ADO Three-Month Financial Report 2019

ADO

COLORS OF Q1

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With this quarterly report we would like to present you with the most important figures for the first quarter of 2019.

Discover with us the Colors of Q1 and find out why it is that we confidentially look forward to the next three months ahead of us.

Key Figures Q1

PROFIT AND LOSS STATEMENT	FOR THE THREE MONTHS ENDED		FOR THE YEAR ENDED
In EUR thousand	March 31, 2019	March 31, 2018	Dec 31, 2018
Income from rental activities	35,696	31,332	134,588
EBITDA from rental activities	23,860	22,540	93,777
EBITDA from rental activities margin	70.9%	75.6%	73.3%
EBITDA total	24,499	22,939	96,255
FFO 1 (from rental activities)	16,716	15,907	66,777
AFFO (from rental activities)	12,456	12,472	53,739
FFO 2 (incl. disposal results)	17,355	16,306	69,255

FURTHER KPIs		
Residential	March 31, 2019	Dec 31, 2018
Monthly in-place rent (EUR per m²)	EUR 6.76	EUR 6.73
Total vacancy rate	3.1%	3.2%
Number of units	22,186	22,202
Rental growth	5.3%	5.6%

BALANCE SHEET		
In EUR thousand	March 31, 2019	Dec 31, 2018
Fair value of properties	4,099,383	4,092,463
LTV	39.6%	39.6%
EPRA NAV	2,443,365	2,429,544
EPRA NAV per share (in EUR)	55.37	55.05

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ADO

3Month Report

2019

ADO PROPERTIES

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BERLIN INSIDERS

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THE HEADS OF ADO

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

COLORFUL BERLIN – A PLACE TO THRIVE

Dear Investors,

Berlin's sustained development provided ADO with continued growth. The first quarter of 2019 was in line with expectations, despite the constant political noise around our sector. While we keep pressing ahead with our project "Furnished Apartments", our like-for-like rental growth remains strong at 5.3%.

A further drop in our vacancy rate of 10 bps since December 2018 can be attributed to the increased speed with which the modernization of our units could be carried out. We are close to achieving our target of lowering the vacancy rate to a minimum without forfeiting the flexibility that is required for our privatization program.

On April 11, 2019 the shareholders' confirmed the appointment of four new directors including Moshe Dayan as Chairman and David Daniel as Vice Chairman of the Board. A first step in the upcoming re-appointments for the Board which will be decided on at the general meeting of shareholders on June 20, 2019.

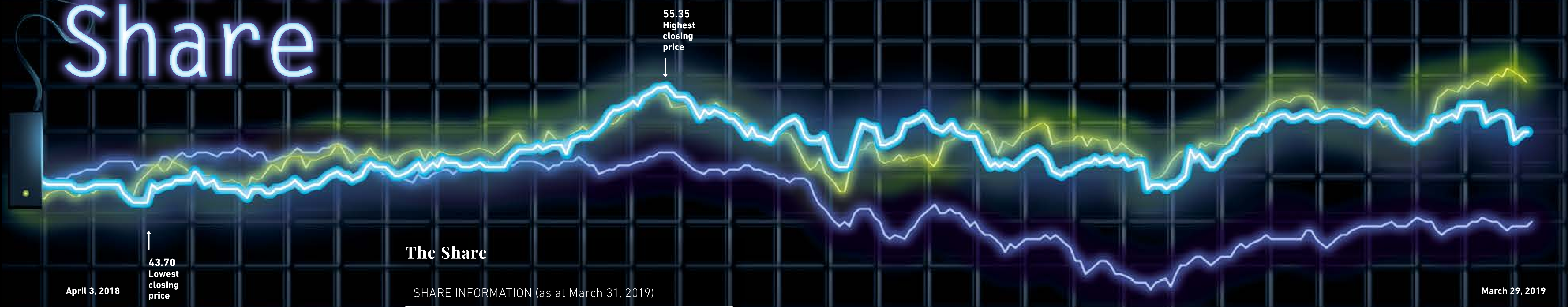
It is from this positive perspective that we look forward to the second quarter of 2019.

Sincerely yours,

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

Stock Market and the ADO Share

Share Price Development



The Share

SHARE INFORMATION (as at March 31, 2019)	
1st day of trading	Jul 23, 2015
Subscription price	EUR 20.00
Price at the end of Q1 2019	EUR 50.65
Highest share price LTM	EUR 55.75
Lowest share price LTM	EUR 43.22
Total number of shares	44.1 m
ISIN	LU1250154413
WKN	A14U78
Symbol	ADJ
Class	Dematerialized shares
Free float	61.8%
Stock exchange	Frankfurt Stock Exchange
Market segment	Prime Standard
Market index	SDAX
EPRA indices	FTSE EPRA / NAREIT Global Index, FTSE EPRA / NAREIT Developed Europe Index, FTSE EPRA / NAREIT Germany Index

Key Stock Market Data

ADO shares are traded on the Prime Standard of the Frankfurt Stock Exchange. During the 12 months ended March 31, 2019, the shares traded between EUR 43.22 and EUR 55.75. ADO shares are included in the SDAX index of Deutsche Börse and the relevant real estate sector indices of the EPRA index family.

Shareholder Structure

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

Analyst Coverage

ADO shares are currently covered by twelve analysts. The target prices range from EUR 48.00 to EUR 61.50 per share with an average target price of EUR 55.20.

Investor Relations Activities

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

Dividend Policy

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

EUR
2.2 bn
market capitalization

ADO

3Month Report

2019

INTERIM MANAGEMENT REPORT

BERLINSIDERS

2

Fundamentals of the Group

Business Model

ADO is 100% focused on Berlin and the only listed pure play Berlin residential real estate company. All our 23,641 units (22,186 residential units) are within the city borders of Berlin. We are a residential real estate specialist with a fully integrated asset management platform. Our 351 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. We look for value and rental growth in attractive areas that offer good prospects. Central Locations form the largest part of our portfolio, approximately 37% as of today, as these were the first areas to experience increased demand.

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

Objectives and Strategy

Creating value through strong like-for-like rental growth from our real estate portfolio in Berlin is the core of our strategy. Our privatization program, which we started at the end of 2014, provides further options to unlock the hidden value in our portfolio and creates another source of income and liquidity from the sale of individual apartments.

23,641
units

351
operational employees

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

We have adopted a conservative financing structure with an LTV target of 40%, which also permits us to benefit from attractive financing conditions and allows us to react quickly to opportunities for potential acquisitions.

