



BERL
INSI
DERS

ADO

COLORS OF BERLIN

This annual report conveys so much more than our most important figures for 2018. It gives us the opportunity to tell you the story behind these figures: the uniqueness of the city which we have been growing with constantly for the past 13 years.

Discover with us the Colors of Berlin, find out why the city is booming – and why it will keep on doing so.



Key Figures¹⁸

PROFIT AND LOSS STATEMENT	FOR THE YEAR ENDED		FOR THE THREE MONTHS ENDED	
	Dec 31, 2018	Dec 31, 2017	Dec 31, 2018	Dec 31, 2017
In EUR thousand				
Income from rental activities	134,588	109,181	35,004	30,513
EBITDA from rental activities	93,777	77,090	23,082	21,176
EBITDA from rental activities margin	73.3%	74.6%	69.2%	72.8%
EBITDA total	96,255	80,018	23,437	22,236
FFO 1 (from rental activities)	66,777	54,345	15,866	14,152
AFFO (from rental activities) ^(*)	53,739	45,857	12,339	12,597
FFO 2 (incl. disposal results)	69,255	57,272	16,221	15,212

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

FURTHER KPIs		
Residential	Dec 31, 2018	Dec 31, 2017
Monthly in-place rent (EUR per m ²)	EUR 6.73	EUR 6.42
Total vacancy rate	3.2%	3.6%
Number of units	22,238	20,649
Rental growth	5.6%	4.8%

BALANCE SHEET		
In EUR thousand	Dec 31, 2018	Dec 31, 2017
Fair value of properties	4,092,463	3,321,198
LTV	39.6%	39.6%
EPRA NAV	2,429,544	1,988,757
EPRA NAV per share	55.05	45.10

COOL
TREN
TS
L

1

COLORS OF ADO

Colors of Berlin –
The Colors of ADO 51

INVESTOR RELATIONS:

Stock Market and
the ADO Share 53

Corporate Governance
Report 55

COLORS OF BERLIN

Letter from the
Senior Management 4

COLORS OF BERLIN:

Architecture 8

Business 14

Districts 20

People 28

Culture 34

Innovation 40

2

**COMBINED
MANAGEMENT
REPORT**

Fundamentals of the Group 66

Economic Review 78

Subsequent Events 86

Forecast Report 87

Risk Report 88

Remuneration Report 92

Responsibility Statement 94

**CONSOLIDATED
FINANCIAL
STATEMENTS**

Report of the Réviseur
d'Entreprises agréé 98

**CONSOLIDATED FINANCIAL
STATEMENTS:**

Consolidated Statement
of Financial Position 102

Consolidated Statement
of Profit or Loss 104

Consolidated Statement
of Comprehensive Income 105

Consolidated Statement
of Cash Flows 106

Consolidated Statement
of Changes in Equity 108

Notes to the Consolidated
Financial Statements 111

4

ANNUAL ACCOUNTS

Report of the Réviseur
d'Entreprises agréé 163

Balance Sheet 167

Profit and Loss Account 169

Notes to the
Annual Accounts 170

**FINANCIAL
CALENDAR & IMPRINT 188**

6

ADG

Annual Report

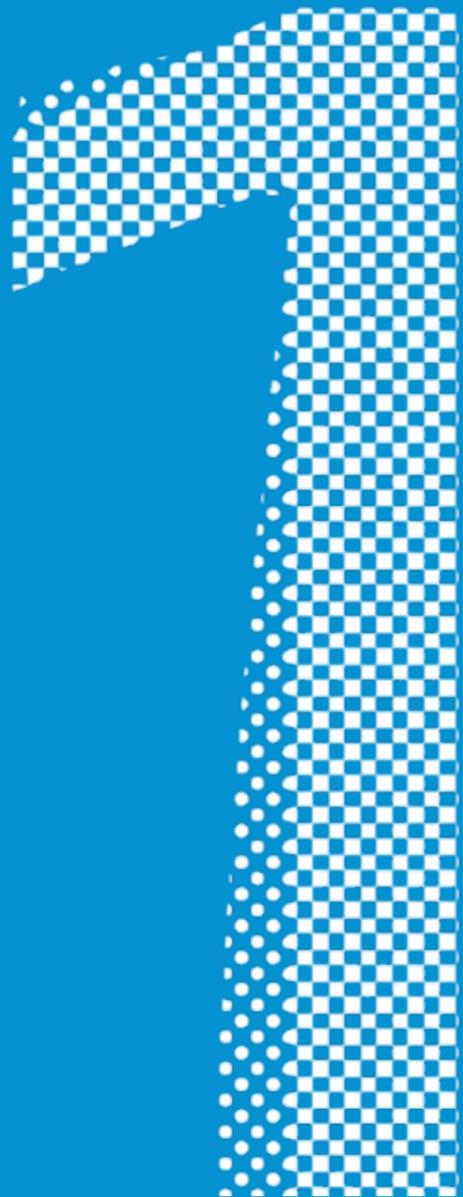
2018

COLORS OF BERLIN

BERL
INSI
DERS

1

1



COLORS
OF
BERLIN

COLORS
OF
BERLIN

Letter from the
Senior Management

4

COLORS OF BERLIN:

Architecture

8

Business

14

Districts

20

People

28

Culture

34

Innovation

40



COLORFUL BERLIN - A PLACE TO THRIVE

Dear Investors,

As little as 10 years ago, just a few financial experts were convinced that Berlin would boom. Meanwhile, the city's progression has reached such a momentum that when it comes to growth it is only a question of: how high, how far, how fast. Berlin's development is as exciting and promising as never before – and we as Berliners are right in the thick of it.

This is reflected in all our business figures: our rental growth has increased from 4.8% in 2017 to 5.6% in 2018. The FFO 1 is 23% higher than in the previous year. The EPRA NAV lies at EUR 55.05 per share – in 2017 it was EUR 45.10 per share. The upward trend remains unabated: we expect further significant growth in all relevant areas for 2019.

We also had to deal with some adversity in 2018. In the third quarter, we were subject to a downgrading by the rating agency Moody's, which came about as a result of the cancellation of a planned bond issue. However, we swiftly succeeded in counterbalancing this setback: by carrying out various refinancing options and adding a second rat-

ing from Standard & Poor's, we were able to stabilize the financial side of business and eliminate the risk. In addition to an initial step into the German Schuldschein market, we were able to successfully place a convertible bond to the amount of EUR 165 million, thereby appealing to a new investor segment.

“

The past year presented us with a number of challenges – which we were all able to overcome. We are happy that we can now fall back on such a wideranging repertoire of financial instruments and very much look forward to seeing what the next ratings will be.

Florian Goldgruber, CFO

THE HEADS OF ADO

TOP: RABIN SAVION
BOTTOM LEFT: FLORIAN GOLDGRUBER
BOTTOM RIGHT: EYAL HORN

Despite the headwinds we experienced, we were able to reduce our interest on borrowed capital to 1.7% by utilizing a broad spectrum of financial sources. We are confident that the diversification of our financial instruments and the tightening of our financing strategy, where we lowered our maximum LTV target to 40%, will have a positive effect on our ratings going forward (Moody's to date: Baa3; Standard & Poor's to date: BBB-).

Berlin is developing rapidly and ADO is set to benefit from the city's progression above all through further acquisitions and the CAPEX program. In transactions totaling approximately EUR 320 million, we were able to expand our portfolio during the first half of 2018 by 1,758 units to 23,694 units in all. Our portfolio is currently valued at EUR 4.092 billion – that's growth of EUR 771 million compared to December 2017.

“

2018 was a good year for our operative business: we were able to focus on our portfolio and invest financial resources as well as manpower to **increase the value of our properties**. Amongst others, we were therefore able to successfully press ahead with our new Furnished Apartment project. In addition, **we were able to outperform with a like-for-like rental growth of 5.6%**.

Eyal Horn, COO

Our focus will continue to lie on the optimization of our portfolio in all districts of the city. One of the key initiatives we started in 2018 is our Furnished Apartments unit, which caters for the needs of the growing city and especially the young professionals who are attracted by its strong economic development.

The CAPEX program remains the central part of our asset management strategy. In 2018, we invested a total of EUR 63 million in portfolio improvements. Despite the time required for these measures, we were nonetheless able to reduce the number of vacant units by 40 bps.

We are more than happy to share this pleasing development with our investors: in June 2018, we were able to pay out a dividend of EUR 0.60 per share. For 2019 we have set our sights on a dividend of EUR 0.75. This and a sustained increase in the share price (share value as at December 31, 2018: EUR 45.52 per share) ensures that 2019 will be very promising.

It is with this in mind that our outlook for the new financial year is a positive one – especially as being Berliners we will continue to focus on the most promising property market there is in Germany. In the first part of our Annual Report, we would like to show you what makes Berlin so unique and why it will continue to provide us in 2019 with the perfect base to ensure our sustained success for years to come. Discover with us the “Colors of Berlin”!

We would like to thank you for your trust and look forward to a successful Business Year 2019.

Sincerely yours,

CHIEF EXECUTIVE
OFFICER



Rabin Savion

CHIEF FINANCIAL
OFFICER



Florian Goldgruber

CHIEF OPERATING
OFFICER



Eyal Horn

“CONSTANT PROGRESS IS CRITICAL TO SUCCEEDING. THIS MEANS **NEVER CEASING TO GROW, ALWAYS FINDING NEW PATHS AND POSSIBILITIES WHILE CONTINUOUSLY DEVELOPING INNOVATIVE IDEAS AND PURSUING THEM. IT'S THE ONLY WAY TO STAY ONE STEP AHEAD OF THE COMPETITION. WE CAN BE PROUD OF THE SUCCESS STORY WE HAVE WRITTEN WITH ADO. IT WILL PROVE TO BE THE BENCHMARK FOR THE FUTURE.**”

Rabin Savion, CEO



BERLIN IS GROWTH. FOR THE PAST **775** YEARS.

CHAPTER 1: ARCHITECTURE

Berlin's architecture is unique. It is here that worlds collide – governments have left their mark, wars their scars. 775 years have been etched into the face of the city.

1200 to 1830

The origins of Berlin date back to 1198. The historical city center around Nikolai Church bears witness to its medieval beginnings. Ten Prussian kings and three German emperors endowed Berlin with, amongst others, its palaces¹ of Charlottenburg, Bellevue and Sanssouci as well as the Brandenburg Gate. A French king came close to costing the city her revered Quadriga².

1830 to 1920

In the course of industrialization, the city's population more than doubled between 1820 and 1900 to over 400,000, making Berlin the fourth largest city in Europe behind London, Paris³ and Vienna. In the space of five short years, the number boomed to over 2 million. Berlin was now the third largest city in the world. It was during this time that the apartments which are today so popular under the name Altbau, or old building, were constructed. In the districts Wilmersdorf and Charlottenburg⁵ the focus was on spa-

cious Gründerzeit houses for middle-class families, whereas in Friedrichshain or Prenzlauer Berg⁴ they came in the form of the notorious tenement blocks that were built to house the low-paid laborers and workers.

1920 to 1945

Most of the apartments that have been built since the city's founding were constructed in the years between 1920 and 1930. After the first world war, social housing succeeded in solving the shortage of accommodation far more elegantly than the tenement blocks which had by then been banned. In 1924 Berlin had its first large estate: the Hufeisensiedlung¹ (Horseshoe Estate) was realized in 1924 under the supervision of Martin Wagner and Bruno Taut who, despite maximizing the space, were nonetheless able to provide families with lots of fresh air, light and green areas. Two years later, the first German Plattenbau⁶ estate – buildings made from prefabricated concrete slabs – was built in Berlin Friedrichsfelde. During the era of national socialism, the focus of architecture shifted away from apartments: Hitler planned on creating Germania,



Prenzlauer Berg⁴



Charlottenburg⁵



Plattenbau⁶

the megalomaniac capital of the Third Reich. A number of monumental buildings that went on to define the face of the city were constructed – amongst them Tempelhof airport and the Olympic stadium.

1950 to today

The reconstruction that followed after the second world war took very different paths in what was then West and East Berlin. Hansaviertel, a quarter in which 53 architects from all over the world were involved, was just one such development in the western part of Berlin. In the eastern part of Berlin, so-called Arbeiterpaläste (workers' palaces), the name given to buildings completed in the social classical aka

gingerbread style, mushroomed. This was succeeded by the classic Plattenbau estates, which, at this time, were much more popular than the older Altbau buildings because of the level of modern comfort they had to offer.

OP ART (optical art)



A style that was derived in the 1960s. Abstract forms, geometric figures or obviously impossible objects trick the human eye thereby creating an optical illusion: patterns appear to be moving, negate and suspend spatial reality.

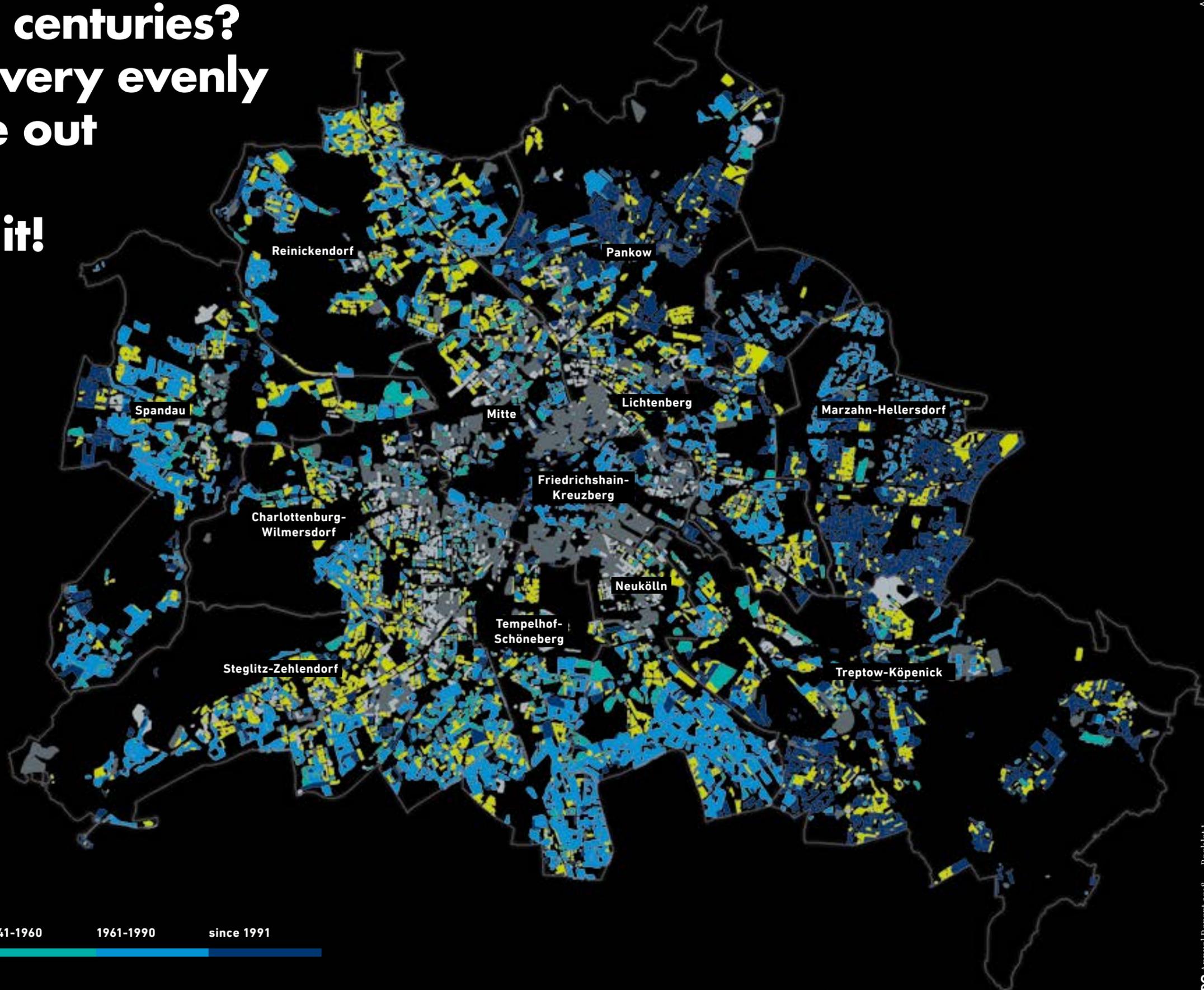
¹ **Unesco World Heritage Site** All in all, there are 37 monuments in Berlin that are listed as Unesco world heritage sites. These include Charlottenburg Palace and Museum Island, both regarded as prime examples of Prussian architecture. Six estates built in the modern age, including the Hufeisensiedlung, were also honored for their uniqueness by Unesco.

² **Napoleon** ordered that the Quadriga be removed from atop the Brandenburg Gate and spirited to Paris after he marched into Berlin. She was rightfully returned in 1813 following the victory over the French army. ³ **Berlin** is today almost nine times the size of Paris – and geographically speaking the size of Bangkok. ⁴ **Prenzlauer Berg** This district of Berlin is known for being the largest connected area in the Gründerzeit style in Germany. Tall ceilings adorned with stucco, facades renowned for their splendour and deep, closed courtyards characterize the so-called Altbau buildings which are so extremely popular among Berliners. One electrifying transformation worth noting: the once so squalid living quarters, the so-called Arbeiterpaläste or workers' palaces, that were built around the turn of the century during the last millennium, have had new life and charm breathed into them after having been previously partially demolished and subsequently modernized – just one of ADO's many specialities. ⁵ **Charlottenburg** Typical Altbau in the hugely-popular Charlottenburg district, restored to a high standard by ADO. ⁶ **Plattenbau** The prefabricated Plattenbau buildings certainly have their merits – when they are properly cared for. Which is also what our tenants think.

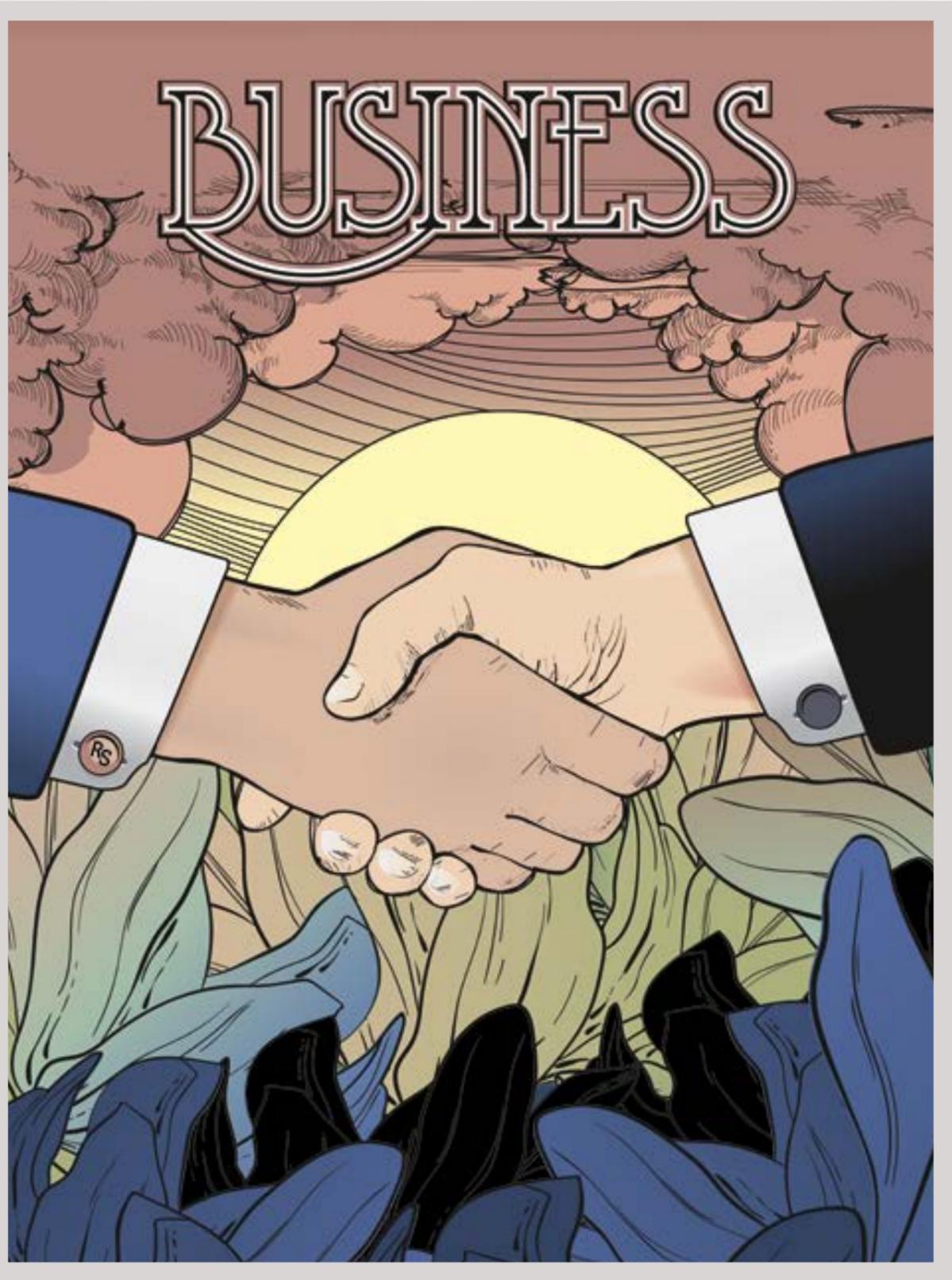
The way Berlin has grown over the centuries? Well, probably very evenly from the middle out to the edges... Nope, far from it!

How is it that the streetscape of one district is characterized by Altbau buildings, while a second wins you over with its 1930s charm, and a third is dominated by Plattenbau? That's because Berlin developed in different stages in different places. Our map will show you during which period most buildings were put up in a particular district.

Would you have thought so?



before 1900 1901-1920 1921-1940 1941-1960 1961-1990 since 1991



BERLIN IS BOOMING

CHAPTER 2: BUSINESS

EXPERTS LOOK ON THE BOOM THAT BERLIN IS CURRENTLY EXPERIENCING WITH GROWING AMAZEMENT. WHEN THE WALL CAME DOWN, BERLIN LAGGED BEHIND THE OTHER GERMAN METROPOLISES FOR A SUBSTANTIALLY LONG TIME.

Yet despite continuing economic growth over the last few years, and a knock-on drop in the unemployment rate, the rapid developments of recent years nonetheless took many by surprise. Since 2015, Berlin has outstripped the rest of Germany: In 2017, economic growth in Berlin stood at 3.1%, a whopping 1.3% higher than the German economy. With a GDP of EUR 136.6 billion, Berlin has the biggest city economy in the German-speaking region and the fourth largest within the European Union.

The employment rate increased by 2.9% – compared to only 1.5% across the rest of the country. An end to these developments is nowhere near in sight: new jobs are constantly being created – 900 a week according to the German job center – most of them in future-oriented sectors. Berlin is booming – across the board – and is already one of the most important innovation capitals in Europe. The Berlin senate forecasts 260,000 new arrivals over the next decade. But wherever the journey takes Berlin, one thing, it seems, is sure: the sky's the limit.

Art Nouveau / Art Déco

Art Nouveau is an international art style which had its heyday at the beginning of the 20th century. It shaped not only art and painting, but also ornaments and the architecture of the day. It was characterized by flowing lines and letters based on organic and natural forms, especially those of plants and flowers, and stood in strong contrast to the technological developments born from industrialization and the effects these had on society.

BUSINESS IN BERLIN

THESE ARE THE MOST EXCITING SECTORS

Media, Creative and Cultural Industry
BERLIN IS ONE OF THE 10 HIGHEST-GROSSING MEDIA CENTERS IN THE WORLD

Banks and Finance
BERLIN HAS THE MOST VENTURE CAPITAL COMPANIES IN GERMANY

Tourism
THE NUMBER OF HOTEL BOOKINGS HAS TRIPLED SINCE 2001

Trade
BERLIN HAS THE HIGHEST TURNOVER IN REAL ESTATE TRADING IN GERMANY

Fair and Congress Centers
BERLIN'S CENTERS ARE AMONG THOSE THAT ATTRACT THE MOST VISITORS AND GENERATE THE HIGHEST TURNOVER WORLDWIDE

IT and Digital Economy
IN TERMS OF THE AMOUNT OF EMPLOYEES, BERLIN IS NATIONWIDE NUMBER 2 IN THIS AREA



ADO Annual Report 2018 · Booklet 1



ALWAYS
ONE STEP
AHEAD

THE BEST SUCCESS STORIES ARE THOSE THAT NO ONE WAS COUNTING ON.

Recognizing potential and believing unwaveringly in it, even when the world is shaking their heads: that's the stuff that pioneers are made of. When **Rabin Savion** set up ADO Properties in 2006, Berlin didn't look anything remotely like a profitable residential market. "Poor, but sexy" was what the

“

The government started to move to Berlin from Bonn and it was only a question of time before the city would start to develop. The fact that Berlin was poor attracted free-thinkers and creative minds to the city like moths to a flame. The rents were lower here than in any other major German city. There was something - you could almost feel it - bubbling beneath the surface: An exciting scene emerged, attracting more and more young people from across Germany and all over the world - providing the perfect breeding ground for an entirely new booming business.

capital claimed to be. That it would take Berlin as little as 12 years to catch up with the other German metropolises before starting to overtake them, was something only a small circle of people saw coming - **our CEO** was one of them.

Following a number of successful years of business in the USA, Rabin returned to his home country, Israel. In 2005, he traded a life in the sun for Berlin's cold drizzly weather. He committed to Berlin's potential and moved with his family to the German capital. ADO started off with no more than a desk and a telephone. Berlin grew, just as Rabin predicted, and ADO grew with it; property by property, employee by employee. Rabin still believes steadfastly in Berlin, perhaps even more so than the Berliners themselves.

What is today considered standard practice - investing money in CAPEX and increasing the tenants' quality of life as well as the value of the portfolio - was at the time a highly innovative step which in turn led to the Company's sustainable success. The takeover of the Carlos Portfolio in 2015 facilitated the leap to the German stock market. That's why Rabin's pioneer spirit is still one of the most important ingredients of ADO's achievements today. It's also why the Company never stands still, sets new trends, occupies niches, and reacts to the needs and demands of a city that never stands still. It will be highly interesting to see where Rabin's innovative drive will lead to in future.



Berlin - a home for everyone

CHAPTER 3: DISTRICTS



How do you structure a city that is almost nine times the size of Paris? In Berlin, the 200 unofficial neighborhoods, or Kieze as they are called, and the 96 official districts, are divided into 12 boroughs.

The boroughs were not restructured until 2001 as part of a reform and their number reduced from 23 to 12. It was a far from easy undertaking, which was met with resentment by some Berliners, especially those who felt their borough was lumped together with another borough which they in no way felt connected with. Almost 20 years later, this bone of contention has long been buried. Not least of all thanks to

the many new residents who, unaware of the old structures and often oblivious to the fact that the nation had been divided, unwittingly gave the city a completely new feeling of identity. Each district has its own charm – some even say that each borough is like a city in itself. Is there any truth in this? That's hard to say. But one thing's for sure: in Berlin, anyone and everyone can find a suitable home.



Expressionist watercolors



A homage to the street artists of this world: could there be a more romantic way of capturing an urban scene than in watercolor? It is the expressionist's fugitive forms that succeed best in authentically reproducing such an environment – because a city never stands completely still. Watercolors depicting urban scenes have enjoyed increased popularity since the 20th century.

Kiez, m [kitz]

A Kiez is a neighborhood within a district where residents feel a strong sense of community and belonging. There are historical, notorious Kieze, and there are those that are only known to the people who live there. At the end of the day, all Berliners determine their own Kiez by themselves.

Mitte

Here lies the origin of Berlin – in the true sense of the word. It is around St. Nicholas' Church that the medieval core of the city, where everything began, can be found. This is where monumental castles and palaces, museums and historical, government, and office buildings are located. Yet the district still offers a home to 80,000 people – which is significantly more than the 2,332 residents who live in Tiergarten (Zoological Gardens) – not counting the exotic animals.

