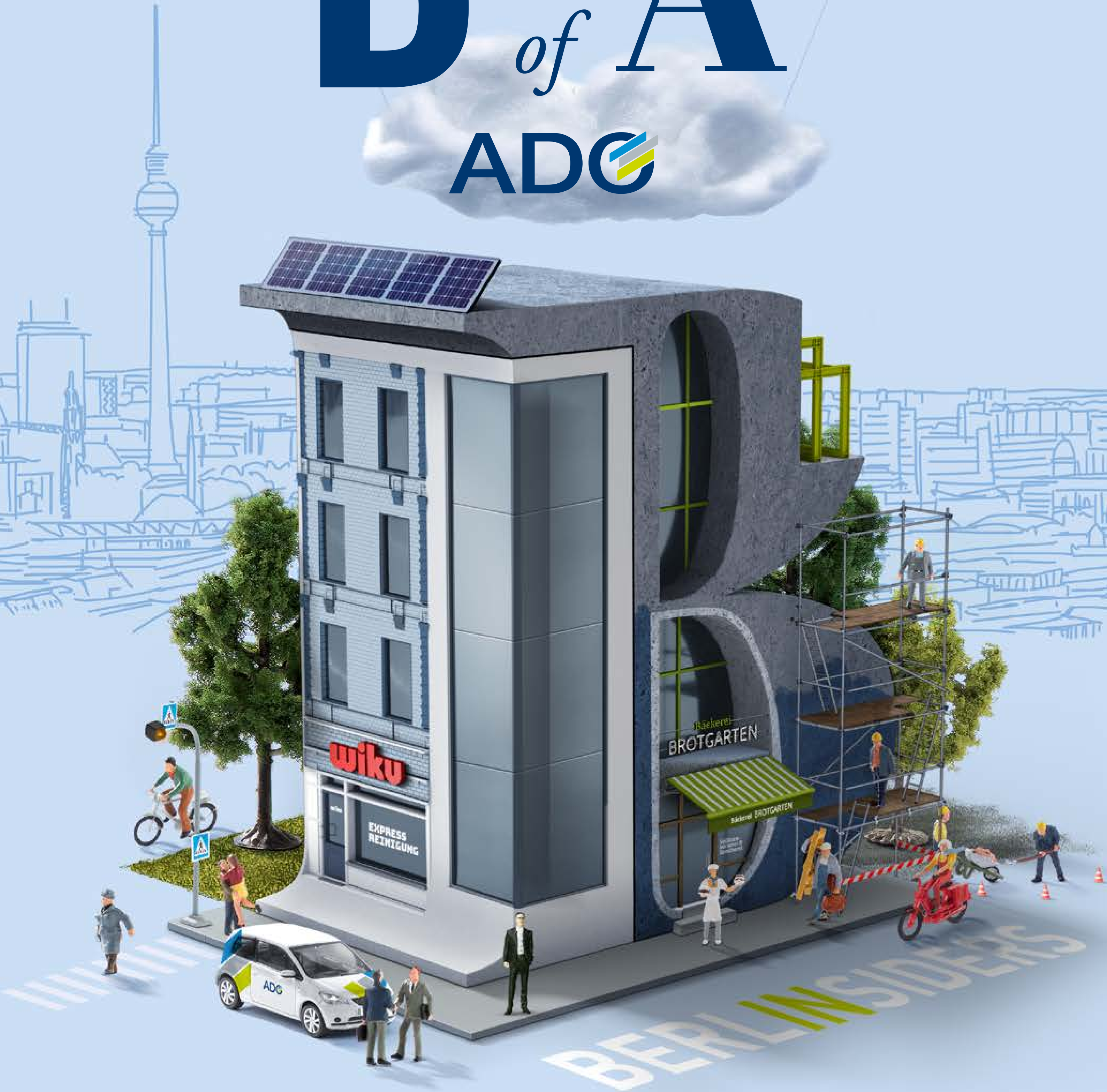
DNA of ADO



Annual Report 2017

KEY FIGURES

PROFIT OR LOSS STATEMENT

In EUR thousand	For the year ended Dec 31, 2017	For the year ended Dec 31, 2016	For the three months ended Dec 31, 2017	For the three months ended Dec 31, 2016
Income from rental activities	109,181	89,810	30,513	24,562
EBITDA from rental activities	77,090	63,388	21,176	17,059
EBITDA from rental activities margin	74.6%	74.9%	78.8%	73.1%
EBITDA total	81,001	66,627	22,661	18,103
FFO 1 (from rental activities)	54,345	43,513	13,721	12,028
AFFO (from rental activities)	43,535	34,672	9,952	7,513
FFO 2 (incl. disposal results)	58,256	46,752	15,206	13,072

FURTHER KPIs

Residential	Dec 31, 2017	Dec 31, 2016
Monthly in-place rent (EUR per m²)	6.42	6.11
Total vacancy rate	3.6%	2.5%
Number of units	20,649	17,701
Rental growth	4.8%	6.0%

BALANCE SHEET

In EUR thousand	Dec 31, 2017	Dec 31, 2016
Fair value of properties	3,321,198	2,326,195
LTV	39.6%	31.4%
EPRA NAV	1,988,757	1,591,345
EPRA NAV per share	45.10	36.08

There is perhaps no better way to show an interest in something than to care for it. Only the things we invest resources in can grow, thrive and come to fruition. That's what makes our story successful – because we care.

We care for our employees, our tenants, our properties and the interests of our shareholders – an operative approach that is among others, reflected in a 25% higher EPRA NAV per share.

It is possible to lead a smart, successful business, maintain and increase values, yet still preserve the interests of all stakeholders. Our unique company DNA makes it possible.

ADO – THAT'S WHAT'S INSIDE

All that matters is inside. This is true of our annual report as well as of our company. That's why we would like to introduce you to our value creation drivers on the following pages. Learn more about our figures for 2017 and our core business areas that drove us there.

VALUE CREATION AT ITS BEST

For all of you who may have wondered if ADO will stay on track, we have some good news: Not only have we stayed on track, we continue to build our track. 2017 was another year of growth for ADO and for our shareholders. Our outlook for 2018 is therefore both – positive and confident.

LETTER FROM THE MANAGEMENT TEAM

DEAR INVESTORS,

Berlin is growing – and so are we. Our current total portfolio, with a value of EUR 3.3 billion according to the latest CBRE valuation, generated growth of 25% in EPRA NAV per share from year-end 2016 and has 3,270 new units.

These figures demonstrate that our growth strategy works. On top of that, Brexit and other positive economic developments in Berlin re-inforce our story.

"WE CONTINUE TO EXPAND OUR FINANCING TOOLBOX TO ENSURE THAT THE MOST EFFI-CIENT CAPITAL STRUCTURE IS SUPPORTING OUR GROWTH.

WE FIND GROWTH OPPORTU-NITIES ACROSS THE WHOLE OF BERLIN. WE DON'T INVEST IN DISTRICTS. WE INVEST IN THE POTENTIAL OF INDIVIDUAL ASSETS. THE MARKET HAS BE-COME MUCH MORE GRANULAR."

Florian Goldgruber
CFO

In 2017 we concluded 25 new deals. To achieve this growth, we are prepared to put up with short-term squeezes – the high number of value enhancing acquisitions is reflected in a slightly higher vacancy rate which affects like-for-like rental growth. Nonetheless, rental growth excluding the vacancy rate was a strong 5.3%.

The outlook for 2018 looks promising. We are on the brink of finalizing further deals.

CHAPTER 01 ADO Properties

We are also treading new paths with regard to financing. In July, ADO placed its inaugural unsecured fixed interest rate corporate bond after receiving a solid investment grade rating of Baa2 from Moody's Investors Service. The bond with a volume of EUR 400 million has an annual coupon of 1.5% and matures in 2024.

In 2018 we took the next steps to increase our funding flexibility by establishing a EUR 175 million revolving credit facility. To improve that even further, we are in the last steps of establishing a Commercial Paper Programme to allow us flexible access to a well established market for short-term funding. This allows for interim funding of individual acquisitions before we put them in the most efficient long-term financing structure – we will adhere to our conservative financing strategy and the communicated loan-to-value of maximum 45%.

"THE CORE OF OUR BUSINESS STRATEGY IN 2018 WILL CONTINUE. WE BUY MISMANAGED PROPERTIES, INVEST THE NECESSARY CAPEX MEASUREMENTS AND INCREASE THEIR RESPECTIVE VALUE IN EVERY SENSE.

THAT'S WHAT OUR ENTIRE COMPANY STRUCTURE WITH ITS FULLY-INTEGRATED, SCALABLE IN-HOUSE MANAGEMENT PLATFORM IS GEARED TO."

Eyal Horn
COO

As a company that promotes out of the box entrepreneurial thinking, we continuously keep a vigilant eye on developing trends in our city. As soon as we discover a promising market niche that is suited to both – our business strategy and our company structure – we do not hesitate to seize the opportunity to grow further. The new area of urban development (p. 24) allows us to exploit the potentials of our existing portfolio. Our other new concept of furnished apartments (p. 18) is oriented towards the predicted development of Berlin resulting from the imbalance between supply and demand, the shortage of apartments and the market needs that arise from it.

Innovation and the rethinking of old structures and procedures remain an integral part of our company culture throughout 2018.

Our company communication conveys everything stated above to the outside world. Our newly relaunched website (www.ado.berlin) with features like the apartment agent or integrated Google Maps provide maximum benefit for existing and prospective tenants. Investors can now experience a new separate IR website (www.ado.properties) with significantly clearer structures, faster performance and optimal presentation on any end device. In doing so, ADO continues to underline its pioneering approach to technology.

Before we guide you through our business areas and present the most important figures of the year in detail, we would like to thank you for your trust. We look forward to a successful business year 2018.

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

"WE ARE BERLIN AND WE WILL REMAIN BERLIN. AS BERLINSIDERS, OUR INTIMATE LOCAL KNOWLEDGE OF THE MARKET IS WHAT SETS US APART. OUR COMPANY STRUCTURE, WHICH WE BUILT FROM SCRATCH, OUR CONSERVATIVE FINANCING STRATEGY AND THINKING OUT OF THE BOX APPROACH KEEP US EFFICIENT, FLEXIBLE AND MANEUVERABLE. OUR FOCUS STRATEGY ALLOWS US TO TAKE INSTANT ADVANTAGE OF GOOD OPPORTUNITIES AND CRYSTALLIZE VALUE BY UNLOCKING THEIR MAXIMUM POTENTIAL. AFTER 12 YEARS, IT'S PART OF OUR DNA."

Rabin Savion
CEO

THE DNA OF ADO

We proudly present our essential business areas based on our unique company core: Highly specialized departments which unite to a fully integrated in-house management platform with dedicated property management that covers every conceivable aspect. All with the common goal of appropriately increasing the value of our rental units, buildings and neighborhoods.

Modernization
Smart investments in apartments – an ADO speciality.

12

Furnished Apartments
A good feel for trends will set our future business acumen apart.

18

Urban Development
Creating new living space for Berlin while enriching our portfolio.

24

Sustainable Refurbishment
Legally required and voluntary refurbishment measures.

30

Social Commitment
Investing in emotional values pays off in our business context.

38

GOODBYE IS THE NEW HELLO

Change. It's what many people fear most. Yet all it means is letting go of the old: Because there's something much better waiting just round the corner – like a new bathroom.

When you work in construction management at ADO, you sometimes get to see things that are hard to believe: Apartments without a toilet and only an unheated communal bathroom down the hall, chunks of plaster falling from walls and ceilings, single glazed windows covered on the inside with frosty flowers in winter and psychedelic wallpaper screaming from the walls. Yet despite their condition, apartments like these are rented out far more often than you would think. Just like the apartment that Dirk Schiemann, Deputy Head of Department at CCM City Construction Management GmbH, ADO's subsidiary, recently got to see during the inspection of a property ADO wanted to buy.

Water from a hole in the roof dripped incessantly through the open ceiling; the rafters were rotten and the apartment was in a state of squalor. Yet although uninhabitable, the apartment still had a steady stream of visitors: The tenants who lived below came up and checked the many buckets they had placed all over the floor to stop the rainwater from dripping through the ceiling of their own apartment below. These checks were repeated and the buckets emptied – even more often whenever it started to rain or snow. What may sound more like a tale straight from Hans Christian Andersen was actually happening in 21st century Berlin.

NEW STANDARDS FOR A MODERN LIVING EXPERIENCE

Admittedly, this was one of the more drastic scenarios that the ADO's construction management team get to see during the acquisition of new properties. In most cases, the apartments are not in such a terrible state. It's more about bringing them up to the latest technical standards and creating a living environment that modern tenants really appreciate. Although a bathroom with light blue tiles, twenty-year old pipes, fittings and traces of the previous tenants may still be functional, a modern refurbished bathroom provides an entirely different quality of life. That's why ADO relies on a very special modernization concept.

CAPEX: SMART INVESTMENTS

Car, family or real estate: If you appreciate values, you care for them. Often all you need is a small investment every now and then. Although the present investment might be minimal, the outcome in the long term will be maximum.

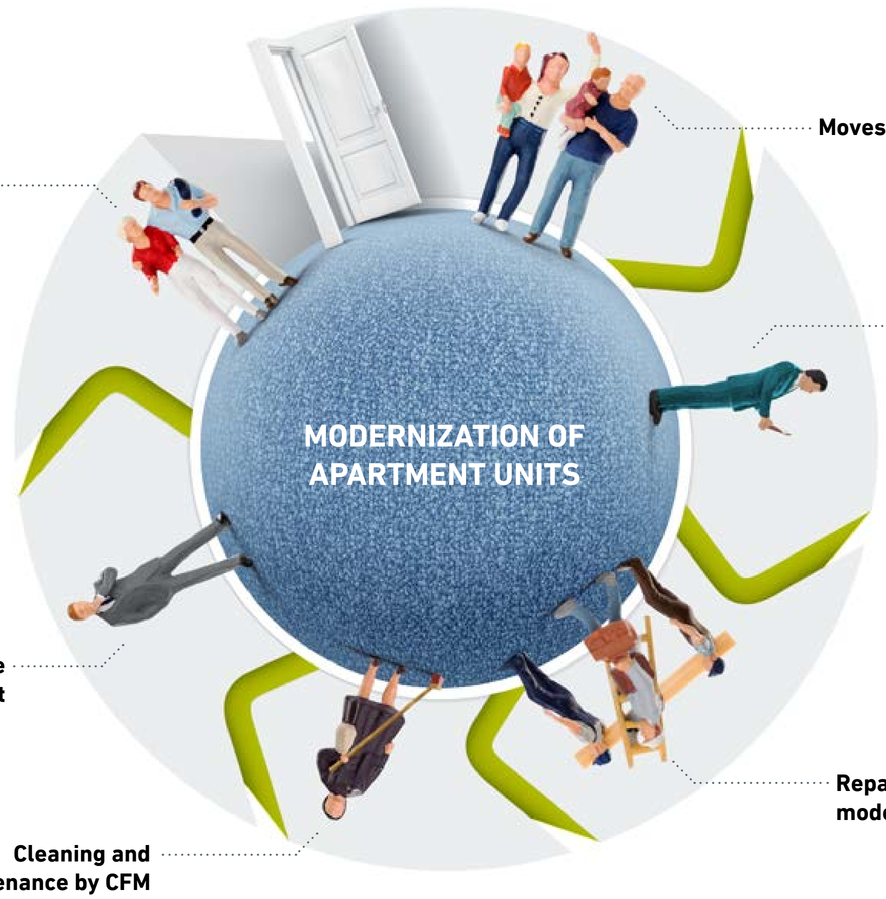
Our investment strategy is on the one hand typically Berlin, on the other hand typically German. Typically Berlin because unconventional. Typically German because highly efficient. Our CAPEX investments are both – and therefore typically ADO.

We like investing in our stock because that, after all, is our capital. But we don't stop at investing in the structure of the building, we invest in each individual apartment unit – namely every time one becomes vacant.

THE ADO CIRCLE OF MODERNIZATION

When a tenant moves out, our in-house rental experts move in. They view the apartment and note down any defects and design ideas. Smaller repairs and maintenance work are reported directly to the team of ADO's subsidiary CFM, Central Facility Management GmbH. If more extensive work needs to be done, then this is passed on to the construction management team. This can be anything from new flooring, to new wiring or plumbing or a new bathroom. City Construction Management then goes through the recommendations, complements them with the technical aspects and calculates the measures required for the modernization – because, naturally, the investment needs to be proportional to the rental income.

Geosocial aspects also play a role: We invest in values that not only we, but above all our tenants, appreciate – and are able to afford. A restored real wood floor may be highly favored and popular in Friedrichshain-Kreuzberg, but in the outlying district of Spandau, the emphasis is more on high-grade, easy-to-clean laminate flooring.



Whether it's a fashionable old building or a well-kept post-war house: We create the residential property that Berlin needs. Even if that means moving a few walls or doors as we always aim to optimize the apartments' layouts. This way, one very large apartment can be converted into two smaller ones. Or a cramped two-room apartment into an airy loft. By adapting the layout to match the needs of tenants in Berlin, apartments become more attractive and demand increases – as does the rent per square meter.

"WE CREATE WHAT PEOPLE ARE LOOKING FOR."

Florian Goldgruber
CFO

UNIQUE UNITS BECOME A PERFECT UNITY

When a tenant moves out, the apartment is modernized until one by one all the apartments in the building have been. In addition, CAPEX investments are made in the building itself: From the basement, up through the stairway and into the roof. This not only improves the quality of life and therefore the quality of the tenant structures: In the long-term it is far easier and less costly to manage, look after and maintain buildings and apartment units.

DISTRICT: PRENZLAUER BERG

Built: 1900

Modernization carried out includes: New wiring, bathroom renovation, restoration of floorboards, filling in and painting of walls and ceilings.

Time taken: 6 weeks

DISTRICT: HALENSEE

Built: 1965

Modernization carried out includes: Disposal of hazardous materials, new wiring, bathroom renovation, new laminate flooring, filling in and painting of walls and ceilings.

Time taken: 6 weeks

"THE BEFORE AND AFTER EFFECT OF SUCH APARTMENT RENOVATIONS IS AWESOME."

Dirk Schiemann
Deputy Head of Department
CCM City Construction Management GmbH

ALL UNDER ONE ROOF

Shorter ways, quick reaction times, highest efficiency: Our entire company structure is aligned so that we are always able to react flexibly and independently to the demands of the market. Our USP: We have focused solely on Berlin, we know the market like no other. Our conscious decision to choose a central location for our head office means that we can reach each of our properties in next to no time – as well as exciting new properties for sale. Thanks to the core of our company, the fully integrated management platform, we can assess, buy, convert, rent out and look after properties in the long term in a time-saving and cost-efficient manner.

A HOME, READY TO MOVE INTO

Berlin never stands still – neither do we. We know the Berlin rental market like no other. We know and understand the present needs, have an excellent instinct for future demands and react to them proactively. Our new furnished apartments are the best example.

"PARIS IS ALWAYS PARIS AND BERLIN IS NEVER BERLIN."

Jack Lang
Former France's Minister of Culture

Berlin is growing on a daily basis. Young professionals from diverse backgrounds, expats from all over the world who are attracted by the opportunities, the diversity, the buzz and the spirit of the German capital are pouring into the city. What does somebody need most when they move to a different city or even a new country? A home.

That's why we decided to not only create spaces to live but homes: Furnished apartments, ready-to-move-into-homes for all the new citizens that Berlin can expect within the incoming years. Brexit, the fast-growing tech sector and the booming start-up scene will make sure of that. Regardless of whether the newcomers are planning on staying for a limited time or relocating: They will all need a new home for the first months – from small living units to spacious family apartments – and ADO is preparing for it.

EXPERTS ON BERLIN, ON EXPATS – ON OPPORTUNITIES

It simply runs in our blood at ADO: We are experts on expats because we live the diversity of Berlin in our own company. People from countries across the globe work at ADO, numerous languages are spoken in our corridors. Yet we are not only experts on expats – we are real estate specialists and experts on the Berlin real estate market. Our ideas are driven by the development of this exceptional city. We always have an eye on the market's movements and our entire business structures are aligned to react flexibly and quickly to them. If we see a lucrative opportunity to occupy a new niche on the Berlin rental market, we do it. If we see the possibility to grow our portfolio, we do it. The only thing we don't do is stand still. Furnished apartments are just one new possibility to fulfil the needs of the Berlin rental market. Watch this space for further interesting developments!

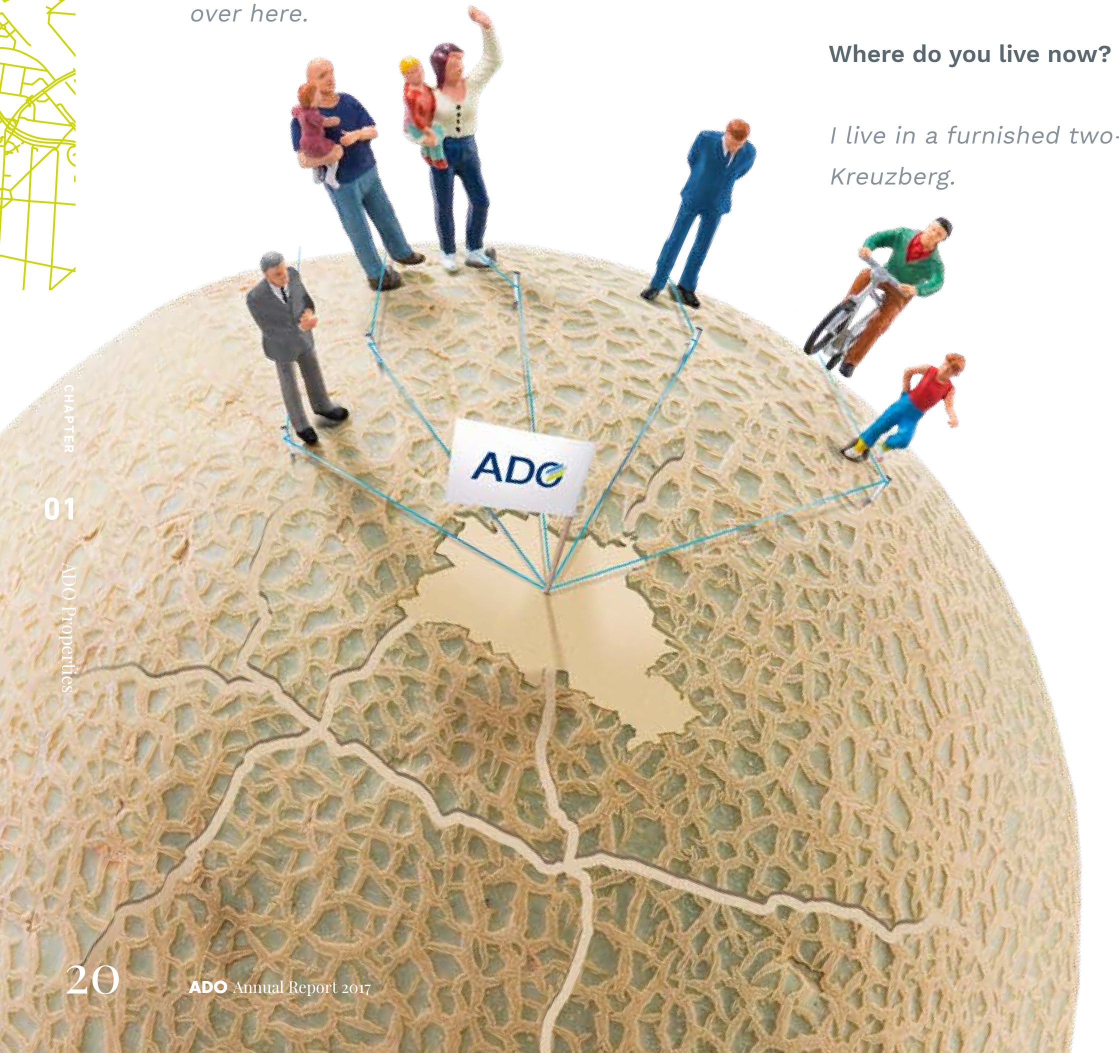
WHAT'S IT LIKE LIVING IN A FURNISHED ADO APARTMENT?

Keren Yacobi
Controller

We know that Berlin will continue to grow and we think that furnished apartments could be a great solution for upcoming needs, since the growth in the rental market will be mainly caused by the influx of young professionals. Yet why not ask someone who should really know the needs of an expat? For three months now, Keren has been living in a furnished ADO apartment. We asked her what it's like and if she thinks that furnished apartments are a good offer for expats.

Keren, what made you decide to come to Berlin?