Management System

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

Financial Performance Indicators

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

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

Calculation of EPRA NAV

Total equity attributable to owners of the Company
(+) Revaluation of trading properties[1]
(–) Fair value of derivative financial instruments[2]
(–) Deferred taxes
= EPRA NAV

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

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

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

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

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

Calculation of EBITDA (from rental activities)

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

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

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

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

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

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

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

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

Calculation of FFO 1 (from rental activities)

EBITDA from rental activities	
(–)	Net cash interest[7]
(–)	Current income taxes[9]
= FFO 1 (from rental activities)	

9) Only current income taxes relating to rental activities.

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

Calculation of AFFO (from rental activities)

FFO 1 (from rental activities)	
(–)	Maintenance capital expenditures[10]
= AFFO (from rental activities)	

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

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

Calculation of FFO 2 (incl. disposal results)

FFO 1 (from rental activities)	
(+)	Net profit from privatizations[6]
= FFO 2 (incl. disposal results)	

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

Calculation of LTV

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

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

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 above-described non-financial performance indicators are key drivers for the development of rental income.

The total amounts spent on maintenance, capitalized maintenance, energetic modernization and modernization CAPEX in relation to the total lettable area of our portfolio are further operational figures to ensure an appropriate level of investment in our real estate portfolio.

Corporate Governance

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

In light of the upcoming expiration of the terms of appointment of the Company's Senior Management, the Company is undertaking appropriate actions, including discussions with Senior Management regarding the terms under which, and whether, such appointments will be extended.

Business Performance Highlights

We continue to implement our strategy by finding attractive new units and through targeted CAPEX investments to drive rental growth.

The good operational performance of our existing portfolio is well on track concerning new rentals as well as the execution of our CAPEX program. The like-for-like rental growth of 5.3% in Q1 2019 resulted in an average rent per m² of EUR 6.77, driven by our CAPEX program. Sales and modernization activities caused our vacancy rate to decrease to 3.0%.

22,186
residential units

1,455
commercial units

EUR
6.76
avg. residential in-place rent per m²

5.3%
like-for-like rental growth

EUR
36m
income from rental activities

71.0%
EBITDA from rental activities margin

EUR
2,443m
EPRA NAV

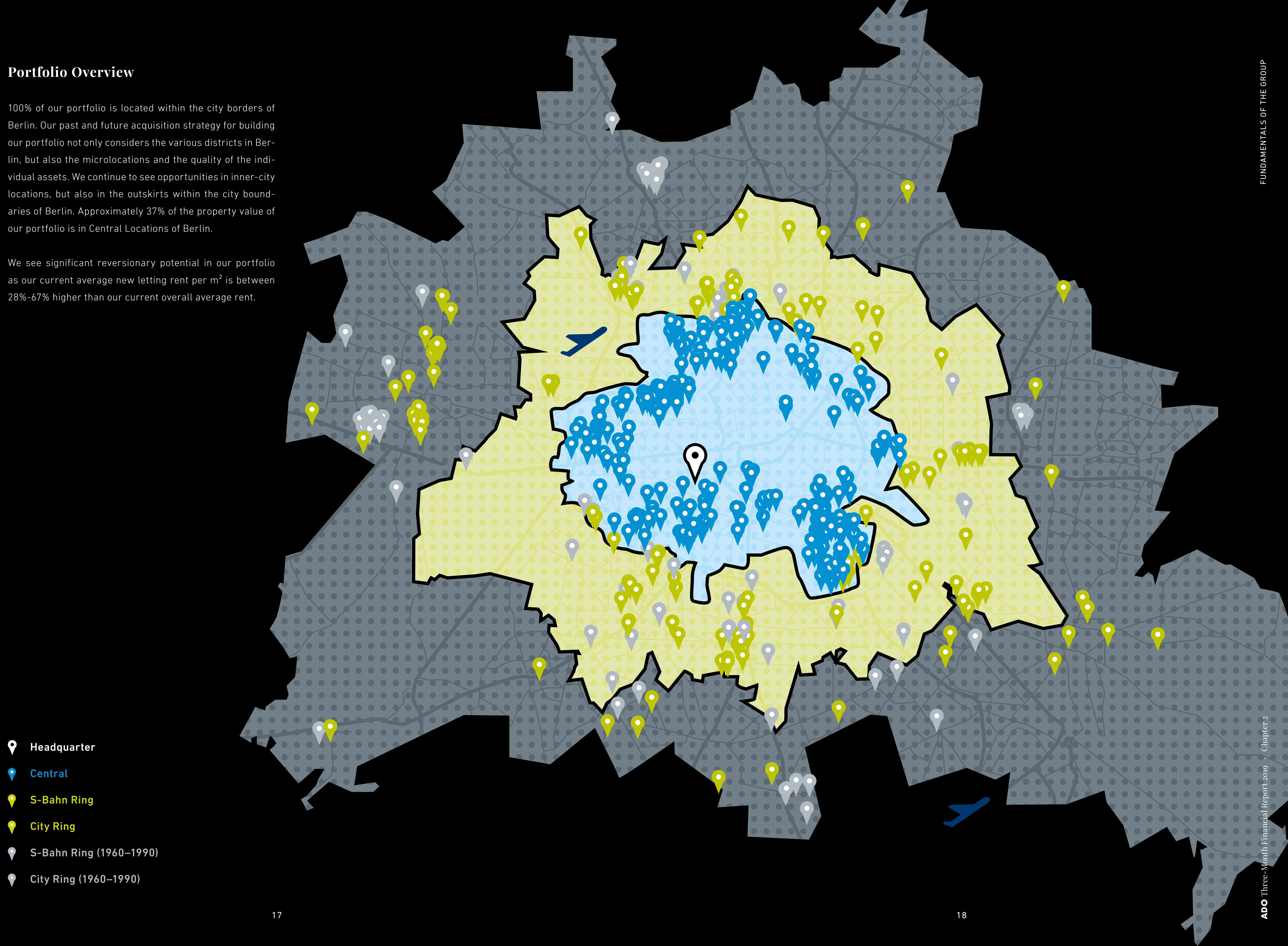
EUR
17m
FFO 1

39.6%
LTV

Portfolio Overview

100% of our portfolio is located within the city borders of Berlin. Our past and future acquisition strategy for building our portfolio not only considers the various districts in Berlin, but also the microlocations and the quality of the individual assets. We continue to see opportunities in inner-city locations, but also in the outskirts within the city boundaries of Berlin. Approximately 37% of the property value of our portfolio is in Central Locations of Berlin.

We see significant reversionary potential in our portfolio as our current average new letting rent per m^2 is between 28%-67% higher than our current overall average rent.



