

## Prospectus

for the admission to trading on the regulated market of the Frankfurt Stock Exchange with simultaneous admission to the sub-segment of the regulated market with additional post-admission requirements (*Prime Standard*) (the “**Admission**”) of 853,354,579 existing registered shares (the “**Shares**”), - each with a nominal value of € 0.01 and full dividend rights from 1 January 2016 -

of

**Aroundtown Property Holdings plc**

(a public limited liability company incorporated under the laws of Cyprus, with its registered office at Artemidos & Nikou Dimitriou, 54 B 6027, Larnaca, Cyprus and registered under number HE 148223)

International Securities Identification Number (ISIN): CY0105562116

Trading Symbol: ALATP (Euronext); AT1 (XETRA)

The Shares are currently listed on the Euronext Paris stock exchange on the Alternext market segment and on the Frankfurt Stock Exchange on the Open Market segment, both of which are not regulated markets within the meaning of Directive 2004/39/EC of 21 April 2004 on markets in financial instruments (“**MIFID**”). The Company is seeking a listing of its Shares on the regulated market of the Frankfurt Stock Exchange with simultaneous admission to the sub-segment of the regulated market of the Frankfurt Stock Exchange with additional post-admission requirements (*Prime Standard*). Upon the Admission, the trading of the Shares on the open market of the Frankfurt Stock Exchange will cease. The trading of the Shares on the Alternext segment of Euronext Paris will continue following the Admission.

**THIS PROSPECTUS IS NOT PUBLISHED IN CONNECTION WITH AND DOES NOT CONSTITUTE AN OFFER OF SECURITIES BY OR ON BEHALF OF THE COMPANY IN THE EUROPEAN ECONOMIC AREA OR ELSEWHERE AND HAS ONLY BEEN PREPARED FOR THE PURPOSE OF THE ADMISSION.**

This document (the “**Prospectus**”) comprises a Prospectus in the form of a single document and is prepared in accordance with Part IV of The Public Offer and Prospectus Law of the Republic of Cyprus of 2005, as amended (the “**Cyprus Prospectus Law**”), incorporating the provisions of European Commission Regulation 809/2004, as amended (the “**Prospectus Regulation**”). This document has been approved by the Cyprus Securities and Exchange Commission (“**CySEC**”) in its capacity as the competent authority in Cyprus as the Company’s home member state within the meaning of Directive 2003/71/EC of the European Parliament, as amended (the “**Prospectus Directive**”) and made available to the public in accordance with Part V of the Cyprus Prospectus Law. The approval of this Prospectus by CySEC will be notified to the German Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht*, “**BaFin**”) along with the certificate of approval for this Prospectus. Application has been made to the Frankfurt Stock Exchange for the admission to trading with simultaneous admission to the sub-segment of the regulated market of the Frankfurt Stock Exchange with additional post-admission requirements (*Prime Standard*) for all of the Shares. It is expected that the Admission will be granted on 1 June 2017.

The Company and the Directors signing the Prospectus by virtue of section 20 of the Cyprus Prospectus Law, assume full responsibility, both jointly and severally, for the contents and information set out in this Prospectus and responsibly declare that, having taken all reasonable care to ensure that such is the case, the information contained in this Prospectus is, to the best of their knowledge, in complete accordance with the facts and contains no omissions likely to affect its import.

**The Cyprus Investment and Securities Corporation Limited (CISCO)**, in its capacity as Lead Manager - Investment Firm responsible for the drawing up of the Prospectus by virtue of section 23 of the Cyprus Prospectus Law, responsibly declares that, having taken all reasonable care to ensure that such is the case, the information contained in the Prospectus is, to the best of its knowledge, in complete accordance with the facts and contains no omissions likely to affect its import.

Prospective investors should read this document in its entirety. In particular, your attention is drawn to the section “**RISK FACTORS**” of this Prospectus for a discussion of the risks that might affect the value of your shareholding in the Company. Investors should be aware that an investment in the Company involves a degree of risk and that, if certain of the risks described in this document were to occur investors may find their investment materially adversely affected. Accordingly, an investment in the Shares is only suitable for investors who are particularly knowledgeable in investment matters and who are able to bear the loss of all or part of their investment.

**The Shares have not been and will not be registered under the United States Securities Act of 1933, as amended (the “Securities Act”) or under any securities laws of any state or other jurisdiction of the United States and may not be offered, sold, taken up, exercised, resold, renounced, transferred or delivered, directly or indirectly, within the United States except pursuant to an applicable exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state and other securities laws of the United States.**

**This Prospectus does not constitute or form part of any offer or invitation to sell or issue, or any solicitation of any offer to acquire, Shares in any jurisdiction.**



**The Cyprus Investment and Securities Corporation Limited (CISCO)**

**Lead Manager - Investment Firm responsible for the drawing up of the Prospectus**

The date of this Prospectus is 30 May 2017

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**SUMMARY OF THE PROSPECTUS**

Summaries are made up of disclosure requirements known as elements (“**Elements**”). These Elements are numbered in Sections A - E (A.1 to E.7). This summary contains all the Elements required to be included in a summary for this type of securities and company. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements. Even though an Element may be required to be inserted in the summary because of the type of securities and company, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element is included in the summary with the mention of “not applicable”.

<b>Section A - Introduction and Warnings</b>	
<b>A.1</b>	<p><b>Warnings</b></p> <p>This summary should be read as an introduction to this Prospectus. Any decision to invest in the securities should be based on consideration on the Prospectus as a whole by the investor.</p> <p>Where a claim relating to the information contained in the Prospectus is brought before a court, the plaintiff investor might, under the national legislation of the member states of the European Economic Area, have to bear the costs of translating the Prospectus before the legal proceedings are initiated.</p> <p>Civil liability attaches only to those persons who have tabled the summary including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of this Prospectus or it does not provide, when read together with the other parts of this Prospectus, key information in order to aid investors when considering whether to invest in such securities.</p> <p>Aroundtown Property Holdings plc (the “<b>Company</b>” and together with its consolidated subsidiaries “<b>Aroundtown</b>” and together with its investees, including associates over which the Company has significant influence as defined in IAS 28 and that are not subsidiaries, in particular Grand City Properties S.A. (“<b>GCP</b>”), the “<b>Group</b>”) and the Cyprus Investment and Securities Corporation Limited (CISCO) in its capacity as Lead Manager - Investment Firm responsible for drawing up the Prospectus in accordance with article 23 of the Public Offer and Prospectus Law of the Republic of Cyprus of 2005, as amended, assume responsibility for the content of this summary including any translation thereof.</p>



<b>A.2</b>	<p><b>Consent</b></p> <p>Not applicable. No consent has been given by the Company or any person responsible for drawing up this document to the use of this document for subsequent sale or final placement of securities by financial intermediaries.</p>
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<b>Section B - Company</b>	
<b>B.1</b>	<p><b>Legal and commercial name.</b></p> <p>Aroundtown Property Holdings plc is the legal name of the Company. The Company together with its consolidated subsidiaries uses the commercial name "Aroundtown".</p>
<b>B.2</b>	<p><b>Domicile and legal form, legislation under which the issuer operates and country of incorporation.</b></p> <p>The Company is a public limited company duly incorporated and registered with the Cyprus Department of Registrar of Companies and Official Receiver with registration number HE 148223. The Company was incorporated on 7 May 2004 under the name Redspot Media Limited as a private company limited by shares (Ltd) under the laws of the Republic of Cyprus. The Company is subject to the laws of the Republic of Cyprus.</p> <p>The shareholders' general meeting resolved on 7 April 2017 to change the registered seat of the Company from the Republic of Cyprus to the Grand Duchy of Luxembourg and to continue the Company in the legal form of a <i>société anonyme</i> (S.A.) under Luxembourg law. Upon effectiveness by registration in the Grand Duchy of Luxembourg, the Company will have its domicile in Luxembourg, Grand Duchy of Luxembourg and will be subject to the laws of the Grand Duchy of Luxembourg. The change of the registered seat of the Company is expected to become effective after the Admission in the second half of the year 2017.</p>
<b>B.3</b>	<p><b>Description of, and key factors relating to, the nature of the issuer's current operations and its principal activities, stating the main categories of products sold and/or services performed and identification of the principal markets in which the issuer competes.</b></p> <p>The Company is a specialist real estate company, with a focus on value-add and income generating properties primarily in the German and Dutch real estate markets. Aroundtown invests in commercial and residential real estate which benefits from strong fundamentals and growth prospects.</p>

As of 15 February 2017, the Company directly or indirectly held commercial real estate properties with a fair market value of approximately € 5.6 billion (as compared to € 5.0 billion as at 31 December 2016 and € 2.4 billion as at 31 December 2015), consisting primarily of office, hotel, retail and other types of commercial real estate (the "**Commercial Portfolio**"). In addition, as of the date of this Prospectus the Company holds a substantial interest of 36 % in Grand City Properties S.A. ("**GCP**"), a publicly traded real estate company that focuses on investing in value-add opportunities in the German residential real estate market. As of 31 March 2017, GCP held a property portfolio primarily consisting of residential real estate with a fair market value of approximately € 4.98 billion. Since the deconsolidation of GCP from the Company's consolidated financial statements as of 31 December 2014, the assets and financial results of GCP are no longer consolidated in the Company's consolidated financial statements, and the Company's interest in GCP is presented as investment in an equity-accounted investee in the Company's consolidated financial statements.