Districts
Mitte, Moabit, Hansaviertel, Tiergarten, Wedding, Gesundbrunnen
Number of inhabitants
335,753
Inhabitants per km²
9,618
Average base rent per m²
EUR 7.25 to 23.71
Units in the ADO portfolio
2,508

One of ADO's commercial properties: a hotel building in Pankow.



Friedrichshain-Kreuzberg

A district now divided by the river Spree – but historically by a border. The West German district Friedrichshain and the East German district Kreuzberg were, to begin with, not pleased about being clubbed together to form a single new one. Today Kreuzhain, as it is popularly known, is a multicultural mix of ethnicities. It is one of the places where most people want to live and has one of the most popular scenes in the entire city – as well as the lowest average age across Berlin of only 36.9 years.



The starting point for ADO was at the corner of Gneisenaustraße/Zossener Straße. This is where one of the first buildings that we acquired stands. And it's still in our portfolio today.

Districts
Friedrichshain, Kreuzberg
Number of inhabitants
285,963
Inhabitants per km²
14,185
Average base rent per m²
EUR 10.00 to 25.17
Units in the ADO portfolio
897

Pankow

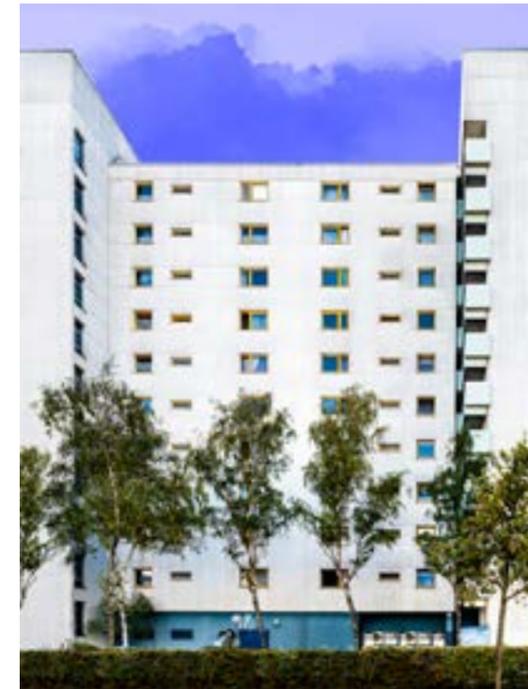
This borough is made up of 13 districts – including Pankow, Weißensee and the much-famed Prenzlauer Berg. Following the implementation of the local government reorganization reform, residents here spent five years arguing whether their district should be named Pankow or not. In the end it stayed as it was. This district is home, first and foremost, to families and younger people. Those who live in the southern part of Pankow are prone to be members of the higher social classes in Berlin. Around 77% of them are academics.

Districts
Prenzlauer Berg, Weißensee, Pankow, Karow, Französisch Buchholz, Buch, Blankenfelde, Rosenthal, Wilhelmsruh, Niederschönhausen, Blankenburg, Heinersdorf, Stadtrandsiedlung Malchow
Number of inhabitants
404,534
Inhabitants per km²
3,927
Average base rent per m²
EUR 8.93 to 16.89
Units in the ADO portfolio
1,238

Charlottenburg-Wilmersdorf

Kurfürstendamm, the universities, the fair and congress center: if you're not from Berlin, this is what you're most likely to know Charlottenburg-Wilmersdorf for. Berliners see it from a different perspective. To them the district is one of the most desirable residential areas in the whole city. There is no place in Berlin where demand is as high and the number of vacant properties so low than in Wilmersdorf. One of the main reasons for this is the ratio of green spaces: they cover almost 50% of the total area. Here you will find a variety of residencies ranging from luxurious mansions and country houses to affordable apartments for single people.

Districts
Charlottenburg, Wilmersdorf, Schmargendorf, Grunewald, Westend, Charlottenburg-Nord, Halensee
Number of inhabitants
338,923
Inhabitants per km²
5,237
Average base rent per m²
EUR 9.00 to 20.00
Units in the ADO portfolio
2,348



The 5,750 living units which ADO took over from Deutsche Wohnen in the form of the so-called Carlos Portfolio in 2015 catapulted ADO's portfolio to 14,000 living units thus facilitating their leap to the German stock market.

Spandau

This district, which lies on the outskirts of the city, has a wonderful historic center, the biggest pedestrian precinct in Berlin and all the trappings of a small town. There are all kinds of residential buildings ranging from single-family homes to apartment blocks. Life here is different – far from the hustle and bustle of the inner city or the trendy Kreuzberg scene.

Districts
Spandau, Haselhorst, Siemensstadt, Staaken, Gatow, Kladow, Hakenfelde, Falkenhagener Feld, Wilhelmstadt
Number of inhabitants
241,905
Inhabitants per km²
2,632
Average base rent per m²
EUR 6.92 to 12.59
Units in the ADO portfolio
4,437

Further districts

Steglitz-Zehlendorf
 Tempelhof Schöneberg
 Neukölln
 Treptow-Köpenick
 Marzahn-Hellersdorf
 Lichtenberg
 Reinickendorf

In Berlin there are

3.6 million people
 439,195 trees in public spaces
 100,342 dogs
 Berlin has more canals than Amsterdam and more bridges than Venice
 Every hour, 18 removals take place from one district to another
 Berliners nonetheless live an average of 13 years in one place
 44% of the city's area is made up of green spaces
 Total area: 89,169 ha
 Residential area: 21,389 ha
 Woodland area: 16,364 ha



"Berlin offers something for everyone - each district has its own character."

Friedemann Weck, Director W&W Real Estate

Exclusive partner of ADO Properties and Head of Acquisition

Friedemann Weck is one of a rare kind: He's an original Berliner. He may not have always lived in Berlin: life's journey and business took him to Tel Aviv, Miami and Columbo, from there to Lebanon, and then to New York. But he was born and raised here and kept on coming back to the city until, in 1995, he made it his home – out of love.

As a clever businessman, who since his college days embarked on one successful business venture after another, he saw eye to eye with Rabin Savion on the potential that the Berlin property market had to offer. And so in 2006, two companies were founded, which to this day, have worked together in an exclusive, successful partnership: ADO and W&W Real Estate.

Friedemann Weck has been in the real estate business since 1996 and if anybody can read the property market, he can. Friedemann knows: Berlin is unique. Colorful, diverse, cosmopolitan. The city's mixed districts provide room for each individual and every phase of life. He believes the reason Berlin is still booming is rooted in its singular history.

"The city was heavily subsidized until 1990, thus preventing any natural growth from occurring. In West Berlin, citizens were being handed tax breaks, Berlin men were freed from conscription. The eastern part of the city was similarly highly funded as an incentive to keep people from leaving. But after German reunification, the system imploded and the number of residents dropped dramatically.

Between 1990 and 2005, half of the city's population basically traded places with new arrivals: 1.8 million people moved out, and 1.8 million people moved in. Berlin had to normalize itself before progression was even possible.

In other German cities like Munich, Hamburg or Frankfurt, growth was natural and steady. In Berlin, this didn't happen until much later. That is why the upswing came so quickly, also why there is such a catch-up demand and why there is still so much potential for further expansion. At the same time, the cost of living is by comparison much lower.

This, combined with the city's unique cultural mix, attracts people from all over the world. There are 250,000 students in Berlin. Young professionals don't have to be lured with high salaries, they are happy to come of their own accord. Branches across the board are booming, especially the technology sector. Companies on the lookout for international high-achievers relocate their headquarters to Berlin or at least open a sub-division."

"In a nutshell: the city is growing, both economically and population-wise. And that's the best thing that can happen for the residential property market."



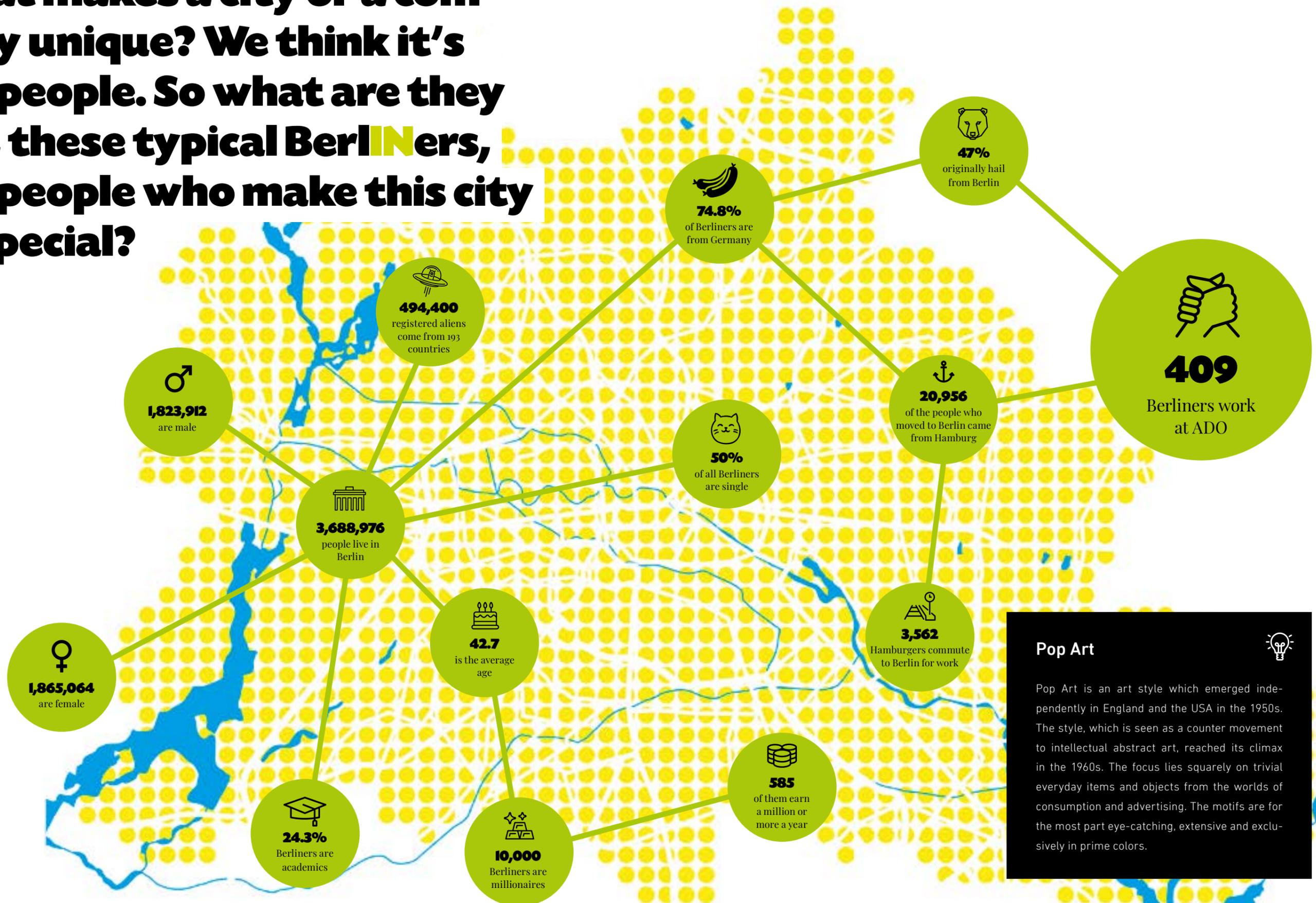
"ICH BIN EIN BERLINER!"
POP ART, 2018



CALL #030 FOR AWESOME- NESS

CHAPTER 4: PEOPLE

What makes a city or a company unique? We think it's the people. So what are they like, these typical Berliners, the people who make this city so special?



Pop Art

Pop Art is an art style which emerged independently in England and the USA in the 1950s. The style, which is seen as a counter movement to intellectual abstract art, reached its climax in the 1960s. The focus lies squarely on trivial everyday items and objects from the worlds of consumption and advertising. The motifs are for the most part eye-catching, extensive and exclusively in prime colors.

FLORIAN GOLDGRUBER – A TYPICAL BERLINER

If you look around on the streets of Berlin – and especially if you look further at some of the different districts – you will see there is no such thing as a typical Berliner. Berlin's too big for that, too steeped in history, too multicultural. The one thing that does make a typical Berliner is that you can't pigeonhole them. **Florian Goldgruber** is a prime example.

Business partners and investors only get to see **ADO's CFO** dressed in a smart suit. When the people at ADO see him, he's generally sporting a T-shirt and pair of jeans – or he's wearing cycling dress, the full works, from head to toe. The reason for this is that Florian Goldgruber cycles the 20 km to work every day and then the same distance back home again, and all at a stiff speed of 27 to 30 kmph. Florian wouldn't be able to get into work any faster than the 40 minutes it takes him to get from Kleinmachnow to ADO's office if he came by car or used public transport. When he gets to his office, Florian swaps his sporting attire for either a suit when there's a business meeting scheduled, or his trademark jeans and T-shirt. "A shower was one of the conditions of my employment," he confides.

But it's less about the bike per se when Florian decides to make his way to work into more of a sporting activity. It's true, he does like cycling, and loves racking up the miles on the roads of Brandenburg on his racing bike, tearing through leafy Grunewald on his cyclocross bike, or taking

part in a 24-hour race or other big cycling event. But if Berlin were in the mountains, Florian would probably strap on a pair of skis to get to work or clamber up the face of the mountain to get there. Why? Because what Florian is basically doing, is so typical of Berlin and also so typical of ADO: he combines pragmatism with fun and what results from this is highly efficient. "Finding time to do sports is not easy when you put in the hours the job brings and you have a family you want to spend time with. So I do sports on my way to and from work!"

Florian moved to Berlin with his family because of ADO. He originally comes from a village not far from Frankfurt. Although he worked in Germany's financial capital, lived in Munich and other cities, he has never really become a city guy. The way he sees it – Berlin doesn't have enough mountains. That's not to say he hasn't developed a strong liking for the capital. He has, in fact, grown very fond of the area around Viktoriapark in Kreuzberg – this is where his first apartment in Berlin was. He still likes the alternative, laid-back scene that is oh so different from the much-hyped places a few streets away. Although Florian now lives in Kleinmachnow, he regularly returns to his old Kiez. That's another thing that is so typical about Berlin: once you've found the Kiez that you feel you're part of, you just don't want to leave it all behind.





PIECE OF HISTORY

ACRYL ON STONE,
STREETART, 2018



BERAN IS
DIFFERENT -
AND IT'S A
GOOD THING
IT IS.

CHAPTER 5: CULTURE

WHAT IS TYPICAL ABOUT BERLIN? YOU COULD TRY TO COME UP WITH SOMETHING BUT IT WOULDN'T REALLY MATTER - BECAUSE BERLIN COULDN'T CARE LESS.

You have only just discovered the flair and local color which the capital has to offer, and then the city completely redefines itself: chic, classy, trendy, respectable, gray, colourful, quiet, loud, dignified, bubbly, young, mature. Berlin is all that and so much more.

An old, historically grown city with stylistic influences from all epochs. A metropolis with people from 193 different countries. An art scene characterized by old masters and young

art school graduates alike. A culture of entrepreneurship ranging from the small organic bakery to the heavily-backed technology startup. And people unwilling to abide by zones and districts, but who define their Kiez – their neighborhood – themselves.



Working at ADO the way Berlin lives.

Modern, flexible, relaxed yet still highly efficient: the ADO headquarters are an homage to Berlin. Employees can choose which coworking spaces they wish to work from. They can work at their laptop in the lounge corner or take a quick break and challenge a colleague to game of table football. In close collaboration with a pick of interior architects, the ADO team have created an environment that allows those who work there to perform highly – because they enjoy what they are doing.

Streetart



Streetart is traditionally rooted in some form of protest. This protest can be criticism of society or the system. It can be slogans, graffiti or outlandishly-sized works of art which, for centuries, groups or individuals have daubed across the walls of the city as a vehicle to express their opinion. Although streetart is – with the exception of contracted work – considered a crime, it is nonetheless exhibited in museums and attracts the highest bidders at auctions.

TYPICAL BERLIN

Pigs trotters and sauerkraut – but also doner kebabs
Castles and palaces – but also Plattenbau buildings
Pomp and circumstance – but also punk

BERLIN BOASTS

More kebab shops than Istanbul, 12x as many green spaces than Athens, more museums (170) than rainy days (106).

1,000 "Spätis", Spätis, or late-night corner shops, are remnants of the GDR. They were brought into being to allow people who worked shifts to do their basic shopping outside of normal opening hours.

Vending machines where you can buy ballerinas when you have danced the night away, but also vending machines that sell anything from new-laid eggs to maggots for anglers, bicycle innertubes to books – or even prayers.

Not only the legendary club Berghain, the Berlinale, the Berlin International Film Festival, and Fashion Week, but also countless other clubs and events that provide Berliners with entertainment and attract visitors from all over the world each and every day.

Favorite fast food currywurst: 70 million currywurst are demolished in Berlin every year.

368 m: The TV tower is Berlin's tallest building.

40,000 to 50,000: The number of people who dance in Berlin's clubs every weekend. That makes 3 million a year.

Berlin is the only city in the world with three active opera houses. Berlin has a total of 56 stages, 268 movie theaters and 84 public libraries.

The oldest Berlin public house is almost 400 years old and is called "Zur letzten Instanz" (The Last Resort).



East and West – culture clash with a happy end

One of the reasons for Berlin's unique culture lies undoubtedly in its recent history: a divided city, German on either side and yet utterly conflicting. Socialism meets capitalism, dictatorship meets democracy – even when the Berlin wall came down, parts of it were still left standing: in the heads of the people of the two societies. It was hardly surprising: the Osis, as the East Germans were so fondly – or less fondly – called, were so different than their West German counterparts.

Many grew up behind the two walls which flanked the so-called Todesstreifen, or death strip, where anyone who tried to flee the alleged socialist state was gunned down by guards who had orders to shoot to kill. It was a world where maps were blacked out and towels, apparently, came in only three different patterns, a world where the government added fillers to coffee to make it go further, where listening to the Beatles amounted to a crime and where there was a 10-year waiting list for what was little more than an excuse of a car.

But it was also a world which brought forth cult objects which are today seen as trademarks of a united Berlin: the Ampelmännchen, the iconic hat-wearing traffic light man, the television tower, or the Sandmännchen, the little, white-bearded sandman, who for over 50 years has been sending small children off to bed with a bedtime story. It feels almost as if the people from the two sides of the city, who at first were so wary of each other and each other's culture, finally decided to keep what they think is best about Berlin and to form an entirely new city from it.

And so, in the course of the last 29 years – the city which for 28 years was split down the middle and divided – has grown together and become united. The people who unwittingly helped the city to grow back together were those who left one of 193 countries behind them to move to Berlin and to whom it didn't make the slightest difference whether they were East or West Berliners. To them Berlin was quite simply Berlin. And so that's what it became to Berliners too.



WHO CAME
UP WITH IT FIRST?
MUST'VE BEEN A
Berliner.

CHAPTER 6: INNOVATION



Studies show that when it comes to innovations, Berlin takes the top spot. It's hardly surprising then that this is the place where more startups choose to set up shop than in any other city in the country.

In fact, a staggering 17% of all new startups in Germany decided to make the capital their home. And with them they brought 42% of all staff and employees who make up the startup scene. What this means? Berlin doesn't just stand for startups. Berlin stands for growth.

And oh boy it does: Zalando began as a Berlin startup in 2008 and is today Europe's biggest online fashion retailer. Food Delivery Hero was also set up in Berlin in 2011 and is currently considered by investors to be the highest-valued internet company after Spotify. ADO is another such prime example: we too began as a startup (the story p. 19). Today we are one of the most important and influential residential property companies in the city.

Technological innovation at ADO

Technological advancement is amazing – but only if you use it. That's why ADO uses digitalized processes, modern co-working spaces and new opportunities to make the operating expenses for our tenants more transparent and more just.

Fitting all apartments with hot and cold water meters is just one such example. Using intelligent waste disposal systems that identify each individual household so that each tenant can only be billed for the frequency the waste is disposed of.

ADO as an innovative employer

Work should be fun – even if it were only for the reason that this way companies can ensure that their workforce remain motivated and loyal to their company. This is especially true of Berlin, where growing companies are always on the lookout for skilled and talented workers. Here they compete head to head to fill the positions with such professionals. Because the competition is so high, companies need to think of ways to ensure that their best employees remain just that – their best employees.

ADO is a strong proponent of flexible working hours – all hours are possible – believes in providing modern coworking spaces that include recreational facilities like table football and air hockey. We offer employees the chance to specialize in certain



areas, learn new things and improve their skills at the ADO Academy. It is to this end that we regularly conduct seminars and invite lecturers from different spheres of competences to hold their talks in Berlin. We also support staff to lead a healthy lifestyle as part of our internal health management program. There is fresh fruit in all the departments, reduced rates for sporting activities in numerous Berlin gyms and health studios – and whoever wants to can also participate in a variety of sporting events like the Tough Mudder as part of the ADO team for free.

Perhaps this is also why ADO was recently awarded the status of top training company in the real estate sector by the Chamber of Industry and Commerce, IHK Berlin – and that for the second consecutive year. We have 16 trainees and two integrated degree students who we teach at any one given time – and always with the goal of providing them with a place in our team as highly-qualified specialists when their training is completed.

50s advertising

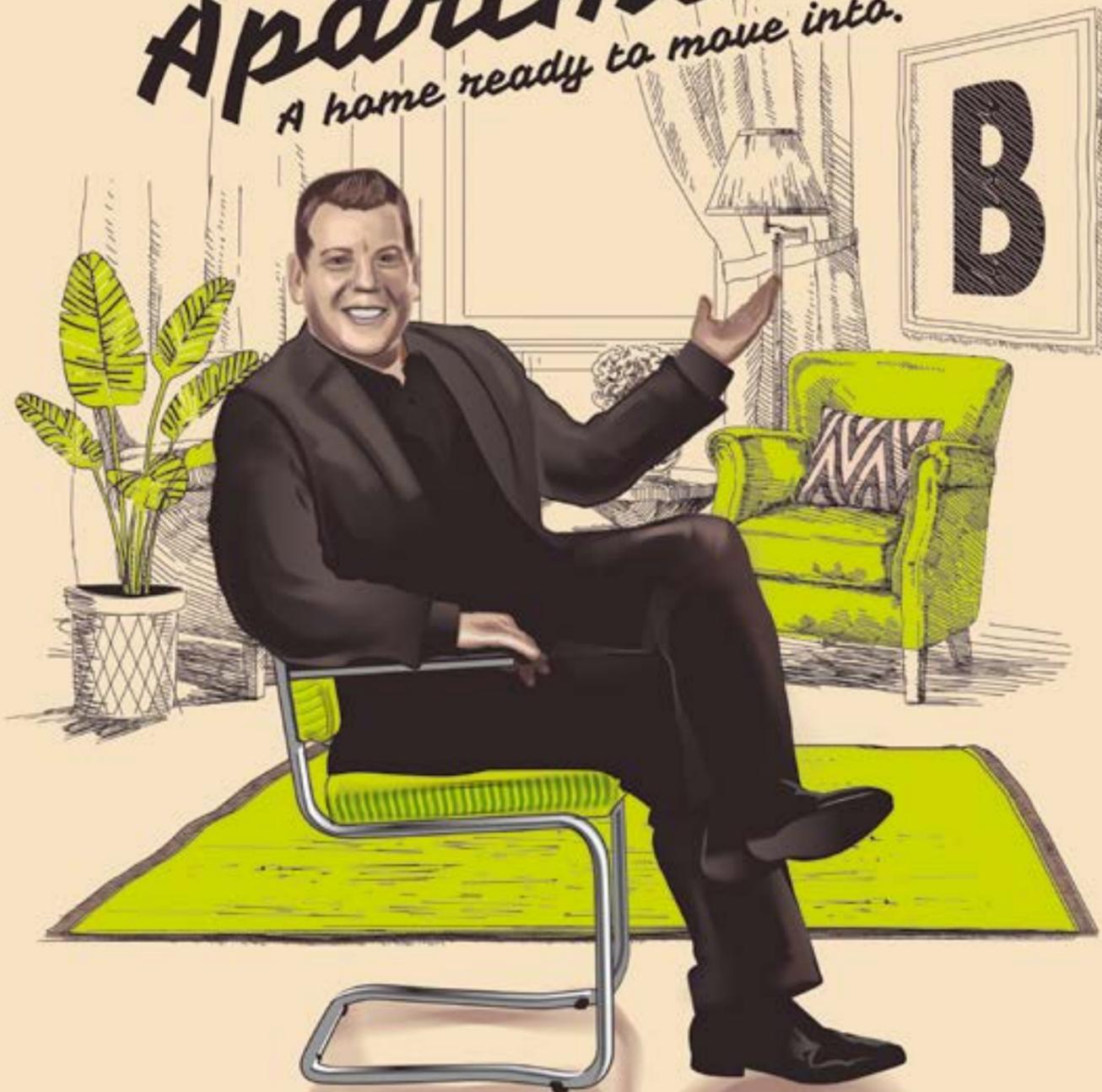


Although not officially recognized as an art style, the advertising posters of the 50s and 60s still have the power to move people today – in one way or another. This is partly due to some of their content which would nowadays raise more than just a few eyebrows: can you imagine a doctor officially promoting a particular pack of cigarettes or brand of beer? But mostly it's due to the unique design of what were then hand-painted advertising motifs.

ADO PROUDLY PRESENTS

Furnished Apartments -

A home ready to move into.



"ADO Living Furnished Apartments" is the name of ADO's innovative residential project, which was successfully introduced to the market in 2018. A total of 32 units, tastefully decorated and fully equipped by our team of interior designers, are currently available to tenants chiefly in the city center.

« ADO is the speedboat in the property sector. »

As COO of ADO, Eyal Horn is responsible for managing the day-to-day running of our business. He therefore plays a pivotal role with regard to the innovative power of our Company. A company that cannot conduct its business operations in an innovative style is a company that cannot remain competitive in a market like Berlin.



"Big companies are like container ships that forge ahead, creating their own path, but at the cost of being less maneuverable and unable to change course quickly. ADO is like a powerful speedboat – quick to react and highly navigable. We need to be: the Berlin market is a market caught up in change. I have now been COO at ADO for 12 years. Hence I know: what was seemingly set in stone only 10 years ago, no longer applies. Nowadays, tenants don't want a claustrophobic kitchen with row upon row of fitted cabinets. They want an open kitchen with an island or a peninsular. And that's what we give them.

The tenants themselves have also changed in this brief course of time: the cross-section has become broader and more international. Depending on where they come from, these tenants have a higher level of expectation with regard to services than their German counterparts. There are other things which are higher on their agenda. Our high level of flexibility allows us to react quickly to such changes in the market and adapt to our tenants' needs and wishes. We were one of the first large stock exchange listed residential companies to react immediately to the demand for furnished apartments and already provide a number of fully equipped flats – planned by professional interior designers who have thought of everything down to the last kitchen utensil."

Berlin startups in numbers

Startups are located all over the city, most popularly in Mitte, Prenzlauer Berg and Friedrichshain. There's not a single startup in Marzahn-Hellersdorf.

84%

of startup entrepreneurs have an academic degree.

16%

of these entrepreneurs are women – far too few, but still significantly more than in other German cities.

50%

of all employees come from a foreign country.

27

people on average are employed by Berlin startups. The German average is 11.



“We must keep on striving to remain innovative – in each of our Company’s areas. The success story we have written spans 13 hugely successful years. We want to keep on writing this story for at least another 13 to come.”