My work! I am originally from Israel, but the firm I work for was acquired by a German company located in Berlin. So they asked me to come on over here.



How do you like Berlin?

I love it, although it can be a bit lonely at times. I need to connect to people, but that is one of the reasons why I came here.

Where do you live now?

I live in a furnished two-room apartment in Kreuzberg.

16.7%
of the population of Berlin is made up of expats

approx.
50%
of residents are singles

3.7m
people live in Berlin

"IF YOU MOVE TO A FOREIGN CITY, YOU WANT TO FEEL AS MUCH AT HOME AS YOU CAN."

Keren Yacobi
Expat

And what made you decide to rent a furnished apartment as opposed to a normal one?

First of all, it's difficult to look for an apartment if you have no real idea how long you are going to stay. The second thing was that every other offer seemed to have a catch: Either it was on the outskirts of Berlin, or it was more central but difficult to get to my office, or it was only a single-room apartment. So my company was happy to learn that ADO now offers fully-furnished apartments. And for me it was great because all I moved in with was two suitcases crammed with clothes – everything else was already here.

So – be honest – how much do you like it?

I love it! I love the area – when you go out of the door, there are beautiful parks and everything you need is just round the corner. Inside there is everything you would ever dream of needing. Everything is just tastefully selected. From the furniture and furnishings, down to the interior, the sheets and towels and even the crockery and cutlery. There's also a washing machine and a dishwasher, so it's all very convenient for me. As someone who works full-time, I don't have the time or energy for laborious housework.

Would you recommend other expats or their companies to rent a furnished apartment?

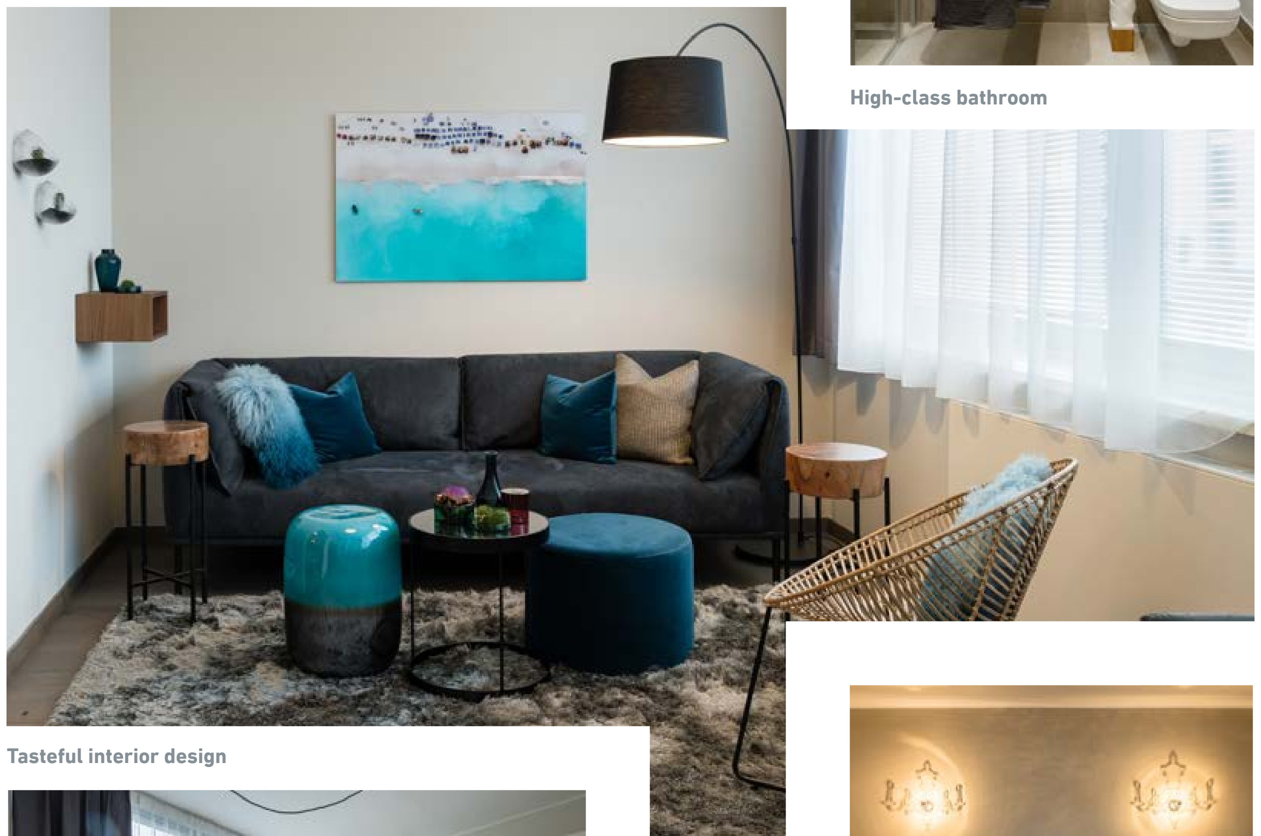
Absolutely! It's the best of both worlds: It's perfect when you are planning on relocating and when you are not sure how long you are going to stay.

When you come to a foreign city, you don't want to spend your free time buying furniture. You want to get out and discover the city and find your place in it. It's great when you can focus on your new environment and your job without having to worry about where to buy sheets or a washing machine.

THIS IS WHAT A HOME MADE BY ADO LOOKS LIKE

ADO's first furnished apartments welcome their tenants with a warm atmosphere and all that they need in a comfortable home. In the coming months, further furnished apartments will be made available to cater for different tastes and needs.

High-class bathroom



Tasteful interior design

Fitted kitchen with dishwasher and washing machine

Elegant bedroom

FURNISHED APARTMENTS – CURRENT PROJECTS

Furnished apartments are a topic with great potential. That's why we have started to build an independent division that will specialize in this market. Experts from our modernization team, rental experts and interior designers work hand in hand.

OLIVAER PLATZ 8-10

Near Kurfürstendamm, in an excellent location, our team of experts is currently carrying out a complete refurbishment of 16 vacant apartments. The two roof-top apartments, each with an area of 160 m², will be given a cool loft character providing enough room for families. The other apartments range from 42 to 52 m² making them perfect for singles. All the apartments will undergo a complete refurbishment with new wiring, a high-quality bathroom and fitted kitchen, new water pipes and windows as well as classy parquet flooring. The layout of the apartments will be partly changed to accommodate the fully-fitted kitchens. The building itself has three staircases, each with its own elevator, which are also being refurbished. One special highlight: The elevator goes straight to the loft apartments. When the outstanding furnishing has been completed by our designer team, a range of high-end apartments will be awaiting our tenants.

MÖCKERNSTRASSE 73a

In one of the older buildings that are so typical of Berlin, 12 units are being converted one by one into furnished apartments. True to our modernization concept, we start with an extensive refurbishment as soon as a tenant has moved out. One of the apartments has already been completed and has been let out for EUR 26.50 per m², while another one is currently being modernized. Following a whole layout modernization, restoration of the original floorboards and complete furnishing by our team of interior designers, a superior two-room apartment will be ready for our tenants to move in to.

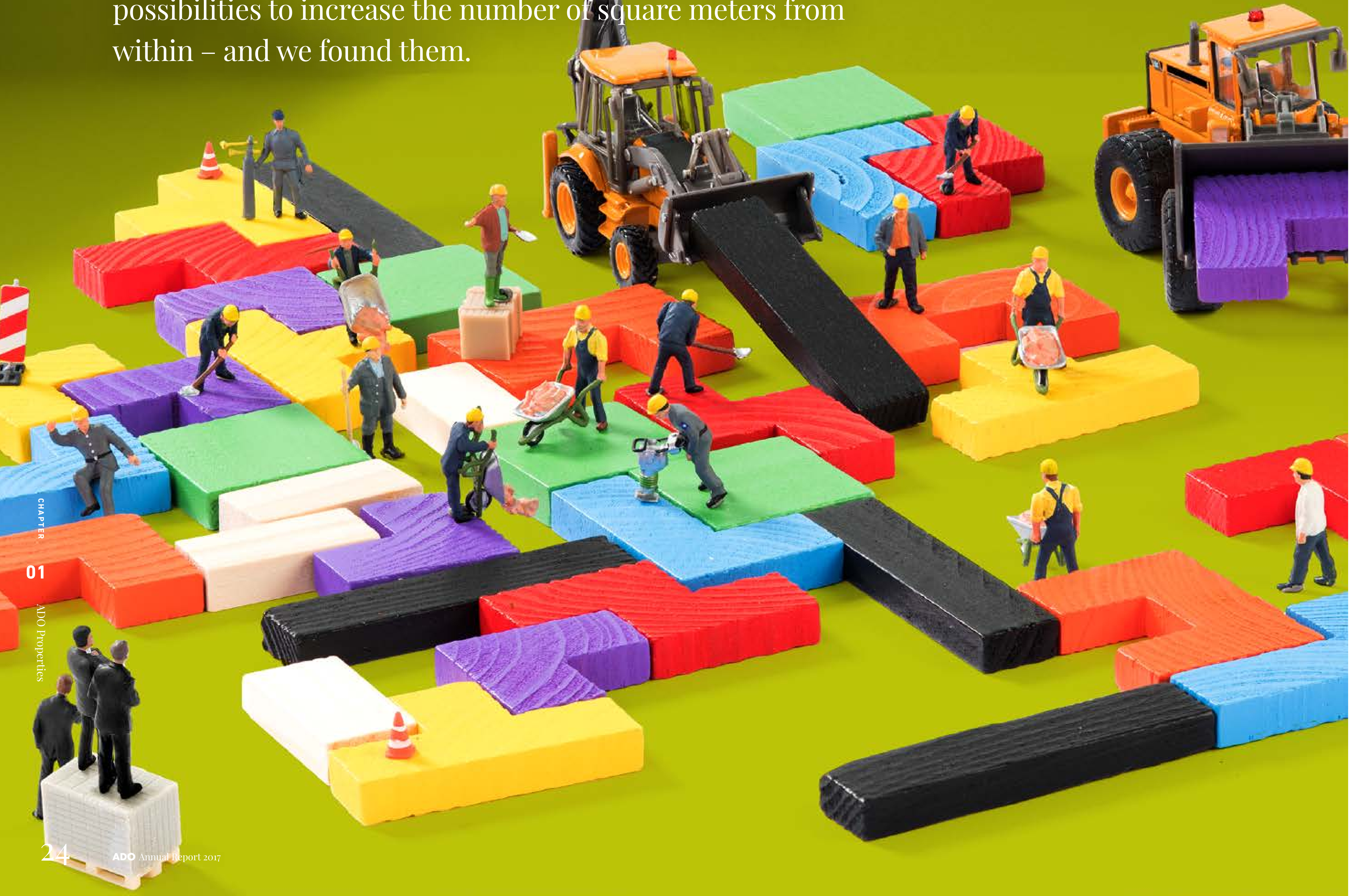
REACTING TO GOOD OPPORTUNITIES QUICK AS A FLASH – THAT'S WHAT WE'RE GOOD AT.

"In our business, it's all about reacting to an opportunity quick as a flash when one comes up. The property on Olivaer Platz was not just a good but also an absolutely exceptional opportunity. A real gem on the Berlin property market, a fantastic property with optimized layouts in a prime location – practically a block from Kudamm. Almost 50% of the tenants had short-term leases terminating in less than two years. We immediately saw the tremendous potential: This property perfectly fits with our vision of the new business area "Furnished Apartments". We mobilized all forces to get the deal. It only took us three days through the weekend – from the first inspection via the necessary calculations and the complete full technical and legal DD, to the notarization. This is only possible because of our unique company structure and financial capabilities."

Rabin Savion
CEO

WE CREATE NEW LIVING SPACE

Berlin is bursting at the seams. There is an enormous shortage of living space. That's why we mapped our portfolio for possibilities to increase the number of square meters from within – and we found them.



We spotted several opportunities to add more living space to our existing portfolio. Densification measures will enable us to add 3 to 4% of living space from our total area square meterage. We will achieve this by developing new buildings on plots of land we already own, by converting unused rooftop spaces and by putting new floors on top of existing buildings or by adding new elements such as balconies. This not only increases the living space but also enhances the quality of life of our tenants.

DENSIFICATION – THE REAL-LIFE TETRIS

Remember Tetris? Well that's exactly what we do when we plan our densification measures: We start by identifying any vacant spaces on the land and buildings that make up the ADO portfolio and try to fill them with new habitable square meters. Or in other words: We do exactly what we are already known for in our established market activities – discovering and unlocking potential.

This is not always as easy as it sounds. Berlin building regulations are based on the taste and needs of post-war Germany. Whereas back in those days people preferred more open and spread-out cityscapes, while people nowadays, given the shortage of apartments, prefer it denser and more enclosed. As much as modern urban architecture would like to respond with their layouts to today's taste, that is often not possible due to certain regulations.

That's why our in-house team of architects works closely with highly reputable external architectural firms and experts to find solutions that cater for the taste and needs of Berlin's citizens while complying with the regulations laid down by the government, the city, and not to be forgotten, the districts. This way, we can provide Berlin with the new living spaces it so urgently needs.

CURRENT PROJECTS

ADDING ANOTHER STORY: DENSIFICATION IN CHARLOT-TENBURG

Project type:
Addition of a single story

Project status:
Construction permit issued

Newly-created total living area: Approx. 270 m²

"WITH DENSIFICATION WE GET THE BEST OUT OF OUR PORT-FOLIO AND HELP TO COMBAT THE SHORTAGE OF LIVING SPACE IN BERLIN."

Dirk Schiemann

Dirk Schiemann
Deputy Head of Department
CCM City Construction Management GmbH

"Densification measures can be difficult since they need to be approved by the Berlin building authorities. Adding another floor to an existing building is often easier than building from scratch. Like here in Charlottenburg – by putting another floor on top of an existing building, we will extend the living area by approx. 270 m²."

"ADO DRIVES BERLIN FORWARD."

Goetz M. Keller
MK Architekten

CHANGE OF USE: OFFICE BUILDING IN PRENZLAUER BERG

Project type:
Change of use

Project status:
Planning state

Newly-created total area to rent: 1,240 m²

Goetz M. Keller
MK Architekten
The Berlin architectural firm MK Architekten has primarily been entrusted with urban development projects by ADO since 2015.

"This ballroom belongs to the grounds of what used to be a brewery. We have already finished refurbishing the front part of the historical building and the apartments have already been rented out by ADO. Now ADO would like to put the dilapidated ballroom at the back of the building to a different use: We are planning a unique office building that marries a modern work atmosphere with the historical setting. There are a number of challenges like obtaining permission for the change of use, for example. Then the ballroom needs to be refurbished from the ground up. Like the rest of the structure that was built from 1905 to 1907, the ballroom is also listed. That means there are many requirements which have to be fulfilled."

Planned layout of the apartment unit

NEW BUILD: MICROLIVING IN NEUKÖLLN

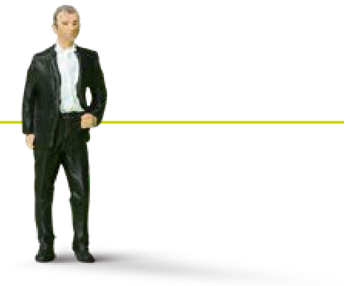
Project type:
New build

Project status:
Construction start due September 2018

Newly-created total living area: Approx. 1,450 m²

"An apartment building that will house very compact apartments is currently undergoing development in Neukölln. This project is a very special project for a number of reasons: For one, densification in block inner areas is extremely rare. In addition to that, the building was built on an existing unused underground parking lot from the 1960s. This underground parking lot needs to be partly demolished to ensure there is ground connection. That's because the so-called biotope area factor (BAF) designates a specific ratio of sealed to greened areas and areas with ground connection. It's also why we green the roofs and parts of the facade."

"Urban development is so well-suited to ADO because we are always on the lookout for unlocked potential. We benefit from the fact that we are innovative and a little unconventional. We have good ideas and the structures to implement them efficiently."



Florian Goldgruber
CFO

JUST A QUICK WORD, MR KELLER

On the subject of living space development: What is the biggest challenge?

The coordination processes can be pretty tough. Densification measures often happen in places where building was not originally intended to be carried out. What we need to do is start thinking outside the box. This is something that ADO is especially good at, but that doesn't mean it's a foregone conclusion: We need to find a concept that can convince involved parties, such as the building authorities, of our vision and get them on our side.

What tenants does ADO build for?

That depends really. As far as the microliving new build in Neukölln is concerned, we're looking for a good social mix: We plan to offer barrier-free as well as gallery and compact three-room apartments, which make them ideal for single parents, single pensioners and students alike.

Is microliving really what you could call a discernible trend?

Yes, definitely. The share of microliving units in our contract portfolio has increased significantly. Smaller apartments are interesting for business people and students but also for pensioners. They are attractive for builder-owners because they generate a higher rental income per square meter than larger ones.

Why do you enjoy working with ADO?

The exceptional thing about ADO is their commitment to property value growth. Although their focus is squarely on existing properties, they are always trying to think outside the box and create new living spaces. Whether it's densification projects in Neukölln or the way ADO wants to change the use of a historical ballroom in Prenzlauer Berg: These are creative projects that we architects love doing and that drive Berlin forward in its future development.

ALWAYS ONE STEP AHEAD

Understanding building refurbishments as a rewarding opportunity: This is why we climb outside the box and always go that extra mile.

Many buildings in Germany will have to undergo refurbishment: That's what the EnEV (energy saving regulation) says. We at ADO like investing in our property portfolio – even beyond what the energy saving regulation stipulates. That's because refurbishment measures pay off in so many ways and for years to come.

APPRECIATION EQUATES INTO VALUE CREATION

Refurbishments initially mean a binding of resources. But they also mean an increase in rental income because part of the refurbishment costs can be allocated to the rent. At the same time, maintenance costs for the building go down and the value of the property goes up. This means that the ROI can be calculated before a refurbishment project commences. Investment measures that cannot be allocated to the rent can be worthwhile nonetheless: Whether it's a trim courtyard, a state-of-the-art doorbell intercom system or a renovated stairwell – refurbishments enhance quality of life. When tenants feel comfortable within their own four walls, it increases the attractiveness of the apartments and therefore demand – and ultimately the quality of the tenant structure.

THINK TODAY ABOUT TOMORROW

When we invest in our buildings, we don't just make sure that they are energy-efficient and economical today – we make sure that they remain so for decades to come. Insulation is a prime example: We don't just skirt around the edge of the EnEV, we invest in materials that satisfy the highest demands – from both a financial as well as a safety and environmental point of view.

We don't use the cheaper insulation material Styrodur that is widely used throughout the industry, we use natural mineral rock wool. This natural material can boast a variety of positive characteristics. For one it fulfils by nature all fire safety requirements. Secondly it is currently the greenest form of insulation because the whole manufacturing process and supply chain are more resource--conserving and sustainable. Last but not least, mineral rock wool is biodegradable and can be disposed of without any hassel whereas Styrodur is oil based and must be disposed of as expensive special waste.

ENERGY-EFFICIENT REFURBISHING – EVERYBODY GETS TO WIN

If you want to rent out a residential or commercial property in Germany, you need to have an energy pass – that's what the EnEV specifies. In order to achieve the German government's climate goals, all existing properties have to be climate neutral by 2050. Energy-efficient refurbishments affect first and foremost the new acquisitions to our portfolio. That's because ADO's speciality is buying mismanaged properties and then modernizing them extensively. Such an investment does lead to a high strain on resources in the short-term and puts a certain strain on the tenants. In the medium-term, it ensures an increase in the value of the property. In the end, everyone benefits from an energy-efficient refurbishment. The tenants, who have a significantly enhanced quality of life. The environment, which benefits from considerably lower CO_2 emissions. And ADO, as we accomplish a guaranteed increase in the value of our property.

OUR CAPEX – ALWAYS THINKING OUT OF THE BOX

"It's typical of ADO to calculate sensibly and sustainably. Invest an extra cent today and profit from this decision for years to come. We don't just carry out refurbishment measures which fulfil the EnEV or other regulations but also those which increase the value of the building. Ideally, both can be combined – when we, for example, refurbish a facade, we always seek to create additional value enhancement for all of our stakeholders. Staircases, courtyards and technical building equipment are often part of this value creation chain."

Eyal Horn
COO

REFURBISHMENT MEASURES REGULATED BY LAW:

- insulation of the upper story ceilings
- insulation of the basement ceilings
- insulation of the building shells
- roof refurbishment
- renewal of windows in compliance with EnEV
- renewal of central heating systems

VOLUNTARY REFURBISHMENT MEASURES WHICH INCREASE THE VALUE OF THE PROPERTY:

- facade improvements
- staircase and basement renovation
- renewal of letterboxes and intercom systems
- renewal of pipes
- installation of refuse area enclosures and bicycle parking racks
- redevelopment of rear courtyards and gardens
- balcony refurbishments

CONTEMPORARY EXAMPLES FROM OUR PORTFOLIO

POST WAR BUILDING BÜLOWSTRASSE

Built: 1955

Apartments: 38

Refurbishment measures:
Street-facing facade, insulation of the building shell (WDVS), new windows, new balcony parapets.

Gross investment: EUR 278,000

Energy balance after refurbishment:
End-use energy consumption reduced by approx.

SUSTAINABLE REFURBISHMENT

TYPICAL ALTBAU WEITLING-STRASSE

Built: 1910

Apartments: 33

Commercial units: 6

Refurbishment measures:
Court-facing facade, insulation of the building shell (WDVS), new windows. In addition, the courtyard surface was remodeled.

Gross investment: EUR 320,000

Energy balance after refurbishment:
End-use energy consumption reduced by approx.

CHAPTER
01
ADO Properties

EXPERTS AT WORK

ADO uses a team comprising internal and external experts for building refurbishments: Our internal CCM construction management team around Ingo Kersten and Dirk Schiemann as well as the team of external energy saving specialists at DR. ZAUFT Ingenieurgesellschaft für Bauwesen (Engineering Company for Building and Construction).

Dirk Schiemann
B.Sc. of Architecture
Deputy Head of Department
CCM City Construction
Management GmbH

Which experts make up your team?

Our modernization team, which we are continuously seeking to expand, is made up of civil engineers, architects and different kinds of master craftspeople. The team specializing in sustainable refurbishment consists of experts in energy consulting, roofers and heating system specialists. It is rounded off by real estate experts for modernization cost allocation. All in all, our team comprises 47 professionals.

What's your job when it comes to building refurbishments at ADO?

At CCM we calculate, plan and implement refurbishment measures. On the one hand, we are responsible for inspecting all properties that we intend to buy and perform a complete technical due diligence. Furthermore, we continuously review our existing portfolio, seek to unlock potential and increase the value of our properties through CAPEX investments. We calculate the investment needs as well as the ROI while we plan, coordinate and conduct the entire refurbishment process.

What is the most difficult thing about your area of activity?

We have numerous projects – all at the same time. That can't always be shouldered with internal resources alone. Nonetheless, we're always the ones pulling the strings and in full control.

What's the best thing about your job?

The before and after effect: When you have seen what state a building was in when you first inspected it and how much more liveable it looks after the refurbishments – that's when it really sinks in. Above all when you know: It's going to stay that way for a while to come!

OUR EXTERNAL EXPERTS FOR ENERGY-EFFICIENT REFURBISHMENT

Verena Schirott
Dipl. Ing.
Registered appraiser
for energy-efficient
building planning in
Brandenburg state

Andrey Ezhov
M. Eng.
Project manager
energy-efficient
building planning

Which experts make up your team?

Schirott: Our team comprises engineers who are specialized in planning and inspection of buildings and listed buildings.

What's your job when it comes to building refurbishments at ADO?

Ezhov: One of the things we do is to draw up expert reports for all the refurbishment procedures that are required by the EnEV. That means that after inspecting a property, we document the state of the building and propose any necessary actions. We also monitor the entire refurbishment process, perform an energy-efficiency assessment and issue the energy pass for the finished building.

What is the most difficult thing about your area of activity?

Ezhov: The refurbishment has to be perfectly attuned to avoid any consequential damage, for example the windows should not be more efficient than the outer walls.

Schirott: The planning has to be very detailed so that the refurbishment itself takes up as little time as possible. This makes it less cost intensive for ADO and puts less stress on the tenants.

What's the best thing about your job?

Ezhov: When the refurbishment complies with EnEV regulations, enhances the quality of life of the tenants and blends aesthetically into the street and cityscape – then everybody can be satisfied with the result.

Schirott: I'm pleased when the tenants really do benefit from the refurbishment, for example, when the heating costs are lowered, comfort is improved and the relationship between the tenants and the landlord is not impaired by the refurbishment.