Portfolio Overview(*)

	Central	S-Bahn Ring	S-Bahn Ring (1960–1990)	City Ring	City Ring (1960–1990)	Total
Fair value (in EUR m)	1,520	488	680	317	1,093	4,099
Number of residential units	3,015	2,671	2,442	2,503	1,978	2,495
Avg. in-place rent (EUR/m²)	7.34	7.08	7.11	7.29	5.96	6.76
Avg. new letting rent (EUR/m²)(**)	12.29	10.58	10.36	9.46	7.60	9.99
Occupancy (physical)	96.9%	95.6%	97.4%	95.3%	97.6%	96.9%
Tenant turnover(***)	8.2%	9.2%	6.6%	10.5%	7.0%	7.7%

(*) All values except the fair value are for the residential portfolio only and are including the achieved rents for furnished apartments.
(**) Based on last three months.
(***) Last 12 months (LTM).

Portfolio Performance

Residential Portfolio

	March 31, 2019	Dec 31, 2018
Number of units	22,186	22,202
Average rent /m²/ month	EUR 6.76	EUR 6.73
Vacancy	3.1%	3.2%

The average rent per m² increased to EUR 6.76 since the beginning of the year, while the vacancy rate decreased by 0.1% to 3.1%.

5.3%
like-for-like
rental growth

Commercial Portfolio

	March 31, 2019	Dec 31, 2018
Number of units	1,455	1,456
Average rent /m²/ month	EUR 9.77	EUR 9.42
Vacancy	5.4%	4.6%

The commercial part of our portfolio also confirms Berlin's positive development. It shows higher rents compared to the residential properties, having now grown to EUR 9.77 per m², which represents an increase of EUR 0.4 per m² since the beginning of the year. The vacancy rate of the commercial units increased to 5.4%.

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

Rental Growth

In %	LTM(*) March 31, 2019	Jan 1 - Dec 31, 2018
New lettings after CAPEX	2.9%	2.4%
New lettings fluctuation	0.3%	0.2%
Regular rent increases	1.9%	2.3%
Fluctuation without capex	0.2%	0.6%
Total(**)	**5.3%**	**5.6%**

(*) Last 12 months (LTM).
(**) Like-for-like excludes furniture surcharge for furnished apartments.

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

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

Maintenance and CAPEX

In EUR per m²	Jan 1 - March 31, 2019(*)	Jan 1 - Dec 31, 2018
Maintenance	7.4	7.5
Capitalized maintenance	10.3	8.1
Energetic modernization	2.9	3.6
Modernization CAPEX	25.8	20.0
Total	**46.4**	**39.2**

(*) Annualized figures based on total lettable area.

Targeted investments in our portfolio are at the core of our strategy. Total investment in the portfolio amounted to EUR 19.2 million. The maintenance cost per m² of EUR 46.4 in Q1 2019 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 Q1 2019, we saw a decrease of 10 bps in the vacancy rate due to the increased speed of unit modernization.

Vacancy Split

Residential	March 31, 2019	Dec 31, 2018
Units for sale	0.2%	0.2%
Units under construction	2.1%	2.2%
Marketing (available for letting)	0.8%	0.8%
Total vacancy (units)	**753**	**727**
Total vacancy (m²)	**45,393**	**46,721**
Total vacancy rate	**3.1%**	**3.2%**
Total EPRA vacancy rate	**3.1%**	**3.1%**

With regard to our privatization activities, it is important that we keep some vacant units available for sale as most individual buyers, who are looking to purchase for their own use, 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 selling period.

Economic Review

Profit Situation

Income from rental activities for the first three months increased by 14% driven by new acquisitions and like-for-like growth. Comparing Q1 2019 to Q4 2018, it grew by 2%, reflecting an annualized income of EUR 143 million.

EBITDA from rental activities increased by 6%. The quarterly results represent an annualized EBITDA of more than EUR 95 million. During the first three months, we sold 17 units. The average sales price of EUR 4,096 per m² compares very positively to our current average portfolio value for Central Locations of EUR 3,026 per m² which is most comparable.

In the first three months, financing cost on interest-bearing debts amounts to EUR 6.7 million. As at the end of the first quarter, our average interest rate on all outstanding debts is 1.7% with weighted average maturity of approximately 4.4 years.

Financial Performance(*)

	For the three months ended		For the year ended
In EUR thousand	March 31, 2019	March 31, 2018	Dec 31, 2018
Net rental income	33,653	29,802	127,982
Income from facility services	2,043	1,530	6,606
Income from rental activities	**35,696**	**31,332**	**134,588**
Cost of rental activities	(7,822)	(5,739)	(26,179)
NET OPERATING INCOME (NOI)	**27,874**	**25,593**	**108,409**
NOI from rental activites margin (%)	82.8%	85.9%	84.7%
Overhead costs(**)	(4,014)	(3,053)	(14,632)
EBITDA from rental activities	23,860	22,540	93,777
EBITDA from rental activities margin (%)	70.9%	75.6%	73.3%
Net profit from privatization(***)	639	399	2,478
EBITDA total	**24,499**	**22,939**	**96,255**
Net cash interest	(6,695)	(6,434)	(25,408)
Other net financial costs(****)	(5,854)	(293)	(6,108)
Depreciation and amortization	(311)	(111)	(526)
EBT	**11,639**	**16,101**	**64,213**

(*) Excluding effects from the changes in fair value.
(**) Excluding one-off costs and depreciation and amortization.
(***) Q1 2018 figures are adjusted for current income taxes related to the sale of condominiums.
(****) Includes mostly one-off refinance costs.

FFO

Our funds from the operation of rental activities without disposals (FFO 1) in Q1 2019 rose by 5% compared to Q4 2018, and by 10% in comparison to the corresponding period of the previous year.

FFO

	For the three months ended		For the year ended
In EUR thousand	March 31, 2019	March 31, 2018	Dec 31, 2018
EBITDA from rental activities	23,860	22,540	93,777
Net cash interest	(6,695)	(6,434)	(25,408)
Current income taxes	(449)	(199)	(1,592)
FFO 1 (from rental activities)	**16,716**	**15,907**	**66,777**
Maintenance capital expenditures(*)	(4,261)	(3,435)	(13,038)
AFFO (from rental activities)	**12,456**	**12,472**	**53,739**
Net profit from privatizations(**)	639	399	2,478
FFO 2 (incl. disposal results)	**17,355**	**16,306**	**69,255**
No. of shares(***)	44,131	44,100	44,101
FFO 1 per share	**0.38**	**0.36**	**1.51**
FFO 2 per share	**0.39**	**0.37**	**1.57**

(*) Q1 2018 figures are adjusted for energetic modernization CAPEX.