Eyal Horn
COO of ADO

Did you know? Milestone innovations Made in Berlin

1867

cardboard plate



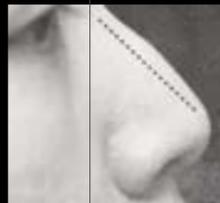
46

1881

electric tram

1895

movies



1898

aesthetic nose op

1900

hairdryer



1903

thermos flask



1906

flashlight

1907

ear plugs

1914

pocket umbrella

1916

condom (rubber, seamless)



1929

heart catheter

1931

television



1941

computer

47

ADG

Annual Report

2018

COLORS OF ADG

1
2

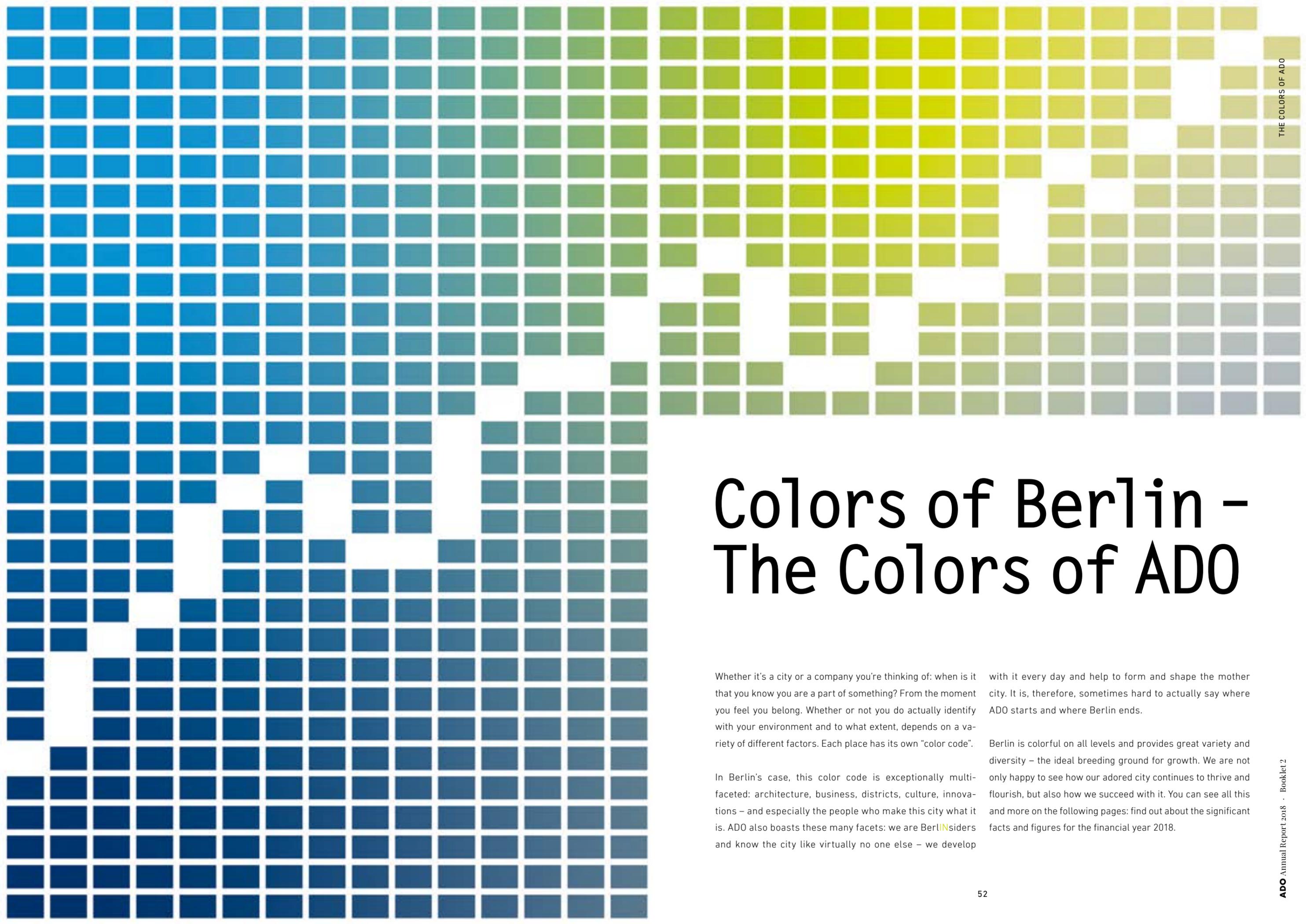
BERL
INSI
DERS



COLORS
OF
BERLIN

COLORS
OF
BERLIN

Colors of Berlin – The Colors of ADO	51
–	
INVESTOR RELATIONS:	
–	
Stock Market and the ADO Share	53
–	
Corporate Governance Report	55



Colors of Berlin - The Colors of ADO

Whether it's a city or a company you're thinking of: when is it that you know you are a part of something? From the moment you feel you belong. Whether or not you do actually identify with your environment and to what extent, depends on a variety of different factors. Each place has its own "color code".

In Berlin's case, this color code is exceptionally multi-faceted: architecture, business, districts, culture, innovations – and especially the people who make this city what it is. ADO also boasts these many facets: we are Berliners and know the city like virtually no one else – we develop

with it every day and help to form and shape the mother city. It is, therefore, sometimes hard to actually say where ADO starts and where Berlin ends.

Berlin is colorful on all levels and provides great variety and diversity – the ideal breeding ground for growth. We are not only happy to see how our adored city continues to thrive and flourish, but also how we succeed with it. You can see all this and more on the following pages: find out about the significant facts and figures for the financial year 2018.

Stock Market and the ADO Share



Jan 2, 2018

40.66
Lowest
closing
price

Dec 28, 2018

In its fourth year as a listed entity on the Frankfurt Stock Exchange, ADO Properties S.A. continues its success story. ADO Properties has outperformed the SDAX and the FTSE EPRA/NAREIT Germany for the fourth consecutive year and achieved positive results for its shareholders with share price growth of 7.66% from EUR 42.28 to EUR 45.52.

The Share

SHARE INFORMATION (as at Dec 31, 2018)

1st day of trading	Jul 23, 2015
Subscription price	EUR 20.00
Price at the end of 2018	EUR 45.52
Highest share price LTM	EUR 55.75
Lowest share price LTM	EUR 40.00
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

Key Stock Market Data

ADO shares are traded on the Prime Standard of the Frankfurt Stock Exchange. During the 12 months ended December 31, 2018, the shares traded between EUR 40.00 and EUR 55.75. 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 twelve analysts. The target prices range from EUR 48.00 to EUR 65.00 per share with an average target price of EUR 55.80.

Share Price Development

■ ADO Properties S.A. ■ SDAX ■ FTSE EPRA/NAREIT Germany

55.35
Highest
closing
price

Investor Relations Activities

ADO maintains an active dialog 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

ADO Properties aims to distribute an annual dividend of up to 50% of FFO 1. For the year 2018, the Board of Directors has recommended to pay total dividends of EUR 33 million or EUR 0.75 per share subject to the approval of the Annual General Meeting on June 20, 2019 which would represent 49% of the total FFO 1 per share of the year 2018 and an increase of 25% compared to the previous year.

EUR

2.0bn

market capitalization

Corporate Governance Report

The Corporate Governance Report relates to both the annual accounts of ADO Properties S.A. as well as to its consolidated financial statements.

General

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

The governing bodies of ADO are the Board of Directors (the "Board") and the General Meeting of the Shareholders. The powers of these governing bodies are defined in the Luxembourg Companies Law and the Company Articles. ADO's Board together with the Senior Management Team manages the Company in accordance with the provisions of Luxembourg law. The Board's duties, responsibilities and business procedures are laid down in its rules of procedure.

As at March 12, 2019, the Board consists of six members elected by the General Meeting as representatives of the share-

holders. Three Board members (including the Chairman and the Executive Vice Chairman) are representatives of ADO Group Ltd., the largest shareholder in the Company. Two Board members are independent Board members and one Board member is also acting as the CEO of the Company. The Board develops the strategic direction of the Company together with the Senior Management and ensures its implementation.

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

Committees

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

Audit Committee – The Audit Committee assists the Board in fulfilling its oversight responsibilities relating to the integrity of the financial statements and the adequacy of internal control systems; it makes recommendations for the appointment, compensation, retention and oversight, and considers the independence of the external auditors. It also performs other duties

imposed by applicable laws and regulations of the regulated market or markets on which the shares of ADO are listed, as well as any other duties entrusted to the Committee. The Audit Committee reports periodically to the Board on its activities.

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

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

Ad hoc Committee – The Ad hoc Committee is in charge of overseeing the disclosure of ad-hoc announcements by the Company.

General Meeting of the Shareholders

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

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

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

In accordance with the Luxembourg Shareholder Rights Law, shareholders holding, individually or collectively, at least 5% of the issued share capital of the Company (a) have the right to put items on the agenda of the General Meeting of the Shareholders and (b) have the right to table draft resolutions for items included or to be included on the agenda of the General Meeting of the Shareholders. Those rights shall be exercised through requests in writing by the relevant shareholders submitted to the Company by postal services or electronic means. The request must be accompanied by a justification or a draft resolution to be adopted in the General Meeting of the Shareholders and shall include the electronic or mailing address at which the

Company can acknowledge receipt of the request. Any such request from shareholders must be received by the Company no later than on the 22nd day prior to the date of the General Meeting of the Shareholders.

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

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

Conflicts of Interest

In most cases, no Board member shall, solely as a result of being a Board member, be prevented from contracting with the Company, either with regard to his tenure of any office or business or as vendor, purchaser or in any other manner whatsoever, nor shall any contract or other transaction between the Company and any other corporation or entity or in which any Board member is in any way interested be affected or invalidated by the fact that any one or more of the Board members or officers of the Company is or are interested in such contract or transaction or is or are a Board member, officer or employee of such other corporation or entity. Any Board member or officer of the Company, officer or employee of any corporation

or entity with which the Company shall contract or otherwise engage in business shall not solely by reason of such affiliation with such other corporation or entity be prevented from considering and voting or acting upon any matters with respect to such contract or other business. In the event that any Board member of the Company shall have any conflicting interest ("*intérêt opposé à celui de la société*") within the meaning of Article 60bis-18 of the 1915 Companies Act in any transaction involving the Company, such Board member shall make known to the Board such conflicting interest and shall not consider or vote on such transaction, and such transaction and such member's interest therein shall be recorded and reported to the next General Meeting of the Shareholders. These provisions do not apply if the decisions to be taken by the Board concern routine business operations that are to be concluded under arm's length conditions.

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

Issuance & Buy-Backs of Shares

The Company has issued shares, registered with a single settlement organization in Luxembourg, LuxCSD, and has an authorized capital which amounts to EUR 750 million. The General

Meeting of Shareholders or the Board may from time to time issue shares in accordance with Chapter II, Section 1 of the Luxembourg Law of 6 April 2013 on dematerialized securities. Pursuant to the Articles of Association, authorization is also given to the Board (or delegates duly appointed by the Board) to issue shares from time to time within the limits of the authorized capital at such times and on such terms and conditions, including the issue price, as the Board or its delegates may in its or their discretion resolve. In particular, without limitation, the Board is authorized to issue shares in favor of Board members, executives, employees, consultants of the Company and the Group, directly or under the terms of option, incentive or similar plans approved by the Board. The Company does not currently hold any of its own shares, nor does a third party on behalf of the Company. According to Article 430-15 of the Luxembourg Companies Law and without prejudice to the Market Abuse Law and the principle of equal treatment of shareholders, the Company and its subsidiaries as referred to in Article 430-23 of the Luxembourg Companies Law may, directly or through a person acting in its own name but on the Company's behalf, acquire its own shares subject to an authorization given by the General Meeting.

Compliance

The topic of compliance is very important to us. This incorporates compliance with legal provisions and standards as well as the way we deal with business partners and how we comply with competitive principles.

Mr. Kay Enbring, the General Counsel of the Company, is also acting as Chief Compliance Officer to ensure compliance with

standards of conduct and norms prescribed by Luxembourg and German law. The Chief Compliance Officer also manages the Company's Insider Register and informs employees and business partners about the relevant legal framework in relation to insider transactions and regulations.

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

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

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

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

Audit

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

Change in the Board of Directors

Mr. Shlomo Zohar resigned from his position as a member and Executive Vice Chairman of the Board with effect as of December 15, 2018.

On January 24, 2019, the Board appointed, by co-optation, Mr. David Daniel as a member and Executive Vice Chairman of the Board. This is a provisional appointment until its ratification and confirmation by the next general meeting of the Company.

On March 12, 2019, Mr. Moshe Lahmani resigned from his position as a member and Chairman of the Board. The Board subsequently appointed, by co-optation, Mr. Moshe Dayan to succeed Mr. Moshe Lahmani as a new member and Chairman of the Board. Furthermore, the Board appointed, by co-optation, Dr. Sebastian-Dominik Jais as a new member of the Board in replacement of Mr. Yuval Dagim who resigned in July 2018. Both appointments are provisional until their ratification and confirmation by the next general meeting of the Company.

Composition of the Senior Management and the Board

Board as at March 19, 2019
 Moshe Dayan, Chairman
 David Daniel, Vice Chairman
 Dr. Michael Bütter
 Dr. Sebastian-Dominik Jais
 Rabin Savion, CEO
 Amit Segev
 Jörn Stobbe

Senior Management as at March 19, 2019
 Rabin Savion, CEO
 Florian Goldgruber, CFO
 Eyal Horn, COO

Disclosures pursuant to Article 11 of the Luxembourg Law of 19 May 2006 on Takeover Bids

A) For information regarding the structure of capital, reference is made to Note 6 of the Annual Accounts.

B) The Articles of Incorporation of the Company do not contain any restrictions on the transfer of shares of the Company except that the Board may impose transfer restrictions on shares that are registered, listed, quoted, dealt in or have been placed in a certain jurisdiction in compliance with the requirements applicable therein.

C) According to the voting rights notifications received in the 2018 financial year, the following shareholders held more than 5% of total voting rights attached to Company shares as at December 31, 2018: ADO Group Ltd., registered office at 1A HaYarden Street, Airport City 70100, Israel.

D) No securities have been issued with special control rights.

E) The control rights of any shares issued in connection with employee share schemes are exercised directly by the respective employees.

F) The Articles of Incorporation of the Company do not contain any restrictions on voting rights.

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

H) Rules governing the appointment and replacement of Board members:

- The Board of the Company shall be composed of at least one member as long as there is only one shareholder of the Company and if there is more than one shareholder, the Board shall be composed of at least three members. The Board shall be appointed by the General Meeting which determines the number, the duration of their mandate and the remuneration of the members of the Board of Directors.
- The members are appointed for a duration which may

not exceed six years. They can be removed at any time without justification by the General Meeting by a simple majority vote, irrespective of the number of shares present at such General Meeting.

- In the event of a vacancy in the office of a member of the Board caused by death, retirement, resignation, dismissal, removal or otherwise, the remaining members of the Board of Directors may fill such vacancy and appoint a successor to act until the next meeting of the General Meeting at which such appointment shall be confirmed by the General Meeting or at which the General Meeting may appoint another member to the Board of Directors.
- According to the Company Articles, the Board shall elect from among its ranks a chairman of the Board (the "Chairman of the Board") and, if the Board is composed of more than one member, an executive vice chairman (the "Executive Vice Chairman") and one or more deputy chairmen. No deputy chairmen have been appointed.
- The Chairman of the Board shall preside at meetings of the Board. In his absence, the Executive Vice Chairman or one of the deputy chairmen (if applicable) of the Board shall take his place. In case of a parity of votes, the vote of the Chairman shall be decisive.

I) Rules governing the amendment of the Articles of Incorporation:

- At any extraordinary General Meeting for the purpose of amending the Company's Articles of Incorporation or voting on resolutions whose adoption is subject to

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

J) Powers of the Board:

- The Board convenes whenever required by the Company's affairs. The meetings shall be called by the Chairman of the Board or, in his absence, by the Executive Vice Chairman or one of the deputy chairmen (if applicable) of the Board. Furthermore, the Board shall be convened if so requested by any member of the Board.
- Each member of the Board may mandate another member of the Board in writing to represent him. Each member may represent one or more of his colleagues.
- The validity of deliberations made or resolutions passed by the Board is subject to a majority of the members of the Board being present or represented.
- The resolutions of the Board are passed by simple majority of the members of the Board that are present or represented at the meeting.
- Resolutions by the Board can also be adopted in the form of circular resolutions with identical contents

which are signed by all of the members of the Board on one single copy or in counterparts. The resolutions passed by the Board shall be recorded in minutes to be signed by at least two members of the Board present at the respective meeting (or by the member of the Board if there is only one member of the Board). Minutes signed separately by members of the Board of Directors shall establish valid and binding minutes when combined into one document.

- The management of the Company is incumbent on the Board; for this, it has the most extensive powers. Its competence extends to all legal acts which are not, expressly by law or these Articles of Association, the prerogative of the General Meeting. The Board may, in particular, purchase real estate directly or through intervening companies, issue bonds and other debt obligations, provide mortgages or other security, reduce or waive debts and conclude settlements on behalf of the Company.
- The Board may delegate the daily management to one or more members of the Board or third persons who need not be shareholders and will be called daily manager(s) (the "Daily Manager"). The Board may revoke such delegation of any one or more Daily Managers at any time.
- The Board may, under its supervision, delegate powers to a management committee or a general manager subject to such delegation not being made in respect of the strategy of the Company or the entirety of all the powers of the Board.
- The Board may, from among its ranks and/or external persons, constitute committees whose functions and powers are stipulated in rules of procedure for the re-

spective committee. To the extent permitted by law, decision-making powers of the Board may be transferred to such committees.

- The Company shall be bound by (i) the joint signatures of two members of the Board or (ii) by the sole or joint signature(s) of any person or persons to whom such signatory power shall have been delegated by the Board.
- K)** There are no significant agreements to which the Company is party and which take effect, alter or terminate upon a change of control of the Company following a takeover bid.
- L)** The Company has entered into service agreements with its CEO, CFO, COO, pursuant to which these officers/director are entitled to compensation in case of termination without material breach and in case of a change of control which materially affects the services or position of the officers/director.

ADG

Annual Report

2018

COMBINED MANAGEMENT REPORT

BERL
INSI
DERS

—
3

Fundamentals of the Group

The Combined Management Report relates to both the annual accounts of ADO Properties S.A. as well as to its consolidated financial statements.

Business Model

ADO is 100% focused on Berlin and the only listed pure play Berlin residential real estate company. All our 23,694 units (22,238 residential units) are within the city borders of Berlin. We are a residential real estate specialist with a fully integrated asset management platform. Our 354 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 37%, as these were the first areas to experience increased demand. Today, we see demand growing in the whole of Berlin.

23,694 units
354 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 from the foundation for future value creation.

Objectives and Strategy

Our strategy is focused on being the leading pure-play Berlin residential real estate company with potential to generate above-average value

Using our local market knowledge of Berlin, we focus on the modernization, refurbishment and repositioning of our portfolio assets, while constantly screening and anticipating developments in different Berlin sub-markets and districts.

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

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

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

We intend to continue to find attractive pure-play Berlin properties where our management has an in-depth understanding of the local market.

We are committed to tenant satisfaction through our business approach

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

Our sustainable financing strategy targets a conservative LTV ratio of maximum 40%

As we see a potential interest rate increase over time, we have adopted a conservative financing strategy with a LTV of maximum 40%. During the year Moody's downgraded the Company's long-term issuer rating to Baa3 from Baa2 and the short-term rating to P-3 from P-2. However, due to recent financing activities such as optimizing the loan struc-

ture of the Carlos portfolio generating EUR 90 million of additional liquidity and refinancing all the remaining current liabilities Moody's confirmed a stable Baa3 issuer rating.

On November 28, 2018, S&P Global Ratings assigned its 'BBB-/A-3' long- and short-term issuer credit rating to the Company. According to S&P, the Company's portfolio will generate stable operating cash flows, supported by its highly diversified asset and tenant base, and high occupancy levels.

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

Our portfolio and operational excellence combined with our sustainable financing strategy allows us to distribute stable dividends with a targeted payout ratio of up to 50% of FFO 1. The Board of Directors has recommended paying a total dividend of EUR 33 million or EUR 0.75 per share for the year 2018 subject to the approval of the Annual General Meeting on June 20, 2019, reflecting an increase of 25% per share compared with 2017.

Competitive Strengths

FOCUS – Our EUR 4.1 billion portfolio is located solely in Berlin

Our portfolio of 22,238 residential units and 1,456 commercial units is 100% located in Berlin with a mix of highly attractive individual buildings in Central Locations and larger settlements offering more affordable housing. The Berlin residential market continues to benefit from a combination of positive net migration, an increase in the quality of the work force, a decreasing average household size and a limited supply of new rental stock, resulting in continued rental growth, which we expect to positively impact our business.

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

We benefit from in-depth knowledge of the Berlin market, especially of the Berlin micro-locations, from a decade of local presence. We have a local network with excellent access to information where we have developed a strong

reputation as a reliable business partner and asset manager in Berlin. Our extensive market insights also enable us to identify privatization opportunities while allowing us to build our existing pipeline of assets.

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

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

INVESTMENT APPROACH – We had 5.6% like-for-like rental growth in 2018 generated by a targeted investment approach with significant further rental growth potential

Our management has instituted a clear investment strategy to drive rental growth. Our repositioning and refurbishing of assets through targeted capital expenditures has led to increased rents, resulting in higher returns, and ultimately to our annual like-for-like rental growth of 5.6% in 2018. We also see significant further rent potential for our assets when looking at current in-place rents vs. actual market rents.

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

Throughout our history, we have based our conservative financing strategy on the financing of assets through mortgages and have built strong relationships with a range of key lenders in Germany. This financing source has been accessible at attractive terms through the whole cycle seen over the last decade.

During the year the Company placed senior, unsecured convertible bonds in a total nominal amount of EUR 165 million with institutional investors, convertible into new and/or existing ordinary registered shares of the Company. The coupon has been set at 1.25% p.a., payable semi-annually in arrear. The bonds will mature on November 23, 2023.

We maintain a conservative balance sheet with, as at December 31, 2018, a LTV ratio of 39.6%, 1.7% cost of debt and long-term financing with a weighted average maturity of 4.7 years.

Financial Performance Indicators

We calculate our NAV and NNAV 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 properties¹⁾
- (-) Fair value of derivative financial instruments²⁾
- (-) Deferred taxes

= EPRA NAV

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

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

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

The objective of the EPRA NNAV 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 NNAV

EPRA NAV

- (+) Fair value of derivative financial instruments²⁾
- (+) Fair value of debt³⁾
- (+) Deferred taxes

= EPRA NNAV

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

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

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

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

EBITDA can be derived by adding the net profit from privatizations to 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 activities⁴⁾

= Net operating income (NOI)

(-) Overhead costs⁵⁾

= EBITDA from rental activities

(+) Net profit from privatizations⁶⁾

= EBITDA total

(-) Net cash interest⁷⁾

(+ / -) Other net financial costs⁸⁾

(-) Depreciation and amortization

= EBT

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

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

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

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

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

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

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

Calculation of FFO 1 (from rental activities)

EBITDA from rental activities

- (-) Net cash interest⁷⁾
- (-) Current income taxes⁹⁾

= **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 expenditures¹⁰⁾

= **AFFO (from rental activities)**

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

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

Calculation of FFO 2 (incl. disposal results)

FFO 1 (from rental activities)

- (+) Net profit from privatizations⁶⁾

= **FFO 2 (incl. disposal results)**

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

Calculation of LTV

Bonds, other loans and borrowings and other financial liabilities

- (-) Cash and cash equivalents
- = **Net financial liabilities**
- (/) Fair value of properties¹¹⁾

= **Loan-to-Value Ratio (LTV Ratio)**

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 believe that the alternative performance measures described in this section constitute the most important in-

dicators for measuring the operating and financial performance of the Group's business.

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

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

Non-financial Performance Indicators

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

The vacancy rate shows the ratio of m² of vacant units in our properties to 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 the development of rental income.

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

Business Performance Highlights

We continue to implement our strategy by finding attractive new units and through targeted CAPEX investments to drive rental growth. On the portfolio side, the Company has achieved growth in 2018. During the year under review, we completed the acquisition of 1,614 residential units and 144 commercial units for a total volume of approximately EUR 320 million.

As a result of these acquisitions, our portfolio grew to 23,694 units.

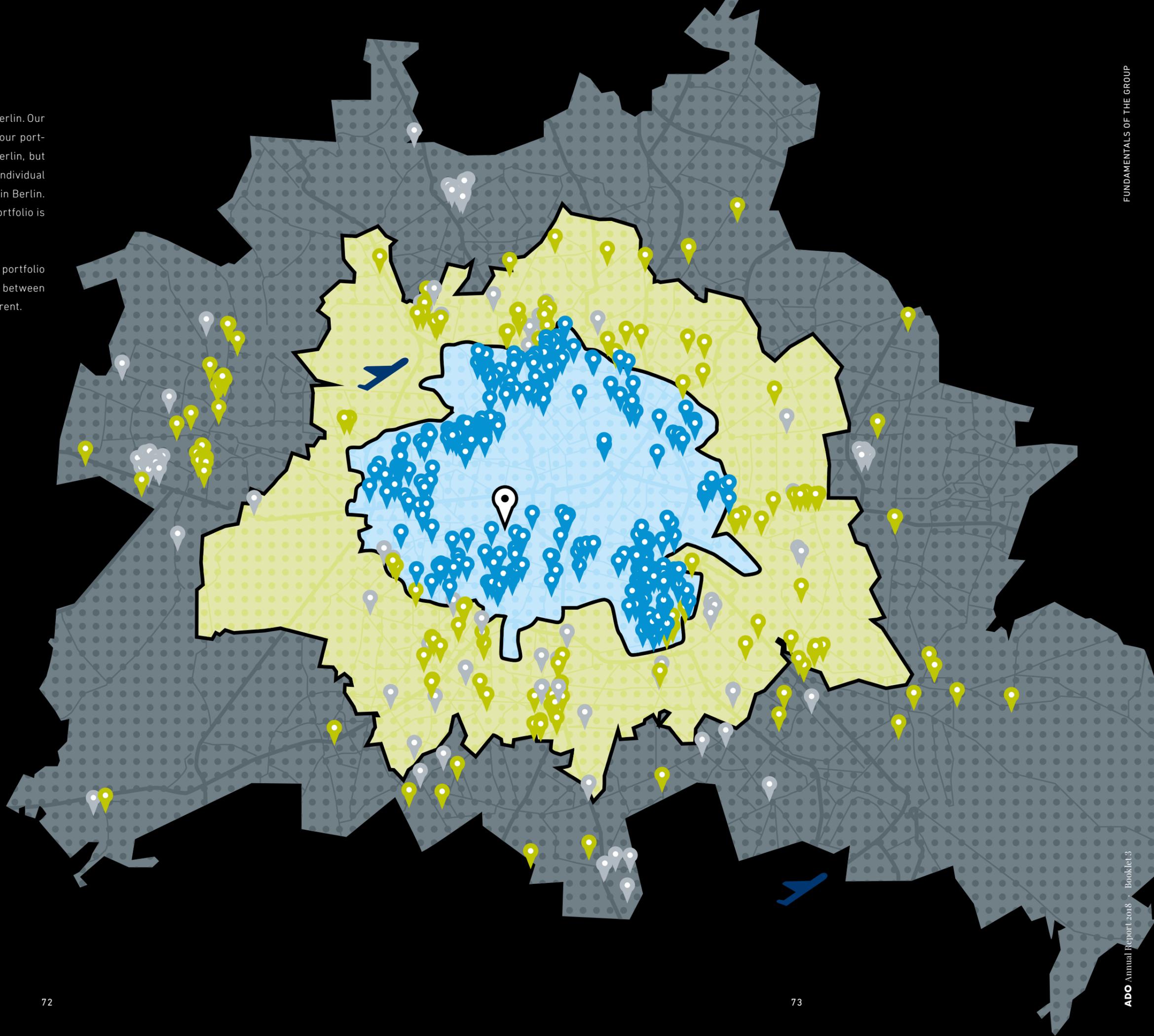
The good operational performance of our existing portfolio is well on track concerning new rentals as well as the execution of our CAPEX program. The like-for-like rental growth of 5.6% in 2018 resulted in an average rent per m² of EUR 6.73 on the back of our CAPEX program. Sales and modernization activities caused our vacancy rate to decrease to 3.2%.



Portfolio Overview

100% of our portfolio is 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 search for attractive units in Berlin. Approximately 37% 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 between 18%-61% higher than our current overall average rent.