THINKING OUT OF THE FOUR WALLS

To care about our units and our buildings is part of our daily routine. But we even go a step further: We care for our neighborhood – for very good reasons.

Buying and managing real estate is our business. That's why we not only invest in real estate and living units but also in the surrounding neighborhood – and not only from a financial point of view. We organize festivals, clean-up events and are personally involved and active, for example on our annual "Good Deeds Day". Such involvement paired with state-of-the-art measuring techniques including online heating control and water billing based on individual consumption helps sharpen the awareness of our tenants for their environment and its values. The why and wherefore is as simple as it is clever: We increase the quality of life in and around our properties and thereby boost their value.

FLASHPOINTS SPANDAU AND REINICKENDORF

Our commitment is especially high at the social hotspots Spandau, Staaken and Reinickendorf. In 2015, ADO took over 5,748 apartments here. "The estate was run down and the buildings were in a terrible state," explains Manuela Modenberg, Head of Property Management in these districts. "The tenants weren't used to someone taking care of the apartments or the buildings. Luckily, we changed that." Before the takeover, the number of vacant units was very high. Now they are nearly all occupied. Up to 600 apartments have been refurbished, partly because of asbestos in the flooring. "Our houses are very clean and the green areas are well-kept. This is something that does not go unnoticed among the tenants and soon word spreads: We take care!"

When a tenant needs help, one of the phones on Manuela Modenberg's team rings. "We try to help our tenants when- and wherever we can. Of course, that still isn't always possible – but we for sure do what we can." No different to when it comes to showing commitment in the neighborhood.

ADO AS *THE* CONTACT POINT IN THE NEIGHBOR-HOOD

"In Reinickendorf, for example, I regularly sit down at the neighborhood round table with members of public bodies in my role as an ADO representative. We talk about current topics and problems together with the kindergarten, the school and the church. We always find a solution. After all, we all have the same goal: To make life on the housing estate nicer and more worth living." This is how a new playing area covering over 1,100 m² came about – funded and built by ADO.

"ON OUR ANNUAL 'GOOD DEEDS DAY' WE COMMIT TO BERLIN AND TO BERLINERS. THIS IS AN IMPORTANT ELEMENT OF OUR COMPANY PHILOSOPHY."

Julia Hasinski
Head of PR & Marketing

Currently, Manuela Modenberg is trying to set up a "Quartiersmanagement" together with stakeholders from the so-called Rollberg estate. This would allow public funds to flow into the area, just like in the neighboring Mark Brandenburg district. Young kids and adolescents can get a school dinner and after school care, there are streetworkers and other kinds of support. The Rollberg estate still has a long way to go.

That's why the neighborhood round table regularly organizes events. "We do it for the kids," says Manuela Modenberg. "Poverty is a major issue. Most of the kids never get to leave the neighborhood: They've never been to a Christmas market – they don't even know what it is. At the festivals we organize, they can eat and drink for free, there are balloon artists and other attractions. You should see the way the kids' eyes sparkle. That's what it's all about!"

THE KIDS ARE THE KEY

With activities like the "Staaken clean-up", Manuela Modenberg's team tries to sensitize and encourage the residents of Spandau and Reinickendorf to keep their neighborhoods tidy and clean.

Manuela Modenberg is the first to admit that it is far from easy, which is why she came up with a very special idea: "We try to enlist the help of the kids. They really like coming to our clean-up and planting activities. They in turn make sure that their parents don't just drop litter or throw it in a bush. We show them how recycling works and hopefully next time round their parents will put their bin bags into the big bins instead of next to them. We well and truly believe that children are the key and that parents can learn a lot from them." We can't wait to see if she's right. Fact of the matter is: Things are already making a change for the positive!

ADO on the ground

Princesses for a day

Kids having fun cleaning up their neighborhood

ADO IS ON THE GROUND FOR BERLIN

Shortly after we took over the Rollberg estate, one thing soon became clear to our CCM Deputy Head of Department, Dirk Schiemann: The old playground was in desperate need of a refurbishment. The sand areas were filthy, the equipment was broken or cordoned off. The whole area was just waiting to be vandalized. Dirk Schiemann campaigned to renew the playing area. Manuela Modenberg, the public ADO voice in the district, and Dirk Schiemann asked kids and young people in the area what they wanted and needed. ADO freed up the necessary resources and put the new concept into action. Today the new playground is open to the public and covers over 1,100 m². The sand and playing areas are separated for children under the age of eight and the older kids. Everyone gets to have their own fun. Next to the playground there are further sports areas which are to be expanded with a skate park in 2018. Since it was opened, the new playing area on the Rollberg estate has blossomed into a highlight among both – the kids and their parents. It has established itself as an important factor for quality of life in Reinickendorf.

"THE PLAY AREA WAS WHAT YOU COULD CALL 'MY BABY'."

Dirk Schiemann
Deputy Head of Department
CCM City Construction Management GmbH

CORPORATE SOCIAL RESPONSIBILITY

PLAYGROUND REFURBISHMENT

Cost: EUR 79,000

Refurbishment measures: Old, broken playground equipment disassembled; new and modern playground and climbing equipment for kids of all ages installed; paths and paved ways leveled; trees and shrubs pruned; sand cleaned, sand areas replenished; new seating installed.

Implementation: ADO and CCM

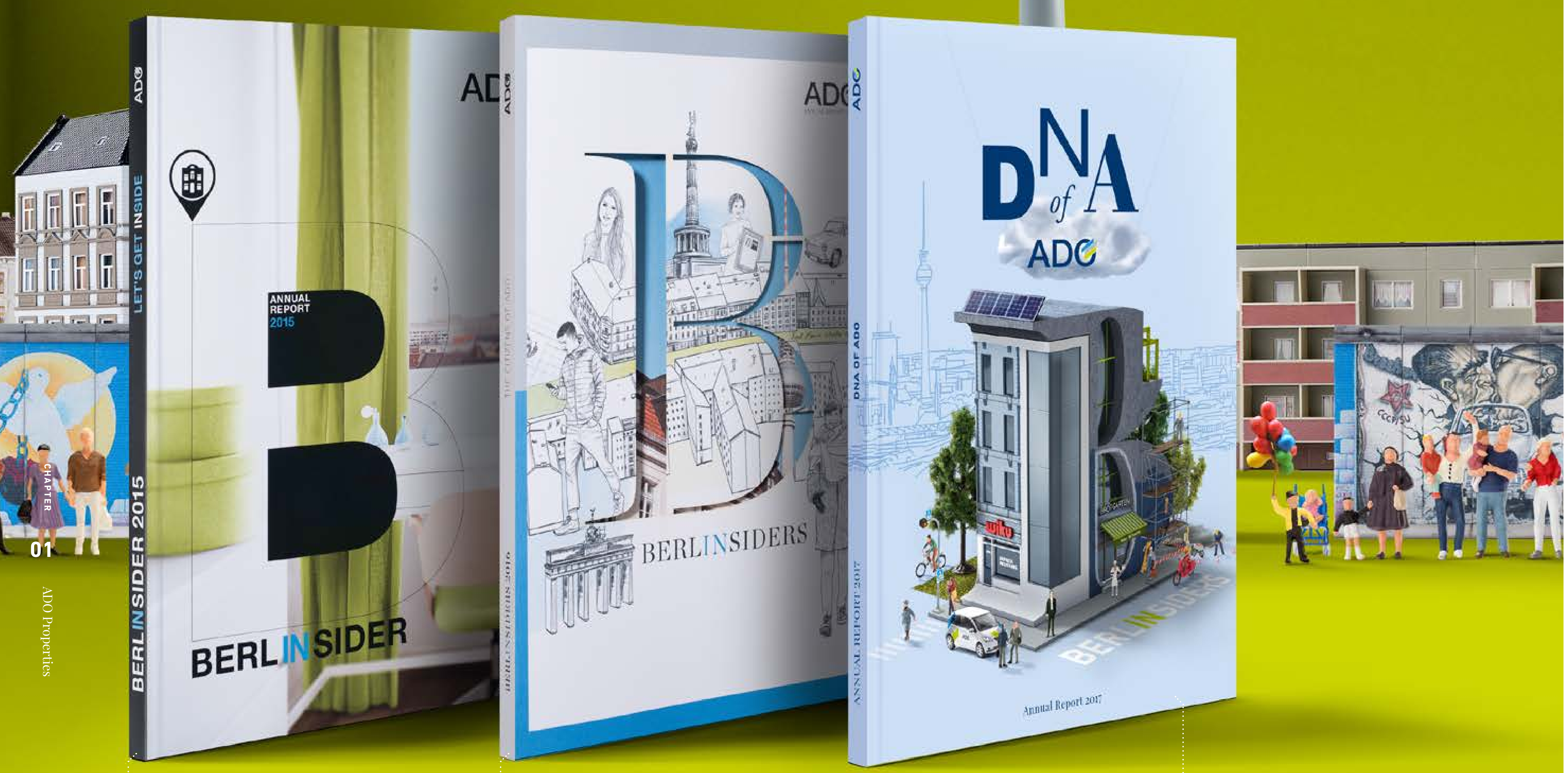
Total playing area: 1,100 m²

ADO

CHAPTER 01 ADO Properties

OUR SUCCESS FORMULA

The condition for sustainable, repeatable success: It wasn't born by chance. Only when you know which factors form the basis of your success will you be able to reproduce them.



Annual Report 2015
Focus on: Our tenants

Annual Report 2016
Focus on: Our employees

Annual Report 2017
Focus on: Our business core

The secret of our success lies first and foremost in our company culture: We have developed organically. At ADO, we don't do theory – we are creators. We explore areas beyond the beaten track with true pioneer spirit. When we see a possibility, we don't just sit around: We mobilize all our resources to weigh the risks and chances and jump on promising opportunities.

We may be operating in a traditional business but we reinvent it over and over again. We prove that daily on all levels – with our newly launched websites for tenants and investors now also in the virtual world. It is this rethinking of old structures that defines ADO.

FOUR COLUMNS THAT FORM OUR SUCCESS

It is this aspiration that shaped the columns on which the success of our daily business stands. Our staff who are the engine and transmission of our company. Our tenants without whom this portfolio would be of no real value. Our essential business areas which we consistently adjust and develop. And finally, you, our investors, who support us in achieving our vision.

Proof that these four columns are as stable as they are successful, can be found on the following pages: We present to you the Financial Report of ADO Properties for 2017.

Besides, did you know that we also present all relevant investor information on our newly relaunched IR website? Have a look at www.ado.properties.

Annual Report 2015

Annual Report 2016

SAFE GROWTH

Berlin's dynamic, vibrant and growing residential market is fertile ground for ADO's growth strategy with imminent potential expected in 2018 and in the years to come. ADO continues to thrive under these conditions leveraging its vast knowledge and expertise of Berlin and Berlinsiders.

DEAR INVESTORS,

For ADO, 2017 was also characterized by growth – in every aspect. Income from rental activities increased by 22% compared to the previous year. The portfolio was expanded by 3,270 units. Net profit from privatizations shows growth of 20.7% compared to 2016. The EPRA NAV per share increased since the beginning of the year by a hefty 25% to EUR 45.10 plus a dividend payment of EUR 0.45 per share in May 2017. A dividend of EUR 0.60 per share is proposed for 2018.

This growth is based on a solid financing strategy which we continously develop further. The solid investment grade rating of Baa2 we received from Moody's Investor Services allows us easy access to debt capital markets as well as better access to bank financing. Despite adding more options to raise debt, we will stick to our conservative financial strategy with an LTV of maximum 45%.

"GIVEN OUR EXCELLENT NETWORK AND OUR UNPARALLELED EXPERIENCE IN THE BERLIN RESIDENTIAL MARKET, WE ARE CONFIDENT THAT WE CONTINUE TO LOCATE AND SECURE STRATEGIC VALUE GENERATING DEALS."

Moshe Lahmani
Chairman

Brexit has led to the highest number of emigrations of EU residents in the last ten years – a considerable number of them will certainly move to Germany and, therefore, Berlin will also benefit. The city attracts people with an exciting spirit, boasts a booming tech and startup scene and new jobs. This is also reflected in the number of Berlin residents: By year-end 2017, the number of people whose principal place of residence was in the German capital had gone up to 3,711,930. This means that Berlin's population grew by another 41,308 people year on year.* At the same time, the average rate of unemployment fell from 9.8% in 2016 to 9.0% in 2017. Even in December, the month in which the unemployment rate in Berlin traditionally increases, the figure fell further for the first time in eleven years – to 8.4%. This positive economic development and the solid fundamentals in Berlin are good news for the future growth of ADO.

"THERE'S A NEW STARTUP BEING ESTABLISHED EVERY 20 HOURS. 2018 WILL BE A FURTHER YEAR OF GROWTH FOR BERLIN AS WELL AS FOR ADO AND OUR INVESTORS."

Shlomo Zohar
Executive Vice Chairman

Considering all of these factors, we look extremely positively towards the new financial year. We expect further growth and an increase in positive returns. Thank you for placing your trust in us and accompanying us along this path.

March 20, 2018

Sincerely yours,

Moshe Lahmani
Chairman

Shlomo Zohar
Executive Vice Chairman

* Source: Berlin-Brandenburg Statistics Office – press release dated February 22, 2018

STOCK MARKET AND THE ADO SHARE

In its third year as a listed entity on the Frankfurt Stock Exchange ADO Properties S.A. continues its success story. ADO Properties has clearly outperformed the SDAX and the FTSE EPRA/NAREIT Germany for the third consecutive year and achieved positive results for its shareholders with share price growing from EUR 32.01 to EUR 42.28, a growth rate of 32.1%.

THE SHARE:

SHARE INFORMATION (AS AT 31/12/2017)	
1st day of trading	Jul 23, 2015
Subscription price	EUR 20.00
Price at the end of 2017	EUR 42.28
Highest share price LTM	EUR 45.11
Lowest share price LTM	EUR 31.51
Total number of shares	44.1 m
ISIN	LU1250154413
WKN	A14U78
Symbol	ADJ
Class	Dematerialized shares
Free float	61.8%
Stock exchange	Frankfurt Stock Exchange
Market segment	Prime Standard
Market index	SDAX
EPRA indices	FTSE EPRA / NAREIT Global Index, FTSE EPRA / NAREIT Developed Europe Index, FTSE EPRA / NAREIT Germany Index

SHARE PRICE DEVELOPMENT

KEY STOCK MARKET DATA

ADO shares are traded on the Prime Standard of the Frankfurt Stock Exchange. In 2017 the shares traded between EUR 31.51 and EUR 45.11. 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

Total outstanding shares of ADO Properties amount 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 being covered by eleven analysts. The target prices range from EUR 31.70 to EUR 55.00 per share with an average target price of EUR 45.70.

INVESTOR RELATIONS ACTIVITIES

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

DIVIDEND POLICY

ADO Properties aims to distribute an annual dividend of up to 50% of FFO 1. For the year 2017 the Board of Directors has recommended to pay total dividends of EUR 26.5 million or EUR 0.60 per share subject to the approval of the Annual General Meeting on June 19, 2018 which would represent 49% of the total FFO 1 per share of the year 2017 and an increase of 33% compared to last year.

1.9bn

market capitalization

CORPORATE GOVERNANCE REPORT

GENERAL

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

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 Law of August 10, 1915 on commercial companies and the Articles of Association of the Company. ADO's Board together with the Senior Management Team manages the Company in accordance with the provisions of Luxembourg and German company law. The Board's duties, responsibilities and business procedures are laid down in its Rules of Procedure.

The Board consists of seven members elected by the General Meeting as representatives of the shareholders. Four Board members (including the Chairman and the 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. Their term of office is four years in accordance with statutory provisions and the Articles of Association. 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 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 three committees: The Audit Committee, the Nomination and Compensation Committee, and the Investment and Financing 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, financial risks and the management of credit risk. The Investment and Financing Committee also considers the encumbrance of any assets and shall assist with the raising of external financing by any member of the Group and with the granting of securities, guarantees and indemnities.

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

In accordance with the Luxembourg Shareholder Rights Law, shareholders holding, individually or collectively, at least 5% of the issued share capital of the Company (a) have the right to put items on the agenda of the General Meeting of the shareholders and (b) have the right to table draft resolutions for items included or to be included on the agenda of the General Meeting of the shareholders. Those rights shall be exercised through requests in writing by the relevant shareholders submitted to the Company by postal services or electronic means. The request must be accompanied by a justification or a draft resolution to be adopted in the General Meeting of the shareholders and shall include the electronic or mailing address at which the Company can acknowledge receipt of the request. Any such request from shareholders must be received by the Company no later than on the 22nd day prior to the date of the General Meeting of the shareholders.

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

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 succeeding General Meeting of the shareholders. These provisions do not apply if the decisions to be taken by the Board concern routine business operations that are to be concluded under arm's length conditions.

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

CORPORATE GOVERNANCE REPORT

ISSUANCE & BUY-BACKS OF SHARES

The Company has issued 44,100,000 shares, registered with a single settlement organization in Luxembourg, LuxCSD, and has an unissued 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 April 6, 2013 on dematerialized securities. Pursuant to the Articles of Association, authorization is also given to the Board (or delegates duly appointed by the Board) to issue shares from time to time within the limits of the unissued authorized capital at such times and on such terms and conditions, including the issue price, as the Board or its delegates may in its or their discretion resolve. In particular, without limitation, the Board is authorized to issue shares in favor of Board members, executives, employees, consultants of the Company and the Group, directly or under the terms of option, incentive or similar plans approved by the Board. The Company does not currently hold any of its own shares, nor does a third party on behalf of the Company. According to Article 49-2 of the 1915 Companies Act and without prejudice to the Market Abuse Law and the principle of equal treatment of shareholders, the Company and its subsidiaries as referred to in Article 49bis of the 1915 Companies Act may, directly or through a person acting in its own name but on the Company's behalf, acquire its own shares subject to an authorization given by the General Meeting.

COMPLIANCE

Mr. Kay Enbring, the GC of the Company, is also acting as compliance officer to ensure compliance with standards of conduct and norms prescribed by Luxembourg and German law. The compliance officer also manages the Company's insiders list and informs employees and business partners about the relevant legal framework in relation to insider transactions and regulations.

ACCOUNTING

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. Yaron Karisi, resigned from his position with effect from December 30, 2017. Mr. Yuval Dagim was appointed as a Board member.

COMPOSITION OF THE SENIOR MANAGEMENT AND THE BOARD

Board
As at March 19, 2018
Moshe Lahmani, Chairman
Shlomo Zohar, Vice Chairman
Amit Segev
Yuval Dagim
Jörn Stobbe
Dr. Michael Bütter
Rabin Savion, CEO

Senior Management
As at March 19, 2018
Rabin Savion, CEO
Florian Goldgruber, CFO
Eyal Horn, COO

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

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 of Directors may impose transfer restrictions for shares that are registered, listed, quoted, dealt in or on have been placed in certain jurisdiction in compliance with the requirements applicable therein.

C) According to the voting rights notifications received in fiscal year 2017, the following shareholders held more than 5% of total voting rights attached to Company shares as at December 31, 2017: ADO Group Ltd., registered office at 1A Ha-Yarden Street, Airport City 70100, Israel.

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

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

F) 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).

G) Rules governing the appointment and replacement of Board of Directors:

- The Board of Directors 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 of Directors shall be composed of at least three members. The Board of Directors 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 of Directors because of death, retirement, resignation, dismissal, removal or otherwise, the remaining members of the Board of Directors may fill such vacancy and appoint a successor to act until the next meeting of the General Meeting at which such appointment shall be confirmed by the General Meeting or at which the General Meeting may appoint another member of the Board of Directors.
- The Board of Directors shall elect from among its ranks a chairman of the Board of Directors (the "Chairman of the Board of Directors") and, if the Board of Directors is composed of more than one member, an executive vice-chairman (the "Executive Vice-Chairman") and one or more deputy chairmen.
- The Chairman of the Board of Directors shall preside at meetings of the Board of Directors. In his absence, the Executive Vice-Chairman or one of the deputy chairmen of the Board of Directors shall take his place. In case of a parity of votes the vote of the Chairman shall be decisive.

H) Powers of the Board of Directors:

- The Board of Directors convenes whenever required by the Company's affairs. The meetings shall be called by the Chairman of the Board of Directors or, in his absence, by the Executive Vice-Chairman or one of the deputy chairmen of the Board of Directors. Furthermore, the Board of Directors shall be convened if so requested by any member of the Board of Directors.
- Each member of the Board of Directors may mandate another member of the Board of Directors 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 of Directors is subject to a majority of the members of the Board of Directors being present or represented.
- The resolutions of the Board of Directors are passed by simple majority of the members of the Board of Directors that are present or represented at the meeting.
- Resolutions by the Board of Directors can also be adopted in the form of circular resolutions with identical contents which are signed by all of the members of the Board of Directors on one single copy or in counterparts. The resolutions passed by the Board of Directors shall be recorded in minutes to be signed by at least two members of the Board of Directors present at the respective meeting (or by the member of the Board of Directors if there is only one member of the Board of Directors). 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 of Directors; 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 of Directors may, in particular, purchase real estate directly or through intervening companies, Issue bonds and other debt obligations, provide mortgages or other security, reduce or forgive debts and conclude settlements on behalf of the Company.
- The Board of Directors may delegate the daily management to one or more members of the Board of Directors or third persons who need not be shareholders and will be called daily manager(s) (the "Daily Manager"). The Board of Directors may revoke such delegation of any one or more Daily Managers at any time.
- The Board of Directors 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 of Directors.
- The Board of Directors may, from among its ranks and/or external persons, constitute committees whose functions and powers are stipulated in rules of procedure for the respective committee. To the extent permitted by law, decision making powers of the Board of Directors may be transferred to such committees.
- The Company shall be bound by (i) the joint signatures of two members of the Board of Directors or (ii) by the sole or joint signature(s) of any person or persons to whom such signatory power shall have been delegated by the Board of Directors.

I) 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.

J) There are no agreements between the Company and its Board of Directors or employees providing for compensation if they resign or are made redundant without valid reason or if their employment ceases because of a takeover bid.

COMBINED MANAGEMENT REPORT

FUNDAMENTALS OF THE GROUP

BUSINESS MODEL

ADO is 100% focused on Berlin and the only listed pure play Berlin residential real estate company. All our 21,970 units (20,649 residential units) are within the city borders of Berlin. We are a residential real estate specialist with a fully integrated asset management platform. Our 295 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, approx. 40%, as these were the first areas to experience increased demand. Today, we see demand growing in the whole of Berlin and we continue to grow in all attractive micro-locations. An important feature of our growth strategy is to retain the balance between the outskirts and Central Locations.

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

21,970
units

295
operational employees

OBJECTIVES AND STRATEGY

Our strategy is focused on sustainable and continuous growth to be 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. This focus allows us to capture additional growth potential and create positive returns on our portfolio acquisitions.

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 by active marketing with an approach tailored to the respective micro-location. Our strategy allows and also leads us to choose high quality tenants, which continuously improves our tenant structure by maintaining our portfolio assets at the market standard suitable for the 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

Our current platform allows us to add additional units at marginal incremental costs. We intend to focus on further expanding our pure-play Berlin portfolio where our management's in-depth understanding of the local market provides us with attractive acquisition and repositioning opportunities. Before purchasing assets, we measure any potential acquisition for short to medium-term accretion potential, potential for increasing rents, as well as potential for condominium conversion or privatization. We believe that the market has sufficient acquisition opportunities to support our business plans in the foreseeable future.

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 45% with a solid investment grade rating of Baa2 by Moody's and flexible access to a variety of funding sources

As we see interest rates increasing over time, we have adopted a conservative financing strategy with a LTV of maximum 45%. We have a solid investment grade rating of Baa2 by Moody's, which allows us to access the debt capital markets at attractive terms and ensures flexible access to various instruments besides secured mortgage financing. As at the reporting date, our LTV was 39.6%.

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 26.5 million or EUR 0.60 per share for the year 2017 subject to the approval of the Annual General Meeting on June 19, 2018, reflecting an increase of more than 33% per share compared with 2016.

COMPETITIVE STRENGTHS

FOCUS – Our EUR 3.3 billion portfolio is located solely in Berlin

Our portfolio of 20,649 residential units and 1,321 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 continuously benefits 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 to sustain further portfolio growth. The concentration of our portfolio in the Berlin market further increases our platform efficiency and allows us to work with a lean and specialized operational setup. Our approach has led to a competitive EBITDA margin of almost 75% and a track record of decreasing vacancy in our portfolio.

INVESTMENT APPROACH – We had 4.8% like-for-like rental growth in 2017 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 4.8% in 2017. 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 under review, we received a solid investment grade rating of Baa2 by Moody's and 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.