Aroundtown's portfolio includes 3.4 million square meters of office, hotel, retail and other real estate primarily in major cities and metropolitan areas in Germany, such as Berlin, Munich, Hamburg, Frankfurt, North Rhine-Westphalia ("**NRW**") and Hannover, as well as in large urban areas in the Netherlands such as Amsterdam and Rotterdam. Appraisal reports regarding the properties in the Commercial Portfolio have been prepared by independent external appraisers for the purpose of this Prospectus (the "**Property Appraisal Reports**").

Aroundtown's focus is on major cities and metropolitan areas with positive demographic prospects and strong fundamentals. Aroundtown targets in particular cash generating properties with upside potential in terms of rental income and/or occupancy, lease and tenant structure, weighted average lease term ("**WALT**") and cost level optimization which allows it to subsequently increase the value of its properties. Aroundtown manages the entire real estate value chain for its properties, including acquisition, letting, upkeeping, repositioning and refurbishment. Aroundtown believes that this integrated approach brings further efficiency benefits and results in a preferred landlord status and fast response times for its tenants. While Aroundtown's portfolio management is centrally organised, Aroundtown's asset management, sales and marketing activities are organised locally in order to better capture regional demand and requirements.

Key factors influencing Aroundtown's business are:

Aroundtown's business activity is influenced by general economic factors relating to economic growth, opportunities for acquisitions, rental income levels, regulatory developments in the real estate sector, changes in interest rate levels, changes in tax rates, inflation and other factors. In particular the development of the German and Dutch real estate markets and the regional sub-markets in which Aroundtown's properties are located may have a significant

impact on Aroundtown's business and future prospects. Because the performance of real estate markets is driven by changes in the overall economy, Aroundtown's performance is affected not only by factors that impact the commercial and residential real estate markets, but also by factors that impact the economy more generally, such as interest rates, levels of public debt and inflation rates. Real estate markets tend to fluctuate, with asset values and rents reflecting both positive and negative developments. In addition, such impacts may affect commercial and residential real estate markets to a different extent. Aroundtown's revenue is greatly affected by the rental income its properties generate. Factors influencing rental income are the properties' in-place rent and vacancy and tenant turnover rates. Aroundtown focuses on acquiring properties which it believes have upside potential, primarily through operational improvements such as increased occupancy rates, rent levels and/or duration of lease terms. Aroundtown's ability to increase its rental income and the WALT of new and existing tenants and to reduce vacancy rates depends on many factors, including, in particular, the demand for its properties, local market rents, the condition and location of its properties, required capex, refurbishment and modernisation measures and tenant turnover rates. Aroundtown's future portfolio growth is subject to the availability of properties for sale in the market at attractive prices. Aroundtown accounts for its investment properties at fair value. The valuation model is predominantly based on the present value of net cash flows to be generated from the properties, taking into account expected rental growth rates, void periods, occupancy rates, lease incentive costs such as rent-free periods and other costs not paid by tenants, as well as capex and maintenance expenses related to the property.

**B.4a Description of the most significant recent trends affecting the issuer and the industries in which it operates.**

The further development of the German and the Dutch real estate market as a whole and, in particular, the development in the regional sub-markets where Aroundtown's properties are located, may have a significant impact on Aroundtown's business and the future prospects. By fair value, 19 % of the Commercial Portfolio is located in Berlin, 12 % in NRW, 11 % in Munich, 9 % in Frankfurt, 8 % in Hamburg, 6 % in Amsterdam, 5 % in Hannover, 4 % in Dresden, Leipzig and Halle with the remainder in other locations (all percentages given according to the fair value assessment of the Company as of 15 February 2017).

The market for commercial real estate depends on factors such as changes in disposable income or industrial activity, the availability of credit financing, interest rates, taxation policies, economic growth, population growth, unemployment rates and consumer confidence. A decline in population levels, particularly among younger segments of the working population, or a decline in purchasing power or higher unemployment rates could reduce the demand for office, hotel, retail and other commercial properties. Decreased demand for commercial property may adversely affect Aroundtown's ability to achieve or maintain its desired

occupancy rates, rent levels and WALT. Aroundtown's ability to attract and retain solvent and reliable tenants for its commercial properties depends on the broader development of the respective markets and on the demand for the relevant type of commercial properties. The market for residential real estate, and consequently the performance of the residential properties held by GCP, depends on demographic and other economic developments in Germany.

The Group generates two types of income: rental and operating income and income from property sales. Both income types are generally affected by market prices for properties in the regional submarkets the Group operates in, which in turn reflect rent levels, vacancy rates and other factors. In the past three years the German real estate industry and the results of the Group were positively affected by positive developments in the real estate market. In particular, low interest rates, positive employment and wage prospects, the influx of immigrants and increasing household purchasing power continue to drive demand for both commercial and residential property in Germany and the Netherlands. These recent trends have continued since 31 December 2016 until the date of this Prospectus.

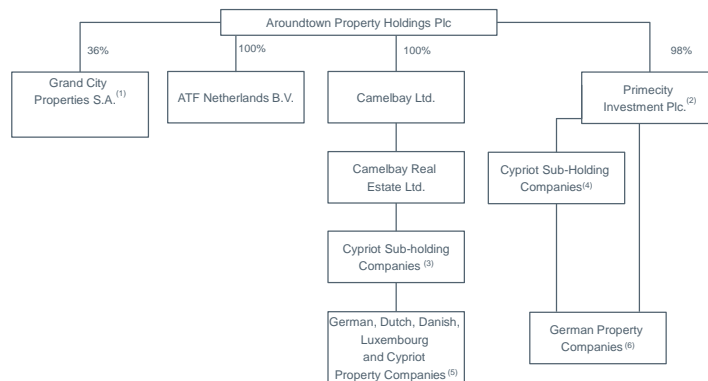
**B.5 If the issuer is part of a group, a description of the group and the issuer's position within the group.**

The Company is a holding company. Aroundtown consists of more than 600 companies primarily in Germany, Luxembourg, the Netherlands and Cyprus.

The Company holds all shares in its wholly owned subsidiary Camelbay Limited, which holds in turn commercial properties directly and indirectly through additional subsidiaries. Further, as of the date of this Prospectus the Company holds approximately 98 % of the shares in Primecity Investment plc ("**PCI**"), a specialist real estate company focused on investing in and the repositioning of hotel properties, particularly in Germany. The shares of PCI are listed on the Euronext Stock Exchange in Paris on the Alternext market segment. As of the date of this Prospectus, the Company holds approximately 36 % of the shares in Grand City Properties S.A. ("**GCP**"), a publicly traded real estate company that focuses on investing in value-add opportunities in the German residential real estate market. The shares of GCP are listed on the regulated market of the Frankfurt Stock Exchange (Frankfurter Wertpapierbörse) with additional post-admission obligations (Prime Standard). In addition, the Company is the sole shareholder of ATF Netherlands B.V., which is incorporated in the Netherlands and functions as a finance subsidiary of Aroundtown.

The Company's primary role within Aroundtown is to function as a management and finance holding company. The business (with respect to Aroundtown's property portfolio) is conducted by the Company primarily through the subsidiaries of Aroundtown.

The chart below shows the current structure of the Group in a simplified form:



The entities referred to in the notes below are those which individually (directly or indirectly) hold properties accounting for at least 2 % of the market value of Aroundtown's total investment property as of 31 December 2016. Over 74 % of Aroundtown's investment property portfolio is held by German property companies.

- (1) As of the date of this Prospectus the Company holds approximately 36 % of the shares in GCP through its subsidiary Edolaxia Group Limited which is not shown in the diagram for simplification purposes. On 31 December 2014 GCP was deconsolidated from the Company's consolidated financial statements and the indirect shareholding of the Company in GCP has since then been presented as an investment in an equity-accounted investee in the Company's consolidated financial statements.
- (2) As of the date of this Prospectus the Company holds approximately 98 % of the shares in PCI through its subsidiaries Alfortia Ltd. and Bluestyle Ltd which are not shown in the diagram for simplification purposes.
- (3) Dromerian Limited, Ziernel Limited, Wonesol Limited, Pretelin Limited, Abiconia Limited, Pruvenol Limited, Sunelis Limited.
- (4) Lextus Limited, Zaplino Limited.
- (5) Projekt Säulenhalle München Grundstücks GmbH\*, Projekt Walddörferstraße Hamburg GmbH\*, FBC Frankfurt GmbH\*, Florisse WTC Papendorp B.V.\*\*
- (6) Projekt Arnulfstraße München Grundstücks GmbH\*
- (\*) The Company holds directly and indirectly a 65 % interest.
- (\*\*) The Company holds directly and indirectly a 94 % interest.

Except for GCP all entities referred to above are controlled by the Company.

**B.6 In so far as is known to the issuer, the name of any person who, directly or indirectly, has an interest in the issuer's capital or voting rights which is notifiable under the issuer's national law, together with the amount of each such person's interest. Whether the issuer's major shareholders have different voting rights if any. To the extent known to the issuer, state whether the issuer is directly or indirectly owned or controlled and by whom and describe the nature of such control.**

The table below sets out the information known to the Company with respect to the shareholding structure of the Company as at the date of this Prospectus:

Shareholder	Stake/ share in voting rights in %
Avisco Group plc <sup>(1)</sup>	45
Free float	55
<b>Total</b>	<b>100</b>

<sup>(1)</sup> Avisco Group plc holds the shares in the Company indirectly through its subsidiaries Xasterolia Ltd. and Gabriellet Ltd. Avisco Group plc is controlled by Mr. Yakir Gabay.