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

Portfolio Overview^(*)

	Central	S-Bahn Ring	S-Bahn Ring (1960-1990)	City Ring	City Ring (1960-1990)	Total
Fair value (EUR m)	1,524	485	678	316	1,089	4,092
Fair value (EUR/m ²)	3,022	2,655	2,435	2,494	1,970	2,488
Share of fair value (%)	37%	12%	17%	8%	27%	100%
Number of residential units	6,576	2,222	4,179	1,494	7,767	22,238
Avg. in-place rent (EUR/m ²)	7.31	7.01	7.08	7.26	5.92	6.73
CBRE market rent (EUR/m ²)	9.00	8.77	7.99	8.59	6.96	7.96
Avg. new letting rent (EUR/m ²) ^(**)	11.90	9.77	10.13	8.91	7.30	9.42
Reversionary potential	63%	39%	43%	23%	23%	40%
Multiplier (current rent)	33.14	32.13	28.53	28.34	27.93	30.31
Multiplier (CBRE market rent)	27.00	25.34	24.69	23.84	23.23	25.08
Multiplier (new letting rent)	20.41	22.74	19.47	23.09	22.16	21.20
Discount rate (%)	4.59%	4.73%	4.77%	4.93%	4.97%	4.71%
Capitalization interest rate (%)	2.63%	2.78%	2.91%	2.96%	3.02%	2.80%
Tenant turnover (%) ^(***)	8.0%	8.8%	7.3%	9.4%	7.3%	7.8%

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

(**) Based on last three months.

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

Portfolio Performance**Residential Portfolio**

	Dec 31, 2018	Dec 31, 2017
Number of units	22,238	20,649
Average rent /m ² / month	EUR 6.73	EUR 6.42
Vacancy	3.2%	3.6%

The average rent per m² increased by more than EUR 0.3 per m² from the beginning of the year, while the vacancy rate decreased by 40 bps to 3.2% due to our sales and modernization activities.

Commercial Portfolio

	Dec 31, 2018	Dec 31, 2017
Number of units	1,456	1,321
Average rent /m ² / month	EUR 9.42	EUR 8.94
Vacancy	4.6%	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 9.42 per m² which represents an increase of EUR 0.48 per m² from the beginning of the year. The vacancy rate of the commercial units decreased to 4.6%.

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

Rental Growth

In %	Jan 1 - Dec 31, 2018	Jan 1 - Dec 31, 2017
New lettings after CAPEX	2.4%	2.7%
New lettings fluctuation	0.2%	(0.5%)
Regular rent increases	2.3%	2.6%
Fluctuation without CAPEX	0.6%	0.0%
Total	5.6%	4.8%

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

Rental growth continues to be in line with our expectations and our forecast for approximately 5% like-for-like growth for the full year of 2019.

Maintenance and CAPEX

In EUR per m ²	Jan 1 - Dec 31, 2018	Jan 1 - Dec 31, 2017
Maintenance	7.5	6.5
Capitalized maintenance	8.1	6.3
Energetic modernization	3.6	1.7
Modernization CAPEX	20.0	14.6
Total	39.2	29.1

Targeted investments in our portfolio are at the core of our strategy. Total investment in the portfolio amounted to EUR 63.4 million. The maintenance cost per m² of EUR 39.2 in 2018 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. In 2018 we have seen a decrease of 40 bps in the vacancy rate due to the increased speed of unit modernization.

Vacancy Split

Residential	Dec 31, 2018	Dec 31, 2017
Units for sale	0.2%	0.3%
Units under construction	2.2%	2.7%
Marketing (available for letting)	0.8%	0.6%
Total vacancy (units)	727	699
Total vacancy (m²)	46,721	45,717
Total vacancy rate	3.2%	3.6%
Total EPRA vacancy rate	3.1%	3.6%

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

5.6%like-for-like
rental growth**1,758**units acquired
in 2018**Acquisitions**

During the year under review, we completed the acquisition of 1,614 residential units and 144 commercial units for a total volume of approximately EUR 320 million, all in Berlin. As a result of these acquisitions, our portfolio grew to 23,694 units.

During the year, we completed 18 deals, one of which was above the EUR 50 million range. The biggest transaction was in the second quarter, when we took over the Angerburger Allee portfolio, including a total 856 units for a gross cost of EUR 161 million, reflecting a rent multiplier of 28.9 times with an average rent per m² of EUR 5.56. The rest of the acquisitions were purchased for an average rent multiplier of 30.1 times, with an average rent per m² of EUR 5.79 and 61% reversionary potential.

	Central	S-Bahn Ring	S-Bahn Ring (1960- 1990)	City Ring	City Ring (1960- 1990)	Total
Property value (year-end in EUR m) – CBRE report	69	16	194	34	20	333
Value/m ² (EUR)	2,647	1,794	2,595	2,200	2,595	2,477
Total m ² (thousand)	26	7	75	16	11	134
Run rate (year-end in EUR m)	2	1	6	1	1	12
Number of commercial units – CBRE report	98	19	29	19	12	177
Number of residential units – CBRE report	182	83	984	217	148	1,614
Avg. residential in-place rent (EUR/m ²)	5.90	5.94	7.12	6.77	5.23	6.75
CBRE market rent (EUR/m ²)	8.73	7.99	8.80	7.93	7.00	8.50
Avg. new letting rent (EUR/m ²) – actual	11.56	9.17	10.97	9.51	8.58	9.87
Occupancy (%)	96.6%	94.7%	96.4%	93.8%	88.0%	95.4%

Economic Review

Economic and Industry-Specific Parameters

General Market Conditions

In 2018 Germany's economy grew for the ninth time in a row, but all in all, overall economic growth was weaker than in 2017. Adjusted for inflation, the gross domestic product increased by 1.4% during the year as a whole, thereby exceeding once more the average growth rate of the past ten years (+1.2%). When adjusted for calendar effects, the GDP growth actually equaled 1.5%. The positive growth impulses originated mainly inside Germany. Private consumer spending increased by 1.0%, whereas general government consumption rose by 1.1%. Moreover, gross fixed capital formation registered an above-average growth of +4.8%. The growth in building investments amounted to 3.0% year on year. The number of gainfully employed persons climbed to nearly 45.2 million toward year-end, which implies a year-on-year increase of 1.1%. It is the highest employment figure on record since Germany's reunification in 1990. (Source: Federal Statistical Office of Germany)

The positive trend on the labor market makes it reasonable to anticipate sustained positive impulses for private consumption, and moreover indicates positive parameters for the rental housing markets in Germany. The European Central Bank (ECB) has left its main refinancing interest rate in place after lowering it to 0.00% in March 2016, so that real estate financing conditions are likely to remain favorable.

Demographics and Housing Demand in Berlin

Berlin is the most populous city in Germany, and has registered more or less steady demographic growth since 2005. By year-end 2018, the number of persons with principal place of residence in the German capital had risen to 3,748,148. This means that Berlin's population grew by 36,218 people year on year. (Source: Berlin-Brandenburg Statistics Office – press release dated 21/02/2019). Officially, Berlin's city administration expects the population of Berlin to rise to about 3.8 million by 2030. Yet this forecast is based on a population of around 3.562 million residents as at December 31, 2014, which in itself topped the most optimistic recent forecast from 2012 by nearly 20,000 people. (Source: Senate Department for Urban Development and the Environment, demographic forecast for Berlin and its boroughs, 2015-2030, from January 2016)

Previous forecasts of the trend in the number of households in Berlin used to assume a growth of about 3.0% between 2010 and 2025. According to the IW German Economic Institute in Cologne, this would imply an annual requirement of roughly 20,000 additional flats between now and 2020. The housing demand is driven mainly by the growing number of single and two-person households, and the corresponding rise in the total number of households in Berlin. At this time, the Berlin-Brandenburg metro region and Berlin proper are expected to see demographic growth of 7% and 6%, respectively, until 2030. If the incoming migration maintains its present momentum, almost 194,000 new flats would be necessary to stay abreast of the associable demand. Although the number of completions has admittedly surged since 2012 and stood at

12,814 newly built units in 2017, it still lags hopelessly behind the anticipated growth in demand. (Source: IWK; Michael Bauer Research GmbH, Ziegert Condominium Report Berlin 2017/2018, Berlin-Brandenburg Statistics Office)

While the unemployment rate in Berlin remains well above the current nationwide average for Germany, it dropped considerably again in 2018 and is now at 8.1% (2017: 9.0%). This puts unemployment in Berlin at its lowest level since the city was reunified in 1990. The number of people in gainful employment in Berlin rose to 2,003,000 in 2018, which implies a year-on-year increase of 47,500 persons or 2.4%. Once again, Berlin broke the record with the fastest growth rate among the German Länder. (Source: German Employment Agency, Berlin-Brandenburg Statistics Office)

Real Estate Stock and Housing Market Trends in Berlin

Berlin is home to Germany's largest rental housing market with a stock of nearly two million residential units. (Source: Berlin-Brandenburg Statistics Office). Demand on Berlin's housing market has increased in tandem with the demographic growth in recent years, causing the housing supply to dry up, and both rents and prices to soar. Against this background, housing construction has gathered considerable momentum lately, yet it continues to lag behind the anticipated demand. In 2017, for instance, a total of 11,408 new flats in multi-family dwellings were completed. (Source: Berlin-Brandenburg Statistics Office). This means that the number of housing comple-

tions, while having once again surged year on year, still falls well short of the volume that would be required to meet actual demand. Specifically, the stated objective of completing 20,000 flats annually in Berlin was quite obviously missed again. Despite the strong demand and contrary to expectations, the number of planning permissions decreased in 2018. Just 20,468 planning permissions were granted in the first eleven months of the year (January–November 2017: 22,409), and empirical data shows that the number of actual housing completions tends to be lower than the number approved because the total always includes a certain quantity of speculative planning permissions which serve the purpose of securing zoning rights early on for resale of the zoned properties at a later date. (Source: Berliner Morgenpost, February 14, 2018). Nonetheless, demand for rental housing in Berlin will continue to go unmet in the years to come because in order to satisfy demand, a rate of over 20,000 new flats coming on-stream annually would have to be sustained for several years in a row.

In 2018, residential asking rents in Berlin rose to 10.34 euros per square meter and month (median). That implies a growth rate of 5.6% year on year. (Source: Berlin Hyp and CBRE: Residential Market Report Berlin 2019, published in February 2019). Notwithstanding the fact that this represents a slowing growth dynamic, rent increases continued to outpace the long-term average measured since 2004. Since demographic growth has eased compared to previous years and since the housing stock is expanding overall, rental growth rates in Berlin could conceivably level out in the medium term, but pent-up demand is likely to ensure that they will remain well above the inflation rate, both now and in the future.

Financial Performance^(*)

In EUR thousand	For the year ended		For the three months ended	
	Dec 31, 2018	Dec 31, 2017	Dec 31, 2018	Dec 31, 2017
Net rental income	127,982	103,300	33,345	29,078
Income from facility services	6,606	5,881	1,659	1,435
Income from rental activities	134,588	109,181	35,004	30,513
Cost of rental activities	(26,179)	(20,414)	(7,275)	(5,023)
NET OPERATING INCOME (NOI)	108,409	88,767	27,729	25,490
NOI from rental activities margin (%)	84.7%	85.9%	83.2%	87.7%
Overhead costs ^(**)	(14,632)	(11,677)	(4,647)	(4,314)
EBITDA from rental activities	93,777	77,090	23,082	21,176
EBITDA margin from rental activities (%)	73.3%	74.6%	69.2%	72.8%
Net profit from privatization ^(***)	2,478	2,928	355	1,060
EBITDA total	96,255	80,018	23,437	22,236
Net cash interest	(25,408)	(21,702)	(6,332)	(6,608)
Other net financial costs ^(****)	(6,108)	(6,305)	(5,059)	495
Depreciation and amortization	(526)	(452)	(189)	(110)
EBT	64,213	51,559	11,857	16,013

(*) Excluding effects from the changes in fair value.

(**) Excluding one-off costs and depreciation and amortization.

(***) 2017 figures are adjusted for current income taxes relating to the selling of condominiums.

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

EUR

65 m

FFO 1 run rate

FFO

In EUR thousand	For the year ended		For the three months ended	
	Dec 31, 2018	Dec 31, 2017	Dec 31, 2018	Dec 31, 2017
EBITDA from rental activities	93,777	77,090	23,082	21,176
Net cash interest	(25,408)	(21,702)	(6,332)	(6,608)
Current income taxes	(1,592)	(1,043)	(884)	(416)
FFO 1 (from rental activities)	66,777	54,345	15,866	14,152
Maintenance capital expenditures ^(*)	(13,038)	(8,488)	(3,527)	(1,555)
FFO (from rental activities)	53,739	45,857	12,339	12,597
Net profit from privatizations ^(**)	2,478	2,928	355	1,060
FFO 2 (incl. disposal results)	69,255	57,272	16,221	15,212
No. of shares ^(***)	44,101	44,100	44,106	44,100
FFO 1 per share	1.51	1.23	0.36	0.32
FFO 2 per share	1.57	1.30	0.37	0.34

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

(**) 2017 figures are adjusted for current income taxes relating to the selling of condominiums.

(***) On December 14, 2018 the Company issued 30,757 new shares to Mr. Shlomo Zohar, the former Executive Vice Chairman of the Board. The number of shares is calculated as weighted average for the related period.

FFO

Our funds from operation of rental activities without disposal (FFO 1) for the full year rose by approximately 23% in comparison to the previous year. Our December net rent represents an annualized FFO from rental activities of EUR 65 million, representing an FFO yield of 2.75% on our adjusted EPRA NAV (less cash).

Cash Flow

The cash flow of the Group breaks down as follows:

In EUR thousand	Jan 1 - Dec 31, 2018	Jan 1 - Dec 31, 2017
Net cash from operating activities	103,933	86,852
Net cash used in investing activities	(334,034)	(495,038)
Net cash from financing activities	136,537	346,295
Net change in cash and cash equivalents	(93,564)	(61,891)
Opening balance cash and cash equivalents	121,530	183,421
Closing balance cash and cash equivalents	27,966	121,530

The change in cash flow was mainly driven by the placement of a EUR 165 million convertible bond, by refinancing existing loans, by new acquisitions and the respective effects on operations, investment and financing.

Financial and Asset Position

The changes in assets and liabilities result mainly from acquisitions in 2018 and additional financing. The fair value of the investment properties is based on valuations for December 31, 2018 performed by CBRE. The current average cap rate is 2.8% (2017: 3.0%) and was calculated based on the net operating income for the last month in the reporting period on an annualized basis, divided by the fair value.

Financial Position

In EUR thousand	Dec 31, 2018	Dec 31, 2017
Investment properties and advances in respect of investment properties	4,050,323	3,305,723
Other non-current assets	15,492	8,142
Non-current assets	4,065,815	3,313,865
Cash and cash deposits	27,966	121,530
Other current assets	76,392	82,868
Current assets	104,358	204,398
Total assets	4,170,173	3,518,263
Interest-bearing debts	1,609,124	1,423,119
Other liabilities	114,653	80,208
Deferred tax liabilities	249,114	183,443
Total liabilities	1,972,891	1,686,770
Total equity attributable to owners of the Company	2,150,679	1,795,390
Non-controlling interests	46,603	36,103
Total equity	2,197,282	1,831,493
Total equity and liabilities	4,170,173	3,518,263

On December 31, 2018, our EPRA NAV was EUR 55.05 per share and the EPRA Triple Net Asset Value (NNNAV) was EUR 48.93 per share.

EUR

55.05

EPRA NAV per share

NAV

In EUR thousand	Dec 31, 2018	Dec 31, 2017
Total equity attributable to owners of the Company	2,150,679	1,795,390
Fair value of derivative financial instruments	16,339	2,985
Deferred tax liabilities	249,114	183,443
Revaluation of trading properties	13,412	6,939
EPRA NAV	2,429,544	1,988,757
No. of shares ^(*)	44,131	44,100
EPRA NAV per share	55.05	45.10

(*) On December 14, 2018 the Company issued 30,757 new shares to Mr. Shlomo Zohar, the former Executive Vice Chairman of the Board.

EPRA Triple Net Asset Value (NNNAV)

In EUR thousand	Dec 31, 2018	Dec 31, 2017
EPRA NAV	2,429,544	1,988,757
Fair value of derivative financial instruments	(16,339)	(2,985)
Fair value of debt	(4,975)	(10,780)
Deferred taxes	(249,114)	(183,443)
EPRA NNNAV	2,159,116	1,791,549
No. of shares ^(*)	44,131	44,100
EPRA NNNAV per share	48.93	40.62

(*) On December 14, 2018 the Company issued 30,757 new shares to Mr. Shlomo Zohar, the former Executive Vice Chairman of the Board.

Funding

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

Financing

In EUR thousand	Dec 31, 2018	Dec 31, 2017
Bonds, other loans and borrowings and other financial liabilities	1,651,151	1,451,224
Cash and cash equivalents	(27,966)	(121,530)
Net financial liabilities	1,623,185	1,329,694
Fair value of properties (including advances)	4,098,763	3,355,623
Loan-to-Value Ratio	39.6%	39.6%
Avg. interest rate	1.7%	1.8%

As at the reporting date, our Loan-to-Value (LTV) was 39.6% with an average interest rate of the loan portfolio of 1.7% and a weighted average maturity of approximately 4.7 years. Almost all of our loans have a fixed interest rate or are hedged.

The following table shows the loan maturity profile:

In EUR million	Nominal Value	Avg. interest rate
2019	-	-
2020	48.8	2.1%
2021	112.3	2.2%
2022	377.9	1.6%
2023	367.1	1.3%
2024	559.7	1.7%
2025+	92.5	1.8%
Total	1,558.3	1.7%

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. Since its IPO in 2015, ADO Properties has been a member of EPRA.

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

EPRA Performance Measure	Definition	Purpose	Dec 31, 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 long-term investment strategy.	2,429,544	1,988,757	22%
EPRA NNNAV (in EUR thousand)	EPRA NAV adjusted to include the fair values of financial instruments, debt and deferred taxes.	The objective of the EPRA NNNAV measure is to present net asset value including fair value adjustments in respect of all material balance sheet items that are not reported at their fair value as part of EPRA NAV.	2,159,116	1,791,549	21%
EPRA Vacancy rate (in %)	Estimated Market Rental Value (ERV) of vacant space divided by ERV of the whole portfolio.	A "pure" (%) measure of investment property space that is vacant on ERV	3.1%	3.5%	40 bps

Subsequent Events

A. On January 24, 2019, the Company's Board appointed Mr. David Daniel as a member and Executive Vice Chairman of the Board of Directors with immediate effect. David Daniel was appointed on a provisional basis until his membership may be confirmed by a General Meeting of the Shareholders, scheduled to be held in April 2019. He will fill the vacant position on the Board of Directors following the resignation of Mr. Shlomo Zohar.

B. On March 19, 2019, the Company's Board proposed that a motion be made at the Annual General Meeting for a dividend in the amount of EUR 33 million (EUR 0.75 per share) to be paid to the shareholders. The Annual General Meeting will take place on June 20, 2019.

C. In respect of the revolving credit facility agreement (see note 14J to the financial statements), on January 30, 2019, the Group exercised one extension option, for 1 year.

D. On March 12, 2019, Mr. Moshe Lahmani resigned from his position as a member and Chairman of the Board. The Board appointed, by co-optation, Mr. Moshe Dayan to succeed Mr. Moshe Lahmani as a new member and Chairman of the Board. Furthermore, the Board appointed, by co-optation, Dr. Sebastian-Dominik Jais as a new member of the Board, replacing Mr. Yuval Dagim who resigned in July 2018. Both appointments are provisional until their ratification and confirmation by the next General Meeting of the Shareholders.

Forecast Report

Comparison of the Forecast with the Actuals of 2018

Our operations developed in 2018 as planned. The increasing demand in Berlin, but especially in City Ring locations, enabled us to achieve a like-for-like rental growth for the full year of more than 5%. This growth was supported by our targeted investment program which allowed us to let more units and further improve rents.

The average cost of debt was further reduced during 2018 to 1.7%, enabling us to achieve our target by refinancing inefficient high interest rate loans that we had taken over with acquired assets and by placing a EUR 165 million convertible bond with a coupon of 1.25%.

FFO 1 developed positively at the end of the year and at EUR 67 million at the end of the year was in line with our guidance.

The Board of Directors has recommended a dividend of EUR 33 million (EUR 0.75 per share) which represents a payout of 49% of total FFO 1.

Forecast for 2019

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 2019 to be approximately 5%. We expect our FFO 1 run rate to be approximately EUR 65 million.

For 2019 we anticipate a dividend payout ratio of up to 50% of FFO 1.

Risk Report

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

Risks Related to the Market

The real estate we own is 100 percent located in Berlin. Accordingly, we are dependent on trends in the Berlin residential real estate market, as well as general economic conditions and developments in Berlin. The continuing uncertainty regarding the development of the global economy, for example due to the ongoing sovereign debt crises and inflation and deflation risks in many parts of the world, particularly in Europe, and the quantitative easing announced by the European Central Bank, may result in economic instability, limited access to debt and equity financing and possible defaults by our counterparties. The current economic environment is characterized by low interest rates and comparatively high valuations of residential real estate portfolios in Germany. Any rise in interest rates could have material adverse effects on the asset valuations, the German real estate market and on us. It could become more difficult for us to implement our strategy of capturing additional growth opportunities by acquiring residential real estate portfolios at attractive terms, particularly due to the high current and future market prices for real estate portfolios.

Risks Related to our Business

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

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

properties, we bear risk in relation to unexpected liabilities, wrong assessment of value as well as due diligence findings and challenges with respect to integrating acquisitions.

Financial Risks

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

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

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

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

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

An internal control process has been implemented at ADO to ensure compliance with financial covenants. The covenants

stipulated in financing agreements were complied with at all times in the past financial year. There are no indications that financial covenants will not be complied with in future.

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

Risk Management and Control over Financial Reporting in the Company

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

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

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

flow management and to protect Company equity capital against financial risks.

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

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

Regulatory and Legal Risks

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

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

Regulatory intervention in tenancy law may affect the financial position of a residential property company. The legislative amendment adopted by the federal government in 2015 with regard to moderation of rent increases in Berlin restricts the scope for rent increases upon the reletting of living space. Other legislative amendments are regularly a subject of discussion. The possibility that further regulatory amendments may be implemented cannot be excluded in the wake of the German parliamentary election.

In addition, we could be adversely affected by changes to public building law, which could restrict our ability to manage our properties in the way we had previously expected.

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

On March 3, 2015, the Berlin government passed a regulation (Umwandlungsverordnung) according to conversion of a building into condominiums is prohibited in milieu protection (Milieuschutz) areas of the city unless the relevant district has granted permission by means of an exception to this regulation. Although this should not affect the sale of a whole property, this regulation could hinder the conversion and sale of single apartments (see "Regulatory Environment - Limitations of German Tenancy Law" for more

detailed information) and could have a material adverse effect on our business, net assets, financial condition, cash flows and results of operations. Currently 33 areas of Berlin are defined as milieu protection (Milieuschutz) areas. At the federal state level, the government of Berlin is expected to introduce further changes, such as extending of the milieu protection (Milieuschutz) areas.

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

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

Infringement of provisions of capital markets legislation may also lead to large fines. The Chief Compliance Officer informs management, employees and business partners about relevant provisions of capital markets legislation and the consequences of any infringement of those regulations.

Risks Related to Taxation

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

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

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

A direct or indirect unification of 95% or more of the shares of property holding corporations or a direct or indirect transfer of 95% or more of the interest in a property holding partnership within a five-year period may trigger German real estate transfer tax. In addition, transaction costs for the acquisition of real estate may increase due to a change in German tax law. Possible changes in German tax law in relation to RETT could affect our business model by higher costs.

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

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

IT Risks

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

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

Concluding Remark

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

Remuneration Report

Remuneration of the Board of Directors

Compensation of the Board members is determined by the General Meeting of the Shareholders. The two independent Board members are entitled to receive EUR 50 thousand and an additional EUR 1,500 per attendance at a meeting of the Board or any Committee.

The other three Board members from ADO Group do not receive payments. Mr. Rabin Savion receives only payment for his Senior Management position as CEO.

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

Remuneration of the Senior Management Team

The Senior Management and the Executive Vice Chairman remuneration system provides for a fixed annual salary, a short-term incentive ("STI") and a long-term incentive ("LTI").

The STI is an annual payment dependent on the achievement of certain individual targets (the "STI targets") and the relevant weighting of each STI target in relation to the other applicable STI targets. Unless determined and communicated otherwise to the Senior Management members, the STI targets shall comprise (i) Group AFFO per share (weighting

of 30%), (ii) Group NOI per share (weighting of 20%), (iii) net cold rent (weighting of 15%), (iv) residential occupancy rate (weighting of 10%); (v) like-for-like (weighting of 15%) and (vi) the discretionary decision of the Board (weighting of 10%) which, save for targets that do not relate to budgeted figures, shall be measured against the respective budget as determined by the Board for the relevant fiscal year. The compound STI target achievement shall be capped at 125%. Assuming 100% of all targets are achieved, the STI makes up to 23.7% of the aggregate total compensation.

The LTI is measured against two LTI targets, each weighted 50%: (i) the development of the NAV per share as targeted by the Board and (ii) the development of the Company's share price in relation to the EPRA GERMANY index, both measured over the LTI period. LTI payments will be settled in shares of the Company and are capped at a compound target achievement of 120%. The LTI without recognition of any development in the fair market value of shares, if granted, assuming 100% of all targets are achieved, constitutes up to 36% of the aggregate total compensation. The LTI is settled when the service agreement ends.

The service agreements (the "Service Agreements"), including the fixed salary, STI and LTI, have a fixed term ending on July 23, 2019, or in the case of the CFO on June 30, 2019. They may generally be terminated by either party, subject to six months' prior notice. If the CFO Service Agreement is validly terminated by the Company (with the required six-month notice period) for reasons other than a material breach, the CFO shall be entitled, upon expiry of the notice period, to a severance payment for premature termination. The severance payment shall not exceed the amount of the compensation that would have been owed by the Company to the CFO between the expiry of the notice period and June 30, 2019 (the "CFO Premature Termination Payment"). The CFO Premature Termination Payment shall include the base salary and the target volumes

of the STI and LTI due for the respective period. If a Senior Management member's Service Agreement is validly terminated due to a change of control event, an additional payment shall be paid, except in the instance of a material breach of duties on the part of the Senior Management member. The additional payment may not exceed the amount of the payments that would become due and payable for two years of the rele-

vant Service Agreement, including the base salary and the STI and LTI due for the respective period.

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

Total Remuneration paid to the Senior Management Team within the meaning of the German Corporate Governance Code

In the reporting year, the following total remuneration was granted to the Management Team members, in EUR:

2018	Rabin Savion CEO	Florian Goldgruber CFO	Eyal Horn COO	Shlomo Zohar Executive Vice Chairman
Fixed remuneration	310,000	173,150	176,000	51,337
Fringe benefits	25,525	11,514	5,115	1,422
Total	335,525	184,664	181,115	52,759
STI	149,000	100,000	100,000	141,000
LTI	164,575	106,700	105,164	169,745
Others	-	-	-	278,896
Total	694,100	391,664	386,279	642,400

On November 14, 2018, Mr. Shlomo Zohar, a director and the former acting Executive Vice Chairman of the Company's Board of Directors, submitted his resignation letter to the Company, with such resignation to take effect on December 15, 2018. On November 29, 2018 the Company and Mr. Zohar signed a mutual termination agreement. According to the agreement, upon Mr. Zohar's resignation, he was entitled to receive an amount of EUR 420 thousand, to be settled in cash (EUR 141 thousand for the period between January 1, 2018 until December 15, 2018 and the rest as termination fees). The Company recognized the full amount as an expense in General and Administrative Expenses. As at December 31, 2018 the Company paid Mr. Zohar the full termination amount in cash. On December 14, 2018, based on the Long Term Incentive plan the Company issued 30,757 shares free of charge to Mr. Zohar.

2017	Rabin Savion CEO	Florian Goldgruber CFO	Eyal Horn COO	Shlomo Zohar Executive Vice Chairman
Fixed remuneration	310,000	176,000	176,000	56,000
Fringe benefits	21,167	25,553	13,991	959
Total	331,167	201,553	189,991	56,959
STI	149,000	94,000	100,000	181,000
LTI	171,113	106,700	109,087	177,550
Total	651,280	402,253	399,078	415,509

Responsibility Statement

We confirm, to the best of our knowledge, that the consolidated financial statements of ADO Properties S.A. presented in this Annual Financial Report for 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 Group, and that the management report includes a fair review of the development of the business and describes the main opportunities, risks and uncertainties associated with the Group.

