINESS MODEL

ADO is 100% focused on Berlin and the only listed pure play Berlin residential real estate company. All our 23,487 units (22,064 residential units) are within the city borders of Berlin. We are a residential real estate specialist with a fully integrated asset management platform. Our 319 operational employees are all based in Berlin bringing us closer to our assets and tenants. This ensures that we are at the heart of new market trends and developments. Our operational focus in combination with our long-standing local sourcing capabilities provide the base from which to drive FFO and NAV per share by further developing our existing portfolio and through accretive add-on acquisitions. We look for value and rental growth in attractive areas offering good prospects. Central Locations form the largest part of our portfolio, approximately 40% as of today, as these were the first areas to experience increased demand. Today, we see demand growing throughout Berlin and we continue to grow in all attractive micro-locations. An important feature of our growth strategy is to retain the balance between the outskirts and Central Locations.

23,487
units

319
operational employees

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

OBJECTIVES AND STRATEGY

Creating value through strong like-for-like rental growth from our real estate portfolio in Berlin is the core of our strategy. Our privatization program, which we started at the end of 2014, provides further options to unlock the hidden value in our portfolio and creates another source of income from the sale of individual apartments. We reinvest the capital released by our privatization activities in acquisitions or use it to fund CAPEX to further improve the quality of our existing portfolio.

Our fully integrated active asset management employs dedicated strategies for all components that influence our rental growth, vacancy rate and privatization success. We invest significantly in our units to modernize, refurbish and reposition our properties to create the right product for the current demand. This is a key component of our strategy. Our smart targeted CAPEX investments result in increased rents and reduced vacancies. We closely monitor the return on investment of our modernization CAPEX to ensure that these investments optimally match current demand. Units that already meet today's standard are being let at market rent levels or, if they are designated for privatization, sold at market prices.

We have adopted a conservative financing structure with an LTV target of maximum 45%, which also permits us to benefit from attractive financing conditions and allows us to react quickly to opportunities for potential acquisitions.

We continuously review opportunities to acquire new assets and portfolios to increase the size of our portfolio in Berlin and to add further growth options to our internal opportunities. The strategic fit of these opportunities to our existing platform together with a clear plan to achieve accretive returns for our shareholders are the key criteria that guide our acquisitions.

MANAGEMENT SYSTEM

ADO Properties S.A.'s Board of Directors together with the Senior Management Team manages the Company in accordance with the provisions of Luxembourg and German company law. The Board of Directors' duties, responsibilities and business procedures are laid down in its Rules of Procedure. The day-to-day management of the Group is executed by the Senior Management Team. In cooperation with the Board of Directors, the Senior Management Team has established various key performance indicators for the daily as well as strategic management of the Group, which reflect the risks and opportunities relevant to a focused residential real estate business. These indicators are like-for-like rental growth, EBITDA from rental activities and net results from privatization together with the FFO 1 per share (from rental activities) and EPRA NAV.

FINANCIAL PERFORMANCE INDICATORS

We calculate our NAV and NNNAV based on the best practice recommendations of EPRA (European Public Real Estate Association). EPRA NAV represents the fair value of net assets on an

ongoing, long-term basis. Assets and liabilities that are not expected to crystallize in normal circumstances, such as the fair value of financial derivatives and deferred taxes on property valuation surpluses, are therefore excluded. Similarly, trading properties are adjusted to their fair value under the EPRA NAV measure.

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

CALCULATION OF EPRA NAV

Total equity attributable to owners of the Company

(+) Revaluation of trading properties [1)]
(–) Fair value of derivative financial instruments [2)]
(–) Deferred taxes

= EPRA NAV

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

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

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

CALCULATION OF EPRA NNNAV

EPRA NAV

(+) Fair value of derivative financial instruments [2)]
(+) Fair value of debt [3)]
(+) Deferred taxes

= EPRA NNNAV

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

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

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

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

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

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

CALCULATION OF EBITDA (FROM RENTAL ACTIVITIES)

Net rental income

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

= EBT

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

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

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

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

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

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

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

CALCULATION OF FFO 1 (FROM RENTAL ACTIVITIES)

EBITDA from rental activities

(–) Net cash interest [7)]
(–) Current income taxes [9)]

= FFO 1 (from rental activities)

9) Only current income taxes relating to rental activities.

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

CALCULATION OF AFFO (FROM RENTAL ACTIVITIES)

FFO 1 (from rental activities)

(–) Maintenance capital expenditures [10)]

= AFFO (from rental activities)

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

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

CALCULATION OF FFO 2 (INCL. DISPOSAL RESULTS)

FFO 1 (from rental activities)

(+) Net profit from privatizations [6)]

= FFO 2 (incl. disposal results)

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

CALCULATION OF LTV

Bonds, other loans and borrowings and other financial liabilities

(–) Cash, cash equivalents
= Net financial liabilities
(/) Fair value of properties [11)]

= Loan-to-value ratio (LTV)

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

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

CALCULATION OF PERMANENT DEBTS

Bonds, other loans and borrowings and other financial liabilities

(–) Commercial papers
(–) Drawings under the RCF

= Permanent debts

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

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

NON-FINANCIAL PERFORMANCE INDICATORS

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

The vacancy rate shows the ratio of the m² of vacant units in our properties to the total m². We calculate the vacancy rate separately for residential and commercial units. They are used as an indicator of the current letting performance.

The in-place rent per m² provides an insight into the average rental income from the rented properties. It serves as an indicator of the current letting performance.

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

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

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

CORPORATE GOVERNANCE

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

BUSINESS PERFORMANCE HIGHLIGHTS

We continue to implement our clear growth strategy by acquiring further new units and by using targeted CAPEX investments to drive rental growth. In Q2 2018, we took over a total of 1,289 units, due to an increasing time gap between the signing of the purchase agreements and the closing of the deals. The integrated units are located all over the city and were acquired for a total cost of more than EUR 238 million with an average price per m² of EUR 2,421 and an average multiplier of 29.1 times. The average existing rent per m² of the new purchases is EUR 6.68 with approximately 40% reversionary potential.

The good operational performance of our existing portfolio is well on track concerning new rentals as well as the execution of our CAPEX program. The like-for-like rental growth of 5.1% in Q2 2018 resulted in an average rent per m² of EUR 6.57 on the back of our CAPEX program. Our vacancy rate decreased to 3.1% due to the sales and modernization activities.