We maintain a conservative balance sheet with, as at December 31, 2017, a LTV ratio of 39.6%, 1.8% cost of debt and long-term financing with a weighted average maturity of 5.4 years.

FINANCIAL PERFORMANCE INDICATORS

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

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

CALCULATION OF EPRA NAV

Total equity attributable to owners of the Company

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

= EPRA NAV

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

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

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

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

CALCULATION OF EPRA NNNAV

EPRA NAV

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

= EPRA NNNAV

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

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

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

EBITDA from rental activities is an indicator of a company's financial performance which can be 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 total can be derived by adding the net profit from privatizations to the EBITDA from rental activities. It is used to assess the recurring earning potential of the business as a whole.

CALCULATION OF EBITDA FROM RENTAL ACTIVITIES

Net rental income

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

= EBT

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

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

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

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

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

In addition we present NOI from rental activities margin – calculated as "NOI" (see above) divided by "Net rental income", and EBITDA from rental activities margin calculated as "EBITDA from rental activities" (see above) divided by "Net rental income". These metrics are useful to analyze the operational efficiency at real estate portfolio as well as at Company level.

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

CALCULATION OF FFO 1 (FROM RENTAL ACTIVITIES)

EBITDA from rental activities

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

= FFO 1 (from rental activities)

9) Only current income taxes relating to rental activities.

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

CALCULATION OF AFFO (FROM RENTAL ACTIVITIES)

FFO 1 (from rental activities)

(–) Maintenance capital expenditures [10]

= AFFO (from rental activities)

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

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

CALCULATION OF FFO 2 (INCL. DISPOSAL RESULTS)

FFO 1 (from rental activities)

(+) Net profit from privatizations [6]

= FFO 2 (incl. disposal results)

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

CALCULATION OF LTV

	Bonds, other loans and borrowings and other financial liabilities
(–)	Cash, cash equivalents
=	Net financial liabilities
(/)	Fair value of properties [11]
=	**loan-to-value ratio (LTV)**

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

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

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

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

NON-FINANCIAL PERFORMANCE INDICATORS

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

The vacancy rate shows the ratio of 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 clear growth strategy by acquiring further new units and by targeted CAPEX investments to drive rental growth. On the portfolio side, the Company has achieved substantial growth in 2017. During the year under review, we completed the acquisition of 2,948 residential units and 322 commercial units for a total volume of approx. EUR 600 million.

As a result of these acquisitions, our portfolio grew to 21,970 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 4.8% in 2017 resulted in an average rent per m² of EUR 6.42 on the back of our CAPEX program. Our vacancy rate increased slightly to 3.6% due to the sales and modernization activities.

In Q4 2017 we took over a total of 1,596 residential units and 150 commercial units. The integrated units are located all over the city and were acquired for a total cost of approx. EUR 300 million with an average price per m² of EUR 2,162 and an average multiplier of 28.6 times. The average existing rent per m² of the new purchases is EUR 6.15 with approx. 42% reversionary potential.

20,649
residential units

1,321
commercial units

EUR
6.42
avg. residential in-place rent per m²

4.8%
like-for-like rental growth

EUR
109m
income from rental activities

74.6%
EBITDA margin

EUR
1,989m
EPRA NAV

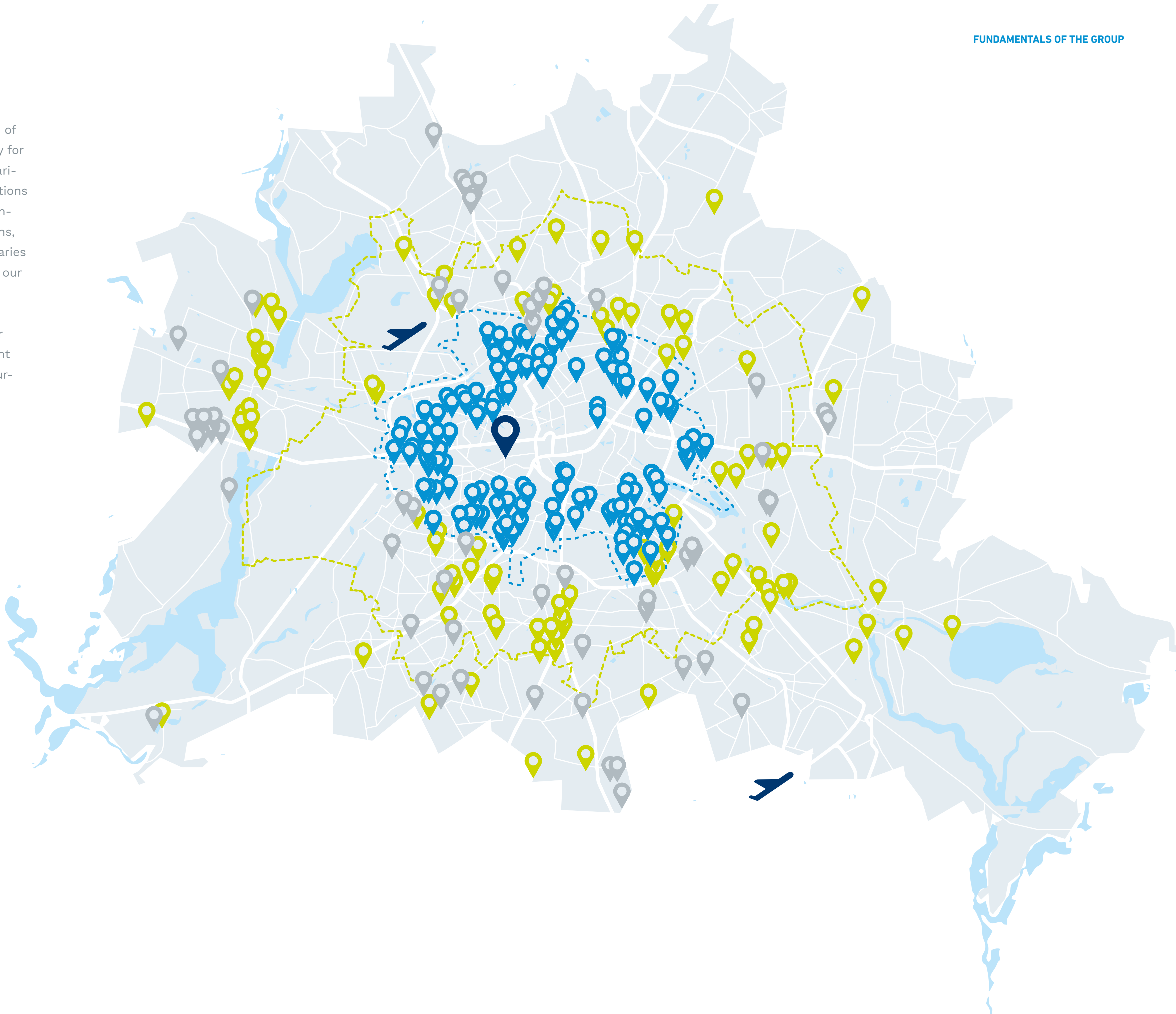
EUR
54m
FFO 1

39.6%
LTV

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 see opportunities in inner-city locations, but also in the outskirts within the city boundaries of Berlin. Approx. 40% of the property value of our portfolio is in Central Locations of Berlin.

We see significant reversionary potential in our portfolio as our current average new letting rent per m² is between 19%-62% higher than our current overall average rent.



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

PORTFOLIO VALUATION

The portfolio was independently valued by CBRE. The total portfolio value of 3.3 billion as at December 31, 2017 includes the full property portfolio, both trading and investment properties. The positive development of the Berlin residential real estate market is an important driver for the increase in the value of our properties. In addition to market trends, our operational performance and dedicated investment strategy support our value growth.

It should be noted that our residential new letting rents are on average more than 17% higher than CBRE's market rent assumptions – a strong indicator for future value growth.

EUR

3.3 bn

portfolio value

PORTFOLIO OVERVIEW (*)

	Central	S-Bahn Ring	S-Bahn Ring (1960-1990)	City Ring	City Ring (1960-1990)	Total
Fair value (EUR m)	1,296	412	433	240	940	3,321
Fair value (EUR/m²)	2,684	2,360	2,171	2,378	1,699	2,198
Share of fair value (%)	39%	12%	13%	7%	28%	100%
Number of residential units	6,417	2,142	3,195	1,276	7,619	20,649
Avg. in-place rent (EUR/m²)	6.92	6.64	6.85	7.09	5.72	6.42
CBRE market rent (EUR/m²)	8.81	8.54	7.52	8.40	6.61	7.71
Avg. new letting rent (EUR/m²) (**)	11.18	9.83	9.95	8.58	6.82	9.04
Reversionary potential	62%	48%	45%	21%	19%	41%
Multiplier (current rent)	31.54	29.58	26.07	27.33	24.71	28.04
Multiplier (CBRE market rent)	24.71	23.02	23.25	22.85	20.99	23.02
Multiplier (new letting rent)	19.47	20.01	17.56	22.36	20.34	19.63
Discount rate (%)	4.79%	4.96%	4.86%	5.00%	5.20%	4.95%
Capitalization interest rate (%)	2.84%	3.02%	3.00%	3.02%	3.26%	3.01%
Tenant turnover (%) (***)	9.3%	7.9%	7.6%	8.4%	6.5%	8.0%

(*) All values except the fair value are for the residential portfolio only.
(**) Based on last three months.
(***) Last 12 months (LTM).

PORTFOLIO PERFORMANCE

RESIDENTIAL PORTFOLIO

	Dec 31, 2017	Dec 31, 2016
Number of units	20,649	17,701
Average rent / m² / month	EUR 6.42	EUR 6.11
Vacancy	3.6%	2.5%

The average rent per m² increased by EUR 0.31 per m² from the beginning of the year, while the vacancy rate increased slightly by 1.1% to 3.6% due to our sales and modernization activities.

COMMERCIAL PORTFOLIO

	Dec 31, 2017	Dec 31, 2016
Number of units	1,321	999
Average rent / m² / month	EUR 8.94	EUR 8.60
Vacancy	4.9%	3.2%

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 8.94 per m² which represents an increase of EUR 0.34 per m² from the beginning of the year. The vacancy rate of the commercial units increased slightly to 4.9%.

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

RENTAL GROWTH

In %	Jan 1 - Dec 31, 2017	Jan 1 - Dec 31, 2016
New lettings after CAPEX	2.7%	2.7%
New lettings fluctuation	(0.5%)	1.6%
Regular rent increases	2.6%	1.7%
Total	**4.8%**	**6.0%**

Our fully integrated active asset management is focused on our rental growth and employs dedicated strategies to drive all relevant components. The first two components (CAPEX and fluctuation) relate to new tenants. In units that require modernization, we invest CAPEX to improve quality to meet today's standards. Units that do not require CAPEX are being let at market rent levels. Concerning our let units, applying the relevant regulatory framework accurately and efficiently is key to our success in maximizing rental growth. The like-for-like rental growth continued with 4.8%, or 5.3% excluding vacancy effect, despite strong portfolio growth.

MAINTENANCE AND CAPEX

In EUR per m²	Jan 1 – Dec 31, 2017	Jan 1 – Dec 31, 2016
Maintenance	6.5	6.8
Capitalized maintenance	6.3	6.6
Energetic modernization	1.7	0.8
Modernization CAPEX	14.6	13.8
Total	**29.1**	**28.1**

Targeted investments in our portfolio are at the core of our strategy. Total investment in the portfolio amounted to EUR 39 million. The maintenance cost per m² of EUR 29.1 in 2017 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 2017 we have seen an increase in the vacancy rate by 1.1% due to our sales and modernization activities.

VACANCY SPLIT

Residential	Dec 31, 2017	Dec 31, 2016
Units for sale	0.3%	0.2%
Units under construction	2.7%	1.3%
Marketing (available for letting)	0.6%	1.0%
Total vacancy (units)	**699**	**450**
Total vacancy (m²)	**45,717**	**28,933**
Total vacancy rate	**3.6%**	**2.5%**
Total EPRA vacancy rate	**3.6%**	**2.5%**

4.8% like-for-like rental growth

3,270 units acquired in 2017

For our privatization activities, it is important that we keep some vacant units available for sale as most individual buyers are looking to purchase for self-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.

ACQUISITIONS

On the portfolio side, the Company continued its substantial growth in 2017. During the year under review, we completed the acquisition of 2,948 residential units and 322 commercial units for a total volume of approx. EUR 600 million, all in Berlin. As a result of these acquisitions, our portfolio grew to almost 22,000 units.

During the year, we completed 25 deals, three of which were above the EUR 50 million range. The biggest transaction was in the fourth quarter, when we took over the Asgard portfolio, including a total 1,358 units for a gross cost of EUR 213 million, reflecting a rent multiplier of 29.8 times with an average rent per m² of EUR 6.12. The rest of the acquisitions were purchased for an average rent multiplier of 28.9 times, with an average rent per m² of EUR 6.75 and 45% 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	235	98	28	71	148	580
Value/m² (EUR)	2,726	2,330	2,366	2,231	1,831	2,295
Total m² (k)	86	42	12	32	81	253
Run rate (year-end in EUR m)	3.00	1.67	0.19	0.89	1.47	7.21
Number of commercial units - CBRE report	130	63	4	18	98	313
Number of residential units - CBRE report	999	534	152	450	901	3,036
Avg. residential in-place rent (EUR/m²)	6.88	6.47	6.69	7.07	6.26	6.63
CBRE market rent (EUR/m²)	9.03	8.69	7.70	8.70	7.26	8.28
Avg. new letting rent (EUR/m²) – actual	10.65	9.78	10.30	11.63	7.05	10.33
Occupancy (%)	93.6%	94.4%	96.7%	94.6%	93.4%	93.9%

CHAPTER 02 Combined Management Report

ECONOMIC REVIEW

ECONOMIC AND INDUSTRY-SPECIFIC PARAMETERS

GENERAL MARKET CONDITIONS

Germany's economy grew at a brisk pace in 2017. Adjusted for inflation, the gross domestic product increased by 2.2% during the year as a whole, thereby exceeding the average growth rate of the past ten years (+1.3%) by nearly one percentage point. When adjusted for calendar effects, the GDP growth actually equaled 2.5%. The positive growth impulses originated mainly inside Germany. Private consumer spending increased by 2.0%, whereas general government consumption rose by 1.4%. Moreover, gross fixed capital formation registered an above-average growth of +3.0%. The growth in building investments amounted to 2.6% year on year. The number of gainfully employed persons climbed to nearly 44.3 million toward year-end, which implies a year-on-year increase of 1.5%. 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. Given the fact that the European Central Bank (ECB) has left its main refinancing interest rate in place after lowering it to 0.00% in March 2016, 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 steady demographic growth since 2005. By year-end 2017, the number of persons with principal place of residence in the German capital had gone up to 3,711,930. This means that Berlin's population grew by another 41,308 people year on year. (Source: Berlin-Brandenburg Statistics Office – press release dated 22/02/2018). 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 not only by the growth in population, but also 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 maintained its present momentum, almost 194,000 new flats would be necessary to stay abreast of the associable demand. Although the number of completed units in multi-family houses has increased from less than 2,500 since 2012 and stood at 8,800 units by 2016, it lags hopelessly behind the anticipated growth in demand. (Source: IWK; Michael Bauer Research GmbH, Ziegert Condominium Report Berlin 2017/2018).

While the unemployment rate in Berlin remains well above the current nationwide average for Germany, it dropped considerably in 2017 and is now at 9.0% (2016: 9.8%). This puts unemployment in Berlin at its lowest level since the city was reunified in 1990. The number of insurable employees in Berlin rose to 1.458 million by October 2017, which implies a year-on-year increase by 58,900 persons or by 4.2%. Once again, Berlin made the record with the fastest growth rate among the German Bundesländer. At around 10%, job growth was particularly brisk in the information and communications industry, being roughly twice as high as the national average. That being said, it should be added that the manufacturing industries also reported rising employment levels. (Source: Senate Administration for Economy, Energy and Enterprises, press release from 03/01/2018).

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 available housing supply to be fully utilized and both rents and prices to soar. Against this background, housing construction has gathered momentum lately, yet it continues to significantly lag behind the anticipated demand. In 2016, a total of 9,036 new flats in multi-family dwellings were completed. This means that the number of housing completions, while having increased year on year, still falls well short of the volume that would be required to meet actual demand. Specifically the target stated by the city of Berlin to complete 20,000 flats annually was quite obviously missed again.

It is safe to assume that the number of planning permissions approx. 22,000 in 2017, but empirical data shows that the number of actual housing completions tends to be substantially lower than the number approved because the total always includes a certain quantity of speculative planning permissions, the purpose of which is to secure zoning rights early on and to resell the zoned properties later. 2018 is likely to experience another increase in the number of planning permissions, and this should result in an increase in supply. However, it is not certain if this will be enough to meet the stated targets. Demand for rental housing in Berlin will very likely continue to go unmet in the years to come, as 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. (Source: JLL Residential City Profile Berlin, H2 2017, published in February 2018).

Residential asking rents in Berlin rose to EUR 11.10 per m² and month during the second half-year of 2017. It implies a growth rate of 9.1 percent year on year. Rent increases continued to outpace the long-term average measured since 2004. Since demographic growth has slightly eased compared

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to previous years, and since housing stock has started to expand, the rental growth rates in Berlin could slow somewhat in the medium term, but pent-up demand is likely to ensure that they will remain well above the inflation rate in the future. (Source: JLL Residential City Profile Berlin, H2 2017, published in February 2018).

PROFIT SITUATION

FINANCIAL PERFORMANCE (*)

	For the year ended		For the three months ended	
In EUR thousand	Dec 31, 2017	Dec 31, 2016	Dec 31, 2017	Dec 31, 2016
Net rental income	103,300	84,673	29,078	23,329
Income from facility services	5,881	5,137	1,435	1,233
Income from rental activities	**109,181**	**89,810**	**30,513**	**24,562**
Cost of rental activities	(20,414)	(15,870)	(5,023)	(3,413)
NET OPERATING INCOME	**88,767**	**73,940**	**25,490**	**21,149**
NOI from rental activities margin (%)	85.9%	87.3%	87.7%	90.7%
Overhead costs (**)	(11,677)	(10,552)	(4,314)	(4,090)
EBITDA FROM RENTAL ACTIVITIES	**77,090**	**63,388**	**21,176**	**17,059**
EBITDA from rental activities margin (%)	74.6%	74.9%	72.8%	73.1%
Net profit from privatizations	3,911	3,239	1,485	1,044
EBITDA total	**81,001**	**66,627**	**22,661**	**18,103**
Net cash interest	(21,702)	(19,197)	(6,608)	(4,825)
Other net financial costs (***)	(6,305)	(8,531)	495	1,171
Depreciation and amortization	(452)	(356)	(110)	(119)
EBT	**52,542**	**38,543**	**16,438**	**14,330**

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

(**) Excluding one-off costs.

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

EUR

57m

FFO 1 run rate

FFO

	For the year ended		For the three months ended	
In EUR thousand	Dec 31, 2017	Dec 31, 2016	Dec 31, 2017	Dec 31, 2016
EBITDA from rental activities	77,090	63,388	21,176	17,059
Net cash interest	(21,702)	(19,197)	(6,608)	(4,825)
Current income taxes	(1,043)	(678)	(847)	(206)
FFO 1 (from rental activities)	**54,345**	**43,513**	**13,721**	**12,028**
Maintenance capital expenditures	(10,810)	(8,841)	(3,769)	(4,515)
AFFO (from rental activities)	**43,535**	**34,672**	**9,952**	**7,513**
Net profit from privatizations	3,911	3,239	1,485	1,044
FFO 2 (incl. disposal results)	**58,256**	**46,752**	**15,206**	**13,072**
No. of shares (*)	44,100	39,083	44,100	44,100
FFO 1 per share	**1.23**	**1.11**	**0.31**	**0.27**
FFO 2 per share	**1.32**	**1.20**	**0.34**	**0.30**

(*) On April 21, 2016 and September 14, 2016 the Company issued new shares. The number of shares is calculated as the weighted average shares for the period.

FFO

Our funds from operation of rental activities without disposal (FFO 1) for the full year rose by approx. 25% in comparison to the previous year. Our December net rent represent an annualized FFO from rental activities of EUR 57 million, representing an FFO yield of 3.1% on our adjusted EPRA NAV (less cash). In 2018 we expect further substantial growth in the FFO 1 run rate as a result of both the continuous like-for-like growth in the portfolio and further acquisitions.

CASH FLOW

The cash flow of the Group breaks down as follows:

CASH FLOW

In EUR thousand	Jan 1 – Dec 31, 2017	Jan 1 – Dec 31, 2016
Net cash flow from operating activities	86,852	76,379
Net cash flow used in investing activities	(495,038)	(228,290)
Net cash flow from financing activities	346,295	265,887
Net change in cash and cash equivalents	(61,891)	48,976
Opening balance cash and cash equivalents and cash deposits	183,421	134,445
Closing balance cash and cash equivalents	121,530	183,421

The change in cash flow was mainly driven by the placement of an EUR 400 million bond, by new acquisitions and the respective effects on operations, investment and financing.

FINANCIAL AND ASSET POSITION

The changes in the assets and liabilities result mainly from the acquisitions in 2017. The fair value of the investment properties is based on valuations for December 31, 2017 performed by CBRE. The current average cap rate is 3.0% (2016: 3.5%) 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, 2017	Dec 31, 2016
Investment properties	3,305,723	2,290,740
Other non-current assets	8,142	5,908
Non-current assets	**3,313,865**	**2,296,648**
Cash and cash deposits	121,530	183,421
Other current assets	82,868	82,325
Current assets	**204,398**	**265,746**
Total assets	**3,518,263**	**2,562,394**
Interest-bearing debts	1,423,119	904,714
Other liabilities	80,208	53,503
Deferred tax liabilities	183,443	117,673
Total labilities	**1,686,770**	**1,075,890**
Total equity attributable to owners of the Company	**1,795,390**	**1,461,945**
Non-controlling interests	36,103	24,559
Total equity	**1,831,493**	**1,486,504**
Total equity and liabilities	**3,518,263**	**2,562,394**

On December 31, 2017, our EPRA NAV was EUR 45.10 per share and the EPRA Triple Net Asset Value (NNNAV) was EUR 42.62 per share.

EUR

45.10

EPRA NAV per share

EPRA NAV

In EUR thousand	Dec 31, 2017	Dec 31, 2016
Total equity attributable to owners of the Company	1,795,390	1,461,945
Fair value of derivative financial instruments	2,985	4,185
Deferred tax liabilities	183,443	117,673
Revaluation of trading properties	6,939	7,542
EPRA NAV	1,988,757	**1,591,345**
No. of shares	44,100	44,100
EPRA NAV per share	45.10	**36.08**

EPRA TRIPLE NET ASSET VALUE (NNNAV)

In EUR thousand	Dec 31, 2017	Dec 31, 2016
EPRA NAV	1,988,757	1,591,345
Fair value of derivative financial instruments	(2,985)	(4,185)
Fair value of debt	(10,780)	(16,657)
Deferred taxes	(183,443)	(117,673)
EPRA NNNAV	**1,791,549**	**1,452,830**
No. of shares	44,100	44,100
EPRA NNNAV per share	**40.62**	**32.94**

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, 2017	Dec 31, 2016
Bonds, other loans and borrowings and other financial liabilities	1,451,224	919,851
Cash and cash equivalents	(121,530)	(183,421)
Net financial liabilities	1,329,694	736,430
Fair value of properties	3,355,623	2,344,419
loan-to-value ratio	39.6%	31.4%
Average interest rate	1.8%	2.1%

As at the reporting date, our loan-to-value (LTV) was 39.6% with an average interest rate of the loan portfolio of 1.8% and a weighted average maturity of approx. 5.4 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
2018	54.5	3.2%
2019	17.2	1.8%
2020	48.8	2.1%
2021	112.3	2.2%
2022	293.3	1.7%
2023	189.1	1.4%
2024	548.4	1.7%
2025+	86.0	2.0%
Total	**1,349.6**	**1.8%**

EPRA KEY FIGURES

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

EPRA has defined a framework for standardized reporting in its EPRA Best Practice Recommendations (SPRs) 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, 2017	Dec 31, 2016	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.	1,988,757	1,591,345	25%
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.	1,791,549	1,452,830	23%
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	3.6%	2.5%	110 bsp

SUBSEQUENT EVENTS

A. After the reporting date, the Group carried out a transaction to take over 94% of the issued shares of a Dutch entity holding a residential building complex located in Berlin, Germany. The total consideration amounted to EUR 160.4 million (including approx. 2% transaction costs). The building includes 832 residential units and 24 commercial units with a total leasable area of approx. 66 thousand m². At the date of acquisition, the total annual net cold rent from the new acquisition amounted to EUR 5.6 million.