We confirm, to the best of our knowledge, that the annual accounts of ADO Properties S.A. presented in this Annual Financial Report for 2018, prepared in conformity with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the annual accounts, give a true and fair view of the net assets, financial and earnings position of the Company, and that the management report includes a fair review of the development of the business, and describes the main opportunities, risks and uncertainties associated with the Company.

CHIEF EXECUTIVE
OFFICER



Rabin Savion

CHIEF FINANCIAL
OFFICER



Florian Goldgruber

CHIEF OPERATING
OFFICER



Eyal Horn

ADG

Annual Report

2018

CONSOLIDATED FINANCIAL STATEMENTS

BERL
INSI
DERS

4

To the Shareholders of

ADO Properties S.A. | 1B Heienhaff | L-1736 Senningerberg | Luxembourg

Report of the Réviseur d'Entreprises agrée

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of ADO Properties S.A. and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at December 31, 2018, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with the EU Regulation N° 537/2014, the Law of July 23, 2016 on the audit profession

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

Key audit matters

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

Revenue recognition for investment properties

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

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

b) How the matter was addressed in our audit

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

- Evaluating the design and implementation and of operating effectiveness of key internal controls over the recording of revenue for the investment properties;
- Comparing rental revenue with underlying tenancy information, including monthly rents and rental periods as set out in the signed rental agreements, on a sample basis, and assessing whether fixed rental revenue had been recorded in the appropriate accounting period; and
- Performing substantive analytical procedures on the rental income by building an expectation for the rental income and comparing it to the actual rental income disclosed in the consolidated financial statements.

Valuation of investment properties

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

Refer to Note 5 to the consolidated financial statements for related disclosures. We identified the valuation of investment properties as a key audit matter as they represent approximately 96.97% of total assets of the Group, and significant judgement is required in determining their fair value.

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

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

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

b) How the matter was addressed in our audit

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

- Evaluating the qualifications and competence of the external Valuer and reading the terms of engagement of the Valuer with the Group to determine whether there were any matters that might have affected their objectivity or limited the scope of their work.
- Involving our own valuation specialists to evaluate the valuation methodologies used and to test the integrity of inputs of the projected cash flows used in the valuation to supporting leases and other documents on a sample basis;
- Involving our own valuation specialists to challenge the capitalisation and discount rates used in the valuation by comparing them with historical rates and available industry data, taking into consideration comparability and market factors. Where the rates were outside the expected range, we undertook further procedures to understand the effect of additional factors and, when necessary, held further discussions with the Valuer; and
- Assessing the adequacy of the descriptions in consolidated the financial statements, in describing the inherent degree of subjectivity and key assumptions in the estimates. This includes the relationships between the key unobservable inputs and fair values, in conveying the uncertainties.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information stated in the annual report including the combined management report and the Corporate Governance Report but does not include the consolidated financial statements and our report of "Réviseur d'Entreprises agréé" thereon.

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions

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

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on other legal and regulatory requirements

We have been appointed as "Réviseur d'Entreprises agréé" by the General Meeting of the Shareholders on June 19, 2018 and the duration of our uninterrupted engagement, including previous renewals and reappointments, is four years, three years of which was since the Company became a public interest entity.

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

The accompanying Corporate Governance Report is presented on pages 55 to 62. The information required by Article 68ter paragraph (1) letters c) and d) of the law of December 19, 2002 on the commercial and companies register and on the accounting records and annual accounts of undertakings, as amended, is consistent with the consolidated financial statements and has been prepared in accordance with applicable legal requirements.

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

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

Other matter

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

Luxembourg, March 19, 2019

KPMG Luxembourg
Société coopérative
Cabinet de révision agréé

Bobbi Jean Breboneria



Consolidated Statement of Financial Position

Assets

		As at December 31,	
In EUR thousand	Note	2018	2017
Assets			
Non-current assets			
Investment properties	5	4,044,023	3,271,298
Advances in respect of investment properties		6,300	34,425
Property and equipment		3,495	2,783
Other financial asset	23	6,615	5,359
Restricted bank deposits	7	3,859	539 ^(*)
Deferred expenses	14	791	-
Deferred tax assets	16	732	-
		4,065,815	3,314,404
Current assets			
Trading properties	6	35,028	42,961
Restricted bank deposits	7	24,752	23,813 ^(*)
Trade receivables	8	13,313	10,324
Other receivables	9	3,299	5,231
Cash and cash equivalents	10	27,966	121,530
		104,358	203,859
Total assets		4,170,173	3,518,263

Equity and liabilities

		As at December 31,	
In EUR thousand	Note	2018	2017
Shareholders' equity			
Share capital	12	55	55
Share premium		499,209	498,607
Reserves		324,877	330,638
Retained earnings		1,326,538	966,090
Total equity attributable to owners of the Company		2,150,679	1,795,390
Non-controlling interests		46,603	36,103
Total equity		2,197,282	1,831,493
Liabilities			
Non-current liabilities			
Corporate bonds	13	396,899	396,396
Convertible bonds	13	154,252	-
Other loans and borrowings	14	1,040,909	953,955
Other financial liabilities	11	40,492	27,238
Derivatives	23	16,236	2,878
Deferred tax liabilities	16	249,114	183,443
		1,897,902	1,563,910
Current liabilities			
Other loans and borrowings	14	17,064	72,768
Other financial liabilities	11	1,535	867
Trade payables		18,497	13,642
Other payables	15	37,790	35,476
Derivatives	23	103	107
		74,989	122,860
Total equity and liabilities		4,170,173	3,518,263

CHIEF EXECUTIVE OFFICER



Rabin Savion

CHIEF FINANCIAL OFFICER



Florian Goldgruber

Date of approval: March 19, 2019

(*) Immaterial adjustment of comparative data – see note 2G regarding basis of preparation.

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

Consolidated Statement of Profit or Loss

For the year ended December 31,

In EUR thousand	Note	2018	2017	2016
Revenue	17	154,853	128,852	109,775
Cost of operations	18	(41,996)	(36,174)	(32,596) ^(*)
Gross profit		112,857	92,678	77,179
General and administrative expenses	19	(18,451)	(12,762)	(13,245) ^(*)
Changes in fair value of investment properties	5	404,936	383,638	444,268
Results from operating activities		499,342	463,554	508,202
Finance income		1,399	1,602	1,972
Finance costs		(32,915)	(29,609)	(29,700)
Net finance costs	21	(31,516)	(28,007)	(27,728)
Profit before tax		467,826	435,547	480,474
Income tax expense	16	(70,362)	(68,035)	(69,706)
Profit for the year		397,464	367,512	410,768
Profit attributable to:				
Owners of the Company		386,964	355,970	395,150
Non-controlling interest		10,500	11,542	15,618
Profit for the year		397,464	367,512	410,768
Basic and diluted earnings per share (in EUR)	22	8.77	8.07	10.11

(*) Immaterial adjustment of comparative data – see note 2G regarding basis of preparation.

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

Consolidated Statement of Comprehensive Income

For the year ended December 31,

In EUR thousand	Note	2018	2017	2016
Profit for the year		397,464	367,512	410,768
Items that may be reclassified subsequently to profit or loss				
Hedging reserve classified to profit or loss, net of tax		10	-	5,275
Effective portion of changes in fair value of cash flow hedges	23	200	1,218	(512)
Related tax		(33)	60	53
Total other comprehensive income		177	1,278	4,816
Total comprehensive income for the year		397,641	368,790	415,584
Total comprehensive income attributable to:				
Owners of the Company		387,141	357,246	399,938
Non-controlling interests		10,500	11,544	15,646
Total comprehensive income for the year		397,641	368,790	415,584

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

Consolidated Statement of Cash Flows

For the year ended December 31,

In EUR thousand	Note	2018	2017	2016
Cash flows from operating activities				
Profit for the year		397,464	367,512	410,768
Adjustments for:				
Depreciation		527	452	356
Change in fair value of investment properties	5	(404,936)	(383,638)	(444,268)
Net finance costs	21	31,516	28,007	27,728
Income tax expense	16	70,362	68,035	69,706
Share-based payment		546	564	859
Change in short-term restricted bank deposits related to tenants		(1,624)	(4,727)	(2,883)
Change in long-term restricted bank deposits from condominium sales		(3,320)	(539) ^(*)	-
Change in trade receivables		(2,926)	(3,148)	1,116
Change in other receivables		2,427	(3,742)	976
Change in trading properties		13,585	12,830	15,007
Change in advances in respect of trading properties		-	-	(6,419)
Change in trade payables		4,623	1,408	1,509
Change in other payables		(156)	4,163	2,276
Income tax paid		(4,155)	(864)	(352)
Net cash from operating activities		103,933	86,313	76,379
Cash flows from investing activities				
Purchase of and CAPEX on investment properties	5	(117,118)	(189,182)	(116,839)
Advances paid for investment property purchase		-	(33,975)	(11,805)
Purchase of property and equipment		(1,182)	(795)	(784)
Interest received		143	3	29
Proceeds from disposal of investment properties		-	-	1,015
Acquisition of subsidiaries, net of acquired cash	3	(216,685)	(280,542)	(160,244)

For the year ended December 31,

In EUR thousand	Note	2018	2017	2016
Repayment of bank deposit		-	-	65,000
Change in short-term restricted bank deposits, net		808	9,992 ^(*)	(4,662)
Net cash used in investing activities		(334,034)	(494,499)	(228,290)
Cash flows from financing activities				
Proceeds from issuance of corporate bonds, net	13	-	396,185	-
Proceeds from issuance of convertible bonds, net	13	163,740	-	-
Long-term loans received	14	121,637	114,606	182,721
Repayment of long-term loans	14	(93,283)	(116,061) ^(*)	(158,300)
Proceeds from issuance of commercial papers	14	673,000	-	-
Repayment of commercial papers	14	(673,000)	-	-
Upfront fees paid for credit facilities	14	(1,377)	-	-
Repayment of short-term loans		(2,300)	(10,487) ^(*)	(13,088)
Interest paid		(24,873)	(18,103)	(18,762)
Compensation fee payments in respect of other financial liabilities	11	(537)	-	-
Payment from settlement of derivatives		(10)	-	(6,184)
Issuance of ordinary shares, net		-	-	292,975
Dividend distributed	12	(26,460)	(19,845)	(13,475)
Net cash from financing activities		136,537	346,295	265,887
Change in cash and cash equivalents during the year		(93,564)	(61,891)	113,976
Cash and cash equivalents at the beginning of the year		121,530	183,421	69,445
Cash and cash equivalents at the end of the year		27,966	121,530	183,421

(*) Immaterial adjustment of comparative data.

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

Consolidated Statement of Changes in Equity

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

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

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

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

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

In EUR thousand	Share capital	Share premium	Hedging reserves	Capital reserve from transactions with controlling shareholder	Retained earnings	Total	Non-controlling interests	Total equity
Balance as at January 1, 2016	-	206,600	(7,100)	339,277	246,739	785,516	8,913	794,429
Total comprehensive income for the year								
Profit for the year	-	-	-	-	395,150	395,150	15,618	410,768
Other comprehensive income for the year, net of tax	-	-	4,788	-	-	4,788	28	4,816
Total comprehensive income for the year	-	-	4,788	-	395,150	399,938	15,646	415,584
Transactions with owners, recognized directly in equity								
Issuance of ordinary shares, net	55	292,920	-	-	-	292,975	-	292,975
Changes in put option (see note 11)	-	-	-	(3,146)	-	(3,146)	-	(3,146)
Dividend distributed	-	-	-	-	(13,475)	(13,475)	-	(13,475)
Share-based payment (see note 20)	-	-	-	53	84	137	-	137
Balance as at December 31, 2016	55	499,520	(2,312)	336,184	628,498	1,461,945	24,559	1,486,504

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

Note 1 – ADO Properties S.A.

ADO Properties S.A. (the "Company") was incorporated on November 13, 2007 as a private limited liability company in Cyprus, and until June 8, 2015, its legal name was "Swallowbird Trading & Investments Limited". The Company holds and operates a mainly residential assets portfolio and sells units as a separate condominium in Berlin, Germany.

The Company deleted its registration in Cyprus and moved its registered office and central administration to Luxembourg by decision of the general meeting of shareholders dated June 8, 2015 and adopted the form of a private limited liability company (*société à responsabilité limitée*) under Luxembourg law. The Company was then converted to a public limited liability company (*société anonyme*) under Luxembourg law by decision of the general meeting of shareholders dated June 16, 2015 and changed its name to "ADO Properties S.A." (B-197554). The address of the Company's registered office is Aerogolf Center, 1B Heienhaff, L-1736 Senningerberg, Luxembourg.

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

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

The consolidated financial statements of the Company as at December 31, 2018 and for the year then ended comprise the Company and its subsidiaries (together referred to as the "Group").

Note 2 – Basis of Preparation

A. Statement of compliance

The consolidated financial statements as at and for the year ended December 31, 2018, have been prepared in ac-

cordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU").

The consolidated financial statements were authorized for issue by the Board of Directors on March 19, 2019.

B. Functional and presentation currency

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

C. Basis of measurement

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

D. Operating cycle

The Group has two operating cycles:

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

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

E. Use of estimates, judgments and fair value measurement

In preparing these consolidated financial statements, management has made judgments, estimates and assumptions that affect the application of the Group's accounting policies

and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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

Judgments and use of estimates

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

- **Note 16 – Uncertain tax positions (judgments)** The extent of the certainty that the Group's tax positions will be accepted (uncertain tax positions) and the risk of it incurring any additional tax and interest expenses. This is based on an analysis of a number of matters including interpretations of tax laws and the Group's past experience. New information may become available that causes the Group to change its judgment, resulting in recognition of additional income tax expense in the period that such a change in judgment occurs.
- **Note 16 – Regarding the utilization of losses carried forward (estimations)** Deferred tax assets are recognized in respect of tax losses carried forward when there is a high probability that in the future there will be taxable profits against which losses carried forward can be utilized. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Group to change its estimation regarding the utilization of existing tax assets; any such changes to deferred tax assets will impact tax income/expense in the period that such a change in estimate occurs.
- **Note 5 – Regarding fair value measurement of investment properties (estimations)** The fair value of investment properties as at December 31, 2018 was assessed by CBRE, an industry specialist that has appropriate and recognized professional qualifications and up-to-date experience regarding the location and category of the properties. The valuation includes assumptions regarding rent, vacancies, maintenance costs and discount rate. These assumptions are subject to uncer-

tainties that may lead to either positive or negative value adjustments in the future, impacting the profit or loss from changes in fair value of investment properties in the period that such a change in estimations occurs.

- **Note 23 – Regarding measurement of derivatives at fair value (estimation)** Derivative valuations are calculated by the financing bank and checked by management. The risk that derivatives will not be appropriately valued exists, since the Group needs to make judgments about the estimation of the credit risk used by the lending bank and about whether the bank used the appropriate market observation for the other variables. New information may become available that causes the Group to change its estimation, impacting the profit or loss from changes in fair value of derivatives in the period that such a change in estimations occurs.
- **Note 3 – Regarding acquisitions of companies holding real estate assets (judgment)** When buying a company holding real estate assets ("Property Company"), the Group exercises judgment to determine whether it is the purchase of a business or a group of assets and liabilities, for the purpose of determining the accounting treatment of the transaction. In determining whether a Property Company is a business, the Group examines, inter alia, the nature of existing processes in the Property Company, including the extent and nature of management, security, cleaning and maintenance services provided to tenants.
- **Note 17 – Regarding principle versus agent considerations (judgment)** The Group provides ancillary services to tenants, mainly utilities, for which it recharges the tenants. The Group uses judgment when it examines whether it acts as a principal or as an agent in providing the services to tenants. The Group examined the indicators in IFRS 15, mainly whether it is the primarily responsible for fulfilling the promise to perform the specific services and whether it has discretion in determining the price for the services. For charges with respect to utilities such as supply of cold water, draining, street cleaning etc., the Group believes that it is acting as an agent and such charges are recognized on a net basis. For other charges, such as cleaning, gardening and certain maintenance services, the Group believes that it is acting as a principal and accordingly they are recognized on a gross basis. Property tax and insurance are not within the scope of IFRS 15.

Determination of fair values

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

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

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

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

F. Changes in accounting policies

As from January 1, 2018 the Group applies the new standards and amendments to standards described below:

- IFRS 15 *Revenue from Contracts with Customers*

As from January 1, 2018 the Group initially applies International Financial Reporting Standard 15 ("IFRS 15" or "the standard"), which provides guidance on revenue recognition.

The Group elected to apply the standard using the cumulative effect approach with an adjustment to the balance of retained earnings as at January 1, 2018 and without a restatement of comparative data.

The standard introduces a new five-step model for recognizing revenue from contracts with customers:

- (1) Identifying the contract with the customer.
- (2) Identifying distinct performance obligations in the contract.
- (3) Determining the transaction price.
- (4) Allocating the transaction price to distinct performance

obligations.

(5) Recognizing revenue when the performance obligations are satisfied.

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

In the property rental and management sector, the Group provides management services to the tenants. In cases where the Group cannot direct the service transferred to the customer and it actually acts as an agent, the revenue is recognized on a net basis. In other cases, the revenue is recognized on a gross basis.

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

(1) Application of the cumulative effect approach only for contracts not yet completed at the transition date; and

(2) Examining the aggregate effect of contract changes that occurred before the date of initial application, instead of examining each change separately.

The application of IFRS 15 did not have a material effect on the financial statements of the Group.

- IFRS 9 (2014) *Financial Instruments*

As from the first quarter of 2018, the Group applies IFRS 9 (2014) *Financial Instruments* ("IFRS 9" or "the standard"), which replaces IAS 39 *Financial Instruments: Recognition and Measurement* ("IAS 39"). Furthermore, as from that date the Group applies the amendment to IFRS 9 *Financial Instruments: Prepayment Features with Negative Compensation*.

The Group has chosen to apply the standard and the amendment to the standard as from January 1, 2018 without amendment of the comparative data, other than where required by the standard with respect to certain hedging items, with an adjustment to the balance of retained earnings and other components of equity as at the date of initial application.

The application of IFRS 9 did not have a material effect on the financial statements of the Group.

- Amendment to IAS 40 *Investment Property: Transfers of Investment Property*

The amendment clarifies that an entity shall transfer property into, or out of, investment property only when there is evidence of a change in use. Change in use occurs when the property meets, or ceases to meet, the definition of investment property. The amendment clarifies that a change in management's intentions for the use of a property by itself does not constitute evidence of a change in use. The amendment also states that the list of evidence of change in use that is included in paragraph 57 of IAS 40 is a non-exhaustive list of examples.

The amendment is applied on a prospective basis.

The application of the amendment did not have a material effect on the consolidated financial statements, but may affect the classification of assets such that they will be classified as investment property or cease to be classified as investment property as a result of future changes in use.

G. Change in classification

The Group performed immaterial reclassifications in the comparative figures in order to align the classification in the comparative figures to the figures of the year ended December 31, 2018.

Note 3 – Basis of Consolidation

A. Consolidation methods

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

consolidated financial statements from the date on which control commences until the date on which control ceases.

In addition to the Company, 206 subsidiaries (2017: 195) have been included in these consolidated financial statements.

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

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

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

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

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

the non-controlling interests have access to the returns arising from the interests in the investee company.

B. Scope of consolidation

(1) On January 1, 2018, the Group carried out a transaction to take over 94.9% of the issued shares of three German entities holding one condominium building and three residential buildings located in Berlin, Germany, for a total consideration of EUR 17.4 million. As at the takeover date, the buildings included 102 residential units and 6 commercial units with a total leasable area of approximately 6.1 thousand m².

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

	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)
Less cash acquired	(134)
Net cash flow during the reporting period from the acquisition of subsidiaries	14,528

(1) The takeover of an additional residential building was completed during the reporting period for a total consideration of EUR 5.6 million. Consequently, an amount of EUR 1.6 million was reclassified from advances to investment properties in the condensed consolidated statement of financial position. The fair value of the building as at the takeover date was EUR 5.3 million, and it includes 33 residential units and

1 commercial unit with a total leasable area of approximately 2 thousand m².
(2) The fair value of the investment properties as at the takeover date was EUR 12.5 million. After the takeover of the additional building (see note 1 above), acquisition costs of EUR 0.5 million were recognized under changes in fair value of investment properties in the condensed consolidated profit or loss statement (approximately 3% of the total consideration).

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

(4) Other financial liabilities refers to a put option granted to the non-controlling interests (see note 11).

(2) On April 16, 2018, the Group carried out a transaction to take over 94% of the issued shares of a Dutch entity holding one residential building complex located in Berlin, Germany, for a total consideration of EUR 153.4 million (including approximately 2.3% transaction costs). As at the takeover date, the buildings included 832 residential units and 24 commercial units with a total leasable area of approximately 65.6 thousand m².

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⁾	(1,013)
Less cash acquired	(346)
Net cash flow during the reporting period from the acquisition of subsidiaries	152,081

(1) The fair value of the investment properties as at the takeover date was EUR 157 million, therefore acquisition costs of approximately EUR 3.6 million were recognized under changes in fair value of investment properties in the condensed consolidated profit or loss statement.

(2) Other financial liabilities refers to a put option granted to the non-controlling interests (see note 11).

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

(3) On May 1, 2018, the Group carried out a transaction to take over 94.9% of the issued shares of four German entities holding four residential buildings and one commercial building located in Berlin, Germany, for a total consideration of EUR 31.3 million (including approximately 2.9% transaction costs). As at the takeover date, the buildings included 51 residential units and 68 commercial units with a total leasable area of approximately 13.8 thousand m².

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

	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
Less cash acquired	(318)
Net cash flow during the reporting period from the acquisition of subsidiaries	31,014

(1) The fair value of the investment properties as at the takeover date was EUR 31.1 million, therefore acquisition costs of approximately EUR 0.9 million were recognized under changes in fair value of investment properties in the condensed consolidated profit or loss statement.

(2) Other financial liabilities refers to a put option granted to the non-controlling interests (see note 11).

(4) On October 1, 2018, the Group carried out a transaction to take over 94.9% of the issued shares of a German entity holding one commercial building located in Berlin, Germany, for a total consideration of EUR 19.6 million (including approximately 4.2% transaction costs). As at the takeover

date, the buildings included 19 commercial units with a total leasable area of approximately 6.0 thousand m².

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	343
Trade and other receivables	17
Investment properties ⁽¹⁾	19,668
Trade and other payables	(133)
Other financial liabilities ⁽²⁾	(280)
Total consideration	19,615
Consideration to be paid after the reporting period ⁽³⁾	(210)
Less cash acquired	(343)
Net cash flow during the reporting period from the acquisition of subsidiaries	19,062

(1) The fair value of the investment properties as at the takeover date was EUR 18.9 million, therefore acquisition costs of approximately EUR 0.8 million were recognized under changes in fair value of investment properties in the condensed consolidated profit or loss statement.

(2) Other financial liabilities refers to a put option granted to the non-controlling interests (see note 11).

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

Note 4 - Significant Accounting Policies

A. Investment properties

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

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

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

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

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

B. Trading properties

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

C. Restricted bank deposits

Restricted bank deposits consist of deposits in banks that the Group has pledged to secure banking facilities, depos-

its received from tenants, and restricted proceeds from condominium sales. The Group cannot use these deposits freely for operations. The basis of measurement of the restricted bank deposits is amortized cost.

D. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits in banks and short-term investments with an original term of up to three months. The basis of measurement of the cash and cash equivalents is amortized cost.

E. Financial instruments

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

Initial recognition and measurement of financial assets

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

Derecognition of financial assets

Financial assets are derecognized when the contractual rights of the Group to the cash flows from the asset expire, or the Group transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. When the Group retains substantially all of the risks and rewards of ownership of the financial asset, it continues to recognize the financial asset.

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

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

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

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

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

All financial assets not classified as measured at amortized cost as described above, as well as financial assets designated at fair value through profit or loss, are measured at fair value through profit or loss. On initial recognition, the Group designates financial assets at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

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

Assessment whether cash flows are solely payments of principal and interest

For the purpose of assessing whether the cash flows are solely payments of principal and interest, 'principal' is defined as

the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin.

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

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

Subsequent measurement and gains and losses

Financial assets at fair value through profit or loss

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

Financial assets at amortized cost

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

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

The Group's non-derivative financial assets are receivables. The Group initially recognizes receivables on the date that they originated. All other financial assets are recognized ini-

tially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

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

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

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

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

(3) Non-derivative financial liabilities

Non-derivative financial liabilities include bonds, loans and borrowings from banks and others, trade and other payables. The Group initially recognizes financial liabilities on the trade date when the Group becomes a party to the contractual provisions of the instrument. The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

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

An exchange of debt instruments having substantially different terms between an existing borrower and lender is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability at

fair value. In such cases, the entire difference between the amortized cost of the original financial liability and the fair value of the new financial liability is recognized in profit or loss as financing income or expense.

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

The accounting policy with regard to non-derivative financial liabilities in 2018 is similar to the accounting policy in 2017.

(4) Share capital – ordinary shares

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

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

(5) Derivative financial instruments, including hedge accounting

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

Cash flow hedges

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

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

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

The accounting policy applied in the comparative information presented for 2017 and 2016 is similar to that applied for 2018. For cash flow hedges that were terminated before 2016, the change in fair value that is attributed to the forward element was recognized immediately in profit or loss.

Other derivatives

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

(6) Hybrid financial instruments (convertible bond)

Liabilities that are convertible into shares at the option of the holder, including a cash settlement option in favor of the Group, are a hybrid instrument (combined) that is fully presented as a financial liability.

The instrument is split into two components for measurement purposes: a liability component without a conversion feature that is measured at amortized cost according to the effective interest method, and a conversion option that is an embedded derivative and is measured at fair value at each reporting date.

Separable embedded derivatives that do not serve hedging purposes

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

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

F. Impairment**(1) Non-derivative financial assets – policy applicable as from January 1, 2018****Financial assets**

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

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

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

assessment, and it includes forward looking information.

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

The Group considers a financial asset to be in default when:

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

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

Measurement of expected credit losses

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

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortized cost are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes a breach of contract such as a default or payments being past due.

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

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

Write-off

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

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

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

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

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

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

(3) Non-financial assets

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

G. Provisions

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

The Group recognizes indemnification as an asset if, and only if, it is virtually certain that the indemnification will be received if the Group will settle the obligation. The amount recognized for the indemnification does not exceed the amount of the provision. Provisions are measured on the basis of discounted expected future cash flows.

H. Employee benefits

Share-based payment transactions

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

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

Share-based payment arrangements in which equity instruments are granted by the parent company to the employees

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

I. Revenue recognition

Policy applicable as from January 1, 2018

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

Identifying the contract

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

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

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

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

Determining the transaction price

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

Satisfaction of performance obligations

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

Principal or agent

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

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

discretion in setting the prices of the goods or services.

Policy applicable before January 1, 2018

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

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

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

J. Finance income and costs

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

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

In the statements of cash flows, interest received is presented as part of cash flows from investing activities. Inter-

est paid and dividends paid are presented as part of cash flows from financing activities.

K. Taxation

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

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

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

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

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

A deferred tax asset is recognized for unused tax losses, tax benefits and deductible temporary differences, to the

extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

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

L. Earnings per share

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

M. New standards and interpretations not yet adopted

• IFRS 16 *Leases*

IFRS 16 replaces IAS 17 *Leases and its related interpretations*. The standard's instructions annul the existing requirement from lessees to classify leases as operating or finance leases. Instead of this, for lessees, the new standard presents a unified model for the accounting treatment of all leases according to which the lessee has to recognize a right-of-use asset and a lease liability in its financial statements. Nonetheless, IFRS 16 includes two exceptions to the general model whereby a lessee may elect to not apply the requirements for recognizing a right-of-use asset and a liability with respect to short-term leases of up to one year and/or leases where the underlying asset has a low value.