1,289
units acquired in Q2 2018

1.8%
average interest rate

EUR
0.76
FFO 1 per share

5.1%
like-for-like rental growth

EUR
6.57
average rent per m²

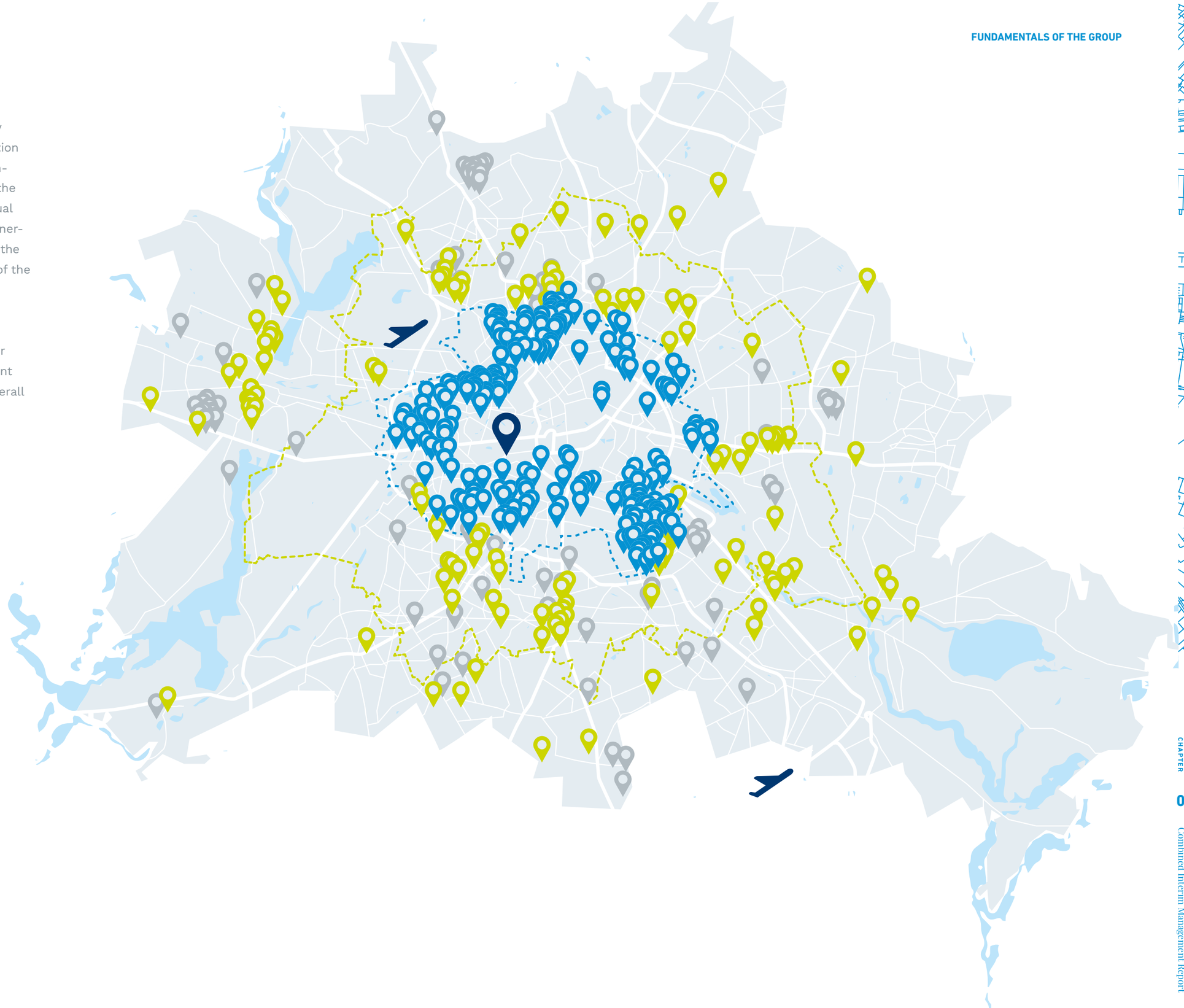
3.1%
vacancy rate

FUNDAMENTALS OF THE GROUP

PORTFOLIO OVERVIEW

100% of our portfolio is located within the city borders of Berlin. Our past and future acquisition strategy for building our portfolio not only considers the various districts in Berlin, but also the micro-locations and the quality of the individual assets. We continue to see opportunities in inner-city locations, but also in the outskirts within the city boundaries of Berlin. Approximately 40% of the property value of our portfolio is in Central Locations of Berlin.

We see significant reversionary potential in our portfolio as our current average new letting rent per m² is 25%-84% higher than our current overall average rent.



PORTFOLIO VALUATION

The portfolio was independently valued by CBRE. The total portfolio value of EUR 3.8 billion as at June 30, 2018 includes the full property portfolio, both trading and investment properties. The positive development of the Berlin residential real estate market is an important driver for the increase in the value of our properties. In addition to market trends, our operational performance and dedicated investment strategy support our value growth.

It should be noted that our residential new letting rents are on average more than 26% higher than CBRE's market rent assumptions – a strong indicator for future value growth.

The following table shows the key valuation figures relating to the properties as at June 30, 2018.

PORTFOLIO OVERVIEW (*)

	Central	S-Bahn Ring	S-Bahn Ring (1960-1990)	City Ring	City Ring (1960-1990)	Total
Fair value (EUR million)	1,437	466	623	267	1,026	3,819
Fair value (EUR/m²)	2,862	2,488	2,296	2,507	1,824	2,343
Share of fair value (%)	38%	12%	16%	7%	27%	100%
Number of residential units	6,567	2,181	4,140	1,451	7,725	22,064
Avg. in-place rent (EUR/m²)	7.06	6.84	6.99	7.10	5.81	6.57
CBRE market rent (EUR/m²)	8.92	8.60	7.80	8.51	6.78	7.87
Avg. new letting rent (EUR/m²) (**)	13.00 (***)	10.02	10.54	9.00	7.29	9.98 (***)
Reversionary potential	84%	46%	51%	27%	25%	52%
Multiplier (current rent)	32.54	30.71	26.91	28.38	26.14	29.12
Multiplier (CBRE market rent)	26.01	24.26	23.89	23.70	22.04	24.12
Multiplier (new letting rent)	17.85	20.83	17.67	22.42	20.50	19.01
Discount rate (%)	4.67%	4.84%	4.79%	4.90%	5.07%	4.83%
Capitalization interest rate (%)	2.71%	2.89%	2.94%	2.93%	3.13%	2.90%
Tenant turnover (%) (****)	8.6%	8.7%	8.6%	11.3%	7.0%	8.2%

(*) All values except the fair value are for the residential portfolio only.
(**) Based on the last three months.
(***) The average new letting rent in Central Locations and in total is positively impacted by 20 units that were let in one building; however, this impact will not be repeated in the same magnitude going forward. Without this effect, the average new letting rent would have been EUR 11.27 in Central Locations and EUR 9.36 in total.
(****) Last 12 months (LTM).

PORTFOLIO PERFORMANCE

RESIDENTIAL PORTFOLIO

	June 30, 2018	Dec 31, 2017
Number of units	22,064	20,649
Average rent/m²/month	EUR 6.57	EUR 6.42
Vacancy	3.1%	3.6%

The average rent per m² increased by more than 2% from the beginning of the year, while the vacancy rate decreased by 50 bps to 3.1% due to the increased speed of unit modernization.

COMMERCIAL PORTFOLIO

	June 30, 2018	Dec 31, 2017
Number of units	1,423	1,321
Average rent/m²/month	EUR 9.05	EUR 8.94
Vacancy	5.5%	4.9%

The commercial part of our portfolio also confirms Berlin's positive development. It shows higher rents compared to the residential properties, having now grown to EUR 9.05 per m², which represents an increase of more than EUR 0.1 per m² from the beginning of the year. The vacancy rate of the commercial units increased to 5.5%.

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

RENTAL GROWTH (LIKE-FOR-LIKE)

In %	LTM (*) June 30, 2018	Jan 1 – Dec 31, 2017
New lettings after CAPEX	2.9%	2.7%
New lettings fluctuation	0.1%	(0.5%)
Regular rent increases	2.1%	2.6%
Total	**5.1%**	**4.8%**

(*) Last 12 months (LTM).

Our fully integrated active asset management is focused on our rental growth and employs dedicated strategies to drive all relevant components. The first two components (CAPEX and fluctuation) relate to new tenants. In units that require modernization, we invest CAPEX to improve quality to meet today's standards. Units that do not require CAPEX are being let at market rent levels. Concerning our let units, applying the relevant regulatory framework accurately and efficiently is key to our success in maximizing rental growth.

Rental growth continues to be in line with our expectations and our forecast for at least 5% like-for-like growth for the full year 2018.

MAINTENANCE AND CAPEX

In EUR per m²	Jan 1 – June 30, 2018 (*)	Jan 1 – Dec 31, 2017
Maintenance	7.1	6.5
Capitalized maintenance	7.7	6.3
Energetic modernization	1.6	1.7
Modernization CAPEX	18.4	14.6
Total	**34.8**	**29.1**

(*) Annualized figures based on total lettable area.

Targeted investments in our portfolio are at the core of our strategy. Total investment in the portfolio in the first six months of 2018 amounted to EUR 27.6 million. The maintenance cost per m² of EUR 34.8 in the first six months was in line with our expectations for our long-term average levels.

VACANCY SPLIT

Our active asset management aims to minimize our vacancy rate while keeping the necessary flexibility for our portfolio optimization. From the beginning of the year, we have seen a 0.5% decrease in the vacancy rate due to the increased speed of unit modernization.