All shares of the Company provide for the same voting rights.

Avisco Group plc holds or controls 45 % of the voting rights of the Company. Depending on the level of shareholder attendance at the general meeting or extraordinary meetings of the Company's shareholders, Avisco Group plc may be able to adopt and implement or prevent the adoption of resolutions which require a simple majority or even higher majorities solely through the exercise of its own votes in the Company. Avisco Group plc itself is controlled by Mr. Yakir Gabay.

**B.7 Selected historical key financial information regarding the issuer, presented for each financial year of the period covered by the historical financial information, and any subsequent interim financial period accompanied by comparative data from the same period in the prior financial year except that the requirement for comparative balance sheet information is satisfied by presenting the year-end balance sheet information.**

The following selected historical financial information are based on the audited consolidated financial statements of Aroundtown Property Holdings plc for the fiscal years ended 31 December 2014, 2015 and 2016 (together the "**Consolidated Financial Statements**"). The Consolidated Financial Statements were prepared in accordance with International Financial Reporting Standards as adopted in the European Union ("**IFRS**"). The Consolidated Financial Statements were audited by KPMG and issued in each case with an unqualified auditor's report.

On 31 December 2014 Grand City Properties S.A. was deconsolidated from Company's consolidated financial statements and the Company's interest in GCP has since then been presented as an equity-accounted investee in the Company's consolidated financial statements. Since the deconsolidation took place at the year end of 2014, the consolidated profit and loss statements of the Company for the fiscal year 2014 fully consolidated the results of Grand City Properties S.A. As of 1 January 2015 the profit and loss statements of the Company do not consolidate Grand City Properties S.A.'s results but instead present the Company's share in Grand City Properties S.A.'s profit or loss in the line item share in profit from equity accounted investees.

The following summary of financial information for the fiscal year 2014 is derived from the audited consolidated financial statements of the Company prepared in accordance with IFRS as of and for the fiscal year ended 31 December 2015. Certain balance sheet and profit and loss items relating to the fiscal year ended 31 December 2014 have been reclassified in the consolidated financial statements of the Company for the fiscal year 2015 to enhance comparability. Furthermore, the following summary of financial information for the fiscal year 2015 is derived from the audited consolidated financial statements of the Company prepared in accordance with IFRS as of and for the fiscal year ended 31 December 2016; certain balance sheet and profit and loss items relating to the fiscal year ended 31 December 2015 have been reclassified in the consolidated financial statements of the Company for the fiscal year 2016 to enhance comparability. The following summary of financial information for the fiscal year 2016 is derived from the audited consolidated financial statements of the Company prepared in accordance with IFRS as of and for the fiscal year ended 31 December 2016.

Where financial data below is labelled “audited”, this means that it has been taken from the audited financial statements mentioned above. The label “unaudited” is used in the below tables to indicate financial data that has not been taken from the audited financial statements mentioned above but was taken either from Aroundtown’s accounting or controlling records, or is based on calculations of these figures. Also, some of the financial and performance indicators including non-IFRS measures reproduced below were taken from Aroundtown’s accounting records and are unaudited. In order to ensure that figures given in the text and the tables sum up to the totals given, the numbers are commercially rounded to the nearest whole number or in some cases to such number that facilitates the summing up. As a result of rounding effects, the aggregated figures in the tables may differ from the totals shown. Financial information presented in parentheses denotes the negative of such number presented. A dash (“-”) or a zero (“0”) signifies that the relevant figure is not available or that the relevant figure is available but has been rounded to zero.

#### **Selected Consolidated Comprehensive Income Statement Data**

	<b>for the year ended 31 December</b>		
	<b>2016</b>	<b>2015</b>	<b>2014</b>
	<b>(audited)</b>	<b>(audited)</b>	<b>(audited)</b>
	<b>In thousands of €</b>		
Revenue	273,699	125,162	257,171
Capital gains, revaluations and other income	719,517	814,511	877,618
Share in profit from investment in equity-accounted investees	197,064	134,138	936
Property operating expenses	(75,353)	(28,529) <sup>(1)</sup>	(102,031)
Cost of buildings sold	-	-	(14,425)
Administrative and other expenses	(7,921)	(4,287) <sup>(1)</sup>	(7,797)
<b>Operating profit</b>	<b>1,107,006</b>	<b>1,040,995</b>	<b>1,011,472</b>
Finance expenses	(47,408)	(20,466)	(26,930)
Other financial results	(35,883)	7,869	(32,877)

Current tax expenses	(19,910)	(9,264)	(16,760)
Deferred tax expenses	(102,711)	(98,380)	(36,451)
<b>Profit for the year</b>	<b>901,094</b>	<b>920,754</b>	<b>898,454</b>
<sup>(1)</sup> Reclassified.			

### Selected Data from the Consolidated Balance Sheet

	as of 31 December		
	2016 (audited)	2015 (audited)	2014 (audited)
	In thousands of €		
<b>Non-current assets</b>	<b>6,988,905</b>	<b>4,007,602</b>	<b>1,543,865</b>
Investment property	5,016,235	2,430,595	426,303
Investment in equity-accounted investees	1,557,044	1,183,148	908,435
<b>Current assets</b>	<b>1,100,047</b>	<b>432,545</b>	<b>177,704</b>
<b>Total Assets</b>	<b>8,088,952</b>	<b>4,440,147</b>	<b>1,721,569</b>
<b>Non-current liabilities</b>	<b>3,799,033</b>	<b>1,773,357</b>	<b>439,026</b>
Straight bonds	1,713,965	187,923	150,522
Convertible bonds	708,686	817,721	96,728
<b>Current liabilities</b>	<b>348,839</b>	<b>241,278</b>	<b>60,882</b>
<b>Total Liabilities</b>	<b>4,147,872</b>	<b>2,014,635</b>	<b>499,908</b>
<b>Total Equity</b>	<b>3,941,080</b>	<b>2,425,512</b>	<b>1,221,661</b>

### Selected Data from the Consolidated Cash Flow Statement

	for the year ended 31 December		
	2016 (audited)	2015 (audited)	2014 (audited)
	In thousands of €		
Net cash provided by operating activities	178,804	94,305	134,572
Net cash used in investing activities	(1,900,279)	(1,418,725)	(629,166)
Net cash provided by financing activities	2,244,010	1,417,669	658,276
Cash in subsidiaries on which the company lost its control	-	-	(270,131)
<b>Net change in cash and cash equivalents</b>	<b>522,535</b>	<b>93,249</b>	<b>(106,449)</b>

### Selected Other Consolidated Key Financial Information

The Company presents certain non-IFRS financial information in this Prospectus. The Company uses this financial information because it believes that these are of use for its investors. According to the ESMA guidelines on Alternative Performance Measures (“APM”), the Company considers the following information presented in this Summary as APMs: EBITDA, Adjusted EBITDA, FFO I, FFO I per share, LTV, EPRA NAV, EPRA NAV per share and EPRA NNNNAV. All alternative performance measures used by the Company relate to its or Aroundtown's past performance. The Company believes that these measures are useful in evaluating Aroundtown's operational performance, the net value of Aroundtown's portfolio, the level of indebtedness and cash profits generated from operations by Aroundtown, because a



number of companies, in particular in the real estate sector, also publish these figures. However, none of the aforementioned performance measures are financial measures defined under IFRS and none of these performance measures is suitable to replace financial information such as total assets, total equity, total liabilities, rental and operating income, operating profit, profit for the year, net cash provided by operating activities or net cash used in finance activities or other line items in Aroundtown's consolidated balance sheet, consolidated comprehensive statement of consolidated income and consolidated cash flow statement which have been prepared in accordance with IFRS. The alternative performance measures used by Aroundtown do not necessarily indicate if Aroundtown has sufficient cash flow or liquidity and may not be suitable as performance indicators for the past operational results of Aroundtown. The alternative performance measures are not suitable to predict future performance. Because not all companies in the real estate sector use the same performance indicators and also might calculate them differently, the alternative performance measures presented by Aroundtown are not necessarily comparable with the performance indicators of other companies.

The below table contains a summary of some additional performance indicators with respect to the fiscal years ended 31 December 2016, 2015 and 2014.