In addition, IFRS 16 permits the lessee to apply the definition of the term lease according to one of the following two alternatives consistently for all leases: retrospective application for all the lease agreements, which means reassessing the existence of a lease for each separate contract, or alternatively to apply a practical expedient that permits continuing with the assessment made regarding existence of a lease based on the guidance in IAS 17 *Leases*, and IFRIC 4 *Determining whether an Arrangement contains a Lease*, with respect to leases entered into before the date of initial application. Furthermore, the standard determines new and expanded disclosure requirements from those required at present.

IFRS 16 is applicable for annual periods as of January 1, 2019.

The Group plans to adopt IFRS 16 as from January 1, 2019 using the cumulative effect method, with an adjustment to the balance of retained earnings as at January 1, 2019.

IFRS 16 includes various alternative transitional provisions, so that companies can choose between one of the two alternatives at initial application: full retrospective application or recognizing a cumulative effect, which means application (with the possibility of certain practical expedients) as from the mandatory effective date with an adjustment to the balance of retained earnings at that date.

The Group examined the effects of adopting IFRS 16 on the financial statements, and in its opinion, the expected effect on the financial statements will be an increase of approximately EUR 1,250 thousand in total liabilities and in total assets

IFRIC 23 *Uncertainty Over Income Tax Treatments*

IFRIC 23 clarifies how to apply the recognition and measurement requirements of IAS 12 for uncertainties in income taxes.

The new standard is effective for annual reporting periods beginning on or after January 1, 2019. The interpretation includes two alternatives for applying the transitional provisions, so that companies can choose between retrospective application or prospective application as from the first reporting period in which the entity initially applied the interpretation.

The Group has examined the effects of applying IFRIC 23, and in its opinion, the effect on the financial statements will be immaterial.

IFRS 3 *Business Combinations*

The Amendment clarifies whether a transaction to acquire an operation is the acquisition of a "business" or an asset. For the purpose of this examination, the Amendment added an optional concentration test so that if substantially all of the fair value of the acquired assets is concentrated in a single identifiable asset or a group of similar identifiable assets, the acquisition will be of an asset. In addition, the minimum requirements for definition as a business have been clarified, such as for example the requirement that the acquired processes be substantive so that in order for it to be a business, the operation shall include at least one input element and one substantive process, which together significantly contribute to the ability to create outputs. Furthermore, the Amendment narrows the reference to the outputs element required in order to meet the definition of a business and added examples illustrating the aforesaid examination.

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

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

Note 5 – Investment Properties

A. Reconciliation of carrying amount

In EUR thousand	December 31, 2018	December 31, 2017
Balance as at January 1	3,271,298	2,278,935
Additions by way of acquiring subsidiaries (see note 3B)	229,077	411,539
Additions by way of acquiring assets	87,150	169,895
Capital expenditure	51,562	31,021
Transfer from investment properties to trading properties	-	(3,730)
Fair value adjustments	404,936	383,638
Balance as at December 31	4,044,023	3,271,298

As at December 31, 2018, the closing balance of investment properties consisted of 22,067 (2017: 20,421) residential units with a total residential lettable area of 1,454,255 (2017: 1,343,786) m², 1,450 (2017: 1,309) commercial units (retail, office and other commercial) with a total commercial lettable area of 171,199 (2017: 149,748) m² and 5,401 (2017: 5,464) parking spaces and spaces for storage, antennas, etc., all in Berlin.

According to German law, residential rental contracts are unlimited in their duration or lease period. The tenants have the sole right to terminate the contract with three months' notice in writing. According to German law, the owner can terminate the residential contract only if the owner has a "justified cause" such as if the tenant is in default for more than two months' rent. The termination or cancellation of the contract must be in writing. Contracts are denominated in euro. Tenants are generally required to pay a rental deposit of three months' "cold" rent or to provide a bank guarantee in the same amount at the inception of any lease contract. Further, they are requested to pay rent, facility management, utilities and heating prepayments for a one month period in advance. The right to increase the rent is subject to German law and can be further defined in the lease contract (e.g. index rent or stepped rent). Rent prices are set according to the market prices or upon a given

price index that is dependent on property characteristics ("Mietspiegel"). The latter is also available for the Berlin residential market.

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

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

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

paid (existing lease) or the newly agreed rent (new lease) by more than 10% above the local comparable rent.

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

As at December 31, 2018, approximately 8.3% of the residential units were subject to rent restrictions ("Cost Rent").

B. Measurement of fair value

(1) Fair value hierarchy

The fair value of investment properties was determined by the valuation expert CBRE, an industry specialist with appropriate and recognized professional qualifications and up-to-date experience regarding the location and category of the properties. According to the Group's fair value valuation policies for investment properties, invest-

ment properties generally undergo a detailed valuation as at June 30 and December 31 of each year.

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

(2) Valuation technique and significant unobservable inputs

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

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

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

December 31, 2017	Central	S-Bahn ring	S-Bahn ring (1960-1990)	City ring	City ring (1960-1990)	Total
Fair value (EUR thousand)	1,249,758	408,910	432,550	240,300	939,780	3,271,298
Value per m ² (EUR)	2,669	2,355	2,171	2,378	1,699	2,187
Avg. residential in-place rent (EUR/m ²)	6.92	6.64	6.85	7.09	5.72	6.42
CBRE market rent (EUR/m ²)	8.81	8.54	7.52	8.40	6.61	7.71
Avg. new letting rent (EUR/m ²)	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%

(3) Sensitivity analysis

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

December 31, 2018	Change in parameters	Change in values In EUR thousand	Change in values %
Valuation parameters			
Avg. new letting rent (EUR/m ²)	+10%	277,967	6.8%
Vacancy rate (%)	+1%	(48,181)	(1.2%)
Discount and capitalization rate (%)	25bps	(341,351)	(8.3%)

December 31, 2017	Change in parameters	Change in values In EUR thousand	Change in values %
Valuation parameters			
Avg. new letting rent (EUR/m ²)	+10%	316,999	9.5%
Vacancy rate (%)	+1%	(38,261)	(1.2%)
Discount and capitalization rate (%)	25bps	(261,270)	(7.9%)

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

C. Amounts that were recognized in the consolidated statement of profit or loss

In EUR thousand	For the year ended December 31,		
	2018	2017	2016
Rental income from investment property	127,982	103,300	84,673
Direct operating expenses arising from investment property that generated rental income during the period	(20,736)	(15,551)	(11,790) ^(*)
Total	107,246	87,749	72,883

(*) Immaterial adjustment of comparative data – see note 2G regarding basis of preparation.

Note 6 – Trading Properties

During the reporting period, the Group completed the sale of 66 condominium units for a total consideration of EUR 20,265 thousand (2017: 84 units for EUR 19,671 thousand).

During the period, the Group acquired an entity holding a condominium building with 24 residential units and 2 commercial units in Berlin at a total cost of EUR 5.7 million. See note 3B for more information regarding newly acquired trading properties during the period.

Note 7 – Restricted Bank Deposits

As at December 31, 2018 and December 31, 2017, the restricted bank deposits are denominated in euro and they carry no interest.

The balance as at December 31, 2018 includes EUR 23,250 thousand of pledged bank deposits received from tenants (December 31, 2017: EUR 21,503 thousand), EUR 1,501 thousand pledged to secure banking facilities (December 31, 2017: EUR 2,310 thousand) and EUR 3,860 thousand of restricted proceeds from condominium sales (December 31, 2017: EUR 539 thousand).

Note 8 – Trade Receivables

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

In EUR thousand	December 31, 2018		
	Gross carrying amount	Provision for impairment	Credit-impaired financial asset
Not past due	7,896	-	7,896
0-30 days past due	1,724	(187)	1,537
31-180 days past due	3,713	(680)	3,033
180 days to one year past due	2,211	(1,490)	721
More than one year past due	5,566	(5,440)	126
Total	21,110	(7,797)	13,313

In EUR thousand	December 31, 2017		
	Gross	Impairment	Total
Not past due	5,138	-	5,138
0-30 days past due	1,206	(128)	1,078
31-180 days past due	3,718	(908)	2,810
180 days to one year past due	1,905	(1,211)	694
More than one year past due	4,672	(4,068)	604
Total	16,639	(6,315)	10,324

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

B. Impairment losses on trade receivables changed as follows:

In EUR thousand	2018	2017
Balance as at January 1	(6,315)	(5,020)
Additions	(3,194)	(3,167)
Reversals	1,541	1,204
Write off of irrecoverable debts	171	668
Balance as at December 31	(7,797)	(6,315)

Note 9 – Other Receivables

In EUR thousand	December 31,	
	2018	2017
Advance to suppliers	1,244	745
Prepaid expenses	655	260
VAT	728	638
Parent company (ADO Group) (see note 26)	280	-
Others	392	3,588
Total	3,299	5,231

Note 10 – Cash and Cash Equivalents

As at December 31, 2018 and December 31, 2017, cash and cash equivalents include cash on hand and demand deposits denominated in euro and free from any restrictions.

Note 11 – Other Financial Liabilities

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

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

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

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

In EUR thousand	December 31,	
	2018	2017
Current liabilities		
Compensation fee	1,535	867
Non-current liabilities		
Compensation fee	1,766	772
Put option	38,726	26,466
Total	42,027	28,105

Note 12 – Equity

A. Share capital and share premium

	Ordinary shares (in thousands of shares)	
	2018	2017
In issue as at January 1	44,100	44,100
Share issuance under the LTI plan (1)	31	-
In issue as at December 31	44,131	44,100

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

(1) On December 14, 2018, based on the Long Term Incentive plan (see note 20) the Company issued 30,757 shares without nominal value to Mr. Shlomo Zohar, the former acting vice chairman of the Company's Board of Directors.

(2) A dividend in the amount of EUR 26.5 million (EUR 0.60 per share) was paid based on a decision of the Annual General Meeting which took place on June 19, 2018. The ex-dividend date was June 18, 2018.

B. Hedging reserve

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

C. Capital reserve from transactions with controlling shareholder

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

Note 13 – Corporate Bonds and Convertible Bonds

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

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

redemption, the 10th business day prior to the date fixed for redemption. The coupon has been set at 1.25% p.a. (effective interest rate of 1.34%), payable semi-annually in arrear. The bonds will mature on November 23, 2023.

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

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

	In EUR thousand
Proceeds from issuance of convertible bonds	165,000
Transaction costs	(1,297)
Net proceeds	163,703
Amount initially classified as derivative, measured at fair value	(9,743)
Transaction costs allocated to the derivative component	76
Amount initially classified as liability, measured at amortized cost	154,036

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

As at December 31, 2018, the Company is fully compliant with all covenant requirements.

Note 14 – Other Loans and Borrowings

In EUR thousand	December 31, 2018		December 31, 2017	
	Non-current	Current	Non-current	Current
Loans from banks	993,809	17,064	932,345	72,768
Other creditors	47,100	-	21,610	-
Total	1,040,909	17,064	953,955	72,768

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

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

C. Re-pricing on the variable interest loans is done on a quarterly basis. As at December 31, 2018 other loans and borrowings carry an average effective interest rate (i.e. considering the swap interest hedge deals from variable to fixed) of 1.8% per annum (as at December 31, 2017: 1.9%). The average maturity of other loans and borrowings is 4 years (as at December 31, 2017: 5 years).

D. On March 22, 2018, the Group received a bank loan in the amount of EUR 7.7 million to finance existing assets. The new loan carries an annual fixed interest rate of 1.49% per annum for a 7-year term.

E. On September 27, 2018, the Group repaid a bank loan in the amount of EUR 51.9 million with an average effective interest rate of 3.16% per annum.

F. On November 11, 2018, the Group issued unsecured Schuldscheindarlehen in a total amount of EUR 24.5 million, with tenors of five to ten years, including fixed and floating rate tranches. The fixed-rate tranches were issued subject to an interest rate of between 2.05% and 3.15%, and the floating rate tranche carries an interest rate of 6-months-EURIBOR + 1.7%.

G. On December 10, 2018, the Group received a bank loan in the amount of EUR 90 million, secured with the existing

collateral from the Carlos portfolio. The new loan carries an annual fixed interest rate of 1.12% and will mature on March 31, 2022, similar to the existing bank loan.

H. On December 27, 2018, the Group repaid a bank loan in the amount of EUR 15 million with an average effective interest rate of 1.80% per annum. Consequently, an amount of EUR 0.1 million was recognized as one-off refinance costs in profit or loss.

I. At the end of December 2018, under the existing loan agreements, the Group is fully compliant with its obligations (including loan covenants) to the financing banks.

J. On March 9, 2018, the Group signed a EUR 200 million revolving credit facility agreement with a 2-year term and two extension options, each for one year. The relating upfront fees were recognized under deferred expenses in the statement of financial position and will be amortized over four years. During the reporting period, the Group drew down an amount of EUR 10 million from the revolving credit facility. As at December 31, 2018 this amount was paid back in full.

K. During the reporting period, the Group set up a commercial paper program with a maximum volume of EUR 500 million, which allows funds with a maximum term of 364 days to be raised at short notice. As at December 31, 2018 all of the commercial papers were paid back in full.

L. On November 8, 2018, the Group entered into a EUR 50 million bilateral credit facility agreement, maturing on December 30, 2019, and carrying an interest rate of 1 or 3-months-EURIBOR + a margin of between 1.00% and 2.25%, depending on the number of months elapsed after signing the agreement. As at December 31, 2018 the bilateral credit facility was terminated.

M. On October 11, 2018, Moody's downgraded the Company's long-term issuer rating to Baa3 from Baa2 and the short-term rating to P-3 from P-2. All ratings have been placed on review for further downgrade. On November 8, 2018, Moody's announced that the recent financing activities of the Company substantially reduce the likelihood of multi-notch downgrades.

Note 15 - Other Payables

In EUR thousand	December 31,	
	2018	2017
Accrued expenses	3,061	2,799
Accrued interest payable	3,172	3,488
Tenants' deposits	23,260	21,513
Parent company (ADO Group) (see note 26)	5	42
Deferred income	2,503	1,896
Corporate tax	3,416	2,197
VAT	1,068	2,171
Other	1,306	1,370
Total	37,790	35,476

Note 16 - Taxes

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

(1) Germany

- The standard rate of corporation tax for both residents and non-residents is 15%. A "solidarity surcharge" is also levied resulting in an effective rate of 15.825% which applies to companies which hold German property regardless of their residence. Trade tax at the relevant rate (trade tax rate depends on the municipality of the company) is also levied on the income of the companies, except for non-residents with no permanent establishment in Germany or if the companies'

business purpose is restricted to the holding and letting of real estate property (property holding companies). Dividends received from another company are 95% tax exempt when the investment in the other company is at least 10% at the beginning of the calendar year or the investment was increased by 10% during the year.

- No tax is withheld on rental payments to non-resident companies holding German property.
- Capital gains on the sale of German property are subject to corporation tax at the standard rate for both residents and non-residents. Trade tax is also applicable at the relevant rate, except for non-residents with no permanent establishment in Germany or for property holding companies as long as the sale of the asset is classified as part of that business (detailed and strict regulations apply). Capital gains realized by a company on the sale of shares in a property holding company are 95% tax exempt.
- German real estate owned at the start of the calendar year is subject to annual property tax at 0.2% to 3.4% (depending on the location of the property, 2.8% for Berlin) on the specially assessed value of the property (dependent on the rental value and age of the property). The tax payable is a deductible expense for profit tax purposes such as trade tax and corporation tax.
- The transfer of German real estate or a share transaction that unifies at least 95% of the shares of a company holding a real estate property is subject to a real estate transfer tax (RETT), which is payable by the buyer on the purchase price (on transfer of the property) or a specially assessed value as above (on transfer of shares). The tax rate varies between 3.5% and 6.5%, depending on the municipality where the property is located. In Berlin the tax rate is 6%.
- Limitation on the tax deductibility of interest expenses, and simultaneous repeal of the existing thin-capitalization rules. The "interest barrier rule" allows the deduction of net interest expenses exceeding EUR 3 million p.a. only to the extent that total net interest expenses do not exceed 30% of the EBITDA, unless the total net interest does not exceed EUR 3 million p.a. or other exemption criteria are met. The net interest expenses that are not deductible can be carried forward.
- Accumulated tax losses can be carried forward without time restriction and can be deducted from future profits and capital gains unless they exceed EUR 1 million. Losses carried forward that exceed EUR 1 million can

only be deducted to the amount of 60% of the profits/capital gains that exceed EUR 1 million (minimum taxation). Those parts that cannot be deducted on the basis of the minimum taxation can be carried forward again and are subject to minimum taxation in the following years.

The corporation tax rate used to calculate deferred tax assets and deferred tax liabilities as at December 31, 2018 and as at December 31, 2017 is 15.825% for the property holding companies which only hold real estate assets and 30.18% for the management companies that operate the real estate in Berlin, as these management companies are subject to corporate income tax of 15.825% and trade tax at the relevant rate.

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

(2) Luxembourg

- The Company is liable for Luxembourg corporation taxes. The aggregate maximum applicable rate, including corporate income tax, municipal business tax and a contribution to the employment fund, is 26.01% for the fiscal year ending 2018 for a company established in Luxembourg City.
- The Company is fully subject to the annual net wealth tax charge which amounts to 0.5% of the net asset value of the Company. Certain assets might be excluded from the net asset value for the purposes of the net wealth tax computation, provided that the provisions of paragraph 60 of the valuation law of October 16, 1934, as amended (BewG), are met.

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

(3) Ireland

- An Irish tax resident company is subject to corporation tax on its worldwide income (subject to any relevant exemptions) at either 12.5% or 25% depending on the activities undertaken by the company. Any capital gains recognized by an Irish company (subject to any relevant exemptions) will also be subject to corporation tax. However, such gains are re-grossed for corporation tax purposes to ensure they are taxed at the capital gains tax rate of 33%.
- Dividends received by an Irish resident company from another Irish resident company are exempt from corporation tax. Dividends received from a foreign company in the hands of an Irish resident company are subject to corporation tax; however, a credit should be available for underlying corporate and withholding tax generally for foreign tax paid.
- In general, with respect to non-resident companies, interest and patent royalties which are derived from Ireland are subject to withholding tax in Ireland at the rate of 20%. However, there are a number of domestic exemptions from this withholding tax. In addition, there may be exemptions or reliefs available under a treaty or under the EU directives.

B. Income taxes:

In EUR thousand	For the year ended December 31,		
	2018	2017	2016
Current year	(3,562)	(2,026)	(1,288)
Adjustments for prior years	(1,894)	(179)	(195)
Deferred tax expense	(64,906)	(65,830)	(68,223)
Total	(70,362)	(68,035)	(69,706)

C. Reconciliation of statutory to effective tax rate

For the year ended December 31,

In EUR thousand	2018	2017	2016
Statutory income tax rate	26.01%	27.08%	29.22%
Profit before taxes	467,826	435,547	480,474
Tax using the Company's domestic tax rate	121,682	117,946	140,395
Non-deductible expense	142	152	155
Utilization of tax losses from prior years for which deferred taxes were not created	(7,598)	(1,413)	(3,874)
Effect of tax rates in foreign jurisdictions	(49,457)	(49,033)	(65,235)
Deferred tax assets not recognized for tax losses and other timing differences	14,227	7,296	2,765
Inter-company transaction effect	(10,528)	(7,092)	(4,686)
Adjustments for prior years	1,894	179	195
Other differences, net	-	-	(9)
Income tax expenses	70,362	68,035	69,706

D. Recognized deferred tax assets and liabilities

Deferred taxes recognized are attributable to the following:

December 31,

In EUR thousand	2018	2017
Assets		
Derivatives	185	216
Convertible bonds	732	-
Tax losses carried forward	12,057	13,377
	12,974	13,593
Liabilities		
Investment properties	(259,503)	(194,286)
Trading properties	(1,853)	(2,750)
	(261,356)	(197,036)
Net tax liabilities	(248,382)	(183,443)

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

In EUR thousand	Investment properties	Trading properties	Derivatives	Convertible bonds	Tax losses	Total
Balance as at January 1, 2017	(125,273)	(1,311)	156	-	8,755	(117,673)
Changes recognized in profit or loss	(69,013)	(1,439)	-	-	4,622	(65,830)
Changes recognized in equity or other comprehensive income	-	-	60	-	-	60
Balance as at December 31, 2017	(194,286)	(2,750)	216	-	13,377	(183,443)
Changes recognized in profit or loss	(65,217)	897	2	732	(1,320)	(64,906)
Changes recognized in equity or other comprehensive income	-	-	(33)	-	-	(33)
Balance as at December 31, 2018	(259,503)	(1,853)	185	732	12,057	(248,382)

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

Tax losses carried forward amounted to EUR 70,277 thousand at December 31, 2018 (2017: EUR 84,793 thousand). Tax losses can be carried forward indefinitely.

December 31, 2018 (2017: EUR 3,158 thousand) in respect of losses carried forward amounting to EUR 38,324 thousand as at December 31, 2018 (2017: EUR 19,955 thousand) that can be carried forward against future taxable income due to its expectation for their utilization.

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

Deferred tax assets are recognized for tax losses carried forward to the extent that the realization of the related tax benefit through future taxable profits is probable. The Group did not recognize deferred tax assets of EUR 6,065 thousand as at

Note 17 - Revenue

For the year ended December 31,

In EUR thousand	2018	2017	2016
Net rental income	127,982	103,300	84,673
Selling of condominiums	20,265	19,671	19,965
Income from facility services	6,606	5,881	5,137
Total	154,853	128,852	109,775

Note 18 - Cost of Operations

For the year ended December 31,

In EUR thousand	2018	2017	2016
Salaries and other expenses ^(*)	10,320	7,995	6,873
Cost of utilities recharged, net	1,843	1,409	271
Selling of condominiums – cost	15,817	15,760	16,726
Property operations and maintenance	14,016	11,010	8,726 ^(**)
Total	41,996	36,174	32,596

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

(**) Immaterial adjustment of comparative data – see note 2G regarding basis of preparation.

Note 19 - General and Administrative Expenses

For the year ended December 31,

In EUR thousand	2018	2017	2016
Salaries and related expenses (A)	3,671	2,605	2,472
Share-based payment	376	387	682
Directors fee (B)	887	714	661
Rent	1,056	1,015	1,027 ^(*)
Professional services	6,952	3,417	3,081
Traveling	331	188	312
Office, communication and IT expenses	1,459	1,284	996
Advertising and marketing	601	438	404
Impairment loss on trade receivables	1,646	1,900	1,799
Depreciation	450	452	356
Services from parent company (see note 26)	46	64	75
Others	976	298	1,380
Total	18,451	12,762	13,245

(*) Immaterial adjustment of comparative data – see note 2G regarding basis of preparation.

A. As at December 31, 2018, the Group has 354 full-time employees (2017: 295, 2016: 247). On an annual average 327 people (2017: 271, 2016: 237) were employed.

B. On November 14, 2018, Mr. Shlomo Zohar, a director and the former acting vice chairman of the Company's Board of Directors, submitted his resignation letter to the Company, with such resignation to take effect on December 15, 2018. On November 29, 2018 the Company and Mr. Zohar signed a mutual termination agreement. According to the agreement, upon Mr. Zohar's resignation, he was entitled to receive an amount of EUR 420 thousand, to be settled in cash (EUR 141 thousand for the period between January 1, 2018 until December 15, 2018 and the rest as termination fees). The Company recognized the full amount as an expense in General and Administrative Expenses. As at December 31, 2018, the Company paid Mr. Zohar the full termination amount in cash. On December 14, 2018, based on the Long Term Incentive plan the Company issued 30,757 shares free of charge to Mr. Zohar.

Note 20 - Share-based Payment

Under the Long Term Incentive plan ("LTI"), the Company's management has the possibility to receive together each year shares equating a total volume of EUR 771,000 assuming maximum LTI-Target Achievement divided by the average trading price of the Company's shares. The LTI shall depend on the achievement of certain individual targets and the relevant weighting of each of such LTI-Targets in relation to the other applicable targets over the service agreement period starting at the commencement of each fiscal year (the "LTI-Period"). The LTI-Targets shall be composed of (i) the development of the net asset value ("NAV") per share as being targeted by the Board (weighting of 50%) and (ii) the development of the Company's share price in relation to the EPRA GERMANY index (weighting of 50%), both LTI-Targets measured over the duration of the LTI-Period. The fair value was measured at the grant date for the first year using the Monte-Carlo simulation considering the following: (i) the NAV Target was estimated at 100%; (ii) the expected EPRA Target was estimated at approximately 108%. During the reporting period, the Company recognized a total expense of EUR 546 thousand (2017: EUR 554 thousand) against retained earnings.

Note 21 - Net Finance Costs

For the year ended December 31,

In EUR thousand	2018	2017	2016
Interest received on bank deposits	143	3	29
Change in fair value of other financial asset	1,256	1,599	1,943
Total finance income	1,399	1,602	1,972
Interest on bonds	(6,927)	(2,824)	-
Change in fair value of derivative component of convertible bond	(3,896)	-	-
Interest on other loans and borrowings	(19,214)	(18,279)	(18,526)
One-off refinance costs	(613)	(6,741)	(9,465)
Other finance expenses	(2,265)	(1,765)	(1,709)
Total finance costs	(32,915)	(29,609)	(29,700)
Total net finance costs	(31,516)	(28,007)	(27,728)

Note 22 - Earnings per Share

A. Basic and diluted earnings per share

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

(1) Earnings attributable to the owners of the Company (basic)

In EUR thousand	For the year ended December 31,		
	2018	2017	2016
Profit attributable to the owners of the Company	386,964	355,970	395,150

(2) Weighted average number of ordinary shares

Thousands of shares	For the year ended December 31,		
	2018	2017	2016
Balance as at January 1	44,100	44,100	35,000
Effect of issuance of regular shares	1	-	4,083
Weighted average number of shares	44,101	44,100	39,083

In EUR	For the year ended December 31,		
	2018	2017	2016
Basic and diluted earnings per share^(*)	8.77	8.07	10.11

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

Note 23 - Financial Instruments

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

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

A. Credit risk:

The Group is exposed to a default risk resulting from the potential failure of a counterparty to fulfill its part of the contract. In

order to minimize risks, financial transactions are only executed with creditworthy third parties. The maximum credit risk is the carrying amount of the financial assets as reported in the statement of financial position. The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The revenue of the Company is primarily driven by rental income from more than 20,000 tenants. Accordingly, the Group does not bare any concentration credit risk.