VACANCY SPLIT

Residential	June 30, 2018	Dec 31, 2017
Units for sale	0.2%	0.3%
Units under construction	2.0%	2.7%
Marketing (available for letting)	0.8%	0.6%
Total vacancy (units)	**668**	**699**
Total vacancy (m²)	**44,542**	**45,717**
Total vacancy rate	**3.1%**	**3.6%**
Total EPRA vacancy rate	**3.0%**	**3.6%**

ECONOMIC REVIEW

ECONOMIC AND INDUSTRY-SPECIFIC PARAMETERS

GENERAL MARKET SITUATION

The German Institute for Economic Research (DIW Berlin) expects the German economy to keep growing at an above-average rate, albeit at a slower pace than it did in 2017. The DIW Economic Barometer maintained a score of 104 points during the second and third quarter of 2018. Moreover, the institute assumes that compared to the previous quarter, the gross domestic product grew by 0.5% in Q2 2018.

The labor market in Germany continues to present a stable picture. The number of gainfully employed persons averaged 44.7 million in June 2018. This implies an increase of around 567,000 persons or 1.3% since June 2017. *(Source: Federal Statistical Office)* Accordingly, the trend on the labor market makes it reasonable to continue expecting positive stimuli for private consumption and the rental housing market in Germany. The European Central Bank (ECB) left its main refinancing interest rate unchanged at 0.00%, thereby ensuring that borrowing costs remain low for real estate investors.

DEMOGRAPHICS AND HOUSING DEMAND IN BERLIN

Berlin is the most populous city in Germany and has registered steady demographic growth more or less since 2005. The number of residents captured by the population register of Berlin as at December 31, 2017 was 3,711,930. This implies an increase of 41,308 persons or 1.1% since the previous year. *(Source: Berlin-Brandenburg Statistics Office, press release dated 22/02/2018).*

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 flats would have to be built between now and the year 2030, according to the Senate Department for Urban Development and Housing. The Department therefore projects an annual demand of 20,000 flats through 2021. *(Source: Berlin's Senate Department for Urban Development and Housing, press release dated 01/09/2017).* However, the number of planning permissions and the number of completed residential units still lags clearly behind the trend in demand. Against this background, it is generally reasonable to expect prices to keep growing even if the momentum of the price trend is likely to slow down compared to the brisk rent hikes of prior years.

BERLIN'S RESIDENTIAL PROPERTY MARKET

Given the persistently favorable parameters, Berlin's residential real estate market remains very much in the focus of property investors inside and outside Germany. With a share of 15%, the German capital attracted a larger share of capital inflows from abroad onto the German residential property market during the first six months of the year than any other city. *(Source: JLL, Investment Market Overview, Q2 2018).*

PROFIT SITUATION

Income from rental activities for the first six months increased by more than 26% driven by new acquisitions and like-for-like growth. Comparing Q2 2018 to Q1 2018, it grew by more than 7% reflecting an annualized income of EUR 134 million.

EBITDA from rental activities increased by 28%. The quarterly results represent an annualized EBITDA of EUR 97 million. During the second quarter, we sold 18 units, and a total of 35 units have been sold since the beginning of the year. The residential units average selling price of EUR 3,722 per m² compares very positively to our current average portfolio value for Central Locations of EUR 2,862 per m² which is most comparable.

In the first six months, financing cost on interest-bearing debts amounts to EUR 12.8 million. As at the end of the second quarter, our average interest rate on all outstanding debts is 1.8% with weighted average maturity of approximately 5.0 years.

FINANCIAL PERFORMANCE (*)

	For the six months ended		For the three months ended		For the year ended
In EUR thousand	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017	Dec 31, 2017
Net rental income	61,587	48,308	31,785	24,349	103,300
Income from facility services	3,359	3,090	1,829	1,744	5,881
Income from rental activities	**64,946**	**51,398**	**33,614**	**26,093**	**109,181**
Cost of rental activities	(11,846)	(9,577)	(6,107)	(4,888)	(20,414)
NET OPERATING INCOME (NOI)	**53,100**	**41,821**	**27,507**	**21,205**	**88,767**
NOI from rental activites margin (%)	86.2%	86.6%	86.5%	87.1%	85.9%
Overhead costs (**)	(6,361)	(5,348)	(3,308)	(2,747)	(11,677)
EBITDA from rental activities	**46,739**	**36,473**	**24,199**	**18,458**	**77,090**
EBITDA from rental activities margin (%)	75.9%	75.5%	76.1%	75.8%	74.6%
Net profit from privatizations	1,422	1,314	871	575	3,911
EBITDA total	**48,161**	**37,787**	**25,070**	**19,033**	**81,001**
Net cash interest	(12,764)	(9,521)	(6,330)	(4,761)	(21,702)
Other net financial costs (***)	(684)	(3,459)	(391)	(3,644)	(6,305)
Depreciation and amortization	(224)	(223)	(113)	(112)	(452)
EBT	**34,489**	**24,584**	**18,236**	**10,516**	**52,542**

(*) Excluding effects from the changes in fair value of investment properties.
(**) Excluding one-off costs.
(***) Includes mostly one-off refinance costs.

FFO

Our funds from the operation of rental activities without disposals (FFO 1) in Q2 2018 rose by 10% compared to Q1 2018, and by 25% in comparison to the corresponding period of the previous year.

FFO

	For the six months ended		For the three months ended		For the year ended
In EUR thousand	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017	Dec 31, 2017
EBITDA from rental activities	46,739	36,473	24,199	18,458	77,090
Net cash interest	(12,764)	(9,521)	(6,330)	(4,761)	(21,702)
Current income taxes	(650)	(239)	(451)	(99)	(1,043)
FFO 1 (from rental activities)	**33,325**	**26,713**	**17,418**	**13,598**	**54,345**
Maintenance capital expenditures (*)	(6,076)	(2,906)	(4,538)	(1,707)	(8,488)
AFFO (from rental activities)	**27,249**	**23,807**	**12,880**	**11,891**	**45,857**
Net profit from privatizations	1,422	1,314	871	575	3,911
FFO 2 (incl. disposal results)	**34,747**	**28,027**	**18,289**	**14,173**	**58,256**
No. of shares	44,100	44,100	44,100	44,100	44,100
FFO 1 per share	**0.76**	**0.61**	**0.39**	**0.31**	**1.23**
FFO 2 per share	**0.79**	**0.64**	**0.41**	**0.32**	**1.32**

(*) 2017 figures are adjusted for energetic modernization CAPEX.

CASH FLOW

The cash flow of the Group breaks down as follows:

In EUR thousand	Jan 1 - June 30, 2018	Jan 1 - Dec 31, 2017
Net cash flow from operating activities	51,368	86,852
Net cash flow used in investing activities	(271,884)	(495,038)
Net cash flow from financing activities	112,242	346,295
Net change in cash and cash equivalents	(108,274)	(61,891)
Opening balance cash and cash equivalents	121,530	183,421
Closing balance cash and cash equivalents	13,256	121,530

The change in cash flow was mainly driven by new acquisitions and the respective effects on operations, investment and financing.

FINANCIAL AND ASSET POSITION

The changes in the assets and liabilities result mainly from the acquisitions. They were also influenced by the fair value adjustments resulting from the valuation performed by CBRE as at June 30, 2018. The Company will update the fair value of the investment properties based on a third-party valuation with the next annual report. The current average cap rate is 2.90% and was calculated based on the net operating income for the last month of the period under review on an annualized basis, divided by the fair value.

FINANCIAL POSITION

In EUR thousand	June 30, 2018	Dec 31, 2017
Investment properties and advances in respect of investment properties	3,782,696	3,305,723
Other non-current assets	9,743	8,142
Non-current assets	**3,792,439**	**3,313,865**
Cash and cash deposits	13,256	121,530
Other current assets	85,442	82,868
Current assets	**98,698**	**204,398**
Total assets	**3,891,137**	**3,518,263**
Interest-bearing debts	1,576,726	1,423,119
Other liabilities	96,232	80,208
Deferred tax liabilities	218,909	183,443
Total liabilities	**1,891,867**	**1,686,770**
Total equity attributable to owners of the Company	**1,956,426**	**1,795,390**
Non-controlling interests	42,844	36,103
Total equity	**1,999,270**	**1,831,493**
Total equity and liabilities	**3,891,137**	**3,518,263**

On June 30, 2018, our EPRA NAV was EUR 49.62 per share and the EPRA Triple Net Asset Value (NNNAV) was EUR 44.48 per share.