(**) Q1 2018 figures are adjusted for current income taxes related to the sale of condominiums.

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

Cash Flow

The cash flow of the Group breaks down as follows:

In EUR thousand	Jan 1 - Mar 31, 2019	Jan 1 - Dec 31, 2018
Net cash from operating activities	20,959	103,933
Net cash used in investing activities	(16,472)	(334,034)
Net cash from (used in) financing activities	(8,169)	136,537
Net change in cash and cash equivalents	(3,682)	(93,564)
Opening balance cash and cash equivalents	27,965	121,530
Closing balance cash and cash equivalents	24,283	27,966

Financial and Asset Position

The Company will update the fair value of the investment properties based on a third-party valuation with the next quarterly report. The current average cap rate is 2.8% and was calculated based on the net operating income for the last month of the reporting period on an annualized basis, divided by the fair value.

Financial Position

In EUR thousand	Mar 31, 2019	Dec 31, 2018
Investment properties and advances in respect of investment properties	4,060,588	4,050,323
Other non-current assets	22,406	15,492
Non-current assets	**4,082,994**	**4,065,815**
Cash and cash deposits	24,283	27,966
Other current assets	80,067	76,392
Current assets	**104,350**	**104,358**
Total assets	**4,187,344**	**4,170,173**
Interest-bearing debts	1,606,387	1,609,124
Other liabilities	122,705	114,653
Deferred tax liabilities	251,289	249,114
Total labilities	**1,980,381**	**1,972,891**
Total equity attributable to owners of the company	**2,160,051**	**2,150,679**
Non-controlling interests	46,912	46,603
Total equity	**2,206,963**	**2,197,282**
Total equity and liabilites	**4,187,344**	**4,170,173**

On March 31, 2019, our EPRA NAV was EUR 55.37 per share and the EPRA Triple Net Asset Value (NNNAV) was EUR 48.56 per share.

EUR

55.37

EPRA NAV per share

NAV

In EUR thousand	Mar 31, 2019	Dec 31, 2018
Total equity attributable to owners of the Company	2,160,051	2,150,679
Fair value of derivative financial instruments	21,439	16,339
Deferred taxes	249,180	249,114
Revaluation of trading properties	12,695	13,412
EPRA NAV	**2,443,365**	**2,429,544**
No. of shares	44,131	44,131
EPRA NAV per share	**55.37**	**55.05**

EPRA Triple Net Asset Value (NNNAV)

In EUR thousand	Mar 31, 2019	Dec 31, 2018
EPRA NAV	2,443,365	2,429,544
Fair value of derivative financial instruments	(21,439)	(16,339)
Fair value of debt	(29,804)	(4,975)
Deferred taxes	(249,180)	(249,114)
EPRA NNNAV	**2,142,942**	**2,159,116**
No. of shares	44,131	44,131
EPRA NNNAV per share	**48.56**	**48.93**

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	Mar 31, 2019	Dec 31, 2018
Bonds, other loans and borrowings and other financial liabilities	1,648,774	1,651,151
Cash and cash equivalents	(24,283)	(27,966)
Net financial liabilities	1,624,491	1,623,185
Fair value of properties (including advances)	4,105,649	4,098,763
Loan-to-value ratio	39.6%	39.6%
Average interest rate	1.7%	1.7%

As at the reporting date, our loan-to-value (LTV) was 39.6% with an average interest rate of all outstanding debts of 1.7% and a weighted average maturity of approximately 4.4 years. Almost all of our loans have a fixed interest rate or are hedged.

EPRA Key Figures

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

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

EPRA Performance Measure	Definition	Purpose	March 31, 2019	Dec 31, 2018	Change in %
EPRA NAV (in EUR thousand)	EPRA NAV represents the fair value of net assets on an ongoing, long-term basis. Assets and liabilities that are not expected to crystallize in normal circumstances, such as the fair value of financial derivatives and deferred taxes on property valuation surpluses, are therefore excluded. Similarly, trading properties are adjusted to their fair value under the EPRA NAV measure.	Makes adjustments to IFRS NAV to provide stakeholders with the most relevant information on the fair value of the assets and liabilities within a true real estate investment company with long-term investment strategy.	2,443,365	2,429,544	0.6%
EPRA NNNAV (in EUR thousand)	EPRA NAV adjusted to include the fair values of financial instruments, debt and deferred taxes.	The objective of the EPRA NNNAV measure is to present net asset value including fair value adjustments in respect of all material balance sheet items that are not reported at their fair value as part of EPRA NAV.	2,142,942	2,159,116	(0.7%)
EPRA Vacancy rate (in %)	Estimated Market Rental Value (ERV) of vacant space divided by ERV of the whole portfolio.	A "pure" (%) measure of investment property space that is vacant on ERV	3.1%	3.1%	-

Subsequent Events

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

B. On April 11, 2019, the General Meeting of the Company approved, ratified and confirmed Messrs. Moshe Dayan (Chairman), David Daniel (Executive Vice Chairman) and Dr. Sebastian-Dominik Jais as Members of the Board of Directors. In respect of Mr. David Daniel, the General Meeting of the Company also approved a remuneration system providing for a fixed annual salary, a short-term incentive ("STI") and a long-term incentive ("LTI"). Additionally, the General Meeting of the Company appointed Mr. Constantin Papadimitriou as a member of the Board of Directors.

C. In May 2019 the new Mietspiegel was presented by the Berlin Senate, confirming a rent growth of 5.2% compared to the last Mietspiegel published in 2017. The Group does not expect a significant impact on the rental growth guidance or on the valuation of the investment properties.

Forecast Report

We are positive that ADO Properties will continue to increase the value of its assets, its NAV and NAV per share by generating significant like-for-like rental growth in the future. We anticipate our like-for-like rental growth for 2019 to be approximately 5%. We expect our FFO 1 run rate to be approximately EUR 65 million.

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

Risk Report

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

Concluding Remark

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

Responsibility Statement

We confirm, to the best of our knowledge, that the Condensed Consolidated Financial Statements of ADO Properties S.A. presented in this Three-Month Financial Report 2019, prepared in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board and as adopted by the European Union, give a true and fair view of the net assets, financial and earnings position of the Company, and that the Interim Management Report includes a fair review of the development of the business and describes the main opportunities, risks and uncertainties associated with the Company for the remaining nine months of the year.