Cash and cash equivalents

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

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

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

In EUR thousand	December 31,	
	2018	2017
Cash and cash equivalents in banks and financial institutions:		
Rated A+	1,643	80,466
Rated AA-	3,646	119
Rated A-	21,097	20,494
Rated BBB-	916	9,145
Other	664	11,306
	27,966	121,530

Assessment of expected credit losses for individual customers

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

B. Market risk:

The Group is exposed to the risk of changes in market interest rates as a result of floating rate debt as well as new and follow-on loans. Loans obtained at variable rates expose the Group to cash flow interest rate risk, which could have adverse effects on the Group's profit or loss or financial position. Changes in interest rates may cause variations in interest expense on interest-bearing assets and liabilities. The Group's management reviews the need to enter into derivative transactions to manage the interest rate risk arising from the Group's operations and its sources of finance. The following table sets out the carrying amount of the Group's financial instruments that are exposed to interest rate risk:

In EUR thousand	December 31,	
	2018	2017
Fixed rate instruments		
Financial assets	56,577	145,882
Financial liabilities	1,622,768	1,409,761
Variable rate instruments		
Financial liabilities	76,895	83,460

On the basis of the valuation as at December 31, 2018, the Group performed a sensitivity analysis to determine the change in profit and loss given a parallel shift in the interest rate structure:

	Change in interest basis points	Effect on the profit before tax EUR thousand
December 31, 2018		
Variable rate instruments	+50	(12)
December 31, 2017		
Variable rate instruments	+50	(14)

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

C. Liquidity risk:

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

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

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

December 31, 2018

In EUR thousand	Carrying amount	Contractual cash flows	2019	2020	2021	Due after 5 years
Corporate bonds	396,899	436,000	6,000	6,000	6,000	418,000
Convertible bonds	154,252	175,314	2,063	2,063	2,063	169,125
Other loans and borrowings	1,057,973	1,133,308	34,875	82,321	141,306	874,806
Other financial liabilities	42,027	42,027	1,535	768	561	39,163
Trade payables	18,497	18,497	18,497	-	-	-
Tenants' security deposits	23,260	23,260	23,260	-	-	-
Other payables	6,755	6,755	6,755	-	-	-
Derivatives(*)	2,776	2,969	92	220	378	2,279
Total	1,702,439	1,838,130	93,077	91,372	150,308	1,503,373

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

December 31, 2017

In EUR thousand	Carrying amount	Contractual cash flows	2018	2019	2020	Due after 5 years
Bonds	396,396	442,000	6,000	6,000	6,000	424,000
Other loans and borrowings	1,026,723	1,114,407	90,854	46,484	79,020	898,049
Other financial liabilities	28,105	28,105	867	328	325	26,585
Trade payables	13,642	13,642	13,642	-	-	-
Tenants' security deposits	21,513	21,513	21,513	-	-	-
Other payables	6,842	6,842	6,842	-	-	-
Derivatives	2,985	3,242	264	135	230	2,613
Total	1,496,206	1,629,751	139,982	52,947	85,575	1,351,247

D. Fair value:

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

The carrying amounts of certain financial assets and liabilities, including cash and cash equivalents, trade and other receivables, restricted and other bank deposits and trade

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

December 31, 2018

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

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

December 31, 2017

In EUR thousand	Carrying amount	Level 1	Fair value Level 2	Level 3
Liabilities:				
Corporate bonds	396,396	404,056	-	-
Variable rate loans and borrowings ^(*)	83,460	-	-	85,751
Fixed rate loans and borrowings ^(*)	943,263	-	-	944,092
Total	1,423,119	404,056	-	1,029,843

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

Fair value for liabilities is estimated by discounting future cash flows by the market interest rate on the date of measurement. In respect of the liability component of convertible bonds, the market rate of interest is determined by bid and ask quotes in the market. The market interest rates used to determine the fair value of other loans and borrowings are the discount rate of Euribor+1.2% for the variable interest bank loans (2017: Euribor+1.2%) and the discount rate of 1.12% for the fixed interest bank loans (2017: 1.73%).

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

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

In EUR thousand	December 31, 2018		December 31, 2017	
	Level 2	Level 3	Level 2	Level 3
Other financial asset (a)	-	6,615	-	5,359
Derivative financial liabilities (b)	16,339	-	2,985	-
Other financial liabilities (c)	-	42,027	-	28,105

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

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

The fair value of the derivative component of convertible bonds is determined by an external valuer, calculated by ref-

erence to the market terms of similar convertible securities.

(c) Other financial liabilities relate to a put option and an annual compensation fee granted to ADO Group (see note 11) measured at fair value. The fair value is calculated based on the expected payment amounts and the liability is discounted to present value using the market interest rate at the reporting date.

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

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

In EUR thousand	2017	
	Other financial asset	Other financial liabilities
Balance as at January 1, 2017	3,760	15,137
Fair value adjustment	1,599	4,520
New acquisitions	-	8,488
Dividend payment	-	-
Balance as at December 31, 2017	5,359	28,108

E. Capital management

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

The key figure for capital management is Loan-to-Value Ratio, which is the ratio of net financial liabilities compared to the value of the investment and trading properties. The Company aims to achieve a long-term Loan-to-Value Ratio of maximum 40%.

In EUR thousand	December 31,	
	2018	2017
Corporate bonds	396,899	396,396
Convertible bonds	154,252	-
Other loans and borrowings	1,057,973	1,026,723
Other financial liabilities	42,027	28,105
Cash and other deposits	(27,966)	(121,530)
Net financial liabilities	1,623,185	1,329,694
Investment properties and advances in respect of investment properties	4,050,323	3,305,723
Trading properties	35,028	42,961
Total assets	4,085,351	3,348,684
Loan-to-Value Ratio	39.7%	39.7%

F. Movement in liabilities deriving from financing activities

In EUR thousand	Corporate bonds	Convertible bonds	Other loans and borrowings	Other financial liabilities	Total
Balance as at January 1, 2018	396,396	-	1,026,723	28,105	1,451,224
Changes from financing cash flows					
Receipt of loans and borrowings	-	165,000	121,637	-	286,637
Repayment of loans and borrowings	-	-	(95,583)	-	(95,583)
Transaction costs related to borrowings	-	(1,260)	-	-	(1,257)
Compensation fee payments	-	-	-	(537)	(537)
Total net financing cash flows	-	163,740	26,054	(537)	189,260
Changes arising from obtaining control of subsidiaries	-	-	2,498	8,308	10,806
Changes in fair value	-	-	-	5,938	5,938
Derivative component of convertible bond	-	(9,667)	-	-	(9,667)
Other changes	503	179	2,698	214	3,591
Balance as at December 31, 2018	396,899	154,252	1,057,973	42,027	1,651,151

Note 24 - Contingent Liabilities and Commitments

A. Contingent liabilities

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

B. Securities, guarantees and liens under bank finance agreements

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

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

C. Future minimum lease payments

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

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

In EUR thousand	December 31,	
	2018	2017
Less than one year	33,682	28,214
Between one and three years	26,727	22,705
More than three years	25,605	21,295

Note 25 - Segments Reporting

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

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

- Residential property management – the Group's core business activity is the rent and management of the residential properties, which includes the modernization and maintenance of the properties, the management of tenancy agreements and marketing of residential units. The focus of property management is on the optimization of rental income;
- Privatization – this segment includes all aspects of the preparation and execution of the sale of units. In addition, this segment is also subject to modernization, maintenance and management, and generates rental income for non-vacant units.

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

The accounting policies of the operating segments are the same as described in note 4 regarding significant accounting policies. Performance is measured based on segment gross profit before revaluation of investment properties.

Segment results reported to the CODM include items directly attributable to a segment on a reasonable basis.

A. Information about reportable segments

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

For the year ended December 31, 2018

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

For the year ended December 31, 2017

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)

For the year ended December 31, 2016

In EUR thousand	Residential property management	Privatization	Total consolidated
External income from residential property management	88,704	1,106	89,810
External income from selling condominiums	-	19,965	19,965
Consolidated revenue	88,704	21,071	109,775
Reportable segment gross profit	73,486	3,693	77,179
General and administrative expenses			(13,245)
Changes in fair value of investment properties			444,268
Finance income			1,972
Finance expense			(29,700)
Consolidated profit before tax			480,474
Income tax expense			(69,706)

B. Entity level disclosures

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

Note 26 - Related Parties

A. Related companies:

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

(1) Transactions with related companies:

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

In EUR thousand	December 31,	
	2018	2017
Current assets		
ADO Group (presented under other receivables)	280	-
Current liabilities		
ADO Group (presented under other payables)	5	42
Other financial liabilities (see note 11)	1,535	867
Interest payable	83	-
Non-current liabilities		
Other financial liabilities (see note 11)	40,492	27,238
Convertible bond (see note 13B)	58,940	-
Derivative (see note 13B)	5,182	-
Other loans and borrowings (see note 14B)	22,600	21,610

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

In EUR thousand	For the year ended December 31,		
	2018	2017	2016
Consolidated statement of profit or loss			
Services and management fee charges from ADO Group	46	64	75
Interest expense payable to ADO Group (see note 13B)	165	-	-
Interest expense payable to Harel Insurance Company Ltd (see note 14B)	990	946	907

On November 16, 2018, the Company placed senior, unsecured convertible bonds in a total nominal amount of EUR 165 million (see note 13B). ADO Group received an allocation in the accelerated bookbuilding reflecting pro rata its shareholding in the Company at the time of the placement.

B. Transactions with key management personnel:

Within the Group, the individuals in key positions pursuant to IAS 24 include the Board of Directors of ADO Properties S.A. Compensation and benefits to key management personnel that are employed by the Group:

In EUR thousand	For the year ended December 31,		
	2018	2017	2016
Short-term employee benefits	800	955	915
Share-based payments	335	350	376
Other compensation (see note 19B)	279	-	-
Total	1,414	1,305	1,291

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

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

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

In EUR thousand	For the year ended December 31,	
	2018	2017
Directors fee granted to the members of the Board of Directors	608	714
One-time termination payment	279	-
Total	887	714

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

In EUR thousand	For the year ended December 31,	
	2018	2017
Fixed salary	662	662
Short-term cash incentive	349	343
Long-term incentive to be paid in shares	376	387
Office rent	3	-
Total	1,390	1,392

The Group is renting an office from the CFO for a monthly amount of EUR 300. The total amount for 2018 is EUR 2,850.

Note 27 - Auditors' Fees

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

In EUR thousand	For the year ended December 31,	
	2018	2017
Audit fees^(*)	828	690
Thereof: KPMG Luxembourg, Société coopérative	90	148
Tax consultancy services	55	184
Thereof: KPMG Luxembourg, Société coopérative	16	27
Other non-audit related services	164	49
Thereof: KPMG Luxembourg, Société coopérative	12	-

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

Note 28 - Subsequent Events

A. On January 24, 2019 the Company's Board appointed Mr. David Daniel as a member and Executive Vice Chairman of the Board of Directors with immediate effect. David Daniel was appointed on a provisional basis until his membership may be confirmed by a general meeting of the Company, scheduled to be held in April 2019. He will fill the vacant position on the Board of Directors following the resignation of Mr. Shlomo Zohar.

B. On March 19, 2019 the Company's Board proposed to the shareholders at the Annual General Meeting to pay a dividend in the amount of EUR 33 million (EUR 0.75 per share). The Annual General Meeting will take place on June 20, 2019.

C. In respect of the revolving credit facility agreement (see note 14J), on January 30, 2019, the Group exercised one extension option, for one year.

D. On March 12, 2019 Mr. Moshe Lahmani resigned from his position as a member and Chairman of the Board. Mr. Moshe Dayan was appointed by co-optation by the Board to succeed Mr. Moshe Lahmani as a new member and Chairman of the Board. Furthermore, Dr. Sebastian-Dominik Jais was appointed by co-optation by the Board as a new member of the Board in replacement of Mr. Yuval Dagim who resigned in July 2018. Both appointments are provisional until their ratification and confirmation by the next General Meeting of the Company.

Note 29 - List of the Company Shareholdings

Shareholding and control
at December 31,

Company	Country	Shareholding and control at December 31,	
		2018 %	2017 %
1 Adest Grundstücks GmbH	Germany	99.64	99.64
2 Adoa Grundstücks GmbH	Germany	99.64	99.64
3 Adom Grundstücks GmbH	Germany	99.64	99.64
4 Adon Grundstücks GmbH	Germany	99.64	99.64
5 Ahava Grundstücks GmbH	Germany	99.64	99.64
6 Anafa 1 Grundstücks GmbH	Germany	99.64	99.64
7 Anafa 2 Grundstücks GmbH	Germany	99.64	99.64
8 Gamazi Grundstücks GmbH	Germany	99.64	99.64
9 Anafa Grundstücks GmbH	Germany	99.64	99.64
10 Badolina Grundstücks GmbH	Germany	99.64	99.64
11 Berale Grundstücks GmbH	Germany	99.64	99.64
12 Bamba Grundstücks GmbH	Germany	99.64	99.64
13 Zman Grundstücks GmbH	Germany	99.64	99.64
14 ADO Immobilien Management GmbH	Germany	100	100
15 CCM City Construction Management GmbH	Germany	100	100
16 Dronheimer Str. 4 Grundstücks GmbH	Germany	99.64	99.64
17 Eldalote Grundstücks GmbH	Germany	99.64	99.64
18 Nuni Grundstücks GmbH	Germany	99.64	99.64
19 Krembo Grundstücks GmbH	Germany	99.64	99.64
20 Tussik Grundstücks GmbH	Germany	99.64	99.64
21 Geut Grundstücks GmbH	Germany	99.64	99.64
22 Gozal Grundstücks GmbH	Germany	99.64	99.64
23 Gamad Grundstücks GmbH	Germany	99.64	99.64
24 Geshem Grundstücks GmbH	Germany	99.64	99.64
25 Lavlav 1 Grundstücks GmbH	Germany	99.64	99.64

Shareholding and control
at December 31,

Company	Country	Shareholding and control at December 31,	
		2018 %	2017 %
26 Lavlav 2 Grundstücks GmbH	Germany	99.64	99.64
27 Lavlav 3 Grundstücks GmbH	Germany	99.64	99.64
28 Lavlav Grundstücks GmbH	Germany	99.64	99.64
29 Mastik Grundstücks GmbH	Germany	99.64	99.64
30 Maya Grundstücks GmbH	Germany	99.64	99.64
31 Mezi Grundstücks GmbH	Germany	99.64	99.64
32 Muse Grundstücks GmbH	Germany	99.64	99.64
33 Papun Grundstücks GmbH	Germany	99.64	99.64
34 Nehederet Grundstücks GmbH	Germany	99.64	99.64
35 Neshama Grundstücks GmbH	Germany	99.64	99.64
36 Osher Grundstücks GmbH	Germany	99.64	99.64
37 Pola Grundstücks GmbH	Germany	99.64	99.64
38 ADO Properties GmbH	Germany	100	100
39 Reshet Grundstücks GmbH	Germany	99.64	99.64
40 Sababa18 Grundstücks GmbH	Germany	99.64	99.64
41 Sababa19 Grundstücks GmbH	Germany	99.64	99.64
42 Sababa20 Grundstücks GmbH	Germany	99.64	99.64
43 Sababa21 Grundstücks GmbH	Germany	99.64	99.64
44 Sababa22 Grundstücks GmbH	Germany	99.64	99.64
45 Sababa23 Grundstücks GmbH	Germany	99.64	99.64
46 Sababa24 Grundstücks GmbH	Germany	99.64	99.64
47 Sababa25 Grundstücks GmbH	Germany	99.64	99.64
48 Sababa26 Grundstücks GmbH	Germany	99.64	99.64
49 Sababa27 Grundstücks GmbH	Germany	99.64	99.64
50 Sababa28 Grundstücks GmbH	Germany	99.64	99.64

Shareholding and control
at December 31,

Company	Country	Shareholding and control at December 31,	
		2018 %	2017 %
51 Sababa29 Grundstücks GmbH	Germany	99.64	99.64
52 Sababa30 Grundstücks GmbH	Germany	99.64	99.64
53 Sababa31 Grundstücks GmbH	Germany	99.64	99.64
54 Sababa32 Grundstücks GmbH	Germany	99.64	99.64
55 Shemesh Grundstücks GmbH	Germany	99.64	99.64
56 Stav Grundstücks GmbH	Germany	99.64	99.64
57 Tamuril Grundstücks GmbH	Germany	99.64	99.64
58 Tara Grundstücks GmbH	Germany	99.64	99.64
59 Tehila1 Grundstücks GmbH	Germany	99.64	99.64
60 Tehila2 Grundstücks GmbH	Germany	99.64	99.64
61 Tehila Grundstücks GmbH	Germany	99.64	99.64
62 Trusk Grundstücks GmbH	Germany	99.64	99.64
63 Wernerwerkdamm 25 Berlin Grundstücks GmbH	Germany	99.64	99.64
64 Yarok Grundstücks GmbH	Germany	99.64	99.64
65 Yahel Grundstücks GmbH	Germany	99.64	99.64
66 Yussifun Grundstücks GmbH	Germany	99.64	99.64
67 Bombila Grundstücks GmbH	Germany	99.64	99.64
68 ADO SBI Holdings S.A. & Co. KG	Germany	94	94
69 Central Facility Management GmbH	Germany	100	100
70 Sheket Grundstücks GmbH	Germany	100	100
71 Seret Grundstücks GmbH	Germany	100	100
72 Melet Grundstücks GmbH	Germany	100	100
73 Yabeshet Grundstücks GmbH	Germany	100	100
74 ADO Finance B.V.	Holland	100	100
75 Yadit Grundstücks GmbH	Germany	100	100

Shareholding and control
at December 31,

Company	Country	Shareholding and control at December 31,	
		2018 %	2017 %
76 Zamir Grundstücks GmbH	Germany	100	100
77 Arafel Grundstücks GmbH	Germany	100	100
78 Sharav Grundstücks GmbH	Germany	100	100
79 Sipur Grundstücks GmbH	Germany	100	100
80 Matok Grundstücks GmbH	Germany	100	100
81 Barbur Grundstücks GmbH	Germany	94.9	94.9
82 Parpar Grundstücks GmbH	Germany	100	100
83 Jessica Properties B.V.	Holland	94.50	94.50
84 Alexandra Properties B.V.	Holland	94.44	94.44
85 Marbien B.V.	Holland	94.90	94.90
86 Meghan Properties B.V.	Holland	94.44	94.44
87 Matok Löwenberger Straße Grundstücks GmbH	Germany	100	100
88 Songbird 1 ApS	Denmark	60	60
89 Songbird 2 ApS	Denmark	60	60
90 Joysun 1 B.V.	Holland	60	60
91 Joysun 2 B.V.	Holland	60	60
92 Yona Investment GmbH & Co. KG	Germany	60	60
93 Yanshuf Investment GmbH & Co. KG	Germany	60	60
94 Ziporim Investment GmbH	Germany	60	60
95 Ofek 1 Grundstücks GmbH	Germany	100	100
96 Ofek 2 Grundstücks GmbH	Germany	100	100
97 Ofek 3 Grundstücks GmbH	Germany	100	100
98 Ofek 4 Grundstücks GmbH	Germany	100	100
99 Ofek 5 Grundstücks GmbH	Germany	100	100
100 Galim 1 Grundstücks GmbH	Germany	100	100

Shareholding and control
at December 31,

Company	Country	Shareholding and control at December 31,	
		2018 %	2017 %
101 Galim 2 Grundstücks GmbH	Germany	100	100
102 Galim 3 Grundstücks GmbH	Germany	100	100
103 JS Nestorstrasse Grundstücks GmbH	Germany	60	60
104 JS Florapromenade Grundstücks GmbH	Germany	60	60
105 JS Cotheniusstrasse Grundstücks GmbH	Germany	60	60
106 JS Tauroggener Grundstücks GmbH	Germany	60	60
107 JS Kiehlufer Grundstücks GmbH	Germany	60	60
108 JS Rubenstrasse Grundstücks GmbH	Germany	60	60
109 Yona Stettiner Grundstücks GmbH	Germany	60	60
110 Yona Schul Grundstücks GmbH	Germany	60	60
111 Yona Otawi Grundstücks GmbH	Germany	60	60
112 Yona Strom Grundstücks GmbH	Germany	60	60
113 Yona Gutenberg Grundstücks GmbH	Germany	60	60
114 Yona Kameruner Grundstücks GmbH	Germany	60	60
115 Yona Schichauweg Grundstücks GmbH	Germany	60	60
116 Yona Alt-Tempelhof Grundstücks GmbH	Germany	60	60
117 Yona Gruberzeile Grundstücks GmbH	Germany	60	60
118 Yona Schloss Grundstücks GmbH	Germany	60	60
119 Yona Lindauer Grundstücks GmbH	Germany	60	60
120 Yona Nogat Grundstücks GmbH	Germany	60	60
121 Yona Bötzwow Grundstücks GmbH	Germany	60	60
122 Yona Herbst Grundstücks GmbH	Germany	60	60
123 Yona Danziger Grundstücks GmbH	Germany	60	60
124 Yona Schön Grundstücks GmbH	Germany	60	60
125 Yanshuf Kaiser Grundstücks GmbH	Germany	60	60
126 Yanshuf Binz Grundstücks GmbH	Germany	60	60

Shareholding and control
at December 31,

Company	Country	Shareholding and control at December 31,	
		2018 %	2017 %
127 Yanshuf Antonien Grundstücks GmbH	Germany	60	60
128 Yanshuf See Grundstücks GmbH	Germany	60	60
129 Yanshuf Hermann Grundstücks GmbH	Germany	60	60
130 Yanshuf Schmidt-Ott Grundstücks GmbH	Germany	60	60
131 Hanpaka Holding GmbH	Germany	100	100
132 Hanpaka Immobilien GmbH	Germany	94.90	94.90
133 Dvash 1 Holding GmbH	Germany	100	100
134 Dvash 2 Holding GmbH	Germany	100	100
135 Dvash 3 B.V.	Holland	100	100
136 Rimon Holding GmbH	Germany	100	100
137 Bosem Grundstücks GmbH	Germany	100	100
138 Rimon Grundstücks GmbH	Germany	94.90	94.90
139 Dvash 21 Grundstücks GmbH	Germany	94.90	94.90
140 Dvash 22 Grundstücks GmbH	Germany	94.90	94.90
141 Dvash 23 Grundstücks GmbH	Germany	94.90	94.90
142 Dvash 24 Grundstücks GmbH	Germany	94.90	94.90
143 Dvash 11 Grundstücks GmbH	Germany	94.90	94.90
144 Dvash 12 Grundstücks GmbH	Germany	94.90	94.90
145 Dvash 13 Grundstücks GmbH	Germany	94.90	94.90
146 Dvash 14 Grundstücks GmbH	Germany	94.90	94.90
147 ADO FC Management Unlimited Company	Ireland	100	100
148 5. Ostdeutschland Invest GmbH	Germany	94.90	94.90
149 8. Ostdeutschland Invest GmbH	Germany	94.90	94.90
150 Horef Holding GmbH	Germany	100	100
151 ADO 9110 Holding GmbH	Germany	100	100
152 Silan Holding GmbH	Germany	100	100

Shareholding and control
at December 31,

Company	Country	Shareholding and control at December 31,		
		2018 %	2017 %	
153	ADO Sonnensiedlung S.à.r.l.	Luxembourg	94.90	94.90
154	Horef Grundstücks GmbH	Germany	94.93	94.93
155	Sprengelstraße 39 GmbH	Germany	94	94
156	Scharnweberstraße 112 Verwaltungsgesellschaft mbH	Germany	94.90	94.90
157	Kantstraße 62 Grundstücks GmbH	Germany	100	100
158	ADO Treasury GmbH	Germany	100	100
159	ADO 9160 Grundstücks GmbH	Germany	94.90	94.90
160	ADO 9200 Grundstücks GmbH	Germany	94.90	94.90
161	ADO 9210 Grundstücks GmbH	Germany	94.90	94.90
162	ADO 9220 Grundstücks GmbH	Germany	94.90	94.90
163	ADO 9230 Grundstücks GmbH	Germany	94.90	94.90
164	ADO 9240 Grundstücks GmbH	Germany	94.90	94.90
165	ADO 9250 Grundstücks GmbH	Germany	94.00	94.00
166	ADO 9260 Grundstücks GmbH	Germany	94.90	94.90
167	ADO 9270 Grundstücks GmbH	Germany	94.80	94.80
168	ADO 9280 Grundstücks GmbH	Germany	94.90	94.90
169	ADO 9290 Grundstücks GmbH	Germany	94.90	94.90
170	ADO 9300 Grundstücks GmbH	Germany	94.90	94.90
171	ADO 9310 Grundstücks GmbH	Germany	94.90	94.90
172	ADO 9320 Grundstücks GmbH	Germany	94.90	94.90
173	ADO 9330 Grundstücks GmbH	Germany	94.90	94.90
174	ADO 9340 Grundstücks GmbH	Germany	94.90	94.90
175	ADO 9350 Grundstücks GmbH	Germany	94.90	94.90
176	ADO 9360 Holding GmbH	Germany	100	100
177	ADO 9370 Grundstücks GmbH	Germany	94.90	94.90
178	ADO 9380 Grundstücks GmbH	Germany	94.90	94.90
179	ADO 9390 Grundstücks GmbH	Germany	94.90	94.90

Shareholding and control
at December 31,

Company	Country	Shareholding and control at December 31,		
		2018 %	2017 %	
180	ADO 9400 Grundstücks GmbH	Germany	94.90	94.90
181	ADO 9410 Grundstücks GmbH	Germany	94.90	94.90
182	ADO 9420 Grundstücks GmbH	Germany	94.90	94.90
183	ADO 9430 Grundstücks GmbH	Germany	94.90	94.90
184	ADO 9440 Grundstücks GmbH	Germany	94.90	94.90
185	ADO 9450 Grundstücks GmbH	Germany	94.90	94.90
186	ADO 9460 Grundstücks GmbH	Germany	94.90	94.90
187	ADO 9470 Grundstücks GmbH	Germany	94.90	94.90
188	ADO 9480 Grundstücks GmbH	Germany	94.90	94.90
189	ADO 9490 Grundstücks GmbH	Germany	94.90	94.90
190	ADO 9500 Grundstücks GmbH	Germany	94.90	94.90
191	ADO 9510 Grundstücks GmbH	Germany	94.90	94.90
192	ADO 9520 Grundstücks GmbH	Germany	94.90	94.90
193	ADO 9530 Grundstücks GmbH	Germany	94.90	94.90
194	ADO 9540 Holding GmbH	Germany	100	100
195	ADO Lux Finance S.à.r.l.	Luxembourg	100	100
196	ADO 9550 Grundstücks GmbH	Germany	94.90	-
197	ADO 9560 Grundstücks GmbH	Germany	94.90	-
198	ADO 9570 Grundstücks GmbH	Germany	94.90	-
199	ADO 9580 Holding GmbH	Germany	100	-
200	RVB Angerburgerallee B.V.	Holland	94	-
201	ADO 9600 Grundstücks GmbH	Germany	94.90	-
202	ADO 9610 Grundstücks GmbH	Germany	94.90	-
203	ADO 9620 Grundstücks GmbH	Germany	94.90	-
204	ADO 9630 Grundstücks GmbH	Germany	94.90	-
205	ADO Living GmbH	Germany	100	-
206	ADO 9640 Grundstücks GmbH	Germany	94.90	-

ADG

Annual Report

2018

ANNUAL ACCOUNTS

BERL
INSI
DERS

151



COLL
OF
BERC

ORS
MIN

Report of the Réviseur d'Entreprises agréé	163
—	
Balance Sheet	167
—	
Profit and Loss Account	169
—	
Notes to the Annual Accounts	170

To the Shareholders of

ADO Properties S.A. | 1B Heienhaff | L-1736 Senningerberg | Luxembourg

Report of the Réviseur d'Entreprises agrée

Report on the audit of the annual accounts

Opinion

We have audited the annual accounts of ADO Properties S.A. (the "Company"), which comprise the balance sheet as at December 31, 2018, and the profit and loss account for the year then ended, and notes to the annual accounts, including a summary of significant accounting policies.

In our opinion, the accompanying annual accounts give a true and fair view of the financial position of the Company as at December 31, 2018, and of the results of its operations for the year then ended in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the annual accounts.

Basis for Opinion

We conducted our audit in accordance with the EU Regulation N° 537/2014, the Law of July 23, 2016 on the audit profession ("Law of July 23, 2016") and with International Standards on Auditing ("ISAs") as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier"

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

Key audit matters

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

Recoverability of financial assets

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

We refer to the accounting policy in Note 3.2.3, *Financial assets* and Note 5, *Financial assets* in the annual accounts. Financial assets represent 99.09% of the Company's total assets (EUR 1,551,990,245) and are subject to recoverability assessment at each reporting date. The conclusion on whether there is durable diminution in the respect of financial assets is a significant judgement.

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

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

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

The significance of the estimates and judgements involved, together with the fact that only a small percentage difference in individual property valuation, when aggregated, could result in a material misstatement on the profit and loss account and

the balance sheet, requires specific audit focus in this area.

b) How the matter was addressed in our audit

We compared the carrying amount of financial assets for each of the underlying affiliated undertaking with its net assets as per management accounts, considering also the fair value of properties of these underlying affiliated undertakings, if applicable.

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

- Evaluating the qualifications and competence of the Valuer and reading the terms of engagement of the Valuer with the Group to determine whether there were any matters that might have affected their objectivity or limited the scope of their work;
- Involving our own valuation specialists to evaluate the valuation methodologies used and to test the integrity of inputs of the projected cash flows used in the valuation to supporting leases and other documents on a sample basis; and
- Involving our own valuation specialists to challenge the capitalisation and discount rates used in the valuation by comparing them with historical rates and available industry data, taking into consideration comparability and market factors. Where the rates were outside the expected range, we undertook further procedures to understand the effect of additional factors and, when necessary, held further discussions with the Valuer.

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

Other information

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

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the annual accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.