EUR

49.62

EPRA NAV per share

EPRA NAV

In EUR thousand	June 30, 2018	Dec 31, 2017
Total equity attributable to owners of the Company	1,956,426	1,795,390
Fair value of derivative financial instruments	2,865	2,985
Deferred tax liabilities	218,909	183,443
Revaluation of trading properties	9,997	6,939
EPRA NAV	**2,188,197**	**1,988,757**
No. of shares	44,100	44,100
EPRA NAV per share	**49.62**	**45.10**

EPRA TRIPLE NET ASSET VALUE (NNNAV)

In EUR thousand	June 30, 2018	Dec 31, 2017
EPRA NAV	2,188,197	1,988,757
Fair value of derivative financial instruments	(2,865)	(2,985)
Fair value of debt	(5,032)	(10,780)
Deferred taxes	(218,909)	(183,443)
EPRA NNNAV	**1,961,391**	**1,791,549**
No. of shares	44,100	44,100
EPRA NNNAV per share	**44.48**	**40.62**

FUNDING

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

FINANCING

In EUR thousand	June 30, 2018	Dec 31, 2017
Bonds, other loans and borrowings and other financial liabilities	1,614,960	1,451,224
Cash and cash equivalents	(13,256)	(121,530)
Net financial liabilities	1,601,704	1,329,694
Fair value of properties (including advances)	3,835,646	3,355,623
Loan-to-value ratio	41.8%	39.6%
Average interest rate	1.8%	1.8%

As at the reporting date, our loan-to-value ratio (LTV) was 41.8% with an average interest rate of all outstanding debts of 1.8% and a weighted average maturity of approximately 5.0 years. Almost all of our loans have a fixed interest rate or are hedged.

EPRA KEY FIGURES

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

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

EPRA Performance Measure	Definition	Purpose	June 30, 2018	Dec 31, 2017	Change in %
EPRA NAV (in EUR thousand)	EPRA NAV represents the fair value of net assets on an ongoing, long-term basis. Assets and liabilities that are not expected to crystallize in normal circumstances, such as the fair value of financial derivatives and deferred taxes on property valuation surpluses, are therefore excluded. Similarly, trading properties are adjusted to their fair value under the EPRA NAV measure.	Makes adjustments to IFRS NAV to provide stakeholders with the most relevant information on the fair value of the assets and liabilities within a true real estate investment company with a long-term investment strategy.	2,188,197	1,988,757	10.0%
EPRA NNNAV (in EUR thousand)	EPRA NAV adjusted to include the fair values of financial instruments, debt and deferred taxes.	The objective of the EPRA NNNAV measure is to present net asset value including fair value adjustments in respect of all material balance sheet items that are not reported at their fair value as part of the EPRA NAV.	1,961,391	1,791,549	9.5%
EPRA vacancy rate (in %)	Estimated Market Rental Value (ERV) of vacant space divided by ERV of the whole portfolio.	A "pure" (%) measure of investment property space that is vacant based on ERV.	3.0%	3.6%	60bsp

SUBSEQUENT EVENTS

A. After the reporting date, the Group completed the takeover of five assets in two different asset deals, comprising a total of 92 residential units and 16 commercial units in Berlin. The gross purchase price for 100% of the acquired assets amounted to EUR 15.4 million. At the date of acquisition, the total annual net cold rent from the new acquisitions amounted to EUR 0.6 million. As at June 30, 2018, the Group paid an advance of EUR 8.1 million that was recorded as advances in respect of investment properties.

B. After the reporting date, the Group signed a purchase agreement to acquire one asset, structured as a share deal, comprising a total of 19 commercial units in Berlin. The gross purchase price for 100% of the acquired asset amounts to EUR 19.5 million. At the signing date, the total annual net cold rent from the new acquisition amounted to EUR 0.8 million.

C. After the reporting date, on the basis of the commercial paper program, the Group issued commercial papers in a total amount of EUR 135 million in six different tranches. The individual tranches were issued subject to a negative interest rate of between -0.08% and -0.13% and with a term of one to three months. At the time of the approval of these condensed consolidated interim financial statements the outstanding loan balance amounts to EUR 185 million.

D. The Company considers various long-term financing options. It shall be noted that at the time of the approval of these condensed consolidated interim financial statements the exact amount and timing is uncertain and it is subject to market conditions.

FORECAST REPORT

We are positive that ADO Properties will continue to increase the value of its assets, its NAV and NAV per share by generating significant like-for-like rental growth in the future. We anticipate our like-for-like rental growth for 2018 to be approximately 5%.

We expect an average cost of long-term debt of 1.8% with an LTV target of maximum 45%.

We expect our 2018 FFO 1 run rate to be at least EUR 66 million after closing all signed transactions based on the long-term financing structure.

For the year 2018, we anticipate a dividend payout ratio of up to 50% of FFO 1.

RISK REPORT

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

CONCLUDING REMARK

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

RESPONSIBILITY STATEMENT

We confirm, to the best of our knowledge, that the Condensed Consolidated Financial Statements of ADO Properties S.A. presented in this Half Year Financial Report 2018, prepared in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board and as adopted by the European Union, give a true and fair view of the net assets, financial and earnings position of the Company, and that the Interim Management Report includes a fair review of the development of the business, and describes the main opportunities, risks and uncertainties associated with the Company for the remaining six months of the year.

CHIEF EXECUTIVE OFFICER	CHIEF FINANCIAL OFFICER	CHIEF OPERATING OFFICER
Rabin Savion	Florian Goldgruber	Eyal Horn

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

INDEPENDENT AUDITOR'S REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

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 June 30, 2018, the condensed consolidated interim statements of profit or loss, comprehensive income, changes in equity and cash flows for the three and six month periods ended June 30, 2018, 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 June 30, 2018 is not prepared, in all material respects, in accordance with IAS 34, "Interim Financial Reporting" as adopted by the European Union.

Luxembourg, August 14, 2018

KPMG Luxembourg, Société coopérative
Cabinet de révision agréé
Stephen Nye

CHAPTER 03 Condensed Consolidated Interim Financial Statements

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

In EUR thousand	Note	June 30, 2018 (Unaudited)	June 30, 2017 (Unaudited)	December 31, 2017 (Audited)
Assets				
Non-current assets				
Investment properties	5A	3,766,309	2,547,385	3,271,298
Advances in respect of investment properties	9A	16,387	50,011	34,425
Property and equipment		2,981	2,175	2,783
Other financial asset	6B	6,015	4,499	5,359
Deferred expenses	5E	747	-	-
		3,792,439	**2,604,070**	**3,313,865**
Current assets				
Trading properties	5B	42,953	44,477	42,961
Restricted bank deposits		27,868	24,376	24,352
Trade receivables		9,396	5,816	10,324
Other receivables		5,225	4,496	5,231
Cash and cash equivalents		13,256	58,743	121,530
		98,698	**137,908**	**204,398**
Total assets		**3,891,137**	**2,741,978**	**3,518,263**

In EUR thousand	Note	June 30, 2018 (Unaudited)	June 30, 2017 (Unaudited)	December 31, 2017 (Audited)
Shareholders' equity	5C			
Share capital		55	55	55
Share premium		498,607	499,520	498,607
Reserves		328,311	333,059	330,638
Retained earnings		1,129,453	760,836	966,090
Total equity attributable to owners of the Company		**1,956,426**	**1,593,470**	**1,795,390**
Non-controlling interests		**42,844**	**29,704**	**36,103**
Total equity		**1,999,270**	**1,623,174**	**1,831,493**
Liabilities				
Non-current liabilities				
Bonds	5D	396,668	-	396,396
Other loans and borrowings	5E	935,173	894,124	953,955
Other financial liabilities	5G	37,903	19,392 (*)	27,238
Derivatives	6B	2,761	3,065	2,878
Deferred tax liabilities		218,909	144,188	183,443
		1,591,414	**1,060,769**	**1,563,910**
Current liabilities				
Commercial papers	5F	160,000	-	-
Other loans and borrowings	5E	84,885	23,022	72,768
Other financial liabilities	5G	331	414(*)	867
Trade payables		14,816	6,824	13,642
Other payables		40,317	27,570	35,476
Derivatives	6B	104	205	107
		300,453	**58,035**	**122,860**
Total equity and liabilities		**3,891,137**	**2,741,978**	**3,518,263**

CHIEF EXECUTIVE OFFICER

Rabin Savion

CHIEF FINANCIAL OFFICER

Florian Goldgruber

Date of approval: August 14, 2018

(*) Immaterial adjustment of comparative data.