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

ADO

3Month Report

2019

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

BERLIN INSIDERS

3

To the Shareholders of

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

Report of the Réviseur d'Entreprises agréé on the Review of Interim Financial Information

Introduction

We have reviewed the accompanying condensed consolidated interim statement of financial position of ADO Properties S.A. ("the Company") as at March 31, 2019, the condensed consolidated interim statements of profit or loss, comprehensive income, changes in equity and cash flows for the three month period ended March 31, 2019, and notes to the interim financial information ("the condensed consolidated interim financial information"). Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with IAS 34, "Interim Financial Reporting" as adopted by the European Union. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" as adopted, for Luxembourg, by the Institut des Réviseurs d'Entreprises. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information as at March 31, 2019 is not prepared, in all material respects, in accordance with IAS 34, "Interim Financial Reporting" as adopted by the European Union.

Luxembourg, May 21, 2019

KPMG Luxembourg
Société coopérative
Cabinet de révision agréé

Bobbi Jean Breboneria

Condensed Consolidated Interim Statement of Financial Position

Assets

In EUR thousand	Note	March 31, 2019 (Unaudited)	March 31, 2018 (Unaudited)	Dec 31, 2018 (Audited)
Assets				
Non-current assets				
Investment properties	4A	4,054,288	3,312,852	4,044,023
Advances in respect of investment properties		6,300	52,787	6,300
Property and equipment	4A(1)	9,505	2,822	3,495
Other financial asset	5B	6,635	5,416	6,615
Restricted bank deposits		2,051	-	3,859
Deferred expenses	4D	805	526	791
Right-of-use assets	3A	1,301	-	-
Deferred tax assets		2,109	-	732
		4,082,994	**3,374,403**	**4,065,815**
Current assets				
Trading properties	4B	32,366	46,091	35,028
Restricted bank deposits		28,194	25,767	24,752
Trade receivables		13,229	9,478	13,313
Other receivables		6,278	5,927	3,299
Cash and cash equivalents		24,283	65,186	27,966
		104,350	**152,449**	**104,358**
Total assets		**4,187,344**	**3,526,852**	**4,170,173**

Equity and liabilities

In EUR thousand	Note	March 31, 2019 (Unaudited)	March 31, 2018 (Unaudited)	Dec 31, 2018 (Audited)
Shareholders' equity				
Share capital		55	55	55
Share premium		499,209	498,607	499,209
Reserves		324,244	330,665	324,877
Retained earnings		1,336,543	978,754	1,326,538
Total equity attributable to owners of the Company		**2,160,051**	**1,808,081**	**2,150,679**
Non-controlling interests		**46,912**	**36,411**	**46,603**
Total equity		**2,206,963**	**1,844,492**	**2,197,282**
Liabilities				
Non-current liabilities				
Corporate bonds	4C	397,031	396,531	396,899
Convertible bonds	4C	154,764	-	154,252
Other loans and borrowings	4D	1,036,917	953,330	1,040,909
Other financial liabilities	4E	40,852	27,694	40,492
Derivatives	5B	21,208	2,620	16,236
Lease liabilities	3A	616	-	-
Deferred tax liabilities		251,289	183,493	249,114
		1,902,677	**1,563,668**	**1,897,902**
Current liabilities				
Other loans and borrowings	4D	17,675	70,313	17,064
Other financial liabilities	4E	1,535	867	1,535
Trade payables		16,738	10,765	18,497
Other payables		40,838	36,649	37,790
Lease liabilities	3A	687	-	-
Derivatives	5B	231	98	103
		77,704	**118,692**	**74,989**
Total equity and liabilities		**4,187,344**	**3,526,852**	**4,170,173**

CHIEF EXECUTIVE OFFICER
Rabin Savion

CHIEF FINANCIAL OFFICER
Florian Goldgruber

Date of approval: May 21, 2019

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

Condensed Consolidated Interim Statement of Profit or Loss

In EUR thousand	Note	For the three months ended March 31, 2019 (Unaudited)	For the three months ended March 31, 2018 (Unaudited)	For the year ended Dec 31, 2018 (Audited)
Revenue	6A	39,989	34,997	154,853
Cost of operations	6B	(10,949)	(8,853)	(41,996)
Gross profit		**29,040**	**26,144**	**112,857**
General and administrative expenses		(4,581)	(3,302)	(18,451)
Changes in fair value of investment properties		-	(2,729)	404,936
Results from operating activities		**24,459**	**20,113**	**499,342**
Finance income		24	57	1,399
Finance costs		(12,573)	(6,784)	(32,915)
Net finance costs	6C	**(12,549)**	**(6,727)**	**(31,516)**
Profit before tax		**11,910**	**13,386**	**467,826**
Income tax expense		(1,721)	(552)	(70,362)
Profit for the period		**10,189**	**12,834**	**397,464**
Profit attributable to:				
Owners of the Company		9,880	12,526	386,964
Non-controlling interests		309	308	10,500
Profit for the period		**10,189**	**12,834**	**397,464**
Basic and diluted earnings per share (in EUR)		**0.22**	**0.28**	**8.77**

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

Condensed Consolidated Interim Statement of Comprehensive Income

In EUR thousand	For the three months ended March 31, 2019 (Unaudited)	For the three months ended March 31, 2018 (Unaudited)	For the year ended Dec 31, 2018 (Audited)
Profit for the period	**10,189**	**12,834**	**397,464**
Items that may be reclassified subsequently to profit or loss			
Hedging reserve classified to profit or loss, net of tax	-	10	10
Effective portion of changes in fair value of cash flow hedges	(324)	257	200
Related tax	51	(43)	(33)
Total other comprehensive income (loss)	**(273)**	**225**	**177**
Total comprehensive income for the period	**9,916**	**13,059**	**397,641**
Total comprehensive income attributable to:			
Owners of the Company	9,607	12,751	387,141
Non-controlling interests	309	308	10,500
Total comprehensive income for the period	**9,916**	**13,059**	**397,641**