	<b>As of and for the year ended 31 December</b>		
	<b>2016</b>	<b>2015</b>	<b>2014</b>
	<b>(unaudited unless otherwise indicated)</b>	<b>(unaudited unless otherwise indicated)</b>	<b>(unaudited unless otherwise indicated)<sup>(1)</sup></b>
Rental and operating income (audited) in thousands of €	273,699	125,162	242,496
Adjusted EBITDA in thousands of € <sup>(2) (12)</sup>	268,229	153,552	59,665
FFO I in thousands of € <sup>(3) (13)</sup>	165,627	94,049	38,752
FFO I per share in € <sup>(4)</sup>	0.25	0.17	0.08
Dividend per share in € <sup>(5)</sup>	0.163	0.051	-
EBITDA in thousands of € <sup>(12)</sup>	1,109,012	1,041,372	1,012,395
Net profit (audited) in thousands of €	901,094	920,754	898,454
EPS (basic) (audited) in € <sup>(6)</sup>	1.11	1.26	1.43
LTV ratio <sup>(15)</sup>	39 %	35 %	19 %
Equity ratio	49 %	55 %	71 %
NAV in thousands of € <sup>(7)</sup>	4,243,410	3,040,790	1,273,270
NAV per share in € <sup>(8)</sup>	5.3	4.2	n/a
EPRA NAV in thousands of € <sup>(9) (14)</sup>	3,870,770	2,720,687	n/a
EPRA NAV per share in € <sup>(8) (14)</sup>	4.9	3.7	n/a
EPRA NAV incl. perpetual notes in thousands of € <sup>(10) (14)</sup>	4,349,047	2,720,687	n/a
EPRA NAV incl. perpetual notes per share in € <sup>(8) (14)</sup>	5.4	3.7	n/a
EPRA NNAV in thousands of € <sup>(11) (14)</sup>	3,776,298	2,662,744	n/a
EPRA NNAV per share in € <sup>(8) (14)</sup>	4.7	3.6	n/a

<sup>(1)</sup> As GCP was consolidated on 31 December 2014, the income statement figures and alternative performance measures based on these reflect the full consolidation of GCP and the following years do not reflect the full consolidation of GCP

<sup>(2)</sup> Adjusted EBITDA for the year ended 31 December 2015 is taken from the comparable number of the 2016 consolidated financial statements and deviates to the figure presented in the consolidated financial statements for

the year ended 31 December 2015 which was € 153,289 thousand due to a change in GCP's adjusted EBITDA in 2015

(3) FFO I for the year ended 31 December 2015 is taken from the comparable number of the 2016 consolidated financial statements and deviates to the figure presented in 2015 which was € 94,450 thousand due to a consideration of further minorities than in 2015 in order to improve comparability to 2016 as well as due to a change in GCP's adjusted FFO in 2015.

(4) FFO I per share of 2015 was affected by the change described in footnote (2).

(5) Calculated dividend per share for 2016 based on the dividend policy approved by the Board of Directors. The payment of the dividend for 2016 is subject to respective resolution of the annual general meeting. No dividend for the year 2016 has been paid out as of the date of this Prospectus.

(6) The earnings per share ("EPS") (basic) of 2014 was taken from the comparable figures of the 2015 consolidated financial statements and was not presented in the 2014 consolidated financial statements as the Company was not a public company at year-end 2014. The EPS (basic) of 2014 was based on 500m shares.

(7) The NAV in 2014 and 2015 was classified as EPRA NAV and due to a re-classification in 2016 was renamed to NAV. The NAV in 2015 is taken from the comparable number calculated on the basis of the 2016 consolidated financial statements and deviates to the figure classified as EPRA NAV presented in 2015 which was € 3,042,864 thousand and included accrued interest of the convertible bonds which were excluded in 2016. The NAV of 2014 was taken from the comparable figure which was calculated on the basis of the 2015 consolidated financial statements.

(8) In 2014 figures relating to "per share" were not presented.

(9) The EPRA NAV presented in 2014 reflects the NAV according to the reclassification of 2016 and is thus presented in the NAV due to comparability with the following years. See also footnote (7) above.

(10) As there have not been any perpetual notes in 2014 this figure was not presented.

(11) For 2014 and 2015 the EPRA NNNAV was not presented in the respective fiscal year. The figure for 2015 is a comparative figure presented in 2016.

(12) "EBITDA" is defined as earnings before interest, tax depreciation and amortization. The figure is calculated by adding to the operating profit depreciation and amortization items. "Adjusted EBITDA" is calculated by adjusting the EBITDA by deducting non-operational and non-recurring items, such as capitals gains, revaluations and profit from disposals and adding back the non-cash effect of the management's share incentive plan. Additionally, the share of profit from investment in equity-accounted investees is subtracted as these profits include the Company's share also in non-operational profits generated by the equity-accounted investees and not only their operational results. The Company includes in its Adjusted EBITDA the relative share in the operational performance generated by GCP, according to its holding rate over the period. The following table shows the calculation of the EBITDA and the Adjusted EBITDA for the given periods:

	For the year ended 31 December		
	2016 (audited)	2015 (audited)	2014 (audited)
	In thousands of €		
Operating profit	1,107,006	1,040,995	1,011,472
Total depreciation and amortization	2,006	377	923
<b>EBITDA</b>	<b>1,109,012</b>	<b>1,041,372</b>	<b>1,012,395</b>
Capital gains, revaluations and other income	(719,517)	(814,511)	(877,618)
Result on disposal of Inventories - trading properties	-	-	(250)
Share in profit from investment in equity accounted investees	(197,064)	(134,138)	(936)
Management long term share incentive plan	2,110	-	-
Excluding GCP consolidated share	-	-	(112,009)
<b>Adjusted EBITDA commercial portfolio</b> <sup>(i) (ii)</sup>	<b>194,541</b>	<b>92,723</b>	<b>21,582</b>
Adjustment for GCP operational contribution <sup>(i) (iii)</sup>	73,688	60,829 <sup>(iv)</sup>	38,083
<b>Adjusted EBITDA</b> <sup>(i)</sup>	<b>268,229</b>	<b>153,552</b>	<b>59,665</b>

(i) Unaudited.

(ii) The separation of the Adjusted EBITDA for the commercial portfolio has not been recorded prior to the 2016 annual financial report.

(iii) This adjustment is to reflect Aaroundtown's share in GCP's adjusted EBITDA. GCP generated an Adjusted EBITDA of € 225 million in 2016 and € 177 million in 2015. GCP was consolidated in 2014 and therefore presentation was adjusted for comparability reasons.

(iv) Taken from comparable figure of the 2016 annual financial report due to reclassification of GCP's adjusted EBITDA in 2016.

- (13) "FFO I" is an indicator for the recurring profit from operations, after deducting from the adjusted EBITDA the finance expenses, the current tax and respective minorities contribution to this item. "FFO I per share" is calculated by dividing the FFO I by the weighted basic amount of share in the respective period. The following table shows the calculation of FFO I and FFO I per share for the given periods:

	For the year ended 31 December		
	2016 (unaudited)	2015 (unaudited)	2014 (unaudited)
	In thousands of €		
<b>Adjusted EBITDA commercial portfolio</b> <sup>(ii)</sup>	<b>194,541</b>	<b>92,723</b>	<b>21,582</b>
Finance expenses <sup>(i)</sup>	(47,408)	(20,466)	(4,890)
Current tax <sup>(i)</sup>	(19,910)	(9,264)	(2,897)
Contribution to minorities	(7,458)	(7,900)	(919)
<b>FFO I commercial portfolio</b> <sup>(ii)</sup>	<b>119,765</b>	<b>55,093</b>	<b>12,876</b>
Adjustment for GCP FFO I contribution <sup>(iii)</sup>	45,862	38,956 <sup>(iv)</sup>	25,876
<b>FFO I</b>	<b>165,627</b>	<b>94,049</b> <sup>(iv)</sup>	<b>38,752</b>
Weighted average basic shares in thousands <sup>(i)</sup>	653,155	547,049	500,000
<b>FFO I per share (in €)</b>	<b>0.25</b>	<b>0.17</b>	<b>0.08</b>

<sup>(i)</sup> Audited.

<sup>(ii)</sup> The separation of the Adjusted EBITDA and FFO I for the commercial portfolio has not been recorded prior to the 2016 annual financial report. 2014 was adjusted accordingly.

<sup>(iii)</sup> The adjustment is to reflect Arountown share in FFO I of GCP.

<sup>(iv)</sup> Reclassified.

- (14) "EPRA NAV" is defined by EPRA (European Public Real Estate Association) as the net asset value adjusted by including the properties and other investment interests at fair value and to exclude certain items not expected to crystallize in a long-term investment property business model. The purpose of EPRA NAV is to adjust the IFRS NAV in order to provide stakeholders with the most relevant information on the fair value of the Group's assets and liabilities within a true real estate investment company with a long-term investment strategy. The EPRA NAV is calculated by adding to the shareholder profit the effect of conversion of in-the-money convertible bonds, fair value measurements of derivative financial instruments and deferred tax liabilities. The EPRA NAV per share is calculated by dividing the EPRA NAV by the basic amount of shares, including in-the-money dilution effects. "EPRA NNNAV" is defined as EPRA NAV adjusted to include the spot values of the financial instruments, debt and deferred taxes. The purpose of the EPRA NNNAV is to make adjustments to EPRA NAV and provide stakeholders with the most relevant information on the spot value of the Company's assets and liabilities of a real estate company. The EPRA NNNAV per share is calculated by dividing the EPRA NNNAV by the basic amount of shares, including in-the-money dilution effects. The following table shows the calculation of the EPRA NAV and of the EPRA NNNAV as of the given periods:

	As of 31 December in thousands of € unless otherwise stated		
	2016 (unaudited)	2015 (unaudited)	2014 (unaudited) <sup>(i)</sup>
NAV per the financial statements	3,941,080	2,425,512	1,221,661
Equity attributable to perpetual notes investors <sup>(ii)</sup>	(478,277)	-	n/a
<b>NAV excluding perpetual notes</b> <sup>(ii)</sup>	<b>3,462,803</b>	<b>2,425,512</b>	n/a
Effect of conversion of in-the-money convertible bond	394,048	425,914	-
Fair value measurements of derivative financial instruments <sup>(iii)</sup>	7,074	3,590	4,995
Deferred tax liabilities <sup>(iii)</sup>	379,485	185,774	46,614