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 six months ended June 30, 2018 (Unaudited)	For the six months ended June 30, 2017 (Unaudited)	For the three months ended June 30, 2018 (Unaudited)	For the three months ended June 30, 2017 (Unaudited)	For the year ended December 31, 2017 (Audited)
Revenue	7A	73,388	59,718	38,391	29,612	128,852
Cost of operations	7B	(18,866)	(16,583)(*)	(10,013)	(7,832)(*)	(36,174)
Gross profit		**54,522**	**43,135**	**28,378**	**21,780**	**92,678**
General and administrative expenses		(6,939)	(5,858)(*)	(3,637)	(2,998)(*)	(12,762)
Changes in fair value of investment properties	5A	199,031	159,770	201,760	161,207	383,638
Results from operating activities		**246,614**	**197,047**	**226,501**	**179,989**	**463,554**
Finance income		703	741	646	562	1,602
Finance costs		(14,151)	(13,721)	(7,367)	(8,967)	(29,609)
Net finance costs	7C	**(13,448)**	**(12,980)**	**(6,721)**	**(8,405)**	**(28,007)**
Profit before tax		**233,166**	**184,067**	**219,780**	**171,584**	**435,547**
Income tax expense		(36,879)	(27,017)	(36,327)	(25,809)	(68,035)
Profit for the period		**196,287**	**157,050**	**183,453**	**145,775**	**367,512**
Profit attributable to:						
Owners of the Company		189,546	151,906	177,020	140,923	355,970
Non-controlling interest		6,741	5,144	6,433	4,852	11,542
Profit for the period		**196,287**	**157,050**	**183,453**	**145,775**	**367,512**
Basic and diluted earnings per share (in EUR)		**4.30**	**3.44**	**4.01**	**3.20**	**8.07**

(*) Immaterial adjustment of comparative data.

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 six months ended June 30, 2018 (Unaudited)	For the six months ended June 30, 2017 (Unaudited)	For the three months ended June 30, 2018 (Unaudited)	For the three months ended June 30, 2017 (Unaudited)	For the year ended December 31, 2017 (Audited)
Profit for the period	**196,287**	**157,050**	**183,453**	**145,775**	**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	110	915	(147)	409	1,218
Related tax	(19)	108	23	189	60
Total other comprehensive income	**101**	**1,023**	**(124)**	**598**	**1,278**
Total comprehensive income for the period	**196,388**	**158,073**	**183,329**	**146,373**	**368,790**
Total comprehensive income attributable to:					
Owners of the Company	189,647	152,928	176,896	141,520	357,246
Non-controlling interest	6,741	5,145	6,433	4,853	11,544
Total comprehensive income for the period	**196,388**	**158,073**	**183,329**	**146,373**	**368,790**

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 six months ended June 30, 2018 (Unaudited)	For the six months ended June 30, 2017 (Unaudited)	For the three months ended June 30, 2018 (Unaudited)	For the three months ended June 30, 2017 (Unaudited)	For the year ended December 31, 2017 (Audited)
Cash flows from operating activities						
Profit for the period		196,287	157,050	183,453	145,775	367,512
Adjustments for:						
Depreciation		224	223	113	112	452
Change in fair value of investment properties	5A	(199,031)	(159,770)	(201,760)	(161,207)	(383,638)
Net finance costs	7C	13,448	12,980	6,721	8,405	28,007
Income tax expense		36,879	27,017	36,327	25,809	68,035
Share-based payment		277	287	139	139	564
Change in short-term restricted bank deposits related to tenants		(1,726)	(1,616)	(957)	(178)	(4,727)
Change in trade receivables		991	964	138	479	(3,148)
Change in other receivables		399	(3,111)	914	(86)	(3,742)
Change in trading properties		5,659	5,668	3,138	2,180	12,830
Change in trade payables		(1,625)	(5,156)	1,810	(2,745)	1,408
Change in other payables		392	2,195	1,199	325	4,163
Income tax paid		(806)	(211)	(505)	(87)	(864)
Net cash from operating activities		**51,368**	**36,520**	**30,730**	**18,921**	**86,852**
Cash flows from investing activities						
Purchase and CAPEX of investment properties	5A	(63,820)	(17,670)	(34,786)	(8,374)	(189,182)
Advances paid for investment property purchase	9A	(9,250)	(47,886)	(8,000)	(38,058)	(33,975)
Purchase of property and equipment		(365)	(249)	(215)	(67)	(795)

In EUR thousand	Note	For the six months ended June 30, 2018 (Unaudited)	For the six months ended June 30, 2017 (Unaudited)	For the three months ended June 30, 2018 (Unaudited)	For the three months ended June 30, 2017 (Unaudited)	For the year ended December 31, 2017 (Audited)
Interest received		47	2	47	2	3
Acquisition of subsidiaries, net of acquired cash	4	(196,831)	(79,732)	(162,150)	(1,457)	(280,542)
Change in short-term restricted bank deposits, net		(1,666)	6,042	(1,020)	6,056	9,453
Net cash used in investing activities		**(271,885)**	**(139,493)**	**(206,124)**	**(41,898)**	**(495,038)**
Cash flows from financing activities						
Proceeds from issuance of bonds, net	5D	-	-	-	-	396,185
Long-term loans received	5E	7,695	89,594	-	89,594	114,606
Repayment of long-term loans	5E	(15,850)	(77,762)(*)	(4,585)	(73,702)(*)	(116,061)(*)
Proceeds from issuance of commercial papers	5F	240,000	-	240,000	-	-
Repayment of commercial papers	5F	(80,000)	-	(80,000)	-	-
Repayment of short-term loans		(2,300)	(3,920)(*)	-	(1,638)(*)	(10,487)(*)
Upfront fees paid for credit facilities		(1,093)	-	(378)	-	-
Interest paid		(9,202)	(9,772)	(4,576)	(4,406)	(18,103)
Compensation fee payments in respect of other financial liabilities	5G	(537)	-	(537)	-	-
Payment from settlement of derivatives		(10)	-	-	-	-
Dividend distributed	5C	(26,460)	(19,845)	(26,460)	(19,845)	(19,845)
Net cash from (used in) financing activities		**112,243**	**(21,705)**	**123,464**	**(9,997)**	**346,295**
Change in cash and cash equivalents during the period		**(108,274)**	**(124,678)**	**(51,930)**	**(32,974)**	**(61,891)**
Cash and cash equivalents at the beginning of the period		**121,530**	**183,421**	**65,186**	**91,717**	**183,421**
Cash and cash equivalents at the end of the period		**13,256**	**58,743**	**13,256**	**58,743**	**121,530**

(*) Immaterial adjustment of comparative data.