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

Condensed Consolidated Interim Statement of Cash Flows

In EUR thousand	Note	For the three months ended March 31, 2019 (Unaudited)	For the three months ended March 31, 2018 (Unaudited)	For the year ended Dec 31, 2018 (Audited)
Cash flows from operating activities				
Profit for the period		10,189	12,834	397,464
Adjustments for:				
Depreciation		315	111	527
Changes in fair value of investment properties	4A	-	2,729	(404,936)
Net finance costs	6C	12,549	6,727	31,516
Income tax expense		1,721	552	70,362
Share-based payment		125	138	546
Change in short-term restricted bank deposits related to tenants		(761)	(769)	(1,624)
Change in long-term restricted bank deposits from condominium sales		(878)	-	(3,320)
Change in trade receivables		84	853	(2,926)
Change in other receivables		(2,921)	(515)	2,427
Change in trading properties		2,662	2,521	13,585
Change in trade payables		(1,702)	(3,435)	4,623
Change in other payables		(38)	(807)	(156)
Income tax paid		(386)	(301)	(4,155)
Net cash from operating activities		**20,959**	**20,638**	**103,933**
Cash flows from investing activities				
Purchase of and CAPEX on investment properties	4A	(15,421)	(15,707)	(117,118)
Advances paid for investment property purchase		-	(34,775)	-
Purchase of and CAPEX on property and equipment		(1,055)	(150)	(1,182)
Interest received		4	-	143
Acquisition of subsidiaries, net of acquired cash		-	(14,483)	(216,685)
Change in short-term restricted bank deposits, net		-	(646)	808
Net cash used in investing activities		**(16,472)**	**(65,761)**	**(334,034)**

In EUR thousand	Note	For the three months ended March 31, 2019 (Unaudited)	For the three months ended March 31, 2018 (Unaudited)	For the year ended Dec 31, 2018 (Audited)
Cash flows from financing activities				
Proceeds from issuance of convertible bonds, net	4C	-	-	163,740
Long-term loans received	4D	-	7,695	121,637
Repayment of long-term loans		(3,870)	(11,265)(*)	(93,283)
Proceeds from issuance of commercial papers		-	-	673,000
Repayment of commercial papers		-	-	(673,000)
Repayment of short-term loans		-	(2,300)(*)	(2,300)
Upfront fees paid for credit facilities	4D	(162)	(715)	(1,377)
Interest paid		(3,962)	(4,626)	(24,873)
Payment of lease liabilities	3A	(175)	-	-
Compensation fee payments in respect of other financial liabilities		-	-	(537)
Payment from settlement of derivatives		-	(10)	(10)
Dividend distributed		-	-	(26,460)
Net cash from financing activities		**(8,169)**	**(11,221)**	**136,537**
Change in cash and cash equivalents during the period		**(3,682)**	**(56,344)**	**(93,564)**
Cash and cash equivalents at the beginning of the period		**27,965**	**121,530**	**121,530**
Cash and cash equivalents at the end of the period		**24,283**	**65,186**	**27,966**

(*) Immaterial adjustment of comparative data.

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

Condensed Consolidated Interim Statement of Changes in Equity

For the three months ended March 31, 2019 (Unaudited)

In EUR thousand	Share capital	Share premium	Hedging reserves	Capital reserve from trans-actions with controlling shareholder	Retained earnings	Total	Non-con-trolling interests	Total equity
Balance as at January 1, 2019	**55**	**499,209**	**(859)**	**325,736**	**1,326,538**	**2,150,679**	**46,603**	**2,197,282**
Total comprehensive income for the period								
Profit for the period	–	–	–	–	9,880	9,880	309	10,189
Other comprehensive income for the period, net of tax	–	–	(273)	–	–	(273)	–	(273)
Total comprehensive income for the period	**–**	**–**	**(273)**	**–**	**9,880**	**9,607**	**309**	**9,916**
Transactions with owners, recognized directly in equity								
Changes in put option (see note 4E)	–	–	–	(360)	–	(360)	–	(360)
Share-based payment	–	–	–	–	125	125	–	125
Balance as at March 31, 2019	**55**	**499,209**	**(1,132)**	**325,376**	**1,336,543**	**2,160,051**	**46,912**	**2,206,963**

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

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three months ended March 31, 2018 (Unaudited)

In EUR thousand	Share capital	Share premium	Hedging reserves	Capital reserve from trans-actions with controlling shareholder	Retained earnings	Total	Non-con-trolling interests	Total equity
Balance as at January 1, 2018	**55**	**498,607**	**(1,036)**	**331,674**	**966,090**	**1,795,390**	**36,103**	**1,831,493**
Total comprehensive income for the period								
Profit for the period	–	–	–	–	12,526	12,526	308	12,834
Other comprehensive income for the period, net of tax	–	–	225	–	–	225	–	225
Total comprehensive income for the period	**–**	**–**	**225**	**–**	**12,526**	**12,751**	**308**	**13,059**
Transactions with owners, recognized directly in equity								
Changes in put option (see note 4E)	–	–	–	(198)	–	(198)	–	(198)
Share-based payment	–	–	–	–	138	138	–	138
Balance as at March 31, 2018	**55**	**498,607**	**(811)**	**331,476**	**978,754**	**1,808,081**	**36,411**	**1,844,492**

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

For the year ended December 31, 2018 (Audited)

In EUR thousand	Share capital	Share premium	Hedging reserves	Capital reserve from transactions with controlling shareholder	Retained earnings	Total	Non-controlling interests	Total equity
Balance as at January 1, 2018	**55**	**498,607**	**(1,036)**	**331,674**	**966,090**	**1,795,390**	**36,103**	**1,831,493**
Total comprehensive income for the year								
Profit for the year	-	-	-	-	386,964	386,964	10,500	397,464
Other comprehensive income for the year, net of tax	-	-	177	-	-	177	-	177
Total comprehensive income for the year	**-**	**-**	**177**	**-**	**386,964**	**387,141**	**10,500**	**397,641**
Transactions with owners, recognized directly in equity								
Issuance of ordinary shares, net	(*)	602	-	-	(602)	-	-	-
Changes in put option (see note 4E)	-	-	-	(5,938)	-	(5,938)	-	(5,938)
Dividend distributed	-	-	-	-	(26,460)	(26,460)	-	(26,460)
Share-based payment	-	-	-	-	546	546	-	546
Balance as at December 31, 2018	**55**	**499,209**	**(859)**	**325,736**	**1,326,538**	**2,150,679**	**46,603**	**2,197,282**

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

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

Note 1 – ADO Properties S.A.

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

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

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

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

The condensed consolidated interim financial statements of the Company as at March 31, 2019 and for the three-month period then ended comprise the Company and its subsidiaries (together referred to as the "Group").

Note 2 – Basis of Accounting

A. Statement of compliance

The condensed consolidated interim financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting* as applicable in the European Union ("EU"). They do not include all the information required for a complete set of financial statements. However, selected explanatory notes are included to explain events and transactions that are significant for understanding the changes in the Group's financial position and performance since the last annual consolidated financial statements as at and for the year ended December 31, 2018.

These condensed consolidated interim financial statements are presented in Euro ("EUR"), and have been rounded to the nearest thousand except where otherwise indicated. Due to rounding, the figures reported in tables and cross-references may deviate from their exact values as calculated.