B. In addition to the above transaction, after the reporting date, the Group acquired 22 assets in 12 different deals, some of them initially assessed as asset deals, and others as share deals, comprising a total of 581 residential units and 26 commercial units in Berlin. The gross purchase price for 100% of the acquired assets amounted to EUR 91.9 million. At the date of acquisition, the total annual net cold rent from the new acquisitions amounted to EUR 2.9 million. As at December 31, 2017, the Group paid an advance of EUR 34 million that was recorded as advances in respect of investment properties.

C. On March 9, 2018 the Group signed a EUR 175 million revolving credit facility with a 2 year term and two extension options, each for 1 year.

D. As at the reporting date the Group is in the final steps to set-up a commercial paper program with a maximum volume of EUR 500 million under which funds with a maximum term of 364 days can be raised at short notice.

E. On March 19, 2018 the Company's Board proposed to the Annual General Meeting to pay a dividend in the amount of EUR 26.5 million (EUR 0.60 per share). The Annual General Meeting will take place on June 19, 2018.

FORECAST REPORT

COMPARISON OF THE FORECAST WITH THE ACTUALS OF 2017

Our operations developed in 2017 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 approx. 5%. This growth was supported by our targeted investment program which allowed us to let more units and improve rents further.

Our privatization activities also saw a positive development with 84 units sold during 2017 for an average price per m² which was 9.8% higher than in the previous year.

The average cost of debt was further reduced during 2017 to 1.8%, 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 400 million inaugural bond with a coupon of 1.5%.

FFO 1 at the end of the year developed positively and was running in Q4 at EUR 57 million. On track to achieve our run rate guidance of EUR 64 million when taking into account our acquisitions which are still in the closing process.

The Board of Directors has recommended a dividend EUR 26.5 million (EUR 0.60 per share) which represents a payout of 49% of total FFO 1.

FORECAST FOR 2018

We are positive that ADO Properties will continue to increase the value of its assets, its NAV and NAV per share by generating significant like-for-like rental growth in the future. We anticipate our like-for-like rental growth for 2018 to be approx. 5%. We expect our FFO 1 run rate to be approx. EUR 64 million after closing all signed transactions.

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

RISK REPORT

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 sees no risks that threaten the Company's existence.

RISKS RELATED TO THE MARKET

All of the real estate we own is located in Berlin. Accordingly, we are dependent on trends in the Berlin residential real estate market, as well as general economic conditions and developments in Berlin. 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 earning from rentals. An increase in the vacancy rates or a decrease in achievable market rents of our residential real estate portfolio could have a material adverse effect on rental income and operating profit.

We are exposed to risks related to the structural condition of our properties and their maintenance, repair and modernization. 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.

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 in the consolidated financial statements.

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 in the consolidated financial statements.

RISK MANAGEMENT AND CONTROL OVER FINANCIAL REPORTING IN THE COMPANY

The Company considers Integrated Risk Management (IRM) to be a key part of effective management and internal control. The Company strives for effective

IRM and financial navigation to safeguard the assets of the Company and to proactively support the Company's strategic and compliance initiatives.

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

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

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

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

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.

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

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. The Government of Berlin has passed a regulation according to which currently 33 areas of Berlin, located in the districts of Pankow (ten areas), Friedrichshain-Kreuzberg (eight areas), Mitte (five areas), Neukölln (five areas), Tempelhof-Schöneberg (four areas), and Treptow-Köpenick (one area), are defined as milieu protection (Milieuschutz) areas in which rented apartments may no longer be turned into condominiums and sold (privatized), ensuring that people from all social milieus can afford to rent apartments in all parts of the city. The owner of a rented apartment requires an exception permission by the relevant district to sell the apartment. Such exception permission may be granted, for example, in case the apartment is to be sold to the current tenant.

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

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.

RISK REPORT

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 Vice Chairman is entitled to receive a total compensation of up to EUR 500 thousand assuming 100% payout of the respective short-term and long-term incentives. The compensation of the Vice Chairman is based on the same system as the Senior Management compensation. 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 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 (v) the discretionary decision of the Board (weighting of 10%) which, save for targets that do not relate to budgeted figures, shall be measured against the respective budget as determined by the Board for the relevant fiscal year. The compound STI target achievement shall be capped at 125%. Assuming 100% of all targets are achieved, the STI makes up to 23% 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 relevant 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.

REMUNERATION REPORT

CHAPTER 02 Combined Management Report

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

2017	Rabin Savion CEO	Florian Goldgruber CFO	Eyal Horn COO	Shlomo Zohar 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**

2016	Rabin Savion CEO	Florian Goldgruber CFO	Eyal Horn COO	Shlomo Zohar Vice Chairman
Fixed remuneration	310,000	88,000	176,000	56,000
Fringe benefits	37,329	157	15,267	1,701
Total	347,329	88,157	191,267	57,701
STI	131,249	35,235	88,087	159,437
LTI	197,738	53,350	125,062	177,550
Total	**676,316**	**176,742**	**404,416**	**394,688**

On March 21, 2016, the Company and Mr. Zaltsman, the former Chief Financial Officer signed a mutual termination agreement with effect from July 23, 2016. The total remuneration during the year amounted to EUR 1,325,727 including fixed remuneration, STI, LTI and termination payments in the amount of EUR 611,666.

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 2017, prepared in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board and as adopted by the European Union, give a true and fair view of the net assets, financial and earnings position of the Company, and that the management report includes a fair review of the development of the business, and describes the main opportunities, risks and uncertainties associated with the Company.

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

CONSOLI-DATED FINANCIAL STATE-MENTS

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

REPORT OF THE REVISEUR D'ENTREPRISES AGREE

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements of ADO Properties S.A. and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Basis for opinion

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

KEY AUDIT MATTERS

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

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;
- 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 approx. 93% of total assets of the Group, and significant judgement is required in determining their fair value.

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

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

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

(b) How the matter was addressed in our audit

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

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

OTHER INFORMATION

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider

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

RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

RESPONSIBILITIES OF THE "RÉVISEUR D'ENTREPRISES AGRÉÉ" FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

We have been appointed as "Réviseur d'Entreprises Agréé" by the General Meeting of the Shareholders on 2 May 2017 and the duration of our uninterrupted engagement, including previous renewals and reappointments, is three years, of which 2 years since ADO Properties S.A. became a Public Interest entity

The combined management report, which is the responsibility of the Board of Directors, is consistent with the consolidated financial statements and has been prepared in accordance with applicable legal requirements.

The accompanying Corporate Governance Statement is presented on pages 50 to 55. The information required by Article 68ter paragraph (1) letters c) and d) of the law of 19 December 2002 on the commercial and companies register and on the accounting records and annual accounts of undertakings, as amended, is consistent with the consolidated financial statements and has been prepared in accordance with applicable legal requirements.

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

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

OTHER MATTER

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

Luxembourg, 19 March 2018

KPMG Luxembourg
Société coopérative
Cabinet de révision agréé

Stephen Nye
Partner

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS

In EUR thousand	Note	As at December 31, 2017	2016
Assets			
Non-current assets			
Investment properties	5	3,271,298	2,278,935
Advances in respect of investment properties	28	34,425	11,805
Property and equipment		2,783	2,148
Other financial asset	23	5,359	3,760
		3,313,865	**2,296,648**
Current assets			
Trading properties	6	42,961	39,718
Advances in respect of trading properties		-	6,419
Restricted bank deposits	7	24,352	28,207
Trade receivables	8	10,324	6,604
Other receivables	9	5,231	1,377
Cash and cash equivalents	10	121,530	183,421
		204,398	**265,746**
Total assets		**3,518,263**	**2,562,394**

EQUITY AND LIABILITIES

In EUR thousand	Note	As at December 31, 2017	2016
Shareholders' equity	12		
Share capital		55	55
Share premium		498,607	499,520
Reserves		330,638	333,872
Retained earnings		966,090	628,498
Total equity attributable to owners of the Company		**1,795,390**	**1,461,945**
Non-controlling interests		**36,103**	**24,559**
Total equity		**1,831,493**	**1,486,504**
Liabilities			
Non-current liabilities			
Bonds	13	396,396	-
Other loans and borrowings	14	953,955	877,326
Other financial liabilities	11	27,238	14,723*
Derivatives	23	2,878	3,926
Deferred tax liabilities	16	183,443	117,673
		1,563,910	**1,013,648**
Current liabilities			
Other loans and borrowings	14	72,768	27,388
Other financial liabilities		867	414*
Trade payables		13,642	8,957
Other payables	15	35,476	25,224
Derivatives	23	107	259
		122,860	**62,242**
Total equity and liabilities		**3,518,263**	**2,562,394**

CHIEF EXECUTIVE OFFICER

Rabin Savion

CHIEF FINANCIAL OFFICER

Florian Goldgruber

Date of approval: March 19, 2018

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

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

In EUR thousand	Note	2017	2016	2015
		For the year ended December 31,		
Revenue	17	128,852	109,775	75,753
Cost of operations	18	(36,174)	(32,596)*	(19,186)*
Gross profit		**92,678**	**77,179**	**56,567**
General and administrative expenses	19	(12,762)	(13,245)*	(7,197)*
Changes in fair value of investment properties and assets held for sale	5	383,638	444,268	158,579
Other expenses		-	-	(430)
Results from operating activities		**463,554**	**508,202**	**207,519**
Finance income		1,602	1,972	1,584
Finance costs		(29,609)	(29,700)	(25,724)
Net finance costs	**21**	**(28,007)**	**(27,728)**	**(24,140)**
Profit before tax		**435,547**	**480,474**	**183,379**
Income tax expense	16	(68,035)	(69,706)	(27,372)
Profit for the year		**367,512**	**410,768**	**156,007**
Profit attributable to:				
Owners of the Company		355,970	395,150	148,192
Non-controlling interest		11,542	15,618	7,815
Profit for the year		**367,512**	**410,768**	**156,007**
Basic and diluted earnings per share (in EUR)	**22**	**8.07**	**10.11**	**5.04**

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

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

In EUR thousand	Note	2017	2016	2015
		For the year ended December 31,		
Profit for the year		**367,512**	**410,768**	**156,007**
Items that may be reclassified subsequently to profit or loss				
Hedging reserve classified to profit or loss, net of tax		-	5,275	-
Effective portion of changes in fair value of cash flow hedges	23	1,218	(512)	2,840
Related tax		60	53	(666)
Total other comprehensive income		**1,278**	**4,816**	**2,174**
Total comprehensive income for the year		**368,790**	**415,584**	**158,181**
Total comprehensive income attributable to:				
Owners of the Company		357,246	399,938	150,359
Non-controlling interest		11,544	15,646	7,822
Total comprehensive income for the year		**368,790**	**415,584**	**158,181**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

In EUR thousand	Note	For the year ended December 31, 2017	2016	2015
Cash flows from operating activities				
Profit for the year		367,512	410,768	156,007
Adjustments for:				
Depreciation	19	452	356	256
Change in fair value of investment properties and assets held for sale	5	(383,638)	(444,268)	(158,579)
Net finance costs	21	28,007	27,728	24,140
Income tax expense	16	68,035	69,706	27,372
Share-based payment		564	859	349
Change in short-term restricted bank deposits related to tenants		(4,727)	(2,883)	(5,878)
Change in trade receivables		(3,148)	1,116	(3,477)
Change in other receivables		(3,742)	976	(1,563)
Change in trading properties		12,830	15,007	7,928
Change in advances in respect of trading properties		-	(6,419)	-
Change in trade payables		1,408	1,509	1,036
Change in other payables		4,163	2,276	8,207
Income tax paid		(864)	(352)	(83)
Net cash from operating activities		**86,852**	**76,379**	**55,715**
Cash flows from investing activities				
Purchase and CAPEX of investment properties	5	(189,182)	(116,839)	(416,372)
Advances paid for investment property purchase	28	(33,975)	(11,805)	(799)
Purchase of property and equipment		(795)	(784)	(1,564)
Interest received		3	29	35
Proceeds from disposal of investment properties and assets held for sale		-	1,015	954
Acquisition of subsidiaries, net of acquired cash	3	(280,542)	(160,244)	(89,010)
Investments in bank deposit		-	-	(100,000)
Repayment of bank deposit		-	65,000	35,000
Change in short-term restricted bank deposits, net		9,453	(4,662)	(3,165)
Net cash used in investing activities		**(495,038)**	**(228,290)**	**(574,921)**
Cash flows from financing activities				
Proceeds from issue of bonds, net	13	396,185	-	-
Long-term loans received	14	114,606	182,721	338,248
Repayment of long-term loans	14	(113,163)	(158,300)	(42,535)
Short-term loans received		-	-	5,980
Repayment of short-term loans		(13,385)	(13,088)	(13,062)
Interest paid		(18,103)	(18,762)	(16,791)
Payment from settlement of derivatives		-	(6,184)	-
Proceeds from issue of share capital		-	-	29
Issuance of ordinary shares, net		-	292,975	193,000
Dividend distributed	12	(19,845)	(13,475)	-
Loans received from related parties		-	-	2,870
Loans received from related parties (issuance of capital note)		-	-	111,250
Net cash from financing activities		**346,295**	**265,887**	**578,989**
Change in cash and cash equivalents during the year		**(61,891)**	**113,976**	**59,783**
Cash and cash equivalents at the beginning of the year		**183,421**	**69,445**	**9,662**
Cash and cash equivalents at the end of the year		**121,530**	**183,421**	**69,445**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

In 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 (see note 12)	-	(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.

CHAPTER 03 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, 2015	**2**	**13,569**	**(9,267)**	**27,350**	**98,326**	**129,980**	**1,091**	**131,071**
Total comprehensive income for the year								
Profit for the year	-	-	-	-	148,192	148,192	7,815	156,007
Other comprehensive loss for the year, net of tax	-	-	2,167	-	-	2,167	7	2,174
Total comprehensive income for the year	**-**	**-**	**2,167**	**-**	**148,192**	**150,359**	**7,822**	**158,181**
Transactions with owners, recognized directly in equity								
Contribution from shareholders, net of tax	-	-	-	11,339	-	11,339	-	11,339
Increase of share premium	-	29	-	-	-	29	-	29
Stock split	(2)	2	-	-	-	-	-	-
Issuance of ordinary shares, net	-	193,000	-	-	-	193,000	-	193,000
Conversion of shareholder loans to equity	-	-	-	300,460	-	300,460	-	300,460
Share-based payment (see note 20)	-	-	-	128	221	349	-	349
Balance as at December 31, 2015	**-**	**206,600**	**(7,100)**	**339,277**	**246,739**	**785,516**	**8,913**	**794,429**

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

Note 1 – ADO Properties S.A.

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

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

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

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

The consolidated financial statements of the Company as at December 31, 2017 and for the year then ended comprise the Company and its subsidiaries (together referred to as the "Group").

Note 2 – Basis of Preparation

A. STATEMENT OF COMPLIANCE

The consolidated financial statements as at and for the year ended December 31, 2017 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU").

The consolidated financial statements were authorized for issue by the Board of Directors on March 19, 2018.

B. FUNCTIONAL AND PRESENTATION CURRENCY

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

C. BASIS OF MEASUREMENT

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

D. OPERATING CYCLE

The Group has two operating cycles:

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

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

E. USE OF ESTIMATES, JUDGMENTS AND FAIR VALUE MEASUREMENT

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

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

Judgments and use of estimates

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

- Note 16 **– Uncertain tax positions (judgments)**
  The extent of the certainty that the Group's tax positions will be accepted (uncertain tax positions) and the risk of it incurring any additional tax and interest expenses. This is based on an analysis of a number of matters including interpretations of tax laws and the Group's past experience. New information may become available that causes the Group to change its judgment, resulting in recognition of additional income tax expense in the period that such a change in judgment occurs.
- Note 16 **– Regarding the utilization of losses carried forward (estimations)**
  Deferred tax assets are recognized in respect of tax losses carried forward when there is a high probability that in the future there will be taxable profits against which carried forward losses can be utilized. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Group to change its estimation regarding the utilization of existing tax assets; any such changes to deferred tax assets will impact tax income/expense in the period that such a change in estimate occurs.
- Note 5 **– Regarding fair value measurement of investment properties (estimations)**
  The fair value of investment properties as at December 31, 2017 was assessed by CBRE, an industry specialist that has appropriate and recognized professional qualifications and up-to-date experience regarding the location and category of the properties. The valuation includes assumptions regarding rent, vacancies, maintenance costs and discount rate. These assumptions are subject to uncertainties that may lead to either positive or negative value adjustments in the future, impacting the profit or loss from changes in fair value of investment properties in the period that such a change in estimations occurs.
- Note 23 **– Regarding measurement of derivatives at fair value (estimation)**
  Derivative valuations are calculated by the financing bank and checked by management. The risk that derivatives will not be appropriately valued exists, since the Group needs to make judgments about the estimation of the credit risk used by the lending bank and about whether the bank used the appropriate market observation for the other variables. New information may become available that causes the Group to change its estimation, impacting the profit or loss from changes in fair value of derivatives in the period that such a change in estimations occurs.

Determination of fair values

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

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

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

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

F. CHANGES IN ACCOUNTING POLICIES

- Amendment to IAS 7, Statement of Cash Flows

According to the amendment, an entity is required to provide disclosures that will enable the users of the financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. These disclosures are to be provided with respect to the following changes in liabilities arising from financing activities: Changes from financing cash flows; changes arising from obtaining or losing control of subsidiaries or other businesses; the effect of changes in foreign exchange rates; changes in fair values; and other changes. The new disclosure requirements were included in Note 23 regarding Financial Instruments.

G. CHANGE IN CLASSIFICATION

The Group performed immaterial classifications in the comparative figures in order to align the classification in the comparative figures to the figures of the year ended December 31, 2017.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 3 – Basis of Consolidation

A. CONSOLIDATION METHODS

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

In addition to the Company, 195 subsidiaries (2016: 156) have been included in these consolidated financial statements.

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

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

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

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

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

B. SCOPE OF CONSOLIDATION

(1) During the first quarter of 2017, the Group carried out two separate transactions to take over 94% and 94.9%, respectively, of the issued shares of two German entities holding one condominium building and one residential building located in Berlin, Germany. The total consideration amounted to EUR 11.6 million (including approx. 2% transaction costs). The buildings include 86 residential units and 4 commercial units with a total leasable area of approx. 5.5 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
Cash and cash equivalents	349
Restricted bank deposits	32
Trade and other receivables	80
Trading properties	6,696
Investment properties (*)	5,115
Trade and other payables	(410)
Other financial liabilities (**)	(267)
Total consideration	**11,595**
Consideration already paid in 2016	(6,419)
Consideration to be paid after the reporting period (***)	(41)
Less cash acquired	(349)
Net cash flow from the acquisition of subsidiaries	**4,786**

(*) The fair value of the investment properties as at the takeover date was EUR 4,900 thousand, therefore acquisition costs of approx. EUR 0.2 million were recognized under changes in fair value of investment properties in the consolidated statement of profit or loss.

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

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

(2) During the second quarter of 2017, the Group took over 94.9% of the issued shares of a German entity holding 10 residential buildings located in Berlin, Germany. The total consideration amounted to EUR 75.5 million (including approx. 3% transaction costs). The buildings include 298 residential units and 30 commercial units with a total leasable area of approx. 27.4 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
Cash and cash equivalents	40
Restricted bank deposits	562
Trade and other receivables	105
Investment properties (*)	77,887
Trade and other payables	(514)
Other financial liabilities (**)	(2,557)
Total consideration	**75,523**
Consideration to be paid after the reporting period (***)	(229)
Less cash acquired	(40)
Net cash flow from the acquisition of subsidiaries	**75,254**

(*) The fair value of the investment properties as at the takeover date was EUR 75,900 thousand, therefore acquisition costs of approx. EUR 2 million were recognized under changes in fair value of investment properties in the consolidated statement of profit or loss.

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

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

(3) During the third quarter of 2017, the Group carried out six separate transactions to take over 94%-94.9% of the issued shares of 15 German entities holding 20 residential buildings and one commercial building located in Berlin, Germany. The total consideration amounted to EUR 86.8 million (including approx. 3.3% transaction costs). The buildings include 524 residential units and 63 commercial units with a total leasable area of approx. 44.4 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
Cash and cash equivalents	644
Restricted bank deposits	88
Trade and other receivables	278
Property and equipment	292
Advances in respect of investment properties	450
Investment properties (*)	115,028
Trade and other payables	(1,400)
Bank loans (**)	(25,594)
Other financial liabilities (***)	(2,924)
Total consideration	**86,862**
Consideration to be paid after the reporting period (****)	(677)
Less cash acquired	(644)
Net cash flow from the acquisition of subsidiaries	**85,541**

(*) The fair value of the investment properties as at the takeover date was EUR 111,150 thousand. Acquisition costs of approx. EUR 3.8 million were recognized under changes in fair value of investment properties in the consolidated statement of profit or loss.

(**) The bank loans were repaid during the period, consequently, an amount of EUR 2.5 million was recognized as one-off refinance costs in the consolidated statement of profit or loss.

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

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

(4) During the fourth quarter of 2017, the Group carried out two separate transactions to take over 94.9% of the issued shares of 18 German entities holding 21 residential buildings and one condominium building located in Berlin, Germany. The total consideration amounted to EUR 116.1 million (including approx. 3.6% transaction costs). The buildings include 1,325 residential units and 62 commercial units with a total leasable area of approx. 102 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
Cash and cash equivalents	612
Restricted bank deposits	189
Trade and other receivables	221
Trading properties	5,647
Investment properties (*)	213,509
Trade and other payables	(1,229)
Bank loans	(100,115)
Derivatives	(18)
Other financial liabilities (**)	(2,722)
Total consideration	**116,094**
Consideration to be paid after the reporting period (***)	(521)
Less cash acquired	(612)
Net cash flow from the acquisition of subsidiaries	**114,961**

(*) The fair value of the investment properties as at the takeover date was EUR 205,840 thousand. Acquisition costs of approx. EUR 7.7 million were recognized under changes in fair value of investment properties in the consolidated statement of profit or loss.

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

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

Note 4 – Significant Accounting Policies

A. INVESTMENT PROPERTIES

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

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

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

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

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

B. TRADING PROPERTIES

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

C. RESTRICTED BANK DEPOSITS

Restricted bank deposits consist of deposits in banks that the Group has pledged to secure banking facilities, deposits received from tenants, and restricted proceeds from condominium sales. The Group cannot use these deposits freely for operations.

D. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash on hand, deposits in banks and short-term investments with an original term of up to three months.

E. FINANCIAL INSTRUMENTS

(1) Non-derivative financial assets

The Group's non-derivative financial assets are loans and receivables. The Group initially recognizes loans and receivables on the date that they originated. All other financial assets are recognized initially on the trade date when the Group becomes a party to the contractual provisions of the instrument.

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

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

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

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

(2) Non-derivative financial liabilities

Non-derivative financial liabilities include bonds, loans and borrowings from banks and others, trade and other payables.

The Group initially recognizes financial liabilities on the trade date at which the Group becomes a party to the contractual provisions of the instrument. The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

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

An exchange of debt instruments having substantially different terms between an existing borrower and lender is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability at fair value. In such cases, the entire difference between the amortized cost of the original financial liability and the fair value of the new financial liability is recognized in profit or loss as financing income or expense.

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

(3) Share capital – ordinary shares

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

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

(4) Derivative financial instruments, including hedge accounting

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

Cash flow hedges

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

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

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

Other derivatives

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

F. IMPAIRMENT

Non-financial assets

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

Non-derivative financial assets

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

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

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

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

G. TRANSACTIONS WITH CONTROLLING SHAREHOLDER

Transactions with shareholders in their capacity as shareholders are considered as capital

transactions and are recognized directly in equity. Loans received from the controlling shareholder bearing interest rate below market rate are considered to be capital transactions with the shareholder. The difference between the fair value of the loan and the amount received at initial recognition is recognized directly in equity in capital reserve from transactions with controlling shareholder.

When a shareholder forgives a debt while acting in its capacity as a shareholder, the Group considers it to be a capital transaction. The outstanding financial liability is reclassified to equity and no gain or loss is recognized.

H. PROVISIONS

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

The Group recognizes indemnification as an asset if, and only if, it is virtually certain that the indemnification will be received if the Group will settle the obligation. The amount recognized for the indemnification does not exceed the amount of the provision.