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 six months ended June 30, 2018 (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, 2018	**55**	**498,607**	**(1,036)**	**331,674**	**966,090**	**1,795,390**	**36,103**	**1,831,493**
Total comprehensive income for the period								
Profit for the period	-	-	-	-	189,546	189,546	6,741	196,287
Other comprehensive income for the period, net of tax	-	-	101	-	-	101	-	101
Total comprehensive income for the period	**-**	**-**	**101**	**-**	**189,546**	**189,647**	**6,741**	**196,388**
Transactions with owners, recognized directly in equity								
Changes in put option (see note 5G)	-	-	-	(2,428)	-	(2,428)	-	(2,428)
Dividend distributed (see note 5C)	-	-	-	-	(26,460)	(26,460)	-	(26,460)
Share-based payment	-	-	-	-	277	277	-	277
Balance as at June 30, 2018	**55**	**498,607**	**(935)**	**329,246**	**1,129,453**	**1,956,426**	**42,844**	**1,999,270**

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

In EUR thousand For the six months ended June 30, 2017 (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, 2017	**55**	**499,520**	**(2,312)**	**336,184**	**628,498**	**1,461,945**	**24,559**	**1,486,504**
Total comprehensive income for the period								
Profit for the period	-	-	-	-	151,906	151,906	5,144	157,050
Other comprehensive income for the period, net of tax	-	-	1,022	-	-	1,022	1	1,023
Total comprehensive income for the period	**-**	**-**	**1,022**	**-**	**151,906**	**152,928**	**5,145**	**158,073**
Transactions with owners, recognized directly in equity								
Changes in put option (see note 5G)	-	-	-	(1,845)	-	(1,845)	-	(1,845)
Dividend distributed	-	-	-	-	(19,845)	(19,845)	-	(19,845)
Share-based payment	-	-	-	10	277	287	-	287
Balance as at June 30, 2017	**55**	**499,520**	**(1,290)**	**334,349**	**760,836**	**1,593,470**	**29,704**	**1,623,174**

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

In EUR thousand For the three months ended June 30, 2018 (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 April 1, 2018	**55**	**498,607**	**(811)**	**331,476**	**978,754**	**1,808,081**	**36,411**	**1,844,492**
Total comprehensive income for the period								
Profit for the period	-	-	-	-	177,020	177,020	6,433	183,453
Other comprehensive income for the period, net of tax	-	-	(124)	-	-	(124)	-	(124)
Total comprehensive income for the period	**-**	**-**	**(124)**	**-**	**177,020**	**176,896**	**6,433**	**183,329**
Transactions with owners, recognized directly in equity								
Changes in put option (see note 5G)	-	-	-	(2,230)	-	(2,230)	-	(2,230)
Dividend distributed (see note 5C)	-	-	-	-	(26,460)	(26,460)	-	(26,460)
Share-based payment	-	-	-	-	139	139	-	139
Balance as at June 30, 2018	**55**	**498,607**	**(935)**	**329,246**	**1,129,453**	**1,956,426**	**42,844**	**1,999,270**

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

In EUR thousand For the three months ended June 30, 2017 (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 April 1, 2017	**55**	**499,520**	**(1,887)**	**336,014**	**639,619**	**1,473,321**	**24,851**	**1,498,172**
Total comprehensive income for the period								
Profit for the period	-	-	-	-	140,923	140,923	4,852	145,775
Other comprehensive income for the period, net of tax	-	-	597	-	-	597	1	598
Total comprehensive income for the period	**-**	**-**	**597**	**-**	**140,923**	**141,520**	**4,853**	**146,373**
Transactions with owners, recognized directly in equity								
Changes in put option (see note 5G)	-	-	-	(1,665)	-	(1,665)	-	(1,665)
Dividend distributed	-	-	-	-	(19,845)	(19,845)	-	(19,845)
Share-based payment	-	-	-	-	139	139	-	139
Balance as at June 30, 2017	**55**	**499,520**	**(1,290)**	**334,349**	**760,836**	**1,593,470**	**29,704**	**1,623,174**

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

In EUR thousand	Share capital	Share premium	Hedging reserves	Capital reserve from transactions with controlling shareholder	Retained earnings	Total	Non-controlling interests	Total equity
For the year ended December 31, 2017 (Audited)								
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 5G)	-	-	-	(4,520)	-	(4,520)	-	(4,520)
Dividend distributed	-	(913)	-	-	(18,932)	(19,845)	-	(19,845)
Share-based payment	-	-	-	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 condensed consolidated interim financial statements.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM 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 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 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 Condensed Consolidated Interim Financial Statements of the Company as at June 30, 2018 and for the three and six-month periods 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, 2017.

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 August 14, 2018.

B. USE OF ESTIMATES AND JUDGMENTS

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

The significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended December 31, 2017.

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, 2017. 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, 2017.

A. INITIAL APPLICATION OF NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS

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 projects executed under contract, when a significant service is provided of integrating the various goods and services in the contract into one integrated outcome, the Group identifies one performance obligation. In all other cases, the Group identifies more than one performance obligation.

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
(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 an 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 an 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 an effect on the 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.

B. NEW IFRS STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

- IFRS 16, *Leases*

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 – Scope of Consolidation

A. 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 99 residential units and 6 commercial units with a total leasable area of approximately 6.1 thousand m^2.

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

In EUR thousand (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)
Consideration to be paid after the reporting period (5)	(40)
Less cash acquired	(134)
Net cash flow from the acquisition of subsidiaries	**14,488**

(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 interim 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 interim profit or loss statement (approximately 3% of the total consideration).

(3) The bank loans were repaid during the period.

(4) Other financial liabilities refer to a put option granted to the non-controlling interests (see note 5G).

(5) Consideration to be paid refers to transaction costs invoiced after the reporting period.

B. 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.

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:

In EUR thousand (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)	(1,695)
Less cash acquired	(346)
Net cash flow from the acquisition of subsidiaries	**151,399**

(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 interim profit or loss statement.

(2) Other financial liabilities refer to a put option granted to the non-controlling interests (see note 5G).

(3) Consideration to be paid refers to transaction costs invoiced after the reporting period.

C. 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 one commercial unit 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:

In EUR thousand (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**
Consideration to be paid after the reporting period (3)	(70)
Less cash acquired	(318)
Net cash flow from the acquisition of subsidiaries	**30,944**

(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 interim profit or loss statement.

(2) Other financial liabilities refer to a put option granted to the non-controlling interests (see note 5G).

(3) Consideration to be paid refers to transaction costs invoiced after the reporting period.

Note 5 – Selected Notes to the Condensed Consolidated Interim Statement of Financial Position

A. INVESTMENT PROPERTIES

In EUR thousand	June 30, 2018 (Unaudited)	June 30, 2017 (Unaudited)	December 31, 2017 (Audited)
Balance as at 1 January	3,271,298	2,278,935	2,278,935
Additions by way of acquiring subsidiaries (see note 4)	209,409	83,002	411,539
Additions by way of acquiring assets	63,109	15,711	169,895
Capital expenditure	23,462	13,697	31,021
Transfer from investment properties	-	(3,730)	(3,730)
Fair value adjustments	199,031	159,770	383,638
Total	**3,766,309**	**2,547,385**	**3,271,298**

Investment properties increased as compared with December 31, 2017 due to acquisitions of the issued shares of German entities at a total cost of EUR 209.4 million (see note 4), two additional asset acquisitions as part of share deals and nine additional asset deals in the first six months of 2018 totaling 326 residential units and 14 commercial units in Berlin at a total cost of EUR 63.1 million, including transaction costs and real estate transfer tax ("RETT") of EUR 7.3 million, which were recognized under changes in fair value of investment properties in this condensed consolidated interim statement of profit or loss.

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 of the investment properties as at June 30, 2018 was determined by valuation expert CBRE, an industry specialist that has appropriate, recognized professional qualifications and up-to-date experience regarding the location and category of the properties. The fair value measurement for all of the investment properties has been categorized as Level 3 fair value due to prevailing use of unobservable inputs to the adopted valuation method.

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:

	June 30, 2018					
	Central	S-Bahn ring	S-Bahn ring (1960-1990)	City ring	City ring (1960-1990)	Total
Fair value (EUR thousand)	1,387,499	462,670	622,850	267,120	1,026,170	3,766,309
Value per m² (EUR)	2,852	2,483	2,296	2,507	1,824	2,335
Average residential in-place rent (EUR/m²)	7.08	6.83	7.03	7.17	5.89	6.59
CBRE market rent (EUR/m²)	8.92	8.60	7.80	8.51	6.78	7.87
Avg. new letting rent (EUR/m²) (*)	13.00 (**)	10.02	10.54	9.00	7.29	9.98 (**)
Multiplier (current rent)	32.10	30.54	26.91	28.38	26.14	28.93
Multiplier (CBRE market rent)	25.88	24.22	23.89	23.70	22.04	24.05
Multiplier (new letting rent)	17.76	20.80	17.67	22.42	20.50	18.96
Discount rate (%)	4.69%	4.85%	4.79%	4.90%	5.07%	4.84%
Capitalization interest rate (%)	2.73%	2.90%	2.94%	2.93%	3.13%	2.91%

(*) Based on the last three months.