<b>NAV <sup>(iv)</sup></b>	<b>4,243,410</b>	<b>3,040,790</b>	<b>1,273,270</b>
<b>NAV per share in € <sup>(v)</sup></b>	<b>5.3</b>	<b>4.2</b>	n/a
Non-controlling interests <sup>(vi)</sup>	(372,640)	(320,103)	n/a
<b>EPRA NAV <sup>(vii)</sup></b>	<b>3,870,770</b>	<b>2,720,687</b>	n/a
<b>EPRA NAV per share in € <sup>(v)</sup></b>	<b>4.9</b>	<b>3.7</b>	n/a
Equity attributable to perpetual notes investors	478,277	-	n/a
<b>EPRA NAV including perpetual notes <sup>(viii)</sup></b>	<b>4,349,047</b>	<b>2,720,687</b>	n/a
<b>EPRA NAV including perpetual notes per share in € <sup>(v)</sup></b>	<b>5.4</b>	<b>3.7</b>	<b>n/a</b>
<b>EPRA NAV <sup>(vii)</sup></b>	<b>3,870,770</b>	<b>2,720,687</b>	<b>n/a</b>
Fair value measurements of derivative financial instruments <sup>(iii) (ix)</sup>	(7,074)	(3,590)	n/a
Net Fair Value of debt <sup>(ix)</sup>	(69,166)	(44,022)	n/a
Deferred tax liabilities <sup>(ix) (x)</sup>	(18,232)	(10,331)	n/a
<b>EPRA NNNAV <sup>(xi)</sup></b>	<b>3,776,298</b>	<b>2,662,744</b>	n/a
<b>EPRA NNNAV per share in € <sup>(v)</sup></b>	<b>4.7</b>	<b>3.6</b>	<b>n/a</b>

(i) The above presented structure of the breakdown of the EPRA NAV reconciliation was presented in the 2016 accounts. Thus, the 2015 figures are taken from the comparable figures of the 2016 accounts and many lines of the 2014 EPRA NAV reconciliation have not been presented in this breakdown structure and are thus not applicable.

(ii) As there have not been any perpetual notes in 2014 this figure was not presented.

(iii) Includes balances in assets held for sale.

(iv) The NAV in 2014 and 2015 was classified as EPRA NAV and due to a reclassification in 2016 was renamed to NAV. The NAV in 2015 is based on the comparable number of the 2016 accounts and deviates to the figure classified as EPRA NAV presented in 2015 which was € 3,042,864 thousand and included accrued interest of the convertible bonds which were excluded in 2016. The NAV of 2014 is presented in the comparable figure of the 2015 accounts.

(v) In 2014 the per share figures were not presented.

(vi) The non-controlling interest of 2014 was € 108,092 thousand but as this breakdown of the EPRA NAV reconciliation was not presented in the 2015 or 2014 accounts this figure is not presented here.

(vii) The EPRA NAV presented in 2014 reflects the NAV according to the reclassification of 2016 and is thus presented in the NAV due to comparability with the following years. See also footnote (IV) above.

(viii) As there have not been any perpetual notes in 2014 this figure is not applicable for 2014.

(ix) The reconciliation of the EPRA NNNAV as well as the figure itself was not presented in the 2015 and 2014 accounts. Thus these line items are either not presented in the respective accounts or presented in the balance sheet but not used for this breakdown and thus not presented here. The 2015 items are presented in the comparable figures used in the 2016 accounts.

(x) The deferred tax liabilities in this line item were adjusted to the line item with the same classification above as for the EPRA NNNAV reconciliation the assumption of disposals through share deals is taken.

(xi) The EPRA NNNAV in 2014 was not presented.

(15) “**Loan-To-Value**” (LTV) is an indicator to the financial leverage. The LTV is calculated by dividing the total net debt by the total value. By calculating its LTV, the Company includes into the total net debt the following items: loans and borrowings, loans and borrowings from liabilities held for sale, convertible bonds, straight bonds, current portion of long term loans, credit lines and loan redemption, net of cash and cash equivalents and traded securities at fair value through profit and loss. Total value is including investment property, advanced payments for investment property transactions, investment properties of assets held for sale and equity accounted investees. The following table shows the calculation of the Loan-To-Value as of the given periods:

	As of 31 December		
	2016 (unaudited)	2015 (unaudited)	2014 (unaudited)
	In thousands of €		
Investment property including advanced payments for investment properties	5,259,750	2,482,085	451,486
Investment properties of assets held for sale	148,596	-	-
Investment in equity accounted investees	1,557,044	1,183,148	908,435
<b>Total value</b>	<b>6,965,390</b>	<b>3,665,233</b>	<b>1,359,921</b>
<b>Net debt</b>	<b>2,737,437</b>	<b>1,264,000</b>	<b>259,709</b>
<b>LTV</b>	<b>39.3 %</b>	<b>34.6 %</b>	<b>19.1 %</b>
Net debt without in-the-money convertible bonds	2,343,388	727,864	162,981
<b>LTV assuming conversion <sup>(i)</sup></b>	<b>33.6 %</b>	<b>19.9 %</b>	<b>12.0 %</b>

<sup>(i)</sup> Assuming conversion of convertible bonds which are in the money.

### Significant changes to the issuers financial condition and operating results during and subsequent to the period covered by the historical key financial information.

During the period covered by the historical key financial information, the property portfolio of Aroundtown increased significantly through acquisitions. This growth is reflected in the increase in fair value of investment property from € 426 million as of 31 December 2014 to € 5.0 billion as of 31 December 2016. The increase in total assets from € 1.7 billion as of 31 December 2014 to € 8.1 billion as of 31 December 2016 is balanced by an increase in total equity from € 1.2 billion as of 31 December 2014 to € 3.9 billion as of 31 December 2016 and a respective increase in the total liabilities from € 500 million as of 31 December 2014 to € 4.1 billion as of 31 December 2016. The strong portfolio growth also had a significant impact on results of operations, which is reflected in the increase of rental and operating income from € 125 million for the fiscal year ended 31 December 2015 to € 274 million for the fiscal year ended 31 December 2016. On 31 December 2014, GCP was deconsolidated from the Company's consolidated financial statements and has since then been presented as an equity-accounted investee in the Company's consolidated financial statements. The income from rental and operating income for the fiscal year ended 31 December 2014 of € 242 million thus included income from rental and operating income generated by GCP and is therefore only partially comparable to the following fiscal years 2015 and 2016.

As of 15 of February 2017, Aroundtown had increased the size of its portfolio through various acquisitions to a fair value of € 5.5 billion. An additional € 0.2 billion of property has been acquired by Aroundtown after the date of the Property Appraisal Reports included in this Prospectus and thus were not included in the Property Appraisal Reports. An additional € 0.15 billion of property acquisitions have been signed but not yet completed as of the date of this

Prospectus. The properties acquired were primarily wholesale logistics and retail. Aroundtown in the course of its ordinary business explores various acquisition opportunities of properties without having made a binding investment decision.

The Company has been active on the capital markets thus far in 2017 and has raised new funds in various transactions. In January 2017, the Company through its finance subsidiary ATF Netherlands B.V. successfully tapped a series of its straight bonds (Series F Bonds) by an additional € 50 million to an aggregate principal amount of € 550 million and also tapped its perpetual notes by € 100 million, resulting in an aggregate principal amount of € 600 million. Further, in March 2017 the Company's subsidiary PCI redeemed its outstanding convertible bonds in the amount of € 22 million. Also in March 2017 the Company together with ATF Netherlands B.V. announced the establishment of its € 1.5 billion Euro Medium Term Note Programme (the "**EMTN Programme**"), which will facilitate the issuance by ATF Netherlands B.V. of senior notes over time in various currencies and maturities as a continuing element of the Company's financing strategy. Also in March 2017, the Company through ATF Netherlands B.V. successfully placed USD 400 million fixed rate notes due 2032 as a first placement under the EMTN Programme. In May 2017, the Company redeemed certain outstanding bonds (the Series A Bonds). On 10 May 2017 the Company completed a capital increase through the issuance of 93 million new shares for cash with an issue volume of around € 426 million. At the same time the Company completed a tender offer to the holders of certain outstanding convertible bonds (the Series B Bonds). As of the date of this Prospectus, of the outstanding principal amount of € 127.4 million of the Series B Bonds the Company holds Series B Bonds in an aggregate principal amount of € 55.3 million as a consequence of the tender offer. In March 2017 the board of directors decided to increase the dividend policy to a payout ratio of 65 % of FFO I per share with effect for the financial year 2016. Besides the developments mentioned above, there has been no significant change in the financial or trading position of the Company or the Group since 31 December 2016. There has been no material adverse change in the prospects of the Company since 31 December 2016.