These condensed consolidated interim financial statements were authorized for issue by the Company's Board of Directors on May 21, 2019.

B. Use of estimates and judgments

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

The significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that were applied to the consolidated financial statements as at and for the year ended December 31, 2018.

Note 3 – Accounting Policies

Except as described below in note 3A, the accounting policies applied by the Group in these condensed consolidated interim financial statements are the same as those applied by the Group in its financial statements for the year ended December 31, 2018. These condensed consolidated interim financial statements should therefore be read in conjunction with the Group's annual consolidated financial statements for the year ended December 31, 2018.

A. Initial application of new standards, amendments to standards and interpretations

As from January 1, 2019, the Group applies the new standards and amendments to standards described below:

- IFRS 16 *Leases*

The Group has initially adopted IFRS 16 from January 1, 2019.

IFRS 16 introduced a single, on-balance sheet accounting model for lessees. As a result, the Group, as a lessee, has recognized right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments. Lessor accounting remains similar to previous accounting policies.

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

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

- Applying the practical expedient regarding the recognition and measurement of leases where the underlying asset has a low value;
- Applying the practical expedient regarding the recognition and measurement of short-term leases, for both leases that end within 12 months from the date of initial application and leases for a period of up to 12 months from the date of their inception for all groups of underlying assets to which the right-of-use relates.

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

(1) The right to obtain substantially all the economic benefits from use of the identified asset; and
(2) The right to direct the identified asset's use.

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

As a result of initially applying IFRS 16, in relation to the leases that were previously classified as operating leases, the Group recognized EUR 1,470 thousand of right-of-use assets and a EUR 1,470 thousand lease liability as at January 1, 2019.

As at March 31, 2019, the balance of right-of-use assets amounted to EUR 1,301 thousand and of the lease liability to EUR 1,303 thousand. Also in relation to those leases under IFRS 16, the Group recognized depreciation and interest costs instead of operating lease expense. During the three months ended March 31, 2019, the Group recognized EUR 170 thousand of depreciation changes and EUR 8 thousand interest costs from these leases.

- IFRIC 23 *Uncertainty Over Income Tax Treatments*

The Group has initially adopted IFRIC 23 *Uncertainty Over Income Tax Treatments* from 1 January 2019, but it does not have a material effect on the Group's condensed consolidated interim financial statements.

B. New IFRS standards and interpretations not yet adopted

- IFRS 3 *Business Combinations*

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

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

Note 4 – Selected Notes to the Condensed Consolidated Interim Statement of Financial Position

A. Investment properties

In EUR thousand	March 31, 2019 (Unaudited)	March 31, 2018 (Unaudited)	Dec 31, 2018 (Audited)
Balance as at 1 January	4,044,023	3,271,298	3,271,298
Additions by way of acquiring subsidiaries	-	14,191	229,077
Additions by way of acquiring assets	-	20,788	87,150
Capital expenditure	15,365	9,304	51,562
Transfer from investment properties (see note 4A(1))	(5,100)	-	-
Fair value adjustments	-	(2,729)	404,936
Balance as at March 31	**4,054,288**	**3,312,852**	**4,044,023**

According to the Group's fair value valuation policies for investment properties, investment properties generally undergo a detailed valuation as at June 30 and December 31 of each year. The fair value of the investment properties as at March 31, 2019 was determined based on valuations as at December 31, 2018 performed by valuation expert CBRE, an industry specialist that has appropriate, recognized professional qualifications and up-to-date experience regarding the location and category of the properties. For the purpose of these condensed consolidated interim financial statements, the appropriateness of these valuations is monitored on an ongoing basis. According to the Company assessments, there were no material changes to the parameters that were used for the December 31, 2018 valuations.

The valuations are based on a discounted cash flow model. The valuation model considers the present value of net cash flows to be generated from the property, taking into account expected rental growth rate, void periods, occupancy rate, lease incentive costs such as rent-free periods and other costs not paid by tenants.

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

The current average capitalization rate (cap rate) is 2.8% (as at March 31, 2018: 3.1% and as at December 31, 2018: 2.9%) and was calculated based on the Net Operating Income (NOI) for the last month of the reporting period on an annualized basis, divided by the fair value.

(1) During the reporting period, the Group reclassified a building from investment properties to property and equipment in a total amount of EUR 5,100 thousand, representing its fair value for the reclassification date. The transfer was evidenced by a change in use (commencement of owner-occupation).

B. Trading properties

During the three months ended March 31, 2019, the Group completed the sale of 17 condominium units for a total consideration of EUR 4.3 million (during the first quarter of 2018: 17 units for EUR 3.7 million and during the year 2018: 66

units for EUR 20.3 million) recorded under revenues in the condensed consolidated interim statement of profit or loss.

C. Corporate bonds and convertible bonds

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

On November 16, 2018, the Company placed senior, unsecured convertible bonds in a total nominal amount of EUR 165 million with institutional investors, convertible into new and/or existing ordinary registered shares of the Company. The coupon has been set at 1.25% p.a. (effective interest rate of 1.34%), payable semi-annually in arrears. The bonds will mature on November 23, 2023.

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

As at March 31, 2019, the Company is fully compliant with all covenant requirements.

D. Other loans and borrowings

As at March 31, 2019, other loans and borrowings carry an average effective interest rate (i.e. considering the swap interest hedging effect from variable to fixed interest) of 1.8% per annum (as at March 31, 2018: 1.9% and as at December 31, 2018: 1.8%). The average maturity of other loans and borrowings is 4 years (as at March 31, 2018: 4.7 years and as at December 31, 2018: 4.3 years).

All bank loans are non-recourse loans from German banks with the related assets (investment properties and trading properties) as their only security.

As at March 31, 2019, under the existing loan agreements, the Group is fully compliant with its obligations (including loan covenants) to the financing banks.

On March 9, 2018, the Group signed a EUR 200 million revolving credit facility with a 2-year term and two extension options, each for one year. The relating upfront fees were recognized under deferred expenses in the condensed consolidated interim statement of financial position and will be amortized over four years. On January 30, 2019, the Group exercised one extension option for one year. At the time of the approval of these condensed consolidated interim financial statements, no amounts were borrowed by the Group under the revolving credit facility.

E. Other financial liabilities

In relation to purchase agreements of 94%-94.9% of the shares of property holding companies, the Company entered into an agreement with ADO Group to purchase the remaining 5.1%-6% of the shares of the property holding companies. As part of the agreement, it was decided that upon the completion of a period of ten years following the closing of the transaction, ADO Group shall have the right to sell its interest to the Company for the higher of: (i) the fair value of the shares; and (ii) the amount paid by ADO Group to purchase its interest less any dividends distributed to ADO Group by the property companies during the 10-year period.