(**) The average new letting rent in Central Locations and in total is positively impacted by 20 units that were let in one building; however, this impact will not be repeated in the same magnitude going forward. Without this effect, the average new letting rent would have been EUR 11.27 in Central Locations and EUR 9.36 in total.

June 30, 2017

	Central	S-Bahn ring	S-Bahn ring (1960-1990)	City ring	City ring (1960-1990)	Total
Fair value (EUR thousand)	1,007,955	305,050	366,710	161,260	706,410	2,547,385
Value per m² (EUR)	2,448	2,147	1,958	2,260	1,496	1,983
Average residential in-place rent (EUR/m²)	6.79	6.44	6.75	6.95	5.58	6.28
CBRE market rent (EUR/m²)	8.71	8.36	7.49	8.07	6.41	7.55
Avg. new letting rent (EUR/m²)	10.79	9.05	10.18	9.00	6.94	9.09
Multiplier (current rent)	28.79	27.18	23.81	25.87	22.37	25.62
Multiplier (CBRE market rent)	22.75	21.49	21.15	22.28	19.12	21.22
Multiplier (new letting rent)	18.36	19.85	15.57	19.97	17.66	17.63
Discount rate (%)	4.54%	4.69%	4.67%	4.72%	4.99%	4.71%
Capitalization interest rate (%)	3.07%	3.23%	3.27%	3.23%	3.51%	3.25%

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 m² (EUR)	2,669	2,355	2,171	2,378	1,699	2,187
Average residential in-place rent (EUR/m²)	6.92	6.64	6.85	7.09	5.72	6.42
CBRE market rent (EUR/m²)	8.81	8.54	7.52	8.40	6.61	7.71
Avg. new letting rent (EUR/m²)	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%

B. TRADING PROPERTIES

During the six months ended June 30, 2018, the Group completed the sale of 35 condominium units for a total consideration of EUR 8.4 million (during the first six months of 2017: 40 units for EUR 8.3 million and during the full year 2017: 84 units for EUR 20 million) recorded under revenues in this condensed consolidated interim statement of profit or loss.

During the period, the Group acquired a new condominium building with 24 residential units and 2 commercial units in Berlin at a total cost of EUR 5.7 million. See note 4 for more information regarding new acquired trading properties during the period.

C. EQUITY

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.

D. 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 June 30, 2018, the Company is fully compliant with all covenant requirements.

E. OTHER LOANS AND BORROWINGS

Loans and borrowings have increased in comparison with December 31, 2017 mainly due to the following:

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.

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 June 30, 2018, under the existing loan agreements, the Group is fully compliant with its obligations (including loan covenants) to the financing banks.

As at June 30, 2018, loans and borrowings carry an average effective interest rate (i.e. considering the swap interest hedging affect from variable to fixed interest) of 1.9% per annum for the total loans (as at June 30, 2017: 1.9% and as at December 31, 2017: 1.9%). The average maturity of loans and borrowings is 4.5 years (as at June 30, 2017: 5.1 years and as at December 31, 2017: 5 years).

On March 9, 2018, the Group signed a EUR 200 million revolving credit facility with a 2-year term and two extension options, each for 1 year.

The relating upfront fees were recognized under deferred expenses in the statement of financial position and will be amortized over 4 years. At the time of the approval of these condensed consolidated interim financial statements, no amounts were borrowed by the Group under the revolving credit facility.

F. COMMERCIAL PAPERS

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. On the basis of the commercial paper program, the Group issued commercial papers in a total amount of EUR 240 million in 11 different tranches. The individual tranches were issued subject to a negative interest rate of between -0.09% and -0.20% and with a term of one to six months. As at June 30, 2018 the outstanding loan balance amounts to EUR 160 million.

G. 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 condensed consolidated interim statement of financial position:

In EUR thousand	June 30, 2018 (Unaudited)	June 30, 2017 (Unaudited)	December 31, 2017 (Audited)
Current liabilities			
Compensation fee	331	414(*)	867
Non-current liabilities			
Compensation fee	785	620 (*)	772
Put option	37,118	18,772 (*)	26,466
Total	**38,234**	**19,806**	**28,105**

(*) Immaterial adjustment of comparative data.

Note 6 – 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, 2017.

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:

	June 30, 2018 (Unaudited)		June 30, 2017 (Unaudited)		December 31, 2017 (Audited)	
In EUR thousand	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Bonds	396,668	397,880	-	-	396,396	404,056
Commercial papers	160,000	160,000	-	-	-	-
Variable rate loans and borrowings (*)	75,460	80,357	86,050	88,603	83,460	85,751
Fixed rate loans and borrowings (*)	944,598	943,521	831,096	846,785	943,263	944,092
Total	**1,576,726**	**1,581,758**	**917,146**	**935,388**	**1,423,119**	**1,433,899**

(*) 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:

In EUR thousand	June 30, 2018 (Unaudited) Level 2	June 30, 2018 (Unaudited) Level 3	June 30, 2017 (Unaudited) Level 2	June 30, 2017 (Unaudited) Level 3	December 31, 2017 (Audited) Level 2	December 31, 2017 (Audited) Level 3
Other financial asset (1)	-	6,015	-	4,499	-	5,359
Derivative financial liabilities (2)	2,865	-	3,270	-	2,985	-
Other financial liabilities (3)	-	38,234	-	19,806	-	28,105

(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. This other financial asset is measured at fair value.

(2) 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.

(3) Other financial liabilities relate to a put option and an annual compensation fee granted to ADO Group (see note 5G) 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 its estimates of fair value are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair value.

Note 7 – Selected Notes to the Condensed Consolidated Interim Statement of Profit or Loss

A. REVENUE

In EUR thousand	For the six months ended June 30, 2018 (Unaudited)	For the six months ended June 30, 2017 (Unaudited)	For the three months ended June 30, 2018 (Unaudited)	For the three months ended June 30, 2017 (Unaudited)	For the year ended December 31, 2017 (Audited)
Net rental income	61,587	48,308	31,785	24,349	103,300
Selling of condominiums	8,442	8,320	4,777	3,519	19,671
Income from facility services	3,359	3,090	1,829	1,744	5,881
Total	**73,388**	**59,718**	**38,391**	**29,612**	**128,852**

B. COST OF OPERATIONS

In EUR thousand	For the six months ended June 30, 2018 (Unaudited)	For the six months ended June 30, 2017 (Unaudited)	For the three months ended June 30, 2018 (Unaudited)	For the three months ended June 30, 2017 (Unaudited)	For the year ended December 31, 2017 (Audited)
Salaries and other expenses	4,502	4,057	2,105	2,138	7,995
Cost of utilities recharged, net	586	659	169	551	1,409
Selling of condominiums – cost	7,020	7,006	3,906	2,944	15,760
Property operations and maintenance	6,758	4,861 (*)	3,833	2,199 (*)	11,010
Total	**18,866**	**16,583**	**10,013**	**7,832**	**36,174**

(*) Immaterial adjustment of comparative data.

C. NET FINANCE COSTS

In EUR thousand	For the six months ended June 30, 2018 (Unaudited)	For the six months ended June 30, 2017 (Unaudited)	For the three months ended June 30, 2018 (Unaudited)	For the three months ended June 30, 2017 (Unaudited)	For the year ended December 31, 2017 (Audited)
Interest on bonds	3,255	-	1,636	-	2,824
Interest on other loans and borrowings	9,763	8,725	4,853	4,364	18,279
One-off refinance costs	440	4,218	440	4,218	6,741
Other finance expenses (income)	(10)	37	(208)	(177)	163
Total	**13,448**	**12,980**	**6,721**	**8,405**	**28,007**

Note 8 – Segments Reporting

The basis of segmentation and the measurement basis for segment profit or loss are the same as presented in note 25 regarding operating segments in the annual consolidated financial statements for the year ended December 31, 2017.