<p><b>B.8</b></p>	<p><b>Selected key pro forma financial information, identified as such.</b></p> <p>Not applicable. There is no pro forma financial information.</p>
<p><b>B.9</b></p>	<p><b>Where a profit forecast or estimate is made, state the figure.</b></p> <p>Not applicable. There is no profit forecast or estimate.</p>
<p><b>B.10</b></p>	<p><b>A description of the nature of any qualifications in the audit report on the historical financial information.</b></p>

	<p>Not applicable. The auditor's reports on the consolidated financial statements as of and for the fiscal years ended 31 December 2016, 31 December 2015 and 31 December 2014 of the Company included in this Prospectus have been issued without any qualifications.</p>
<p><b>B.11</b></p>	<p><b>If the issuer's working capital is not sufficient for the issuer's present requirements, an explanation should be included.</b></p> <p>Not applicable. In the opinion of the Company, the working capital available to Aroundtown is sufficient for Aroundtown's present requirements and, in particular, is sufficient for at least 12 months from the date of this Prospectus.</p>

<p><b>Section C - Securities</b></p>	
<p><b>C.1</b></p>	<p><b>A description of the type and the class of the securities being offered and/or admitted to trading, including any security identification number.</b></p> <p>The 853,354,579 shares subject to admission to trading represent all shares of the Company and are ordinary shares, each with a par-value of € 0.01 per share (the "<b>Shares</b>").</p> <p>As per the provisions of the articles of association of the Company (the "<b>Articles of Association</b>"), any new shares proposed to be issued may rank <i>pari passu</i> in all respects with any existing issued shares of the Company or may be issued with special rights as the shareholders of the Company may determine at a general meeting, with the sanction of an ordinary resolution, thus creating a new class of shares. The Shares are issued under Cyprus law and are subject to the provisions of the Articles of Association, the Cyprus Companies Law and all other applicable laws.</p> <p>As of the date hereof, all Shares of the Company are ordinary shares and rank <i>pari passu</i> with each other in all respects. There is only one class of ordinary shares and there are not any other classes of shares bearing any preferred, deferred or other special rights or such restrictions, whether in regard to dividends, voting rights, return of capital or otherwise.</p> <p>All Shares are in dematerialised, registered form, represented by a global certificate, issued in the name of BNP Paribas Securities Services Luxembourg Branch ("<b>BNP</b>") as common depository on behalf of Euroclear and Clearstream. Pursuant to an agreement made between the Company and BNP, BNP undertakes, among other things, to hold and safekeep such global certificate as common depository on behalf of Euroclear and Clearstream (the "<b>ICSDs</b>").</p>

	<p>The International Securities Identification Number (“<b>ISIN</b>”) of the Shares is CY0105562116.</p> <p>The Company further maintains an internal register of Members and Share Ledger where BNP is recorded as holding the shares as a common depository. In addition and upon the instructions of the Company, BNP may provide a register of members/shareholders of the Company, following receipt of information from the ICSDs, but always subject to the regulations of the relevant markets where the Shares are listed.</p>
<b>C.2</b>	<p><b>Currency of the securities issue.</b></p> <p>Euro.</p>
<b>C.3</b>	<p><b>The number of shares issued and fully paid and issued but not fully paid. The par value per share, or that the shares have not par value.</b></p> <p>The aggregate nominal value of the issued ordinary share capital of the Company immediately following Admission is € 8,533,545.79 divided into 853,354,579 ordinary fully paid shares.</p> <p>Each of the shares of the Company represents a par value of € 0.01 in the share capital.</p>
<b>C.4</b>	<p><b>A description of the rights attached to the securities.</b></p> <p>Each individual share grants the owner one vote in the general meeting of the Company. There are no restrictions on voting rights. The shares carry full dividend rights as of 1 January 2016. The shares rank <i>pari passu</i> in all respects with each other, including for voting purposes and in full for all dividends and distributions on the Shares declared, made or paid after their issue and for any distributions made on a winding up of the Company.</p>
<b>C.5</b>	<p><b>A description of any restrictions on the free transferability of the securities.</b></p> <p>Not applicable.</p> <p>The Shares are issued in uncertificated form represented by a series of global certificates, following the dematerialisation of the shares of the Company, issued in the name of BNP Paribas Securities Services, Luxembourg Branch.</p> <p>The Company’s shares are freely transferable in accordance with the legal requirements for registered shares. There are no prohibitions or restrictions on disposals with respect to the transferability of the Company’s shares.</p>
<b>C.6</b>	<p><b>An indication as to whether the securities offered are or will be the object of an application for admission to trading on a regulated market and the identity of all the</b></p>



**regulated markets where the securities are or are to be traded.**

The application for admission of the Shares to trading on the regulated market of the Frankfurt Stock Exchange and their simultaneous admission to the sub-segment of the regulated market of the Frankfurt Stock Exchange with additional post-admission obligations (*Prime Standard*) (the “**Admission**”) was filed by the Company and quirin bank AG, Kurfürstendamm 119, 10711 Berlin, Germany (“**quirin**”) on 23 May 2017. The approval decision for admission to trading is expected to be passed and announced on 1 June 2017. The commencement of trading on the regulated market of the Frankfurt Stock Exchange is expected on or around 2 June 2017.

**C.7 A description of dividend policy.**

The business of Arountown is primarily conducted through direct and indirect subsidiaries of the Company. The Company is a holding company. Its ability to distribute dividends to its shareholders depends partially on distributions by the Company’s subsidiaries, GCP and other non-consolidated affiliates. The Company generally aims to distribute dividends to its shareholders, subject to sufficient financing requirements.

On 31 March 2017 the Board of Directors resolved on a dividend policy which shall apply for the fiscal year 2016 and onwards, according to which 65 % of the Company's annual funds from operations (“**FFO I**”) per share shall be distributed as annual dividends to the shareholders, amending its previous dividend policy of 30 % of FFO I per share as adopted on 20 July 2015. The distribution of dividends is subject to a respective resolution of the shareholders' annual general meeting.

The following distributions of profits or reserves were made to shareholders of the Company for and in the fiscal years 2016, 2015 and 2014:

- For the fiscal year 2016 no distribution of profits or reserves had been made or declared as of the date of this Prospectus. The Board of Directors intends to propose to the shareholders’ annual general meeting which is expected to be held during the year 2017 a distribution of a cash dividend according to its dividend policy.
- For the fiscal year 2015, the shareholders’ annual general meeting resolved on 18 November 2016 the distribution of a cash dividend in the amount of € 0.051 per share. The Company distributed the cash dividend in a gross aggregate amount of € 34.5 million on 23 December 2016.
- For the fiscal year 2014 no dividend was declared or distributed.

## Section D - Risks

### D.1 Key information on the key risks that are specific to the issuer or its industry.

#### Risks Relating to the Real Estate Market

- *Aroundtown is dependent on demographic, economic, political and market developments primarily in Germany as well as in the Netherlands and in the regional areas where the properties in Aroundtown's portfolio are located.*
- *The results of the "Brexit" referendum and the announced withdrawal of the United Kingdom from the European Union may cause significant political and economic uncertainty in the European Union, potentially limiting access to debt and equity financing for Aroundtown and resulting in defaults by Aroundtown's counterparties.*
- *Continuing uncertainty regarding the development of the global economy may result in economic instability, limited access to debt and equity financing and possible defaults by Aroundtown's counterparties.*
- *The business of Aroundtown and the real estate markets in Germany and in the Netherlands and in their regional sub-markets are affected by changes in general economic and business conditions. The current economic situation is characterised by low interest rates, high valuations and an increased demand for investments in real estate. A rise in interest rates could have a material adverse effect on real estate markets and on the business of Aroundtown.*
- *The future growth of Aroundtown depends on the availability of real estate properties with value-add potential. The real estate markets are competitive, and competition may increase in the future.*

#### Risks Relating to the Business of Aroundtown

- *Aroundtown may not succeed in improving or adding value to its properties, such as increasing occupancy rates, rent levels and/or the weighted average lease term.*
- *The geographic composition of the property portfolio might change in the future due to further acquisitions or divestures.*
- *Aroundtown is exposed to concentration risks and other negative developments which could affect demand for its properties or have significant impacts on key tenants or properties, any of which could have a material adverse effect on Aroundtown's business.*
- *Aroundtown may be unable to find or retain suitable tenants on acceptable terms, and existing tenants may be unable to meet their payment obligations.*
- *Rent indexation clauses in Aroundtown's lease agreements could adversely affect Aroundtown's rental income.*
- *With respect to certain of its properties GCP is subject to contractual rent restrictions or restrictions on disposal under so-called charters of social rights (Sozialchartas) or under subsidies from public authorities which restrict the level of rents chargeable.*
- *The loss of rent, reductions in rent, higher vacancy rates and shorter lease terms may have a negative effect on Aroundtown's business, net assets, cash flows, financial condition, results of operations, net profits and prospects.*
- *Aroundtown is exposed to risks related to capex, maintenance, repositioning and repair of properties. The capex, modernisation and repositioning of properties, as well as their ongoing maintenance, may take more time, be more expensive or ultimately be less effective than originally anticipated.*
- *The growth of Aroundtown depends on its continuing ability to acquire properties with*

value-add potential. A key factor for the growth of Aroundtown has been its ability to acquire properties via its sourcing network and through transactions in a variety of forms. Aroundtown may fail in its ability to source or acquire suitable properties.