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

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

In EUR thousand	March 31, 2019 (Unaudited)	March 31, 2018 (Unaudited)	Dec 31, 2018 (Audited)
Current liabilities			
Compensation fee	1,535	867	1,535
Non-current liabilities			
Compensation fee	1,766	772	1,766
Put option	39,086	26,922	38,726
Total	**42,387**	**28,561**	**42,027**

Note 5 – Financial Instruments

All of the aspects of the Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements as at and for the year ended December 31, 2018.

A. Financial instruments measured at fair value for disclosure purposes only

The carrying amounts of certain financial assets and liabilities, including cash and cash equivalents, trade and other receivables, restricted and other bank deposits and trade and other payables are considered to be the same or approximate to their fair value due to their short-term nature.

The fair values of the other liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

	March 31, 2019 (Unaudited)		March 31, 2018 (Unaudited)		Dec 31, 2018 (Audited)	
In EUR thousand	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Corporate bonds	397,031	396,492	396,531	398,340	396,899	375,992
Convertible bonds	154,764	162,542	–	–	154,252	156,387
Variable rate loans and borrowings(*)	76,611	79,476	75,742	78,214	76,895	79,207
Fixed rate loans and borrowings(*)	977,981	997,681	947,901	948,959	981,078	1,002,513
Total	**1,606,387**	**1,636,191**	**1,420,174**	**1,425,513**	**1,609,124**	**1,614,099**

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

B. Fair value hierarchy of financial instruments measured at fair value

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

	March 31, 2019 (Unaudited)		March 31, 2018 (Unaudited)		Dec 31, 2018 (Audited)	
In EUR thousand	Level 2	Level 3	Level 2	Level 3	Level 2	Level 3
Other financial asset (1)	–	6,635	–	5,416	–	6,615
Derivative financial liabilities (2)	21,439	-	2,718	-	16,339	-
Other financial liabilities (3)	–	42,387	–	28,561	–	42,027

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

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

The fair value of the derivative component of convertible bonds is determined by an external valuer, calculated by reference to the market terms of similar convertible securities.

(3) Other financial liabilities relates to a put option and an annual compensation fee granted to ADO Group (see note 4E) measured at fair value. The fair value is calculated based on the expected payment amounts, and the liability is discounted to present value using the market interest rate at the reporting date.

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

Note 6 - Selected Notes to the Condensed Consolidated Interim Statement of Profit and Loss

A. Revenue

	For the three months ended		For the year ended
In EUR thousand	March 31, 2019 (Unaudited)	March 31, 2018 (Unaudited)	Dec 31, 2018 (Audited)
Net rental income	33,653	29,802	127,982
Selling of condominiums	4,293	3,665	20,265
Income from facility services	2,043	1,530	6,606
Total	**39,989**	**34,997**	**154,853**

B. Cost of operations

	For the three months ended		For the year ended
In EUR thousand	March 31, 2019 (Unaudited)	March 31, 2018 (Unaudited)	Dec 31, 2018 (Audited)
Salaries and other expenses	3,202	2,397	10,320
Cost of utilities recharged, net	435	417	1,843
Selling of condominiums – cost	3,127	3,114	15,817
Property operations and maintenance	4,185	2,925	14,016
Total	**10,949**	**8,853**	**41,996**

C. Net finance costs

	For the three months ended		For the year ended
In EUR thousand	March 31, 2019 (Unaudited)	March 31, 2018 (Unaudited)	Dec 31, 2018 (Audited)
Interest on bonds	2,637	1,619	6,927
Change in fair value of derivative component of convertible bond	4,777	-	3,896
Interest on other loans and borrowings	4,655	4,910	19,214
One-off refinance costs	–	-	613
Other net finance expenses	480	198	866
Total	**12,549**	**6,727**	**31,516**

Note 7 – Segments Reporting

The basis of segmentation and the measurement basis for segment profit or loss are the same as presented in note 25 regarding operating segments in the annual consolidated financial statements for the year ended December 31, 2018.

A. Information about reportable segments

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

	For the three months ended March 31, 2019 (Unaudited)		
In EUR thousand	Residential property management	Privatization	Total consolidated
External income from residential property management	35,553	143	35,696
External income from selling condominiums	–	4,293	4,293
Consolidated revenue	**35,553**	**4,436**	**39,989**
Reportable segment gross profit	**27,790**	**1,250**	**29,040**
General and administrative expenses			(4,581)
Changes in fair value of investment properties			–
Finance income			24
Finance expense			(12,573)
Consolidated profit before tax			**11,910**
Income tax expense			(1,721)

	For the three months ended March 31, 2018 (Unaudited)		
In EUR thousand	Residential property management	Privatization	Total consolidated
External income from residential property management	31,091	241	31,332
External income from selling condominiums	–	3,665	3,665
Consolidated revenue	**31,091**	**3,906**	**34,997**
Reportable segment gross profit	**25,437**	**707**	**26,144**
General and administrative expenses			(3,302)
Changes in fair value of investment properties			(2,729)
Finance income			57
Finance expense			(6,784)
Consolidated profit before tax			**13,386**
Income tax expense			(552)

	For the year ended December 31, 2018 (Audited)		
In EUR thousand	Residential property management	Privatization	Total consolidated
External income from residential property management	133,736	852	134,588
External income from selling condominiums	–	20,265	20,265
Consolidated revenue	**133,736**	**21,117**	**154,853**
Reportable segment gross profit	**107,966**	**4,891**	**112,857**
General and administrative expenses			(18,451)
Changes in fair value of investment properties			404,936
Finance income			1,399
Finance expense			(32,915)
Consolidated profit before tax			**467,826**
Income tax expense			(70,362)

Note 8 – Subsequent Events

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

B. On April 11, 2019, the General Meeting of the Company approved, ratified and confirmed Messrs. Moshe Dayan (Chairman), David Daniel (Executive Vice Chairman) and Dr. Sebastian-Dominik Jais as Members of the Board of Directors. In respect of Mr. David Daniel, the General Meeting of the Company also approved a remuneration system providing for a fixed annual salary, a short-term incentive ("STI") and a long-term incentive ("LTI"). Additionally, the General Meeting of the Company appointed Mr. Constantin Papadimitriou as a member of the Board of Directors.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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June 19, 2019	June 20, 2019
Ex-Dividend Date	Annual General Meeting
August 14, 2019	**November 13, 2019**
Publication Half-Year Financial Report (Q2 2019)	Publication Nine-Month Financial Report (Q3 2019)

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