The accounting policies of the operating segments are the same as described in note 3 regarding accounting policies.

A. INFORMATION ABOUT REPORTABLE SEGMENTS

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

	For the six months ended June 30, 2018 (Unaudited)		
In EUR thousand	Residential property management	Privatization	Total consolidated
External income from residential property management	64,484	462	64,946
External income from selling condominiums	-	8,442	8,442
Consolidated revenue	**64,484**	**8,904**	**73,388**
Reportable segment gross profit	**52,780**	**1,742**	**54,522**
General and administrative expenses			(6,939)
Changes in fair value of investment properties			199,031
Finance income			703
Finance expense			(14,151)
Consolidated profit before tax			**233,166**
Income tax expense			(36,879)

	For the six months ended June 30, 2017 (Unaudited)		
In EUR thousand	Residential property management	Privatization	Total consolidated
External income from residential property management	50,929	469	51,398
External income from selling condominiums	-	8,320	8,320
Consolidated revenue	**50,929**	**8,789**	**59,718**
Reportable segment gross profit	**41,550 (*)**	**1,585**	**43,135 (*)**
General and administrative expenses			(5,858) (*)
Changes in fair value of investment properties			159,770
Finance income			741
Finance expense			(13,721)
Consolidated profit before tax			**184,067**
Income tax expense			(27,017)

(*) Immaterial adjustment of comparative data.

	For the three months ended June 30, 2018 (Unaudited)		
In EUR thousand	Residential property management	Privatization	Total consolidated
External income from residential property management	33,393	221	33,614
External income from selling condominiums	-	4,777	4,777
Consolidated revenue	**33,393**	**4,998**	**38,391**
Reportable segment gross profit	**27,343**	**1,035**	**28,378**
General and administrative expenses			(3,637)
Changes in fair value of investment properties			201,760
Finance income			646
Finance expense			(7,367)
Consolidated profit before tax			**219,780**
Income tax expense			(36,327)

	For the three months ended June 30, 2017 (Unaudited)		
In EUR thousand	Residential property management	Privatization	Total consolidated
External income from residential property management	25,872	221	26,093
External income from selling condominiums	-	3,519	3,519
Consolidated revenue	**25,872**	**3,740**	**29,612**
Reportable segment gross profit	**21,347** (*)	**694**	**22,041** (*)
General and administrative expenses			(3,259) (*)
Changes in fair value of investment properties			161,207
Finance income			562
Finance expense			(8,967)
Consolidated profit before tax			**171,584**
Income tax expense			(25,809)

(*) Immaterial adjustment of comparative data.

	For the year ended December 31, 2017 (Audited)		
In EUR thousand	Residential property management	Privatization	Total consolidated
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)

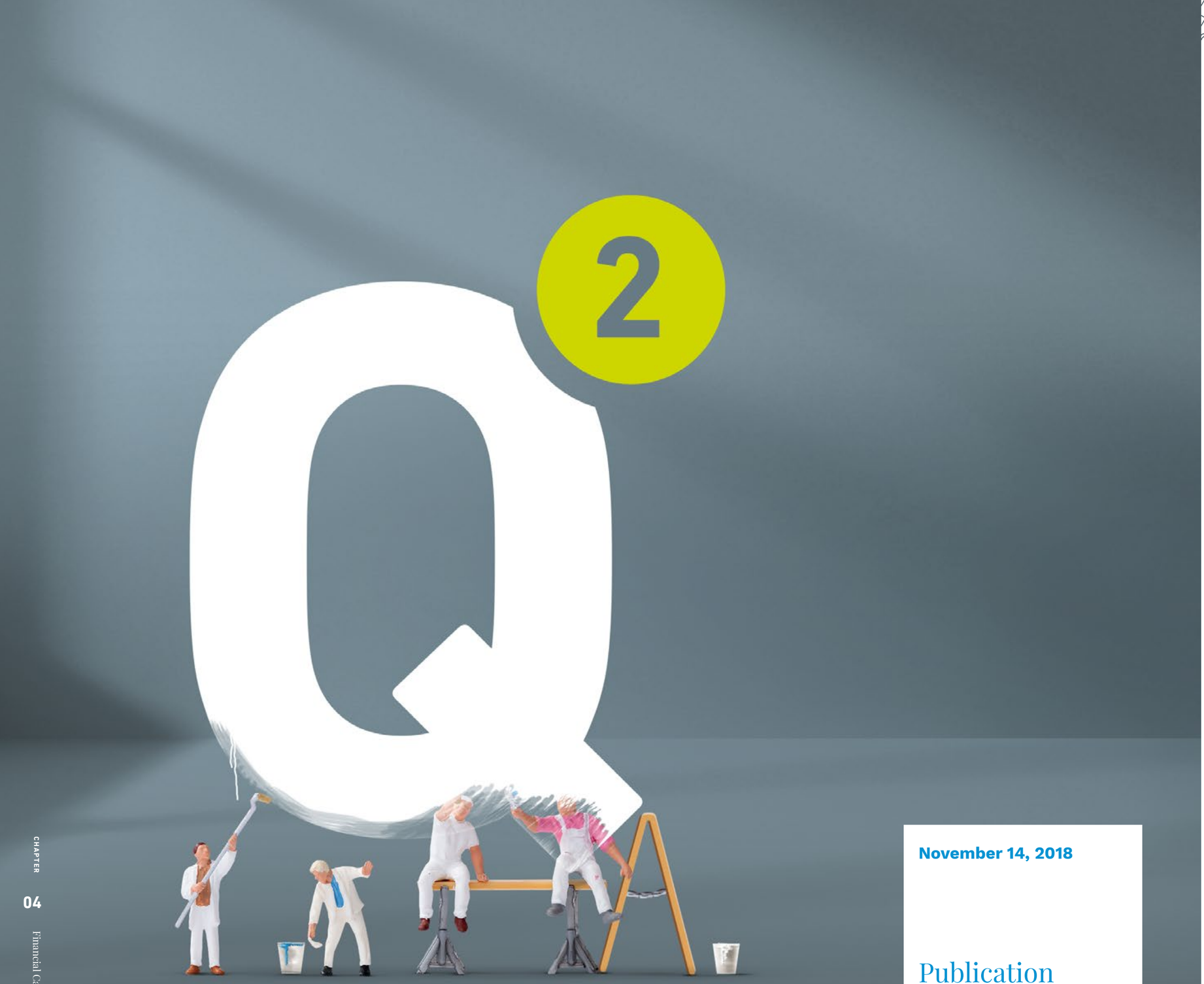
Note 9 – Subsequent Events

A. After the reporting date, the Group completed the takeover of five assets in two different asset deals, comprising a total of 92 residential units and 16 commercial units in Berlin. The gross purchase price for 100% of the acquired assets amounted to EUR 15.4 million. At the date of acquisition, the total annual net cold rent from the new acquisitions amounted to EUR 0.6 million. As at June 30, 2018, the Group paid an advance of EUR 8.1 million that was recorded as advances in respect of investment properties.

B. After the reporting date, the Group signed a purchase agreement to acquire one asset, structured as a share deal, comprising a total of 19 commercial units in Berlin. The gross purchase price for 100% of the acquired asset amounts to EUR 19.5 million. At the signing date, the total annual net cold rent from the new acquisition amounted to EUR 0.8 million.

C. After the reporting date, on the basis of the commercial paper program, the Group issued commercial papers in a total amount of EUR 135 million in six different tranches. The individual tranches were issued subject to a negative interest rate of between -0.08% and -0.13% and with a term of one to three months. At the time of the approval of these condensed consolidated interim financial statements the outstanding loan balance amounts to EUR 185 million.

D. The Company considers various long-term financing options. It shall be noted that at the time of the approval of these condensed consolidated interim financial statements the exact amount and timing is uncertain and it is subject to market conditions.



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