I. EMPLOYEE BENEFITS

Share-based payment transactions

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

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

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

J. REVENUE RECOGNITION

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

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

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

K. FINANCE INCOME AND COSTS

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

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

In the statements of cash flows, interest received is presented as part of cash flows from investing activities. Interest paid and dividends paid are presented as part of cash flows from financing activities.

L. TAXATION

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

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

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

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

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

A deferred tax asset is recognized for unused tax losses, tax benefits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred

tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

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

M. EARNINGS PER SHARE

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

N. NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

- **IFRS 15, Revenue from Contracts with Customers**
  IFRS 15 replaces the current guidance regarding recognition of revenues and presents a comprehensive framework for determining whether revenue should be recognized and when and at what amount.

  IFRS 15 is applicable for annual periods beginning on or after January 1, 2018 and earlier application is permitted.

  The Group examined the effects of applying IFRS 15, and in its opinion the effect on the financial statements will be immaterial.

- **IFRS 9 (2014), Financial Instruments**
  IFRS 9 (2014) replaces the current guidance in IAS 39, Financial Instruments: Recognition and Measurement. IFRS 9 (2014) includes revised guidance on the classification and measurement of financial instruments, a new "expected credit loss" model for calculating impairment for most financial assets (debt or equity instruments), and new guidance and requirements with respect to hedge accounting.

  IFRS 9 (2014) is effective for annual periods beginning on or after January 1, 2018 with early adoption being permitted.

  The Group examined the effects of applying IFRS 9 (2014), and in its opinion, the effect on the financial statements will be immaterial.

- **IFRS 16, Leases**
  IFRS 16 replaces IAS 17, Leases and its related interpretations. For lessees, the standard presents a unified model for the accounting treatment of all leases according to which the lessee has to recognize an asset and liability in respect of the lease in its financial statements.

  IFRS 16 is applicable for annual periods as at January 1, 2019, with the possibility of early adoption, so long as the company has also early adopted IFRS 15, Revenue from Contracts with Customers.

  The Group started to examine the effects of adopting IFRS 16 on the financial statements, and in its opinion, the effect on the financial statements will be immaterial.

CHAPTER 03 Consolidated Financial Statements

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

  The amendment is applicable for annual periods beginning on or after January 1, 2018.

  The Group has examined the effects of applying the amendment to IAS 40, and in its opinion, the effect on the financial statements will be immaterial.

Note 5 – Investment Properties

A. RECONCILIATION OF CARRYING AMOUNT

In EUR thousand	December 31, 2017	December 31, 2016
Balance as at January 1	2,278,935	1,456,804
Additions by way of acquiring subsidiaries (see note 3B)	411,539	272,132
Additions by way of acquiring assets (see note 5A(1))	169,895	98,285
Capital expenditure	31,021	25,351
Disposals	-	(1,015)
Transfer from investment properties to trading properties (see note 5A(2))	(3,730)	(16,890)
Fair value adjustments	383,638	444,268
Balance as at December 31	**3,271,298**	**2,278,935**

As at December 31, 2017, the closing balance of investment properties consisted of 20,421 (2016: 17,701) residential units with a total residential lettable area of 1,343,786 m² (2016: 1,153,840 m²), 1,309 (2016: 999) commercial units (retail, office and other commercial) with a total commercial lettable area of 149,748 m² (2016: 107,816 m²) and 5,464 (2016: 3,839) parking spaces and spaces for storage, antennas, etc., all in Berlin.

According to German law, residential rental contracts are unlimited in their duration/period. The tenants have the sole right to terminate the contract with 3 months' notice in writing. According to German law, the owner can terminate the residential contract only if the owner has a "justified cause" such as if the tenant is in default for more than two months' rent. Termination/cancellation of the contract must be in writing. Contracts are denominated in EUR. Tenants are required to make rental deposits generally equal to 3 months' "cold" rent at the inception of any lease contract, and pay in advance rent, facility management and utilities and heating prepayments for a one month period. The right to increase the rent is defined in the contract (e.g. graduated rent) and it is subject to German law. Rent prices are set according to market prices or upon a given price index ("rent mirror") which exists in Berlin, Germany.

The rent increase is restricted by the law and can only be increased if several parameters are met. The main two are: The existing rent price is below the rent mirror for the specific area where the apartment is located and the rent has remained unchanged for fifteen months; and that no rent increase over 20% (capping limit) was made in the course of the last three years; the capping limit is 15% in areas where the adequate supply of rented dwellings is at risk and these areas are determined by means of a legal ordinance, like e.g. in Berlin.

In addition, a rent control law passed by parliament in June 2015 aims to prevent landlords in areas with stressed housing markets, e.g. the German capital city, from raising rents for new tenants by more than 10% above the local average ("rent mirror"). Furthermore, the last rent paid can also be used for the new contract and therefore the owner can use the higher of the two in practice. In cases of extensive modernization works (similar to new build standards) in the unit prior to being newly rented out, the landlord is exempt from handling under the rent control law and can rent the unit for market price without being capped by the legislation.

Some of the residential buildings include commercial units on the ground floor. Lease renewals are negotiated with the lessee. Tenants are required to make rental deposits generally equal to three months' rent at the inception of any lease contract.

As at December 31, 2017, approx. 10.6% of the investment properties were subject to rent restrictions ("Cost Rent"), and 19% of them were released from restrictions as at January 1, 2018 (based on the number of units).

(1) During the reporting period, the Group took over a total of 816 residential units and 145 commercial units in Berlin as part of asset acquisitions.

(2) During the reporting period, the Group reclassified one building from investment properties to trading properties in a total amount of EUR 3,730 thousand, representing its fair value for the reclassification date.

B. MEASUREMENT OF FAIR VALUE

(1) Fair value hierarchy

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

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

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

(2) Valuation technique and significant unobservable inputs

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

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

December 31, 2017	Central	S-Bahn ring	S-Bahn ring (1960–1990)	City ring	City ring (1960–1990)	Total
Fair value (EUR thousand)	1,249,758	408,910	432,550	240,300	939,780	3,271,298
Value per m² (EUR)	2,669	2,355	2,171	2,378	1,699	2,187
Average residential in-place rent (EUR/m²)	6.92	6.64	6.85	7.09	5.72	6.42
CBRE market rent (EUR/m²)	8.81	8.54	7.52	8.40	6.61	7.71
Avg. new letting rent (EUR/m²)	11.18	9.83	9.95	8.58	6.82	9.04
Multiplier (current rent)	31.18	29.42	26.07	27.33	24.71	27.87
Multiplier (CBRE market rent)	24.57	22.98	23.25	22.85	20.99	22.95
Multiplier (new letting rent)	19.36	19.98	17.56	22.36	20.34	19.57
Discount rate (%)	4.81%	4.97%	4.86%	5.00%	5.20%	4.96%
Capitalization interest rate (%)	2.86%	3.02%	3.00%	3.02%	3.26%	3.02%

December 31, 2016	Central	S-Bahn ring	S-Bahn ring (1960–1990)	City ring	City ring (1960–1990)	Total
Fair value (EUR thousand)	875,895	266,440	338,980	147,490	650,130	2,278,935
Value per m² (EUR)	2,253	2,023	1,810	2,127	1,377	1,824
Average residential in-place rent (EUR/m²)	6.52	6.35	6.56	6.72	5.45	6.09
CBRE market rent (EUR/m²)	7.80	7.64	6.99	7.76	6.13	6.98
Avg. new letting rent (EUR/m²)	11.04	9.65	8.92	7.97	6.35	7.91
Multiplier (current rent)	27.45	26.04	22.82	24.77	21.20	24.34
Multiplier (CBRE market rent)	23.12	22.00	20.88	21.84	18.35	21.02
Multiplier (new letting rent)	16.34	17.43	16.37	21.01	17.73	18.55
Discount rate (%)	4.48%	4.63%	4.69%	4.77%	5.16%	4.74%
Capitalization interest rate (%)	3.02%	3.17%	3.29%	3.29%	3.68%	3.28%

(3) Sensitivity analysis

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

December 31, 2017	Change in	Change in values	
Valuation parameters	parameters	In EUR thousand	%
Average new letting rent (EUR/m²)	+10%	316,999	9.5%
Vacancy rate (%)	+1%	(38,261)	(1.2%)
Discount and capitalization rate (%)	25bp	(261,270)	(7.9%)

December 31, 2016 Valuation parameters	Change in parameters	Change in values In EUR thousand	 %
Average new letting rent (EUR/m²)	+10%	245,038	10.5%
Vacancy rate (%)	+1%	(27,821)	(1.2%)
Discount and capitalization rate (%)	25bp	(169,770)	(7.3%)

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

B. AMOUNTS THAT WERE RECOGNIZED IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	For the year ended December 31,		
In EUR thousand	2017	2016	2015
Rental income from investment property	103,300	84,673	61,732
Direct operating expenses arising from investment property that generated rental income during the period	(15,551)	(11,790)*	(7,014)*
Total	**87,749**	**72,883**	**54,718**

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

Note 6 – Trading Properties

During the reporting period, the Group completed the sale of 84 condominium units for a total consideration of EUR 19,671 thousand (2016: 109 units for EUR 19,965 thousand).

During the period, the Group acquired two new condominium buildings with 70 residential units and 2 commercial units in Berlin at a total cost of EUR 12.3 million. See note 3B for more information regarding newly acquired trading properties during the period.

During the reporting period, the Group reclassified one building from investment properties to trading properties for a total amount of EUR 3,730 thousand, representing its fair value as at the reclassification date (see note 5A(2)).

Note 7 – Restricted Bank Deposits

As at December 31, 2017 and December 31, 2016, the short-term restricted bank deposits are denominated in euro and they carry no interest.

The balance as at December 31, 2017 includes EUR 21,503 thousand of pledged bank deposits received from tenants (December 31, 2016: EUR 16,188 thousand), EUR 2,310 thousand pledged to secure banking facilities (December 31, 2016: EUR 10,123 thousand) and EUR 539 thousand of restricted proceeds from condominium sales (December 31, 2016: EUR 1,896 thousand).

Note 8 – Trade Receivables

A. The balances represent amounts receivable from leases of residential and commercial units less any allowance for doubtful debts. The breakdown of trade receivables is as follows:

	December 31,					
	2017			2016		
In EUR thousand	Gross	Impair-ment	Total	Gross	Impair-ment	Total
Not past due	5,138	-	5,138	3,787	-	3,787
0-30 days past due	1,206	(128)	1,078	1,091	(235)	856
31-180 days past due	3,718	(908)	2,810	2,649	(899)	1,750
180 days to one year past due	1,905	(1,211)	694	1,470	(1,298)	172
More than one year past due	4,672	(4,068)	604	2,627	(2,588)	39
Total	**16,639**	**(6,315)**	**10,324**	**11,624**	**(5,020)**	**6,604**

Trade accounts receivables are non interest-bearing and are generally on 30 days' terms.

B. Impairment losses on trade receivables changed as follows:

In EUR thousand	2017	2016
Balance as at January 1	(5,020)	(3,049)
Additions	(2,928)	(2,383)
Additions by way of acquiring subsidiaries	(239)	(404)
Reversals	1,204	585
Write off of irrecoverable debts	668	231
Balance as at December 31	**(6,315)**	**(5,020)**

Note 9 – Other Receivables

In EUR thousand	December 31, 2017	2016
Advance to suppliers	745	159
Prepaid expenses	260	303
VAT	638	545
Others (*)	3,588	370
Total	**5,231**	**1,377**

(*) Others mainly include receivables from the previous owner of entities acquired during 2017 in the amount of EUR 3.4 million, due to purchase price adjustments. The outstanding balance was settled after the reporting period.

Note 10 – Cash and Cash Equivalents

As at December 31, 2017 and December 31, 2016, cash and cash equivalents include cash on hand and demand deposits denominated in euro and free from any restrictions.

Note 11 – Other Financial Liabilities

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

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

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

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

In EUR thousand	December 31, 2017	2016
Current liabilities		
Compensation fee	867	414 (*)
Non-current liabilities		
Compensation fee	772	619 (*)
Put option	26,466	14,104 (*)
Total	**28,105**	**15,137**

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

Note 12 – Equity

A. SHARE CAPITAL AND SHARE PREMIUM

(in thousands of shares)	Ordinary shares 2017	2016
In issue as at January 1	44,100	35,000
Issued for cash	-	9,100
In issue as at December 31	**44,100**	**44,100**

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

A dividend in the amount of EUR 19.8 million (EUR 0.45 per share) was paid based on a decision of the Annual General Meeting which took place on May 2, 2017. The record date was May 3, 2017.

B. HEDGING RESERVE

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

C. CAPITAL RESERVE FROM TRANSACTIONS WITH CONTROLLING SHAREHOLDER

The capital reserve from transactions with controlling shareholder comprises the differences between the fair value and the consideration received/paid in relation to transactions with controlling shareholder. The main change in the capital reserve from transactions with controlling shareholder is driven by share-based payment to ADO Group's shares (see note 20) and change in put option of ADO Group (see note 11).

Note 13 – Bonds

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

The Company undertakes not to incur any financial indebtedness after the issue date of the bond, and will also procure that its subsidiaries will not incur any financial indebtedness, after the issue date of the bond (except for refinancing existing financial indebtedness), if immediately after giving effect to the incurrence of such additional financial indebtedness (taking into account the application of the net proceeds of such incurrence), the following tests would not be met: (i) loan-to-value ratio (LTV) ≤ 60%; (ii) secured loan-to-value ratio ≤ 45%; (iii) unencumbered asset ratio ≥ 125%; and (iv) interest coverage ratio (ICR) ≥ 1.8.

As at December 31, 2017, the Company is fully compliant with all covenant requirements.

Note 14 – Other Loans and Borrowings

In EUR thousand	December 31, 2017 Non-current	December 31, 2017 Current	December 31, 2016 Non-current	December 31, 2016 Current
Loans from banks	932,345	72,768	856,662	27,388
Other creditors	21,610	-	20,664	-
Total	**953,955**	**72,768**	**877,326**	**27,388**

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

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

C. Re-pricing on the variable interest loans is done on a quarterly basis. As at December 31, 2017, other loans and borrowings carry an average effective interest rate (i.e. considering the swap interest hedge deals from variable to fixed) of 1.9% per annum (as at December 31, 2016: 2.1%). The average maturity of other loans and borrowings is five years (as at December 31, 2016: 5.3 years).

D. Bank loans in an amount of EUR 125.7 million were taken over as part of the new acquisitions. Part of them, in the amount of EUR 25.6 million, was already repaid during the period (see note 3B(3)). As at December 31, 2017, the remaining bank loans carry an average market effective interest rate (i.e. considering the swap interest hedge deals from variable to fixed) of 1.7% per annum and their average maturity is 8.24 years.

E. On June 30, 2017, the Group received a bank loan in an amount of EUR 90 million for the purpose of refinancing an old bank loan that was taken over as part of an acquisition of the issued shares of a Luxembourg entity in 2016. The existing bank loan amounted to EUR 59.8 million (with a book value of EUR 65.6 million), and carried an annual fixed interest rate of 3.98% per annum. The new loan carries an annual fixed interest rate of 1.25% per annum for a 7-year term. The refinance was accounted for as a substantial modification of the terms of debt instruments, i.e. treated as an extinguishment of the original loan. Consequently, an amount of EUR 4.2 million was recognized as one-off refinance costs in profit or loss.

F. On September 13, 2017, the Group received a bank loan in an amount of EUR 17.5 million and on November 7, 2017 an additional amount of EUR 7.8 million to finance existing assets. The new loan carries an annual fixed interest rate of 1.49% per annum for a 7-year term. As part of the same agreement, an additional amount of EUR 7.7 million is expected to be drawn down during the first quarter of 2018.

G. At the end of December 2017, under the existing loan agreements, the Group is fully compliant with its obligations including loan covenants to the financing banks.

Note 15 – Other Payables

In EUR thousand	December 31, 2017	December 31, 2016
Accrued expenses	2,799	2,755
Accrued interest payable	3,488	835
Tenants' deposits	21,513	16,188
Parent company (ADO Group) (see note 26)	42	16
Deferred income	1,896	1,429
Corporate tax	2,197	930
VAT	2,171	1,934
Other	1,370	1,137
Total	**35,476**	**25,224**

Note 16 – Taxes

A. THE MAIN TAX LAWS IMPOSED ON THE GROUP COMPANIES IN THEIR COUNTRIES OF RESIDENCE

(1) Germany

- The standard rate of corporation tax for both residents and non-residents is 15%. A "solidarity surcharge" is also levied resulting in an effective rate of 15.825% which applies to companies which hold German property regardless of their residence. Dividends received from another company are 95% tax exempt when the investment in the other company is at least 10% at the beginning of the calendar year or the investment was increased by 10% during the year.
- No tax is withheld on rental payments to non-resident companies holding German property.
- Capital gains on the sale of German property are subject to corporation tax at the standard rate for both residents and non-residents. Trade tax is also applicable at the relevant rate, except for non-residents with no permanent establishment in Germany or limited companies that only hold assets for capital investments as long as the sale of the asset is classified as part of that business (detailed regulations apply). Capital gains realized by a company on the sale of shares in a property holding company are 95% exempt.
- German real estate owned at the start of the calendar year is subject to annual property tax at 0.2% to 3.4% (depending on the location of the property) on the specially assessed value of the property (dependent on the rental value and age of the property, 2.8% for Berlin). The tax payable is a deductible expense for profit tax purposes such as trade tax and corporation tax.
- The transfer of German real estate or a share transaction that unifies at least 95% of the shares of a company holding a real estate property is subject to a real estate transfer tax (RETT), which is payable by the buyer on the purchase price (on transfer of the property) or a specially assessed value as above (on transfer of shares). The tax rate varies between 3.5% and 6.5%, depending on the municipality where the property is located. In Berlin the tax rate is 6%.
- Limitation on the tax deductibility of interest expenses, and simultaneous repeal of the existing thin-capitalization rules. The "interest barrier rule" allows the deduction of net interest expenses exceeding EUR 3 million p.a. only to the extent that total net interest expenses do not exceed 30% of the EBITDA, unless the total net interest does not exceed EUR 3 million p.a. or other exemption criteria are met. The net interest expenses which are not deductible can be carried forward.

- Accumulated tax losses can be carried forward without time restriction and can be deducted from future profits and capital gains unless they exceed EUR 1 million. Losses carried forward that exceed EUR 1 million can only be deducted to the amount of 60% of the profits/capital gains that exceed EUR 1 million (minimum taxation). Those parts that cannot be deducted on the basis of the minimum taxation can be carried forward again and are subject to minimum taxation in the following years.

The corporation tax rate used to calculate deferred tax assets and deferred tax liabilities as at December 31, 2017 and as at December 31, 2016 is 15.825% for the companies which hold the investment properties real estate assets and 30.18% for the management companies that operate the real estate in Berlin.

(2) Luxembourg

- The Company is liable for Luxembourg corporation taxes. The aggregate maximum applicable rate, including corporate income tax, municipal business tax and a contribution to the employment fund, is 27.08% for the fiscal year ending 2017 for a company established in Luxembourg City.
- The Company is fully subject to the annual net wealth tax charge which amounts to 0.5% of the net asset value of the Company. Certain assets might be excluded from the net asset value for the purposes of the net wealth tax computation, provided that the provisions of paragraph 60 of the valuation law of October 16, 1934, as amended (BewG) are met.

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

(3) Ireland

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

B. INCOME TAXES

In EUR thousand	For the year ended December 31, 2017	2016	2015
Current year	(2,026)	(1,288)	(217)
Adjustments for prior years	(179)	(195)	(54)
Deferred tax expense	(65,830)	(68,223)	(27,101)
Total	**(68,035)**	**(69,706)**	**(27,372)**

C. RECONCILIATION OF STATUTORY TO EFFECTIVE TAX RATE

In EUR thousand	For the year ended December 31, 2017	2016	2015
Statutory income tax rate	27.08%	29.22%	29.22%
Profit before taxes	435,547	480,474	183,379
Tax using the Company´s domestic tax rate	**117,946**	**140,395**	**53,583**
Non-deductible expense	152	155	55
Utilization of tax losses from prior years for which deferred taxes were not created	(1,413)	(3,874)	(247)
Effect of tax rates in foreign jurisdictions	(49,033)	(65,235)	(25,128)
Deferred tax assets not recognized for tax losses and other timing differences	7,296	2,765	1,704
Inter-company transaction effect	(7,092)	(4,686)	(2,595)
Adjustments for prior years	179	195	54
Other differences, net	-	(9)	(54)
Income tax expenses	**68,035**	**69,706**	**27,372**

D. RECOGNIZED DEFERRED TAX ASSETS AND LIABILITIES

Deferred taxes recognized are attributable to the following:

In EUR thousand	December 31, 2017	2016
Assets		
Derivatives	216	156
Tax losses carried forward	13,377	8,755
	13,593	8,911
Liabilities		
Investment properties	(194,286)	(125,273)
Trading properties	(2,750)	(1,311)
	(197,036)	(126,584)
Net tax liabilities	**(183,443)**	**(117,673)**

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

In EUR thousand	Investment properties	Trading properties	Derivatives	Tax losses	Total
Balance as at January 1, 2016	(53,637)	-	1,142	3,902	(48,593)
Changes recognized in profit or loss	(71,636)	(1,311)	(129)	4,853	(68,223)
Changes recognized in equity or other comprehensive income	-	-	(857)	-	(857)
Balance as at December 31, 2016	(125,273)	(1,311)	156	8,755	(117,673)
Changes recognized in profit or loss	(69,013)	(1,439)	-	4,622	(65,830)
Changes recognized in equity or other comprehensive income	-	-	60	-	60
Balance as at December 31, 2017	**(194,286)**	**(2,750)**	**216**	**13,377**	**(183,443)**

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

Tax losses carried forward amounted to EUR 84,793 thousand as at December 31, 2017 (2016: EUR 58,023 thousand). Tax losses can be carried forward indefinitely.

Deferred tax assets are recognized for tax losses carried forward to the extent that the realization of the related tax benefit through future taxable profits is probable. The Group did not recognize deferred tax assets of EUR 3,158 thousand as at December 31, 2017 (2016: EUR 2,448 thousand) in respect of losses carried forward amounting to EUR 19,955 thousand as at December 31, 2017 (2016: EUR 15,467 thousand) that can be carried forward against future taxable income due to its expectation for their utilization.

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

Note 17 – Revenue

In EUR thousand	For the year ended December 31, 2017	2016	2015
Net rental income	103,300	84,673	61,732
Selling of condominiums	19,671	19,965	9,954
Income from facility services	5,881	5,137	4,067
Total	**128,852**	**109,775**	**75,753**

Note 18 – Cost of Operations

In EUR thousand	For the year ended December 31, 2017	2016	2015
Salaries and other expenses (**)	7,995	6,873	5,504
Cost of utilities recharged, net	1,409	271	312
Selling of condominiums – cost	15,760	16,726	8,471
Property operations and maintenance	11,010	8,726 (*)	4,899 (*)
Total	**36,174**	**32,596**	**19,186**

(*) Immaterial adjustment of comparative data – see note 2G regarding basis of preparation
(**) See note 19A regarding personal expenses and employees

Note 19 – General and Administrative Expenses

In EUR thousand	For the year ended December 31, 2017	2016	2015
Salaries and related expenses (A)	2,605	2,472	1,635
Share-based payment	387	682	283
Directors fee	714	661	167
Rent	1,015	1,027 (*)	683 (*)
Professional services	3,417	3,081	1,799
Traveling	188	312	119
Office, communication and IT expenses	1,284	996	828
Advertising and marketing	438	404	386
Impairment loss on trade receivables	1,900	1,799	646
Depreciation	452	356	256
Services from parent company (see note 26)	64	75	146
Others	298	1,380	249
Total	**12,762**	**13,245**	**7,197**

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

A. As at December 31, 2017, the Group has 295 full-time employees (2016: 247, 2015: 228). On an annual average 271 people (2016: 237, 2015: 194) were employed.

Note 20 – Share-based Payment

A. In 2014 ADO Group's Board of Directors approved a share-based remuneration program to the Company's management which granted a total of 160,000 options, each option being exercisable into one of ADO Group's shares of NIS 1 par value with an exercise price of 0.357 NIS per share.

The options were exercised on June 8, 2017. During the reporting period, the Company recognized a total expense of EUR 10 thousand (2016: EUR 53 thousand) against reserve from transactions with controlling shareholder.