- Aroundtown may be unable to make acquisitions if it is unable to obtain the necessary funds.
- Aroundtown's acquisitions and investments involve risks, including unexpected liability claims, increased indebtedness and interest expenses, the impact of German, Dutch or other real estate transfer taxes, and the failure of acquired properties or portfolios to develop or perform as expected.
- There is a risk that Aroundtown may incorrectly appraise the value of acquired properties or property portfolios, real estate companies or non-performing loans before, during and after an acquisition.
- Aroundtown's investments are predominantly investments in real estate or real estate companies. Due to the potentially illiquid nature of the real estate market, Aroundtown may not be able to sell any portion of its portfolio or investments on favourable terms or at all.
- Aroundtown may be exposed to losses and liabilities (including tax liabilities) in respect of its assets as a result of the acts or omissions of vendors or previous owners or occupiers or relating to the prior period of ownership.
- Following an acquisition, Aroundtown is exposed to integration risks.
- The Company is not a majority shareholder in GCP, and the other shareholders of GCP may take resolutions or implement measures that are not supported by the Company or that are contrary to Aroundtown's strategy, policies or objectives.
- GCP's business is subject to a number of risks, and GCP may not manage or develop its business properly.
- Minority interests of third parties in subsidiaries of Aroundtown or co-investments may make it difficult to implement significant structural changes or other material decisions with regard to these entities, in particular, where those resolutions require a qualified majority or the unanimous consent of all shareholders of these entities.
- The Company is subject to certain obligations and restrictions due to the stock listings of the Company, PCI and GCP.
- Aroundtown's business is exposed to risks from possible violations of building code and other such regulations in Germany and the Netherlands.
- Aroundtown may incur environmental liabilities, such as from residual pollution including wartime ordnance, soil conditions and contaminants in building materials.
- Aroundtown could sustain substantial losses not covered by, or exceeding the coverage limits of, its insurance policies.
- Aroundtown may face difficulties in replacing key personnel if it loses them.
- Damage or interruptions to Aroundtown's information technology systems could lead to diminished data security and limit Aroundtown's business operations.
- A loss of reputation or harm to the brand name of the Company, Aroundtown or members of Aroundtown, or of the members of the board, advisory board or senior management of the Company or members of Aroundtown, or insufficient levels of client satisfaction may reduce the demand for Aroundtown's properties, shares or debt and make it more difficult for Aroundtown to raise capital or issue debt on attractive terms.

#### Valuation Risks

- In the event of a downturn or other developments in the real estate markets in Germany

and in the Netherlands, the fair values of the properties may decline, which may have adverse effects on the valuation of Aroundtown's properties. The same risks also apply to GCP.

- Real estate valuation is based on assumptions that may change and are inherently subjective and uncertain. The values recorded in the Company's consolidated financial statements may not reflect the value of Aroundtown's properties.
- A decrease in the fair value of GCP may result in a loss for the Company.

#### Financial Risks

- Aroundtown's financing strategy depends on its current corporate investment grade rating, including the satisfaction of its future financing needs through the issuance of unsecured corporate bonds and notes.
- A downgrade or withdrawal of the Company's current credit rating or of GCP's current credit rating may impact the ability of Aroundtown to obtain financing or issue further debt and may have a negative impact on Aroundtown's debt costs and on the share price of the Company and/or GCP.
- Aroundtown may not be able to extend its existing credit arrangements, refinance its debt on substantially similar terms as it matures or obtain acquisition financing on financially attractive terms as and when needed.
- A rise in general interest rate levels could increase Aroundtown's financing costs. When it attempts to mitigate interest rate risk by entering into hedging agreements, Aroundtown also becomes exposed to the risks associated with the valuation of hedging instruments and these hedges' counterparties.
- The redemption or early redemption of Aroundtown's or GCP's outstanding bonds may result in a substantial payment obligation for Aroundtown or GCP. Besides the final maturity dates as stipulated in the respective terms and conditions or any early redemption in accordance with the terms and conditions, the breach of covenants of the conditions (if any) by Aroundtown or GCP under their outstanding bonds or a default of other obligations of Aroundtown or GCP arising from their outstanding bonds may result in a substantial payment obligation for Aroundtown or GCP before the final maturity dates of the bonds.
- A change of control of the Company and/or the decrease in the free float of the ordinary shares in the Company below a certain level may result in a substantial payment obligation for the Company with respect to its outstanding bonds.
- The Company's cash flow requirements and possible future interest payments are dependent on the profitability of Aroundtown or must be met with borrowed funds or by selling property.
- There are risks of foreclosure if the borrowing entities in Aroundtown do not fulfil their obligations under loans granted by banks. A breach of covenants or undertakings under loan agreements, such as a change of control within Aroundtown or a material decline in the collateral securing the loan, could result in substantial payment obligations for Aroundtown and could lead to the enforcement of the related collateral including sales at prices substantially below fair value.
- Aroundtown has grown rapidly since 2012, and there is no guarantee that the Company and Aroundtown will be able to manage future growth successfully. The Company's and Aroundtown's historical earnings and other historical financial results are not necessarily predictive of future earnings or other financial results of the Company or Aroundtown.

#### Legal and Regulatory Risks

- *Aroundtown's business is subject to the general legal environment in Germany and the Netherlands, which may change to Aroundtown's detriment.*
- *Aroundtown is subject to tenant protection laws in Germany and the Netherlands. These laws may limit among other things the ability to evict tenants, the levels of rent increases and the ability to pass on modernisation costs. Moreover, further regulatory developments are likely.*
- *Aroundtown's tenants in Germany could attempt to prematurely terminate their lease agreements based upon strict formal requirements under German law for long-term leases which could lead to a reduction or loss of rental income.*
- *The growth of Aroundtown's portfolio may be limited by German, Dutch and other laws, including laws with respect to environmental modernization, restrictions on modernization alternatives and other regulations. Moreover, further regulatory developments are likely.*
- *Aroundtown is exposed to the risks of ground leases in Germany and the Netherlands.*
- *Aroundtown's use of standardised documents, clauses and agreements could lead to additional legal risks.*
- *The risk management system of Aroundtown may prove to be partially or completely insufficient or fail, and unknown, unrecognised, underestimated or unexpected risks may materialise. Aroundtown may fail to adequately account for potential liabilities or risk exposures.*
- *Aroundtown could incur liability in connection with properties, interests in companies or other assets that it sells.*
- *Entities of Aroundtown may be subject to litigation, administrative proceedings and similar claims.*
- *Aroundtown could be exposed to restitution claims in Germany.*
- *Control- and prevention mechanisms under the compliance system may not be sufficient to protect Aroundtown from financial and/or legal risks. Irregularities could result in investigations by competent authorities or claims of third parties.*

**Tax Risks**

- *Aroundtown is currently subject to the tax environment in Cyprus, Germany and the Netherlands, and may be subject to the tax environment in Luxembourg in the future. Aroundtown's tax burden may increase as a consequence of current or future tax assessments, tax audits or court proceedings based on changes in tax laws or changes in the application or interpretation thereof.*
- *The structure of Aroundtown is influenced by the general tax environment in Cyprus, Germany, the Netherlands and Luxembourg, and changes in the tax environment in these countries may increase the tax burden of Aroundtown.*
- *Aroundtown is exposed to real estate transfer taxes and value added taxes.*

**D.3**

**Key information on the key risks that are specific to the securities.**

**Risks Relating to the Shares, the Admission and the Shareholder Structure**

- *The Company's shares have not yet been publicly traded on a regulated market and there is no guarantee that a liquid market will develop or continue following the admission to trading on the regulated market.*
- *The price and trading volume of the Company's shares could fluctuate significantly, and investors could lose all or part of their investments.*
- *Following the admission to trading on the regulated market, the Company's largest*

shareholder Avisco Group plc will continue to be in a position to exert substantial influence on the Company. The interests of this shareholder could differ from the interests of the other shareholders.

- Future sales or market expectations of sales of a large number of shares by the Company's largest shareholders or other shareholders could cause the share price to decline.
- The cash flow of Aroundtown and the ability of the Company to pay dividends depend on the profitability of its subsidiaries and investees and future dividend payments depend on Aroundtown's future distributable profit.
- Future offerings of debt or equity securities by the Company in particular the issue of shares potentially required to meet the conversion rights resulting from outstanding convertible bonds may materially adversely affect the market price of the shares, and future capitalization measures could lead to substantial dilution, i.e. a reduction in the value of the shares and the control rights of existing shareholders' interests in the Company.
- The Company will face additional administrative and compliance requirements and incur higher ongoing costs as a result of the admission to trading on the regulated market of the Frankfurt Stock Exchange.
- The re-domiciliation of the Company could be delayed or may not succeed at all. The rights of shareholders in the Company after a successful re-domiciliation might differ from their existing rights.

## Section E - Offer

<b>E.1</b>	<p><b>The total net proceeds and an estimate of the total expenses of the listing, including estimated expenses charged to the investor by the issuer or the offeror.</b></p> <p>No proceeds will be generated. The Prospectus does not refer to an offering.</p> <p>The Company estimates the total costs and expenses in connection with the Admission at € 1 million.</p> <p>No expenses will be charged by the Company to investors.</p>
<b>E.2a</b>	<p><b>Reasons for the offer, use of proceeds, estimated net amount of the proceeds.</b></p> <p>Not applicable. This prospectus does not refer to an offering.</p> <p>The Company will not generate any proceeds.</p>
<b>E.3</b>	<p><b>A description of the terms and conditions of the offer.</b></p> <p>Not applicable. This Prospectus does not refer to an offering.</p>
<b>E.4</b>	<p><b>A description of any interest that is material to the issue/offer including conflicting</b></p>

	<p><b>interests.</b></p> <p>quirin which has applied together with the Company for the Admission in its role as listing agent has an interest in the admission to trading of the Company's shares on the regulated market, as it is entitled to a commission for its services related thereto.</p> <p>The Company and its shareholders have an interest in the Admission as the Company believes that the admission to trading of the shares in the Company will have a positive impact on the liquidity of the Company's shares on the stock exchange.</p> <p>Besides interests mentioned above, there are no other interests or potential conflicts of interest that are material to the Admission.</p>
<p><b>E.5</b></p>	<p><b>Name of the person or entity offering to sell the security. Lock-up agreements: the parties involved; and indication of the period of the lock up.</b></p> <p>Not applicable. This prospectus does not refer to an offering. There is no lock-up agreement in place with respect to the Admission.</p>
<p><b>E.6</b></p>	<p><b>The amount and percentage of immediate dilution resulting from the offer. In the case of a subscription offer to existing equity holders, the amount and percentage of immediate dilution if they do not subscribe to the new offer.</b></p> <p>Not applicable. This prospectus does not refer to an offering.</p>
<p><b>E.7</b></p>	<p><b>Estimated expenses charged to the investor by the issuer or the offeror.</b></p> <p>The Company will not charge any expenses relating to the admission to trading to the investors.</p>