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

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

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

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

Report on other legal and regulatory requirements

We have been appointed as "Réviseur d'Entreprises agréé" by the General Meeting of the Shareholders on June 19, 2018 and the duration of our uninterrupted engagement, including previous renewals and reappointments, is four years, three years of which was since the Company became a public interest entity.

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

The accompanying Corporate Governance Report is presented on pages 55 to 62. The information required by Article 68ter paragraph (1) letters c) and d) of the law of December 19, 2002 on the commercial and companies register and on the accounting records and annual accounts of undertakings, as amended, is consistent with the annual accounts and has been prepared in accordance with applicable legal requirements.

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

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

Other matter

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

Luxembourg, March 19, 2019

KPMG Luxembourg
Société coopérative
Cabinet de révision agréé

Bobbi Jean Breboneria



Balance Sheet

In EUR	Note	December 31,	
		2018	2017
Assets			
Formation expenses	3.2.2, 4	9,657,943	10,219,551
Fixed assets		1,537,917,709	1,309,682,216
Financial assets			
Shares in affiliated undertakings	3.2.3, 5.1	1,515,812,279	1,309,682,216
Loans to affiliated undertakings	3.2.3, 5.2	22,105,430	-
Current assets		3,240,917	62,468,606
Debtors			
Trade debtors	3.2.4, 6.1		
Becoming due and payable within one year		840,000	455,034
Amounts owed by affiliated undertakings	3.2.4, 6.2		
Becoming due and payable within one year		1,951,837	1,079,204
Other debtors	3.2.4, 6.3		
Becoming due and payable within one year		404,177	480,792
Cash at bank and in hand		44,903	60,453,576
Prepayments	3.2.6, 7	1,173,676	1,427,843
Total assets		1,551,990,245	1,383,798,216

The notes in the annex form an integral part of the annual accounts.

In EUR	Note	December 31,	
		2018	2017
Capital, reserves and liabilities			
Capital and reserves		910,836,607	891,069,615
Subscribed capital	8.1	54,722	54,684
Share premium account	8.2	844,345,307	844,345,307
Reserves			
Legal reserve	8.3, 8.4	5,468	5,468
Other reserves, including the fair value reserve	8.4		
Other available reserves		437,488	437,488
Profit or (loss) brought forward	8.4	19,766,630	10,560,579
Profit or (loss) for the financial year	8.4	46,226,992	35,666,089
Provisions		533,059	803,870
Provisions for taxation	3.2.7, 9.1	102,495	372,326
Other provisions	3.2.7, 9.2	430,564	431,544
Creditors	3.2.8, 10	640,620,579	491,924,731
Debenture loans	10.1		
Convertible loans			
Becoming due and payable within one year		214,726	-
Becoming due and payable after more than one year		165,000,000	-
Non-convertible loans			
Becoming due and payable within one year		2,597,262	2,587,912
Becoming due and payable after more than one year		400,000,000	400,000,000
Trade creditors			
Becoming due and payable within one year		1,170,557	95,914
Amounts owed to affiliated undertakings	10.2		
Becoming due and payable within one year		1,678,356	199,124
Becoming due and payable after more than one year		68,848,935	86,701,175
Other creditors			
Tax authorities	10.3	631,102	1,700,286
Social security authorities	10.3	975	963
Other creditors	10.4		
Becoming due and payable within one year		478,666	639,357
Total capital, reserves and liabilities		1,551,990,245	1,383,798,216

The notes in the annex form an integral part of the annual accounts.

Profit and Loss Account

For the year
ended December 31,

In EUR	Note	2018	2017
Profit and loss account			
Net turnover	3.2.9	800,000	800,000
Raw materials and consumables and other external expenses			
Other external expenses	11	(4,578,818)	(2,123,791)
Staff costs			
Wages and salaries		(507,349)	(512,355)
Social security costs			
Other social security costs		(2,004)	(502)
Value adjustments			
In respect of formation expenses and of tangible and intangible fixed assets	4	(3,235,253)	(2,784,610)
Other operating expenses			
		(1,373,265)	(809,063)
Income from participating interests			
Derived from affiliated undertakings		61,000,000	-
Income from other investments and loans forming part of the fixed assets			
Derived from affiliated undertakings	5.2	1,393,505	44,038,568
Other interest receivable and similar income			
Other interest and similar income		-	9,098
Interest payable and similar expenses			
Concerning affiliated undertakings		(670,713)	(22,413)
Other interest and similar expenses		(6,789,202)	(2,784,517)
Tax on profit or loss			
		157,971	(144,326)
Profit or loss after taxation			
		46,194,872	35,666,089
Other taxes not shown under items 1 to 16			
		32,120	-
Profit or loss for the financial year	8.4	46,226,992	35,666,089

The notes in the annex form an integral part of the annual accounts.

Note 1 - General Information

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

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

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

The registered office of the Company is established in 1B Heienhaff L-1736 Senningerberg. The Company's financial year starts January 1 and ends December 31 of each year.

The object of the Company is the acquisition and holding of interests in Luxembourg and/or in foreign undertakings, as well as the administration, development and management of such holdings. The Company may provide financial assistance to the undertakings forming part of the group of the Company such as the providing of loans and granting of guarantees or securities in any kind or form.

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

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

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

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

The Company is included in the consolidated accounts of Shikun & Binui, forming the largest body of undertakings of which the Company forms a part as a subsidiary undertaking. The registered office of that company is located at 1A HaYarden Street, Airport City 70100, Israel and the consolidated financial statements are available at its registered office.

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

Note 2 - Presentation of the Comparative Financial Data

The figures for the financial year ended December 31, 2017 relating to items "Trade debtors", "Other debtors" and "Prepayments" accounts on the balance sheet and "Income from other investments and loans forming part of the fixed assets" account on the profit and loss have been reclassified to ensure comparability with the figures for the financial year ended December 31, 2018.

Note 3 – Summary of Significant Accounting and Valuation Policies

3.1 Basis of preparation

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

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

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

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

3.2 Significant accounting and valuation policies

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

3.2.1. Currency translation

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

Formation expenses and long-term assets expressed in currencies other than EUR are translated into EUR at the exchange rate effective at the time of the transaction. At

the balance sheet date, these assets remain translated at historical exchange rates.

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

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

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

3.2.2. Formation expenses

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

3.2.3. Financial assets

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

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

3.2.4. Debtors

Debtors are valued at their nominal value. They are subject

to value adjustments where their recovery is compromised. These value adjustments are not continued if the reasons for which the value adjustments were made have ceased to apply.

3.2.5. Derivative financial instruments

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

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

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

3.2.6. Prepayments

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

3.2.7. Provisions

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

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

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

3.2.8. Creditors

Creditors are recorded at repayable amount.

3.2.9. Net turnover

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

3.2.10. Interest income and expenses

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

3.2.11. Value adjustments

Value adjustments are deducted directly from the related asset.

Note 4 – Formation Expenses

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

The movements during 2018 are as follows:

In EUR	2018
Gross book value – opening balance	15,637,023
Addition(s) for the year ⁽¹⁾	2,673,645
(Disposals for the year)	-
Gross book value – closing balance	18,310,668
(Accumulated value adjustments – opening balance)	(5,417,472)
(Amortization during the year)	(3,235,253)
Reversals for the year	-
(Accumulated value adjustments – closing balance)	(8,652,725)
Net book value – closing balance	9,657,943
Net book value – opening balance	10,219,551

⁽¹⁾During the year 2018, the addition of the formation expenses is composed of the following elements:

	Amount (in EUR)	In EUR	2017
Nature and date of the formation expense			
Revolving credit facility costs in March 2018	1,377,068		
Bond issuance costs in November 2018	1,296,577		
		Gross book value – opening balance	13,193,442
		Addition(s) for the year	2,443,581
		(Disposals for the year)	-
		Gross book value – closing balance	15,637,023
		(Accumulated value adjustments – opening balance)	(2,632,862)
		(Amortization during the year)	(2,784,610)
		Reversals for the year	-
		(Accumulated value adjustments – closing balance)	(5,417,472)
		Net book value – closing balance	10,219,551
		Net book value – opening balance	10,560,580

The movements during 2017 are as follows:

The movements during 2017 are as follows:

	In EUR	2017
Gross book value – opening balance		996,700,794
Additions for the year		312,981,422
(Disposals for the year)		-
Gross book value – closing balance		1,309,682,216
(Accumulated value adjustments – opening balance)		-
(Allocations for the year) ⁽¹⁾		-
Reversals for the year		-
(Accumulated value adjustments – closing balance)		-
Net book value – closing balance		1,309,682,216
Net book value – opening balance		996,700,794

⁽¹⁾As at December 31, 2018 and December 31, 2017, the Board of Directors deemed that no permanent impairment in value have occurred in the value of the shares in affiliated undertakings.

Note 5 – Financial Assets

5.1 Shares in affiliated undertakings

The movements during 2018 are as follows:

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

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

Company's name	Registered country	Ownership 2018 %	Ownership 2017 %
Adest Grundstücks GmbH	Germany	94	94
Adoa Grundstücks GmbH	Germany	94	94
Adom Grundstücks GmbH	Germany	94	94
Adon Grundstücks GmbH	Germany	94	94
Ahava Grundstücks GmbH	Germany	94	94
Anafa 1 Grundstücks GmbH	Germany	94	94
Anafa 2 Grundstücks GmbH	Germany	94	94
GAMAZI Grundstücks GmbH	Germany	94	94
Anafa Grundstücks GmbH	Germany	94	94
Badolina Grundstücks GmbH	Germany	94	94
Berale Grundstücks GmbH	Germany	94	94
Bamba Grundstücks GmbH	Germany	94	94
Zman Grundstücks GmbH	Germany	94	94
ADO Immobilien Management GmbH	Germany	100	100
CCM City Construction Management GmbH	Germany	100	100

Company's name	Registered country	Ownership 2018 %	Ownership 2017 %
Drontheimer Str. 4 Grundst. GmbH	Germany	94	94
Eldalote Grundstücks GmbH	Germany	94	94
NUNI Grundstücks GmbH	Germany	94	94
KREMBO Grundstücks GmbH	Germany	94	94
TUSSI Grundstücks GmbH	Germany	94	94
Geut Grundstücks GmbH	Germany	94	94
Gozal Grundstücks GmbH	Germany	94	94
Gamad Grundstücks GmbH	Germany	94	94
Geshem Grundstücks GmbH	Germany	94	94
Lavlav 1 Grundstücks GmbH	Germany	94	94
Lavlav 2 Grundstücks GmbH	Germany	94	94
Lavlav 3 Grundstücks GmbH	Germany	94	94
Lavlav Grundstücks GmbH	Germany	94	94
Mastik Grundstücks GmbH	Germany	94	94
Maya Grundstücks GmbH	Germany	94	94
Mezi Grundstücks GmbH	Germany	94	94
Muse Grundstücks GmbH	Germany	94	94
Papun Grundstücks GmbH	Germany	94	94
Nehederet Grundstücks GmbH	Germany	94	94
Neshama Grundstücks GmbH	Germany	94	94
Osher Grundstücks GmbH	Germany	94	94
Pola Grundstücks GmbH	Germany	94	94
ADO Properties GmbH	Germany	100	100
Reshet Grundstücks GmbH	Germany	94	94
Sababa 18. Grundstücks GmbH	Germany	94	94
Sababa 19. Grundstücks GmbH	Germany	94	94
Sababa 20. Grundstücks GmbH	Germany	94	94
Sababa 21. Grundstücks GmbH	Germany	94	94
Sababa 22. Grundstücks GmbH	Germany	94	94
Sababa 23. Grundstücks GmbH	Germany	94	94
Sababa 24. Grundstücks GmbH	Germany	94	94
Sababa 25. Grundstücks GmbH	Germany	94	94

Company's name	Registered country	Ownership 2018 %	Ownership 2017 %
Sababa 26. Grundstücks GmbH	Germany	94	94
Sababa 27. Grundstücks GmbH	Germany	94	94
Sababa 28. Grundstücks GmbH	Germany	94	94
Sababa 29. Grundstücks GmbH	Germany	94	94
Sababa 30. Grundstücks GmbH	Germany	94	94
Sababa 31. Grundstücks GmbH	Germany	94	94
Sababa 32. Grundstücks GmbH	Germany	94	94
Shemesh Grundstücks GmbH	Germany	94	94
Stav Grundstücks GmbH	Germany	94	94
Tamuril Grundstücks GmbH	Germany	94	94
Tara Grundstücks GmbH	Germany	94	94
Tehila 1 Grundstücks GmbH	Germany	94	94
Tehila 2 Grundstücks GmbH	Germany	94	94
Tehila Grundstücks GmbH	Germany	94	94
Trusk Grundstücks GmbH	Germany	94	94
Wernerwerkdamm 25 Berlin Grundstücks GmbH	Germany	94	94
Yarok Grundstücks GmbH	Germany	94	94
Yahel Grundstücks GmbH	Germany	94	94
Yussifun Grundstücks GmbH	Germany	94	94
Bombila Grundstücks GmbH	Germany	94	94
ADO SBI Holdings S.A. & Co. KG	Germany	94	94
Yabeshet Grundstücks GmbH	Germany	100	100
Melet Grundstücks GmbH	Germany	100	100
Seret Grundstücks GmbH	Germany	100	100
Sheket Grundstücks GmbH	Germany	100	100
Central Facility Management GmbH	Germany	100	100
Arafel Grundstücks GmbH	Germany	100	100
Zamir Grundstücks GmbH	Germany	100	100
Yadit Grundstücks GmbH	Germany	100	100
Sharav Grundstücks GmbH	Germany	100	100
Sipur Grundstücks GmbH	Germany	100	100
Matok Grundstücks GmbH	Germany	100	100

Company's name	Registered country	Ownership 2018 %	Ownership 2017 %
Barbur Grundstücks GmbH	Germany	94.9	94.9
Jessica Properties B.V.	Netherlands	94.5	94.5
Alexandra Properties B.V.	Netherlands	94.44	94.44
Marbien B.V.	Netherlands	94.9	94.9
Meghan Properties B.V.	Netherlands	94.44	94.44
Parpar Grundstücks GmbH	Germany	100	100
ADO Finance B.V.	Netherlands	100	100
Ofek 1 Grundstücks GmbH	Germany	100	100
Ofek 2 Grundstücks GmbH	Germany	100	100
Ofek 3 Grundstücks GmbH	Germany	100	100
Ofek 4 Grundstücks GmbH	Germany	100	100
Ofek 5 Grundstücks GmbH	Germany	100	100
Galim 1 Grundstücks GmbH	Germany	100	100
Galim 2 Grundstücks GmbH	Germany	100	100
Galim 3 Grundstücks GmbH	Germany	100	100
Songbird 1 ApS	Denmark	60	60
Songbird 2 ApS	Denmark	60	60
Joysun 1 B.V.	Netherlands	60	60
Joysun 2 B.V.	Netherlands	60	60
Hanpaka Holding GmbH	Germany	100	100
Dvash 1 Holding GmbH	Germany	100	100
Dvash 2 Holding GmbH	Germany	100	100
Rimon Holding GmbH	Germany	100	100
Bosem Grundstücks GmbH	Germany	100	100
ADO FC Management Unlimited Company	Ireland	100	100
Horef Holding GmbH	Germany	100	100
ADO 9110 Holding GmbH (formerly known as Dekel Grundstücks GmbH)	Germany	100	100
Silan Grundstücks GmbH (formerly known as Silan Holding GmbH)	Germany	100	100
ADO Sonnensiedlung S.à r.l. (formerly known as Brandenburg Properties 5 S.à r.l.)	Luxembourg	94.9	94.9
ADO Treasury GmbH	Germany	100	100

Company's name	Registered country	Ownership 2018 %	Ownership 2017 %
ADO 9360 Holding GmbH	Germany	100	100
ADO 9500 Grundstücks GmbH	Germany	94.9	94.9
ADO 9540 Holding GmbH	Germany	100	100
ADO Lux Finance S.à r.l.	Luxembourg	100	100
ADO 9580 Holding GmbH	Germany	100	-
ADO Living GmbH	Germany	100	-

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

5.2 Loans to affiliated undertakings

The movements during 2018 are as follows:

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

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

The movements during 2017 are as follows:

In EUR	2017
Gross book value – opening balance	622,874,405
Additions for the year	577,217,622
(Repayments during the year)	(127,164,747)
Accrued interest	44,038,568
Transfers during the year	(1,116,965,848)
Gross book value – closing balance	-
(Accumulated value adjustments – opening balance)	-
(Allocations for the year) ⁽¹⁾	-
Reversals for the year	-
(Accumulated value adjustments – closing balance)	-
Net book value – closing balance	-
Net book value – opening balance	622,874,405

On December 20, 2017, the Company entered into a loan assignment agreement with its fully owned subsidiary, ADO Lux Finance S.à r.l. According to the agreement, the Company assigned to ADO Lux Finance S.à r.l. its rights to receive repayment of the principal of the loans granted to affiliated undertakings in the aggregate amount of EUR 1,034,195,916 and payment of accrued interest on those loans in the amount of EUR 70,059,796. The consideration for the assignment remained outstanding as an interest-free loan from the Company to ADO Lux Finance S.à r.l. Additionally, the Company made a contribution in kind of receivables relating to accrued interest in the amount of EUR 12,710,136 as a non-refundable capital contribution to ADO Lux Finance S.à r.l.

On December 20, 2017, the Company novated its rights under the above interest-free loan to its fully owned subsidiary, ADO FC Management Unlimited Company, in consideration for the set-off and discharge of the original interest-free loans granted by ADO FC Management Unlimited to the Company.

⁽¹⁾As at December 31, 2018 and December 31, 2017, the Board of Directors deemed that no permanent impairment in value have occurred in the value of the loans to affiliated undertakings.

Note 6 – Debtors

6.1 Trade debtors

In EUR	December 31, 2018	December 31, 2017
Becoming due and payable within one year		
Advances to suppliers	840,000	455,034
Total	840,000	455,034

6.2 Amounts owed by affiliated undertakings

In EUR	December 31, 2018	December 31, 2017
Becoming due and payable within one year		
Management fees due from ADO Properties GmbH	1,800,000	1,000,000
Other related parties	151,837	79,204
Total	1,951,837	1,079,204

6.3 Other debtors

In EUR	December 31, 2018	December 31, 2017
Becoming due and payable within one year		
VAT receivable	325,977	284,520
Advance tax payments	78,200	8,560
Deposit for office rent	-	4,500
Other receivables	-	183,212
Total	404,177	480,792

Note 7 - Prepayments

Prepayments are mainly composed of an amount of EUR 1,111,013 (2017: EUR 1,310,252) concerning the net value of the discount on the corporate bonds (please refer to the Note 10.1).

Note 8 - Capital

8.1 Subscribed capital

Subscribed capital amounts to EUR 54,722 and is divided into 44,130,757 dematerialized shares without a nominal value, all of said shares being fully paid-up.

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

The movements during the year are as follows:

In EUR	2018	2017
Subscribed capital – opening balance	54,684	54,684
Increase by incorporation of reserves	38	-
Subscribed capital – closing balance	54,722	54,684

On December 14, 2018, the Company increased the share capital by EUR 38.14, through incorporation of reserves. The Company issued 30,757 new dematerialized shares without nominal value.

8.2 Share premium

The movements during the year are as follows:

In EUR	2018	2017
Share premium – opening balance	844,345,307	845,258,737
Movements during the year	-	(913,430)
Share premium – closing balance	844,345,307	844,345,307

Movements for the year 2017 correspond to a distribution made based on a resolution taken during the Annual General Meeting which took place on May 2, 2017. The record date was May 3, 2017.

8.3 Legal reserve

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

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

The movements during the year are as follows:

In EUR	Legal reserve	Other reserves	Profit or loss brought forward	Profit or loss for the financial year
At the beginning of the year	5,468	437,488	10,560,579	35,666,089
Movements during the year				
Allocation of prior year's result	-	-	35,666,089	(35,666,089)
Allocation to legal reserve	-	-	-	-
Allocation to the share capital	-	-	(38)	-
Dividend distribution	-	-	(26,460,000)	-
Result of the year	-	-	-	46,226,992
At the end of the year	5,468	437,488	19,766,630	46,226,992

The Company paid a dividend amounting to EUR 26,460,000 based on a resolution taken during the Annual General Meeting of its shareholders which took place on June 19, 2018. The ex-dividend date was June 18, 2018.

Note 9 - Provisions

9.1 Provisions for taxation

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

9.2 Other provisions

Other provisions are presented as follows:

In EUR	December 31, 2018	December 31, 2017
Provision for KPMG audit services	335,632	275,115
Provision for transaction costs of acquisitions	5,541	22,101
Provision for costs relating to the capital increase	34,249	112,933
Provision for costs relating to the bond issuance	55,142	21,395
Total	430,564	431,544

Note 10 - Creditors

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

In EUR	Within one year	After one year and within five years	After more than five years	2018 Total	2017 Total
10.1 Debenture loans – principal	-	165,000,000	400,000,000	565,000,000	400,000,000
10.1 Debenture loans – accrued interest	2,811,988	-	-	2,811,988	2,587,912
Trade creditors	1,170,557	-	-	1,170,557	95,914
10.2 Amounts owed to affiliated undertakings	1,678,356	-	68,848,935	70,527,291	86,900,299
10.3 Tax and social security debts	632,077	-	-	632,077	1,701,249
10.4 Other creditors	478,666	-	-	478,666	639,357
Total	6,771,644	-	633,848,935	640,620,579	491,924,731

10.1 Debenture loans

On July 20, 2017, the Company placed unsecured, fixed-rate corporate bonds with a total nominal amount of EUR 400 million with institutional investors. The bonds carry an interest rate of 1.5% per annum and mature on July 26, 2024. The gross proceeds resulting from the transaction amounted to EUR 398.6 million with an issue price of 99.651%. The discount is shown in the assets of the balance sheet under "Prepayments" (please refer to the Note 7) and will be written off based on a straight-line method over the lifetime of the bond. The net proceeds of the bond have mainly been used to fund future acquisitions.

On March 9, 2018, the Company signed a EUR 200 million revolving credit facility agreement with a two-year term and two extension options, each for one year. The relating upfront fees were recognized under formation expenses in the statement of financial position and will be amortized over four years. During the reporting period, the Company drew down an amount of EUR 10 million from the revolving credit facility. As at December 31, 2018, this amount was paid back in full.

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

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

As at December 31, 2018, the Company is fully compliant with all covenant requirements.

10.2 Amounts owed to affiliated undertakings

	December 31,		Interest rate	Due date
	2018 In EUR	2017 In EUR		
ADO FC Management Unlimited Company	68,848,935	68,848,935	0%	23/07/2025-15/12/2026
German subsidiaries	670,713	17,852,240	4-6%	31/12/2025-31/12/2027
Other related parties	1,007,643	199,124	0%	Current balance
Total	70,527,291	86,900,299		

ADO FC Management Unlimited Company is a fully owned subsidiary, which granted loans to the Company amounting to EUR 68,848,935 at 0% interest with ten-year maturity.

On November 23, 2018, the Company repaid the remaining loans owed to the German subsidiaries (except for the interest booked for the year 2018). The balance of EUR 670,713 corresponds to the interest 2018, which was repaid after the reporting date.

10.3 Tax and social security debts

In EUR	December 31, 2018	December 31, 2017
Becoming due and payable within one year		
Social security debts	975	963
VAT payable	629,154	1,700,286
Tax on salaries	1,948	-
Total	632,077	1,701,249

10.4 Other creditors

In EUR	December 31, 2018	December 31, 2017
Becoming due and payable within one year		
Amount payable to staff	474,118	618,825
Amount payable to ADO Group Ltd.	4,548	9,412
Other creditors	-	11,120
Total	478,666	639,357

Note 11 - Other External Expenses

Other external expenses are presented as follows:

In EUR	For the year ended December 31,	
	2018	2017
Consulting services – external	1,429,675	647,772
Accounting and audit fees	1,250,179	944,282
Legal fees	733,060	169,706
Capital market fees	670,917	-
Travel and entertainment costs – staff	321,714	173,463
Consulting services – ADO Group Ltd.	39,739	54,641
Data processing	36,545	45,324
Real estate rental building and services	29,023	29,773
Other fees	67,966	58,830
Total	4,578,818	2,123,791

Note 12 - Auditor's Remuneration

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

In EUR	For the year ended December 31,	
	2018	2017
Audit fees^(*)	828,302	689,599
Thereof: KPMG Luxembourg, Société coopérative	90,030	148,154
Tax consultancy services	55,250	183,917
Thereof: KPMG Luxembourg, Société coopérative	15,750	26,520
Other non-audit related services	164,460	49,300
Thereof: KPMG Luxembourg, Société coopérative	11,550	-

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

Note 13 - Staff

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

Note 14 - Emoluments Granted to the Members of the Management and Supervisory Bodies

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

In EUR	For the year ended December 31,	
	2018	2017
Directors fee granted to the members of the Board of Directors	608,502	714,781
One-time termination payment	278,896	-
Total	887,398	714,781

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

In EUR	For the year ended December 31,	
	2018	2017
Fixed salary	662,000	662,000
Short-term cash incentive	349,000	343,000
Long-term incentive to be paid in shares	376,440	386,900
Office rent	2,850	-
Total	1,390,290	1,391,900

The Group is renting an office from the CFO for a monthly amount of EUR 300. The total amount for 2018 is EUR 2,850.

Note 15 – Related Party Transactions

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

Note 16 – Off Balance Sheet Commitments

Based on the agreements signed by the Company in respect of the revolving credit facility (please refer to Note 4) and the issuance of the corporate bond and the convertible bond (please refer to Note 10.1), the Company is bound by a negative pledge clause.

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

Note 17 – Subsequent Events

A. On January 24, 2019 the Company’s Board appointed Mr. David Daniel as a member and Executive Vice Chairman of the Board of Directors with immediate effect. David Daniel was appointed on a provisional basis until his membership may be confirmed by a general meeting of the Company, scheduled to be held in April 2019. He will fill the vacant position on the Board of Directors following the resignation of Mr. Shlomo Zohar.

B. On March 19, 2019, the Company’s Board proposed to the Annual General Meeting to pay a dividend in the amount of EUR 33 million (EUR 0.75 per share). The Annual General Meeting will take place on June 20, 2019.

C. In respect of the revolving credit facility agreement (please refer to Note 10.1), on January 30, 2019, the Group exercised one extension option, for one year.

D. On March 12, 2019 Mr. Moshe Lahmani resigned from his position as a member and Chairman of the Board. Mr. Moshe Dayan was appointed by co-optation by the Board to succeed Mr. Moshe Lahmani as a new member and Chairman of the Board. Furthermore, Dr. Sebastian-Dominik Jais was appointed by co-optation by the Board as a new member of the Board in replacement of Mr. Yuval Dagim who resigned in July 2018. Both appointments are provisional until their ratification and confirmation by the next General Meeting of the Company.

ADG

Annual Report

2018

FINANCIAL CALENDAR & IMPRINT

6

BERL
INSI
DERS

Financial Calendar **19**

April 11, 2019 <hr/> Ordinary General Meeting	May 22, 2019 <hr/> Publication Three-Month Financial Report (Q1 2019)	June 19, 2019 <hr/> Ex-Dividend Date
June 20, 2019 <hr/> Annual General Meeting	August 14, 2019 <hr/> Publication Half-Year Financial Report (Q2 2019)	November 13, 2019 <hr/> Publication Nine-Month Financial Report (Q3 2019)

Imprint

Concept & Coordination

Julia Hasinski

Head of Public Relations & Marketing

ADO Properties GmbH

Design & Content Concept

brandcooks GmbH

Hamburg, Zurich,

Cape Town

Artwork & Content Realization

brandcooks GmbH

Hamburg, Zurich,

Cape Town

Interior & Exterior Real

Estate Photography

Pavel Sepi, Berlin



COLORS OF ADO

—
Annual
Report

2018

COLORS OF BERLIN

www.ado.properties

EXHIBITION →

ADO

ADO Properties S.A.

18 Helenhaff
1736 Senningerberg
Grand Duchy of Luxembourg

T +352 278 456 710
E ir@ado.properties
M www.ado.properties

UOB