B. Under the Long Term Incentive plan ("LTI"), the Company's management and the vice chairman have the possibility to receive together each year shares equaling a total volume of EUR 785,000 assuming maximum LTI-Target Achievement divided by the average trading price of the Company's shares. The LTI shall depend on the achievement of certain individual targets and the relevant weighting of each of such LTI-Targets in relation to the other applicable targets over the service agreement period starting at the commencement of each fiscal year (the "LTI-Period"). The LTI-Targets shall be composed of (i) the development of the net asset value ("NAV") per share as being targeted by the Board (weighting of 50%) and (ii) the development of the Company's share price in relation to the EPRA GERMANY index (weighting of 50%), both LTI-Targets measured over the duration of the LTI-Period. The fair value was measured at the grant date for the first year using the Monte-Carlo simulation considering the following: (i) the NAV Target was estimated at 100%; (ii) The expected EPRA Target was estimated at approximately 108%. During the reporting period, the company recognized a total expense of EUR 554 thousand (2016: EUR 806 thousand) against retained earnings.

Note 21 – Net Finance Costs

In EUR thousand	For the year ended December 31, 2017	2016	2015
Interest received on bank deposits	3	29	35
Change in fair value of derivatives	-	-	400
Change in fair value of other financial asset	1,599	1,943	1,149
Total finance income	**1,602**	**1,972**	**1,584**
Interest on bonds	(2,824)	-	-
Interest on other loans and borrowings	(18,279)	(18,526)	(18,058)
Interest on loans from related parties (*)	-	-	(5,801)
One-off refinance costs	(6,741)	(9,465)	-
Other finance expenses	(1,765)	(1,709)	(1,865)
Total finance costs	**(29,609)**	**(29,700)**	**(25,724)**
Total net finance costs	**(28,007)**	**(27,728)**	**(24,140)**

(*) Interest on loans from related parties includes interest from loans and capital note from ADO Group until July 23, 2015.

Note 22 – Earnings per Share

A. BASIC AND DILUTED EARNINGS PER SHARE

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

(1) Earnings attributable to the owners of the Company

In EUR thousand	For the year ended December 31, 2017	2016	2015
Profit attributable to the owners of the Company	**355,970**	**395,150**	**148,192**

(2) Weighted average number of ordinary shares

thousands of shares	For the year ended December 31, 2017	2016	2015
Balance as at January 1	44,100	35,000	25,000 (*)
Effect of issuance of regular shares	-	4,083	4,423
Weighted average number of shares	**44,100**	**39,083**	**29,423**

In EUR	For the year ended December 31, 2017	2016	2015
Basic and diluted earnings per share (**)	**8.07**	**10.11**	**5.04**

(*) Restated due to stock split committed on June 16, 2015.

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

Note 23 – Financial Instruments

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

1. Credit risk

2. Market risk

3. 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.

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 risks that 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, 2017	2016
Fixed rate instruments		
Financial assets	145,882	211,628
Financial liabilities	1,409,761	858,001
Variable rate instruments		
Financial liabilities	83,460	90,944

On the basis of the valuation as at December 31, 2017, the Group performed a sensitivity analysis to determine the change in profit and loss given a parallel shift in the interest rate structure:

	Change in interest basis points	Effect on the profit before tax EUR thousand
December 31, 2017 Variable rate instruments	+50	(14)
December 31, 2016 Variable rate instruments	+50	(67)

Assuming all other variables remain constant, a negative change in the interest rate at the same amount would have 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. As part of risk management, the fulfillment of these financial covenants is continually monitored.

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

	December 31, 2017					
	Carrying amount	Contrac-tual cash flows	2018	2019	2020	>2021
Bonds	396,396	442,000	6,000	6,000	6,000	424,000
Other loans and borrowings	1,026,723	1,114,407	90,854	46,484	79,020	898,049
Other financial liabilities	28,105	28,105	867	328	325	26,585
Trade payables	13,642	13,642	13,642	-	-	-
Tenants' security deposits	21,513	21,513	21,513	-	-	-
Other payables	6,842	6,842	6,842	-	-	-
Derivatives	2,985	3,242	264	135	230	2,613
Total	**1,496,206**	**1,629,751**	**139,982**	**52,947**	**85,575**	**1,351,247**

	December 31, 2016					
	Carrying amount	Contrac-tual cash flows	2017	2018	2019	>2020
Other loans and borrowings	904,714	990,862	45,729	84,066	42,617	818,450
Other financial liabilities	15,137	15,137	414 (*)	206 (*)	205 (*)	14,312 (*)
Trade payables	8,957	8,957	8,957			
Tenants' security deposits	16,188	16,188	16,188	-	-	-
Other payables	3,949	3,949	3,949	-	-	-
Derivatives	4,185	4,587	212	389	197	3,789
Total	**953,130**	**1,039,680**	**75,449**	**84,661**	**43,019**	**836,551**

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

D. FAIR VALUE

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

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

In EUR thousand	December 31, 2017		December 31, 2016	
	Carrying amount	Fair value (Level 3)	Carrying amount	Fair value (Level 3)
Liabilities				
Bonds	396,396	404,056	-	-
Variable rate loans and borrowings (*)	83,460	85,751	90,944	94,228
Fixed rate loans and borrowings (*)	943,263	944,092	813,770	827,143
Total	**1,423,119**	**1,433,899**	**904,714**	**921,371**

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

Fair value for liabilities is estimated by discounting future cash flows by the market interest rate on the date of measurement. The market interest rates used to determine the fair value are the discount rate of Euribor+1.2% for the variable interest bank loans (2016: Euribor+1.3%) and the discount rate of 1.73% for the fixed interest bank loans (2016: 1.3%).

(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, 2017		December 31, 2016	
	Level 2	Level 3	Level 2	Level 3
Other financial asset (a)	-	5,359	-	3,760
Derivative financial liabilities (b)	2,985	-	4,185	-
Other financial liabilities (c)	-	28,105	-	15,137

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

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

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

Although the Group believes that the estimates of fair value are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair value.

E. CAPITAL MANAGEMENT

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

The key figure for capital management is loan-to-value, which is the ratio of net financial liabilities compared to the value of the investment and trading properties. The Company aims to achieve a long-term loan-to-value ratio of maximum 45%.

	December 31,	
In EUR thousand	2017	2016
Bonds	396,396	-
Other loans and borrowings	1,026,723	904,714
Other financial liabilities	28,105	15,137
Cash and other deposits	(121,530)	(183,421)
Net financial liabilities	**1,329,694**	**736,430**
Investment properties and advances in respect of investment properties	3,305,723	2,290,740
Trading properties and advances in respect of trading properties	42,961	46,137
Total assets	**3,348,684**	**2,336,877**
Loan-to-value ratio	**39.7%**	**31.5%**

F. MOVEMENT IN LIABILITIES DERIVING FROM FINANCING ACTIVITIES

In EUR thousand	Bonds	Other loans and borrowings	Other financial liabilities	Total
Balance as at January 1, 2017	**-**	**904,714**	**15,137**	**919,851**
Changes from financing cash flows				
Receipt of loans and borrowings	398,604	114,606	-	513,210
Repayment of loans and borrowings	-	(126,548)	-	(126,548)
Transaction costs related to borrowings	(2,419)	-	-	(2,419)
Total net financing cash flows	**396,185**	**(11,942)**	**-**	**384,243**
Changes arising from obtaining control of subsidiaries	**-**	**125,709**	**8,470**	**134,157**
Changes in fair value	**-**	**-**	**4,520**	**4,520**
Other changes	**211**	**8,242**	**(23)**	**8,453**
Balance as at December 31, 2017	**396,396**	**1,026,723**	**28,105**	**1,451,224**

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Note 24 – Contingent Liabilities and Commitments

A. CONTINGENT LIABILITIES

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

B. SECURITIES, GUARANTEES AND LIENS UNDER BANK FINANCE AGREEMENTS

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

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

C. FUTURE MINIMUM LEASE PAYMENTS

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

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

In EUR thousand	December 31, 2017	2016
Less than one year	28,214	22,672
Between one and 3 years	22,705	19,039
More than 3 years	21,295	17,523

Note 25 – Segments Reporting

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

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

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

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

The accounting policies of the operating segments are the same as described in note 4 regarding significant accounting policies.

Performance is measured based on segment gross profit before revaluation of investment properties. Segment results reported to the CODM include items directly attributable to a segment on a reasonable basis.

A. INFORMATION ABOUT REPORTABLE SEGMENTS

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

In EUR thousand	Year ended December 31, 2017 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)

In EUR thousand	Year ended December 31, 2016 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)

In EUR thousand	Year ended December 31, 2015 Residential property management	Privatization	Total consolidated
External income from residential property management	64,575	1,224	65,799
External income from selling condominiums	-	9,954	9,954
Consolidated revenue	**64,575**	**11,178**	**75,753**
Reportable segment gross profit	**54,467**	**2,100**	**56,567**
General and administrative expenses			(7,197)
Changes in fair value of investment properties and assets held for sale			158,579
Other expenses			(430)
Finance income			1,584
Finance expense			(25,724)
Consolidated profit before tax			**183,379**
Income tax expense			(27,372)

B. ENTITY LEVEL DISCLOSURES

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

Note 26 – Related Parties

A. RELATED COMPANIES

In these financial statements, ADO Group is considered as a related party.

(1) Transactions with related companies

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

In EUR thousand	December 31, 2017	2016
Current liabilities		
ADO Group (presented under other payables)	42	16
Other financial liabilities (see note 11)	867	414 (*)
Non-current liabilities		
Other financial liabilities (see note 11)	27,238	14,723 (*)

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

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

In EUR thousand	For the year ended December 31, 2017	2016	2015
Consolidated statement of profit or loss			
Services and management fee charges from ADO Group	64	75	146
Interest on loans from ADO Group (*)	-	-	891
Interest on Capital note to ADO Group (*)	-	-	4,910

(*) Interest on loans from and capital note to ADO Group Ltd. comprises interest until July 23, 2015.

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B. TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

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

	For the year ended December 31,		
In EUR thousand	2017	2016	2015
Short-term employee benefits	955	915	526
Share-based payments	350	376	199
Total	**1,305**	**1,291**	**725**

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

C. EMOLUMENTS GRANTED TO THE MEMBERS OF THE MANAGEMENT AND SUPERVISORY BODIES

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

	For the year ended December 31,	
In EUR thousand	2017	2016
Directors fee granted to the members of the Board of Directors	714	661
Total	**714**	**661**

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

	For the year ended December 31,	
In EUR thousand	2017	2016
Fixed salary	662	720
Short-term cash incentive	343	311
Long-term incentive to be paid in shares	387	462
One-time termination payment	-	612
Total	**1,392**	**2,105**

Note 27 – Auditors' Fees

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

	For the year ended December 31,	
In EUR thousand	2017	2016
Audit fees (*)	690	1,051
Thereof: KPMG Luxembourg, Société coopérative	148	651
Tax consultancy services	184	87
Thereof: KPMG Luxembourg, Société coopérative	27	26
Other non-audit related services	49	68
Thereof: KPMG Luxembourg, Société coopérative	-	-

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

Note 28 – Subsequent Events

A. After the reporting date, the Group carried out a transaction to take over 94% of the issued shares of a Dutch entity holding a residential building complex located in Berlin, Germany. The total consideration amounted to EUR 160.4 million (including approx. 2% transaction costs). The building includes 832 residential units and 24 commercial units with a total leasable area of approx. 66 thousand m². At the date of acquisition, the total annual net cold rent from the new acquisition amounted to EUR 5.6 million.

B. In addition to the above transaction, after the reporting date, the Group acquired 22 assets in 12 different deals, some of them initially assessed as asset deals, and others as share deals, comprising a total of 581 residential units and 26 commercial units in Berlin. The gross purchase price for 100% of the acquired assets amounted to EUR 91.9 million. At the date of acquisition, the total annual net cold rent from the new acquisitions amounted to EUR 2.9 million. As at December 31, 2017, the Group paid an advance of EUR 34 million that was recorded as advances in respect of investment properties.

C. On March 9, 2018 the Group signed a EUR 175 million revolving credit facility with a 2 year term and two extension options, each for 1 year.

D. As at the reporting date, the Group is in the final steps to set-up a commercial paper program with a maximum volume of EUR 500 million under which funds with a maximum term of 364 days can be raised at short notice.

E. On March 19, 2018 the Company's Board proposed to the Annual General Meeting to pay a dividend in the amount of EUR 26.5 million (EUR 0.60 per share). The Annual General Meeting will take place on June 19, 2018.

Note 29 – List of the Company Shareholdings

	Company	Country	Shareholding and control as at December 31, 2017 %	2016 %
1	Adest Grundstücks GmbH	Germany	99.64	99.64
2	Adoa Grundstücks GmbH	Germany	99.64	99.64
3	Adom Grundstücks GmbH	Germany	99.64	99.64
4	Adon Grundstücks GmbH	Germany	99.64	99.64
5	Ahava Grundstücks GmbH	Germany	99.64	99.64
6	Anafa 1 Grundstücks GmbH	Germany	99.64	99.64
7	Anafa 2 Grundstücks GmbH	Germany	99.64	99.64
8	Gamazi Grundstücks GmbH	Germany	99.64	99.64
9	Anafa Grundstücks GmbH	Germany	99.64	99.64
10	Badolina Grundstücks GmbH	Germany	99.64	99.64
11	Berale Grundstücks GmbH	Germany	99.64	99.64
12	Bamba Grundstücks GmbH	Germany	99.64	99.64
13	Zman Grundstücks GmbH	Germany	99.64	99.64
14	ADO Immobilien Management GmbH	Germany	100	100
15	CCM City Construction Management GmbH	Germany	100	100
16	Drontheimer Str. 4 Grundstücks GmbH	Germany	99.64	99.64
17	Eldalote Grundstücks GmbH	Germany	99.64	99.64
18	Nuni Grundstücks GmbH	Germany	99.64	99.64
19	Krembo Grundstücks GmbH	Germany	99.64	99.64
20	Tussik Grundstücks GmbH	Germany	99.64	99.64
21	Geut Grundstücks GmbH	Germany	99.64	99.64
22	Gozal Grundstücks GmbH	Germany	99.64	99.64
23	Gamad Grundstücks GmbH	Germany	99.64	99.64
24	Geshem Grundstücks GmbH	Germany	99.64	99.64
25	Lavlav 1 Grundstücks GmbH	Germany	99.64	99.64
26	Lavlav 2 Grundstücks GmbH	Germany	99.64	99.64
27	Lavlav 3 Grundstücks GmbH	Germany	99.64	99.64
28	Lavlav Grundstücks GmbH	Germany	99.64	99.64
29	Mastik Grundstücks GmbH	Germany	99.64	99.64
30	Maya Grundstücks GmbH	Germany	99.64	99.64
31	Mezi Grundstücks GmbH	Germany	99.64	99.64
32	Muse Grundstücks GmbH	Germany	99.64	99.64
33	Papun Grundstücks GmbH	Germany	99.64	99.64
34	Nehederet Grundstücks GmbH	Germany	99.64	99.64
35	Neshama Grundstücks GmbH	Germany	99.64	99.64
36	Osher Grundstücks GmbH	Germany	99.64	99.64
37	Pola Grundstücks GmbH	Germany	99.64	99.64
38	ADO Properties GmbH	Germany	100	100
39	Reshet Grundstücks GmbH	Germany	99.64	99.64
40	Sababa18 Grundstücks GmbH	Germany	99.64	99.64
41	Sababa19 Grundstücks GmbH	Germany	99.64	99.64
42	Sababa20 Grundstücks GmbH	Germany	99.64	99.64
43	Sababa21 Grundstücks GmbH	Germany	99.64	99.64
44	Sababa22 Grundstücks GmbH	Germany	99.64	99.64
45	Sababa23 Grundstücks GmbH	Germany	99.64	99.64
46	Sababa24 Grundstücks GmbH	Germany	99.64	99.64
47	Sababa25 Grundstücks GmbH	Germany	99.64	99.64
48	Sababa26 Grundstücks GmbH	Germany	99.64	99.64
49	Sababa27 Grundstücks GmbH	Germany	99.64	99.64
50	Sababa28 Grundstücks GmbH	Germany	99.64	99.64

	Company	Country	Shareholding and control as at December 31, 2017 %	2016 %
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

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	Company	Country	Shareholding and control as at December 31, 2017 %	2016 %
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

CHAPTER 03 Consolidated Financial Statements

	Company	Country	Shareholding and control as at December 31, 2017 %	2016 %
101	Galim 2 Grundstücks GmbH	Germany	100	100
102	Galim 3 Grundstücks GmbH	Germany	100	100
103	JS Nestorstrasse Grundstücks GmbH	Germany	60	60
104	JS Florapromenade Grundstücks GmbH	Germany	60	60
105	JS Cotheniusstrasse Grundstücks GmbH	Germany	60	60
106	JS Tauroggener Grundstücks GmbH	Germany	60	60
107	JS Kiehlufer Grundstücks GmbH	Germany	60	60
108	JS Rubenstrasse Grundstücks GmbH	Germany	60	60
109	Yona Stettiner Grundstücks GmbH	Germany	60	60
110	Yona Schul Grundstücks GmbH	Germany	60	60
111	Yona Otawi Grundstücks GmbH	Germany	60	60
112	Yona Strom Grundstücks GmbH	Germany	60	60
113	Yona Gutenberg Grundstücks GmbH	Germany	60	60
114	Yona Kameruner Grundstücks GmbH	Germany	60	60
115	Yona Schichauweg Grundstücks GmbH	Germany	60	60
116	Yona Alt-Tempelhof Grundstücks GmbH	Germany	60	60
117	Yona Gruberzeile Grundstücks GmbH	Germany	60	60
118	Yona Schloss Grundstücks GmbH	Germany	60	60
119	Yona Lindauer Grundstücks GmbH	Germany	60	60
120	Yona Nogat Grundstücks GmbH	Germany	60	60
121	Yona Bötzow Grundstücks GmbH	Germany	60	60
122	Yona Herbst Grundstücks GmbH	Germany	60	60
123	Yona Danziger Grundstücks GmbH	Germany	60	60
124	Yona Schön Grundstücks GmbH	Germany	60	60
125	Yanshuf Kaiser Grundstücks GmbH	Germany	60	60

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

	Company	Country	Shareholding and control as at December 31, 2017 %	2016 %
126	Yanshuf Binz Grundstücks GmbH	Germany	60	60
127	Yanshuf Antonien Grundstücks GmbH	Germany	60	60
128	Yanshuf See Grundstücks GmbH	Germany	60	60
129	Yanshuf Hermann Grundstücks GmbH	Germany	60	60
130	Yanshuf Schmidt-Ott Grundstücks GmbH	Germany	60	60
131	Hanpaka Holding GmbH	Germany	100	100
132	Hanpaka Immobilien GmbH	Germany	94.90	94.90
133	Dvash 1 Holding GmbH	Germany	100	100
134	Dvash 2 Holding GmbH	Germany	100	100
135	Dvash 3 B.V.	Holland	100	100
136	Rimon Holding GmbH	Germany	100	100
137	Bosem Grundstücks GmbH	Germany	100	100
138	Rimon Grundstücks GmbH	Germany	94.90	94.90
139	Dvash 21 Grundstücks GmbH	Germany	94.90	94.90
140	Dvash 22 Grundstücks GmbH	Germany	94.90	94.90
141	Dvash 23 Grundstücks GmbH	Germany	94.90	94.90
142	Dvash 24 Grundstücks GmbH	Germany	94.90	94.90
143	Dvash 11 Grundstücks GmbH	Germany	94.90	94.90
144	Dvash 12 Grundstücks GmbH	Germany	94.90	94.90
145	Dvash 13 Grundstücks GmbH	Germany	94.90	94.90
146	Dvash 14 Grundstücks GmbH	Germany	94.90	94.90
147	ADO FC Management Unlimited Company	Ireland	100	100
148	5. Ostdeutschland Invest GmbH	Germany	94.90	94.90
149	8. Ostdeutschland Invest GmbH	Germany	94.90	94.90
150	Horef Holding GmbH	Germany	100	100

	Company	Country	Shareholding and control as at December 31, 2017 %	2016 %
151	ADO 9110 Holding GmbH	Germany	100	100
152	Silan Holding GmbH	Germany	100	100
153	ADO Sonnensiedlung S.à.r.l.	Luxembourg	94.90	94.90
154	Horef Grundstücks GmbH	Germany	94.93	94.93
155	Sprengelstraße 39 GmbH	Germany	94	-
156	Scharnweberstraße 112 Verwaltungsgesellschaft mbH	Germany	94.90	-
157	Kantstraße 62 Grundstücks GmbH	Germany	100	-
158	ADO Treasury GmbH	Germany	100	-
159	ADO 9160 Grundstücks GmbH	Germany	94.90	-
160	ADO 9200 Grundstücks GmbH	Germany	94.90	-
161	ADO 9210 Grundstücks GmbH	Germany	94.90	-
162	ADO 9220 Grundstücks GmbH	Germany	94.90	-
163	ADO 9230 Grundstücks GmbH	Germany	94.90	-
164	ADO 9240 Grundstücks GmbH	Germany	94.90	-
165	ADO 9250 Grundstücks GmbH	Germany	94.00	-
166	ADO 9260 Grundstücks GmbH	Germany	94.90	-
167	ADO 9270 Grundstücks GmbH	Germany	94.80	-
168	ADO 9280 Grundstücks GmbH	Germany	94.90	-
169	ADO 9290 Grundstücks GmbH	Germany	94.90	-
170	ADO 9300 Grundstücks GmbH	Germany	94.90	-
171	ADO 9310 Grundstücks GmbH	Germany	94.90	-
172	ADO 9320 Grundstücks GmbH	Germany	94.90	-

	Company	Country	Shareholding and control as at December 31, 2017 %	2016 %
173	ADO 9330 Grundstücks GmbH	Germany	94.90	-
174	ADO 9340 Grundstücks GmbH	Germany	94.90	-
175	ADO 9350 Grundstücks GmbH	Germany	94.90	-
176	ADO 9360 Holding GmbH	Germany	100	-
177	ADO 9370 Grundstücks GmbH	Germany	94.90	-
178	ADO 9380 Grundstücks GmbH	Germany	94.90	-
179	ADO 9379 Grundstücks GmbH	Germany	94.90	-
180	ADO 9400 Grundstücks GmbH	Germany	94.90	-
181	ADO 9410 Grundstücks GmbH	Germany	94.90	-
182	ADO 9420 Grundstücks GmbH	Germany	94.90	-
183	ADO 9430 Grundstücks GmbH	Germany	94.90	-
184	ADO 9440 Grundstücks GmbH	Germany	94.90	-
185	ADO 9450 Grundstücks GmbH	Germany	94.90	-
186	ADO 9460 Grundstücks GmbH	Germany	94.90	-
187	ADO 9470 Grundstücks GmbH	Germany	94.90	-
188	ADO 9480 Grundstücks GmbH	Germany	94.90	-
189	ADO 9490 Grundstücks GmbH	Germany	94.90	-
190	ADO 9500 Grundstücks GmbH	Germany	94.90	-
191	ADO 9510 Grundstücks GmbH	Germany	94.90	-
192	ADO 9520 Grundstücks GmbH	Germany	94.90	-
193	ADO 9530 Grundstücks GmbH	Germany	94.90	-
194	ADO 9540 Holding GmbH	Germany	100	-
195	ADO Lux Finance S.à.r.l.	Luxembourg	100	-

ANNUAL ACCOUNTS

ANNUAL ACCOUNTS

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

REPORT OF THE REVISEUR D'ENTREPRISES AGREE

REPORT ON THE AUDIT OF THE ANNUAL ACCOUNTS

Opinion

We have audited the annual accounts of ADO Properties S.A. (the "Company"), which comprise the balance sheet as at 31 December 2017, 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 31 December 2017, and of the results of its operations for the year then ended in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the annual accounts.

Basis for Opinion

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

KEY AUDIT MATTERS

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

Recoverability of financial assets

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

We refer to the accounting policy in note 2.2.4 "Financial assets" and note 4 "Financial assets" in the annual accounts. Financial assets represents 94.64% of the Company's total assets (1,383,789,216 EUR in value) and is subject to recoverability assessment at each reporting date. The conclusion 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 subsidiary as at the balance sheet date and also values from properties held by the subsidiary if applicable.

The respective properties held by the subsidiaries 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 subsidiary with its net assets as per management accounts, considering also the fair value of properties of these underlying subsidiaries if applicable.

Our other 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.

INDEPENDENT AUDITOR'S REPORT

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

Restructuring of loans to affiliated undertakings

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

Refer to note 4.2 of the annual accounts. We identified restructuring of loans to affiliated undertakings as a key audit matter due to its magnitude.

Transactions subject to audit focus were:

- On 20 December 2017, the Company assigned the rights to receivables (loans) from affiliated undertakings that amounted of principal EUR 1,034 million and accrued interest of EUR 70 million, to its fully owned subsidiary ADO Lux Finance S.à r.l. under an interest free loan.
- On the same date, the Company novated its rights under the above interest-free loan to 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 Company to the Company.
- The Company also made a contribution in kind of receivables that consisted of accrued interest for an amount of EUR 12,710,136 as a non-refundable capital contribution to ADO Lux Finance S.à r.l.

(b) How the matter was addressed in our audit.

Our procedures over the restructuring of loans to affiliated undertakings include, but are not limited to:

- Obtaining and inspecting key supporting documentation such as minutes and resolutions taken to resolve and approve the transactions, loan assignment agreements, novation and set-off agreement and other supporting information.
- Understanding the nature of the transactions and assessing the proposed accounting treatment in relation to the Company's accounting policies and Luxembourg legal and regulatory requirements.
- Tracing the loan amounts owed by affiliated undertakings to the agreements. The closing balances of the loans transferred were reconciled with the annual accounts of the Company.

OTHER INFORMATION

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

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

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

RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE ANNUAL ACCOUNTS

The Board of Directors is responsible for the preparation and fair presentation of the annual accounts in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the annual accounts, and for such internal control as the Board of Directors determines is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

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

RESPONSIBILITIES OF THE RÉVISEUR D'ENTREPRISES AGRÉÉ FOR THE AUDIT OF THE ANNUAL ACCOUNTS

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

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

INDEPENDENT AUDITOR'S REPORT

ing a material misstatement resulting from fraud is higher than 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 "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 "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 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 2 May 2017 and the duration of our uninterrupted engagement, including previous renewals and reappointments, is three years, of which two years since ADO Properties S.A. became a Public Interest Entity.

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

The accompanying Corporate Governance Statement is presented on pages 50 to 55. The information required by Article 68ter paragraph (1) letters c) and d) of the law of 19 December 2002 on the commercial and companies register and on the accounting records and annual accounts of undertakings, as amended, is consistent with the 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 prohibited non-audit services referred to in the EU Regulation No 537/2014, on the audit profession were not provided and that we remain independent of the Company in conducting the audit.

OTHER MATTER

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

Luxembourg, March 19, 2018

KPMG Luxembourg
Société coopérative
Cabinet de révision agréé

KPMG

Stephen Nye
Partner

CHAPTER 04 Annual Accounts

BALANCE SHEET

ASSETS

In EUR	Note	Dec 31, 2017	Dec 31, 2016
Assets			
Formation expenses	2.2.2, 3	**10,219,551**	**10,560,580**
Fixed assets		**1,309,682,216**	**1,619,600,199**
Financial assets			
Shares in affiliated undertakings	2.2.4, 4.1	1,309,682,216	996,700,794
Loans to affiliated undertakings	2.2.4, 4.2	-	622,874,405
Participating interests		-	25,000
Current assets		**62,586,197**	**121,695,043**
Debtors			
Trade debtors	2.2.5		
Becoming due and payable within one year		34	-
Amounts owed by affiliated undertakings	2.2.5, 5.1		
Becoming due and payable within one year		1,079,204	444,285
Other debtors	2.2.5, 5.2		
Becoming due and payable within one year		1,053,383	406,674
Becoming due and payable after more than one year		-	4,500
Cash at bank and in hand		60,453,576	120,839,584
Prepayments	8.1	**1,310,252**	**-**
Total assets		**1,383,789,216**	**1,751,855,822**

CAPITAL, RESERVES AND LIABILITIES

In EUR	Note	Dec 31, 2017	Dec 31, 2016
Capital, reserves and liabilities			
Capital and reserves		**891,069,615**	**875,248,526**
Subscribed capital	6.1	54,684	54,684
Share premium account	6.2	844,345,307	845,258,737

In EUR	Note	Dec 31, 2017	Dec 31, 2016
Reserves			
Legal reserve	6.3, 6.4	5,468	4,340
Other reserves, including the fair value reserve	6.4		
Other available reserves		437,488	437,488
Profit or loss brought forward	6.4	10,560,579	7,913,556
Profit or loss for the financial year	6.4	35,666,089	21,579,721
Provisions		**803,870**	**780,475**
Provisions for taxation	2.2.7, 7.1	372,326	228,000
Other provisions	2.2.7, 7.2	431,544	552,475
Creditors	2.2.9, 8	**491,924,731**	**875,826,821**
Debenture loans	8.1		
Non-convertible loans			
Becoming due and payable within one year		2,587,912	-
Becoming due and payable after more than one year		400,000,000	-
Trade creditors	8.2		
Becoming due and payable within one year		95,914	172,578
Amounts owed to affiliated undertakings	8.3		
Becoming due and payable within one year		199,124	153,345
Becoming due and payable after more than one year		86,701,175	873,461,784
Amounts owed to undertakings with which the underta-king is linked by virtue of participating interests			
Becoming due and payable after more than one year		-	121,196
Other creditors			
Tax authorities	8.4	1,700,286	1,329,317
Social security authorities	8.4	963	-
Other creditors	8.5		
Becoming due and payable within one year		639,357	573,009
Becoming due and payable after more than one year		-	15,592
Total capital, reserves and liabilities		**1,383,798,216**	**1,751,855,822**

The notes in the annex form an integral part of the annual accounts.

PROFIT AND LOSS ACCOUNT

In EUR	Note	For the year ended Dec 31, 2017	Dec 31, 2016
Profit and loss account			
Net turnover	2.2.8	800,000	800,000
Raw materials and consumables and other external expenses			
Other external expenses	9	(2,123,791)	(2,362,741)
Staff costs			
Wages and salaries		(512,355)	(1,713,084)
Social security costs		(502)	-
Value adjustments			
In respect of formation expenses and of tangible and intangible fixed assets	3	(2,784,610)	(1,960,946)
Other operating expenses		(809,063)	(1,743,917)
Income from participating interests			
Derived from affiliated undertakings		44,038,568	28,809,990
Other interest receivable and similar income			
Other interest and similar income		9,098	19,558
Interest payable and similar expenses			
Concerning affiliated undertakings		(22,413)	-
Other interest and similar expenses		(2,784,517)	(61,139)
Tax on profit or loss		(144,326)	(208,000)
Profit or loss after taxation		**35,666,089**	**21,579,721**
Profit or loss for the financial year	**6.4**	**35,666,089**	**21,579,721**

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 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 at 1B Heienhaff L-1736 Luxembourg. 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 foreign undertakings, as well as to administer, develop and manage such holdings.

The Company may provide financial assistance to the undertakings forming part of the group of the Company such as providing loans and granting 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 acquiring, holding, administrating, development and management of the group undertaking, 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 www.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 the 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 the registered office.

The provisions of the law of 18 December, 2015 on the annual accounts and consolidated accounts and the grand-ducal regulation of 18 December, 2015 on the layout of balance sheet and profit and loss accounts, amending the law of 19 December, 2002 have been transposed in these annual accounts. The layout and the headings of certain balance sheet and profit and loss account captions have been modified accordingly. Some comparative figures have been reclassified for the same reason.

Note 2 – Summary of Significant Accounting and Valuation Policies

2.1 BASIS OF PREPARATION

The annual accounts have been prepared in accordance with Luxembourg legal and regulatory requirements under the historical cost convention. Accounting policies and valuation rules are, besides the ones laid down by the Law of 19 December, 2002, determined and applied by the Board of Directors.

The accounting of the Company was prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113 for the period from November 13, 2007 to June 8, 2015. No significant differences resulted in this change of applied accounting principles.

The preparation of annual accounts requires the use of certain critical accounting estimates. It also requires the Board of Directors to exercise its judgment in the process of applying the accounting policies. Changes in assumptions may have a significant impact on the annual accounts in the period in which the assumptions changed. Management believes that the underlying assumptions are appropriate and that these annual accounts present the financial position and results fairly.

The books and records are maintained in EUR and the annual accounts have been prepared in accordance with the valuation rules and accounting policies described below.

The accounting policies applied to prepare these annual accounts are in conformity with the going concern principle.

2.2 SIGNIFICANT ACCOUNTING AND VALUATION POLICIES

The main accounting and valuation rules applied by the Company are as follows:

2.2.1. CURRENCY TRANSLATION

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

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

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

Other assets and liabilities are valued individually at the lower, respectively the higher of their value at the historical exchange rate or their value determined at the exchange rate 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.

2.2.2. FORMATION EXPENSES

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 expense.

2.2.3. INTANGIBLE AND TANGIBLE ASSETS

Intangible and tangible assets are recorded at purchase price including the expenses incidental thereto or at production cost, less cumulated depreciation amounts and value adjustments. These value adjustments are not continued if the reasons behind the value adjustments have ceased to apply. The amortizations are calculated on a straight-line basis over the estimated useful economic life.

2.2.4. 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.

2.2.5. 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 behind the value adjustments have ceased to apply.

2.2.6. 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.

2.2.7. PROVISIONS

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

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

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

2.2.8. NET TURNOVER

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

2.2.9. CREDITORS

Creditors are recorded at repayable amount.

Note 3 – Formation Expenses

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

The movements during the year are as follows:

In EUR	2017
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)
(Additions for 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**

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

Nature and date of the formation expense	Amount In EUR
Bond issuance costs in July 2017	**2,443,581**

Note 4 – Financial Assets

4.1 SHARES IN AFFILIATED UNDERTAKINGS

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)	-
(Additions for the year)	-
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**

The movements during 2016 are as follows:

In EUR	2016
Gross book value – opening balance	553,079,035
Additions for the year	443,621,759
(Disposals for the year)	-
Gross book value – closing balance	**996,700,794**
(Accumulated value adjustments – opening balance)	-
(Additions for the year)	-
Reversals for the year	-
(Accumulated value adjustments – closing balance)	**-**
Net book value – closing balance	**996,700,794**
Net book value – opening balance	**553,079,035**

CHAPTER 04 Annual Accounts

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

Company's name	Registered country	Ownership %
Adest Grundstücks GmbH	Germany	94
Adoa Grundstücks GmbH	Germany	94
Adom Grundstücks GmbH	Germany	94
Adon Grundstücks GmbH	Germany	94
Ahava Grundstücks GmbH	Germany	94
Anafa 1 Grundstücks GmbH	Germany	94
Anafa 2 Grundstücks GmbH	Germany	94
GAMAZI Grundstücks GmbH	Germany	94
Anafa Grundstücks GmbH	Germany	94
Badolina Grundstücks GmbH	Germany	94
Berale Grundstücks GmbH	Germany	94
Bamba Grundstücks GmbH	Germany	94
Zman Grundstücks GmbH	Germany	94
ADO Immobilien Management GmbH	Germany	100
CCM City Construction Management GmbH	Germany	100
Drontheimer Str. 4 Grundst. GmbH	Germany	94
Eldalote Grundstücks GmbH	Germany	94
NUNI Grundstücks GmbH	Germany	94
KREMBO Grundstücks GmbH	Germany	94
TUSSIK Grundstücks GmbH	Germany	94
Geut Grundstücks GmbH	Germany	94
Gozal Grundstücks GmbH	Germany	94
Gamad Grundstücks GmbH	Germany	94
Geshem Grundstücks GmbH	Germany	94
Lavlav 1 Grundstücks GmbH	Germany	94
Lavlav 2 Grundstücks GmbH	Germany	94
Lavlav 3 Grundstücks GmbH	Germany	94
Lavlav Grundstücks GmbH	Germany	94
Mastik Grundstücks GmbH	Germany	94
Maya Grundstücks GmbH	Germany	94

NOTES TO THE ANNUAL ACCOUNTS

Company's name	Registered country	Ownership %
Mezi Grundstücks GmbH	Germany	94
Muse Grundstücks GmbH	Germany	94
Papun Grundstücks GmbH	Germany	94
Nehederet Grundstücks GmbH	Germany	94
Neshama Grundstücks GmbH	Germany	94
Osher Grundstücks GmbH	Germany	94
Pola Grundstücks GmbH	Germany	94
ADO Properties GmbH	Germany	100
Reshet Grundstücks GmbH	Germany	94
Sababa 18. Grundstücks GmbH	Germany	94
Sababa 19. Grundstücks GmbH	Germany	94
Sababa 20. Grundstücks GmbH	Germany	94
Sababa 21. Grundstücks GmbH	Germany	94
Sababa 22. Grundstücks GmbH	Germany	94
Sababa 23. Grundstücks GmbH	Germany	94
Sababa 24. Grundstücks GmbH	Germany	94
Sababa 25. Grundstücks GmbH	Germany	94
Sababa 26. Grundstücks GmbH	Germany	94
Sababa 27. Grundstücks GmbH	Germany	94
Sababa 28. Grundstücks GmbH	Germany	94
Sababa 29. Grundstücks GmbH	Germany	94
Sababa 30. Grundstücks GmbH	Germany	94
Sababa 31. Grundstücks GmbH	Germany	94
Sababa 32. Grundstücks GmbH	Germany	94
Shemesh Grundstücks GmbH	Germany	94
Stav Grundstücks GmbH	Germany	94
Tamuril Grundstücks GmbH	Germany	94
Tara Grundstücks GmbH	Germany	94
Tehila 1 Grundstücks GmbH	Germany	94
Tehila 2 Grundstücks GmbH	Germany	94

Company's name	Registered country	Ownership %
Tehila Grundstücks GmbH	Germany	94
Trusk Grundstücks GmbH	Germany	94
Wernerwerkdamm 25 Berlin Grundstücks GmbH	Germany	94
Yarok Grundstücks GmbH	Germany	94
Yahel Grundstücks GmbH	Germany	94
Yussifun Grundstücks GmbH	Germany	94
Bombila Grundstücks GmbH	Germany	94
ADO SBI Holdings S.A. & Co. KG	Germany	94
Yabeshet Grundstücks GmbH	Germany	100
Melet Grundstücks GmbH	Germany	100
Seret Grundstücks GmbH	Germany	100
Sheket Grundstücks GmbH	Germany	100
Central Facility Management GmbH	Germany	100
Arafel Grundstücks GmbH	Germany	100
Zamir Grundstücks GmbH	Germany	100
Yadit Grundstücks GmbH	Germany	100
Sharav Grundstücks GmbH	Germany	100
Sipur Grundstücks GmbH	Germany	100
Matok Grundstücks GmbH	Germany	100
Barbur Grundstücks GmbH	Germany	94.9
Jessica Properties BV	Netherlands	94.5
Alexandra Properties BV	Netherlands	94.44
Marbien BV	Netherlands	94.9
Meghan Properties BV	Netherlands	94.44
Parpar Grundstücks GmbH	Germany	100
ADO Finance B.V.	Netherlands	100
Ofek 1 Grundstücks GmbH	Germany	100
Ofek 2 Grundstücks GmbH	Germany	100
Ofek 3 Grundstücks GmbH	Germany	100
Ofek 4 Grundstücks GmbH	Germany	100

Company's name	Registered country	Ownership %
Ofek 5 Grundstücks GmbH	Germany	100
Galim 1 Grundstücks GmbH	Germany	100
Galim 2 Grundstücks GmbH	Germany	100
Galim 3 Grundstücks GmbH	Germany	100
Songbird 1 ApS	Denmark	60
Songbird 2 ApS	Denmark	60
Joysun 1 B.V.	Netherlands	60
Joysun 2 B.V.	Netherlands	60
Hanpaka Holding GmbH	Germany	100
Dvash 1 Holding GmbH	Germany	100
Dvash 2 Holding GmbH	Germany	100
Rimon Holding GmbH	Germany	100
Bosem Grundstücks GmbH	Germany	100
ADO FC Management Unlimited Company	Ireland	100
Horef Holding GmbH	Germany	100
ADO 9110 Holding GmbH (formerly known as Dekel Grundstücks GmbH)	Germany	100
Silan Holding GmbH	Germany	100
ADO Sonnensiedlung S.à r.l. (formerly known as Brandenburg Properties 5 S.à r.l.)	Luxembourg	94.9
ADO Treasury GmbH	Germany	100
ADO 9360 Holding GmbH	Germany	100
ADO 9500 Grundstücks GmbH	Germany	94.9
ADO 9540 Holding GmbH	Germany	100
ADO Lux Finance S.à r.l.	Luxembourg	100

These affiliated undertakings form part of the Company's consolidated financial statements prepared under International Financial Reporting Standards (IFRS) as adopted by the European Union.

The Board of Directors deemed no permanent impairment in value to have occurred in the value of the shares in affiliated undertakings.

4.2 LOANS TO AFFILIATED UNDERTAKINGS

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)	-
(Additions for the year)	-
Reversals for the year	-
(Accumulated value adjustments – closing balance)	-
Net book value - closing balance	**-**
Net book value - opening balance	**622,874,405**

The movements during 2016 are as follows:

In EUR	2016
Gross book value – opening balance	449,662,775
Additions for the year	259,808,254
(Repayments during the year)	(115,411,356)
Accrued interest	28,814,732
Gross book value – closing balance	**622,874,405**
(Accumulated value adjustments – opening balance)	-
(Additions for the year)	-
Reversals for the year	-
(Accumulated value adjustments – closing balance)	-
Net book value - closing balance	**622,874,405**
Net book value - opening balance	**449,662,775**

NOTES TO THE ANNUAL ACCOUNTS

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.

Note 5 – Debtors

5.1 AMOUNTS OWED BY AFFILIATED UNDERTAKINGS

In EUR	December 31, 2017	December 31 ,2016
Becoming due and payable within one year		
Management fees due from ADO Properties GmbH	1,000,000	400,000
Other related parties	79,204	44,285
Total	**1,079,204**	**444,285**

5.2 OTHER DEBTORS

In EUR	December 31, 2017	December 31, 2016
Becoming due and payable within one year		
VAT receivable	284,520	174,844
Advances to suppliers	572,591	55,379
Advance tax payments	8,560	2,942
Deposit for office rent	4,500	-
Other receivables	183,212	173,509
Becoming due and payable after more than one year		
Deposit for office rent	-	4,500
Total	**1,053,383**	**411,174**

NOTES TO THE ANNUAL ACCOUNTS

Note 6 – Capital

6.1 SUBSCRIBED CAPITAL

Subscribed capital amounts to EUR 54,684 and is divided into 44,100,000 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	2017	2016
Subscribed capital – opening balance	54,684	43,400
Subscriptions	-	11,284
Subscribed capital – closing balance	54,684	54,684

6.2 SHARE PREMIUM

The movements during the year are as follows:

In EUR	2017	2016
Share premium – opening balance	845,258,737	546,708,730
Movements during the year	(913,430)	298,550,007
Share premium – closing balance	844,345,307	845,258,737

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.

CHAPTER 04 Annual Accounts

6.3 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.

6.4 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	4,340	437,488	7,913,556	21,579,721
Movements during the year				
Allocation of prior year's result	-	-	21,578,593	(21,578,593)
Allocation to legal reserve	1,128	-	-	(1,128)
Dividend distribution	-	-	(18,931,570)	-
Result of the year	-	-	-	35,666,089
At the end of the year	**5,468**	**437,488**	**10,560,579**	**35,666,089**

A dividend in the amount of EUR 18,931,570 was paid based on a decision of the Annual General Meeting which took place on May 2, 2017. The record date was May 3, 2017.

Note 7 – Provisions

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

7.2 OTHER PROVISIONS

Other provisions are presented as follows:

In EUR	December 31, 2017	December 31, 2016
Provision for KPMG audit services	275,115	205,900
Provision for transaction costs of acquisitions	22,101	233,642
Provision for costs relating to the capital increase	112,933	112,933
Provision for costs relating to the bond issuance	21,395	-
Total	**431,544**	**552,475**

Note 8 – 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	Total
8.1 Debenture loans – principal	-	-	400,000,000	400,000,000
8.1 Debenture loans – accrued interest	2,587,912	-	-	2,587,912
8.2 Trade creditors	95,914	-	-	95,914
8.3 Amounts owed to affiliated undertakings	199,124	-	86,701,175	86,900,299
8.4 Tax and social security debts	1,701,249	-	-	1,701,249
8.5 Other creditors	639,357	-	-	639,357
Total	**5,223,556**	**-**	**486,701,175**	**491,924,731**

8.1 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" and will be written off based on a straight-line method over the term of the bond. The net proceeds of the bond will mainly be used to fund future acquisitions.

8.2 TRADE CREDITORS

In EUR	December 31, 2017	December 31, 2016
Becoming due and payable within one year	95,914	172,578
Total	**95,914**	**172,578**

8.3 AMOUNTS OWED TO AFFILIATED UNDERTAKINGS

	December 31, 2017 In EUR	December 31, 2016 In EUR	Interest rate	Due date
ADO FC Management Unlimited Company	68,848,935	873,461,784	0%	23.07.2025-15.12.2026
German subsidiaries	17,852,240	-	4-6%	31.12.2025-2027
Other related parties	199,124	153,345	0%	Current balance
Total	**86,900,299**	**873,615,129**		

ADO FC Management Unlimited Company is a fully owned subsidiary, which granted loans to the Company in the amount of EUR 68,848,935 at 0% interest with 10 years' maturity. On December 20, 2017, the Company entered into a loan assignment, novation and set-off agreement with its German subsidiaries and with ADO FC Management Unlimited Company. After completion of the agreement, the remaining interest free-loan owed to ADO FC Management Unlimited Company amounted to EUR 68,848,935 and the remaining loans owed to the German subsidiaries (with interest rates of 4-6% per annum) amounted to EUR 17,852,240.

8.4 TAX AND SOCIAL SECURITY DEBTS

In EUR	December 31, 2017	December 31, 2016
Becoming due and payable within one year		
Social security debts	963	-
VAT payable	1,700,286	1,329,317
Total	**1,701,249**	**1,329,317**

8.5 OTHER CREDITORS

In EUR	December 31, 2017	December 31, 2016
Becoming due and payable within one year		
Amount payable to staff	618,825	573,009
Amount payable to ADO Group Ltd	9,412	-
Other creditors	11,120	-
Becoming due and payable after more than one year		
Amounts payable to ADO Group Ltd	-	15,592
Total	**639,357**	**588,601**

Note 9 – Other External Expenses

Other external charges are presented as follows:

In EUR	For the year ended December 31, 2017	For the year ended December 31, 2016
Real estate rental building and services	29,773	22,947
Data processing	45,324	34,471
Legal fees	169,706	215,104
Accounting and audit fees	944,282	656,708
Consulting services – external	647,772	893,857
Consulting services – ADO Group Ltd	54,641	63,448
Travel and entertainment costs – staff	173,463	189,421
Other fees	58,830	286,785
Total	**2,123,791**	**2,362,741**

Note 10 – Auditor's Remuneration

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

	For the year ended December 31,	
In EUR	2017	2016
Audit fees (*)	**689,599**	**1,051,472**
Thereof: KPMG Luxembourg, Société coopérative	148,154	651,412
Tax consultancy services	**183,917**	**86,795**
Thereof: KPMG Luxembourg, Société coopérative	26,520	25,500
Other non-audit related services	**49,300**	**68,000**
Thereof: KPMG Luxembourg, Société coopérative	-	-

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

Note 11 – Staff

As at December 31, 2017, the Company has 4 full-time employees (2016: 4) and 1 part-time (at 3/10) employee since October 2017 with an annual average of 4 employees (2016: 3).

Note 12 – Emoluments Granted to the Members of the Management and Supervisory Bodies

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

	For the year ended December 31,	
In EUR	2017	2016
Directors fee granted to the members of the Board of Directors	714,781	659,789
Total	**714,781**	**659,789**

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

	For the year ended December 31,	
In EUR	2017	2016
Fixed salary	662,000	720,080
Short-term cash incentive	343,000	311,210
Long-term incentive to be paid in shares	386,900	461,637
One-time termination payment	-	611,666
Total	**1,391,900**	**2,104,593**

Note 13 – 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 14 – Off Balance Sheet Commitments

There is no off balance sheet commitment to report.

Note 15 – Subsequent Events

A. On March 9, 2018 the Company signed a EUR 175 million revolving credit facility with a 2 year term and two extension options, each for 1 year.

B. As at the reporting date, the Company is in the final steps to set-up a commercial paper program with a maximum volume of EUR 500 million under which funds with a maximum term of 364 days can be raised at short notice.

C. On March 19, 2018 the Company's Board proposed to the Annual General Meeting to pay a dividend in the amount of EUR 26.5 million (EUR 0.60 per share). The Annual General Meeting will take place on June 19, 2018.

Financial Calendar

May 16, 2018	Publication Q1 Financial Report
June 19, 2018	Annual General Meeting
June 20, 2018	Ex-Dividend Date
August 15, 2018	Publication Q2 Financial Report
November 14, 2018	Publication Q3 Financial Report

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