## **RISK FACTORS**

*An investment in the shares of Aroundtown Property Holdings plc (the “**Company**” and together with its consolidated subsidiaries “**Aroundtown**” and together with its investees, including associates over which the Company has significant influence as defined in IAS 28 and that are not subsidiaries, in particular Grand City Properties S.A. (“**GCP**”), the “**Group**”) is subject to risks. In addition to the other information contained in this Prospectus, investors should carefully review and consider the following risk factors and the other information contained in this Prospectus when deciding whether to invest in the Company’s shares.*

*The risks discussed below may not prove to be exhaustive and are based on certain assumptions made by the Company which later may prove to be incorrect or incomplete. The occurrence of one or more of these risks alone or together with additional risks and uncertainties not currently known to the Company, or which the Company might currently deem immaterial, could adversely affect the business, net assets, financial condition and results of operations of Aroundtown. The order in which the risks are presented does not reflect the likelihood of their occurrence or the magnitude or significance of the individual risks. The risks mentioned herein may materialize individually or cumulatively. The market price of the Company’s shares could fall if any of these risks were to materialize, in which case investors could lose all or part of their investment.*

### **Risks Relating to the Real Estate Market**

***Aroundtown is dependent on demographic, economic, political and market developments primarily in Germany as well as in the Netherlands and in the regional areas where the properties in Aroundtown’s portfolio are located.***

The Company is a specialist real estate company, with a focus on value-add income generating properties primarily in Germany and the Netherlands. As of 15 February 2017, the Company directly or indirectly held commercial real estate properties with a fair market value of approximately € 5.6 billion (investment properties excluding assets held for sale (“**AHFS**”)), consisting primarily of office, hotel, retail and other types of commercial real estate (the “**Commercial Portfolio**”). In addition, as of the date of this Prospectus the Company holds a 36 % interest in GCP, a publicly traded real estate company that focuses on investing in value-add opportunities in the German residential real estate market. Until 31 December 2014, GCP was part of Aroundtown and deconsolidated with effect from 1 January 2015. As of 31 March 2017, GCP held a property portfolio primarily consisting of residential real estate with a fair market value of approximately € 4.98 billion (investment properties excluding AHFS). GCP and its portfolio are not consolidated in the Company's consolidated financial statements but the Company's interest in GCP is presented as investment in an equity-accounted investee. As of 31 December 2016 the Company's interest in GCP was recorded at € 1.3 billion in the Company's



consolidated financial statements. Because of its substantial shareholding in GCP, Aroundtown is also impacted by the performance of the properties held by GCP. For more information, see *"Financial Risks - The Company's cash flow requirements and possible future interest payments are dependent on the profitability of Aroundtown or must be met with borrowed funds or by selling property."*

As the commercial properties of Aroundtown and the residential properties held by GCP are spread across various cities and regions in Germany and the Netherlands, Aroundtown's activities are directly and indirectly influenced by a number of demographic and economic factors. In particular the development of the German and Dutch real estate market and the regional sub-markets in which the properties are located may have a significant impact on Aroundtown's business and the future prospects. These developments play an important role in determining property values, rent levels, re-letting periods, overall demand, vacancy rates and turnover rates, and may vary significantly across the relevant regional sub-markets. Although the properties of the Commercial Portfolio are located primarily in Germany and the Netherlands, the Commercial Portfolio is more concentrated in certain regions of those countries, such as cities in North Rhine-Westphalia, Germany biggest federal state ("**NRW**"), Berlin, Frankfurt, Munich and Hamburg in Germany, and Amsterdam and Rotterdam in the Netherlands. The residential properties held by GCP are located solely in Germany with a focus on certain regions such as cities in NRW, Berlin, Dresden, Leipzig, Halle, Hamburg, Bremen, Frankfurt, Mainz, Mannheim as well as Munich, Nuremberg and Fürth. Thus, the overall performance of Aroundtown depends not only on general economic and demographic developments in Germany and the Netherlands, but also on the particular circumstances in the regions the properties are located.

Because the performance of real estate markets is driven by changes in the overall economy, Aroundtown's performance is affected not only by factors that impact the commercial and residential real estate markets, but also by factors that impact the economy more generally, such as interest rates, levels of public debt and inflation rates. Real estate markets tend to fluctuate, with asset values and rents reflecting both positive and negative developments. In addition, such impacts may affect commercial and residential real estate markets to a different extent.

The market for commercial real estate depends on economic and demographic developments in Germany and the Netherlands and in particular in the regions within these countries where the properties are located. Factors such as changes in disposable income or industrial activity, the availability of credit financing, interest rates, taxation policies, economic growth, population growth, unemployment rates, consumer confidence and other factors may all impact the level of demand for commercial real estate. A decline in population levels, particularly among younger segments of the working population, or a decline in purchasing power or higher unemployment rates could reduce the demand for office, hotel, retail and other commercial properties. Declines in economic and population growth rates could lead to lower demand for residential real estate as

well as to lower demand for commercial property, and, as a result, may adversely affect Aroundtown's ability to achieve or maintain its desired occupancy rates, rent levels and weighted average lease term ("**WALT**"). Local economic developments, such as employment conditions or significant income or liquidity problems for tenants in these areas, may also lead to reduced rental income and increased vacancy or turnover rates. In such circumstances, Aroundtown may not be able to let or re-let properties on attractive terms or at all, or may only be able to do so after making significant additional investments.

In particular, the retail market in the Netherlands has been greatly affected by the global economic crisis of 2008 and 2009, as well as its aftermath, which has resulted in several bankruptcies of large retail chains such as Scheer & Foppen, Dolcis, Scapino and V&D. The ongoing growth in sales of goods and services over the Internet has also placed increasing pressure on Dutch retailers and consequently on demand for, and the performance of, Dutch retail real estate.

Aroundtown's ability to attract and retain solvent and reliable tenants for its hotel properties depends on the broader development of the hotel market and on the demand for hotel rooms. As of 15 February 2017, Aroundtown owned more than € 1 billion in fair value of hotel properties, located in diverse regions in Germany, such as Berlin, Munich, Hamburg, Frankfurt, Dresden, Düsseldorf, Mannheim and Leipzig. Aroundtown's hotel properties are operated by third party commercial tenants, the majority of which have entered into long-term fixed rent lease agreements with Aroundtown. The profitability of hotels generally, and hence the attractiveness of Aroundtown's hotel properties for tenants, may be adversely affected by a number of factors, including the availability of and demand for hotel rooms in the regional markets, the desirability of particular locations and changes in travel patterns for commercial or leisure travel, or the impact of war, actual or threatened terrorist activity and heightened travel security measures instituted in response. Profit margins in the hotel industry may decline due to increases in the cost of raw materials, limiting the attractiveness of hotels for tenants. Additional competition in the regions where Aroundtown's hotel properties are located may also reduce profitability for Aroundtown's existing hotel tenants, which may create financial difficulties for such tenants and limit their ability to pay their rents or fulfil other obligations under their leases.

The market for residential real estate, and consequently the performance of the residential properties held by GCP, depends on demographic and other economic developments in Germany. Certain studies have forecast that demographic change in Germany, including a declining and ageing population, may cause the nationwide demand for accommodation to fall in the long term. In structurally weak and rural areas, high population losses have already led to an oversupply of housing, and increasing population losses in these areas may result in decreased demand for residential real estate. Changes in other macroeconomic factors, such as gross domestic product ("**GDP**"), unemployment rates, purchasing power and average household sizes

across Germany may also impact the demand for residential real estate. Changes in any of these factors may impact the performance of the residential properties. Also, demographic forecasts for large and rapidly growing cities in Germany differ greatly from forecasts for less densely populated areas, and it is expected that such regional differences will continue to grow. It is anticipated that declining population in rural areas will result in decreased demand in the respective housing markets and a corresponding oversupply of housing. This trend of high vacancies will likely affect cities and municipalities in the eastern part of Germany as well as regions in the western part facing economic structural problems (*Source: Bertelsmann Stiftung, Deutschland zwischen Wachstum und Schrumpfung*). Conversely, it is expected that big cities in Germany will continue to attract national and international migration. In these areas, the number of households could grow relatively strongly in the medium term due to population gains and the trend toward smaller household sizes. The majority of the properties likely to be affected by this trend are located in NRW, Berlin and Dresden, Leipzig and Halle. Thus, the performance of the residential properties held by GCP also depends on the general macroeconomic developments in these regions. NRW is composed of various socio-economically heterogeneous sub-markets. For example, the Ruhr region is still facing structural challenges following the withdrawal of the coal and steel industry, while the neighbouring Rhineland is one of the strongest economic areas in Germany. Berlin also faces challenges with respect to the economic and demographic development in certain parts of the city. The same applies to other densely populated areas in Germany.

The value of the Company's interest in GCP and the performance of GCP may also be substantially affected by the development of GCP's business. Although the Company holds, as of the date of this Prospectus, a 36 % interest in GCP, the Company is not a majority shareholder in GCP and thus cannot influence the business as if it controlled GCP. For more information, see *"Risks Related to the Business of Aroundtown - The Company is not a majority shareholder in GCP, and the other shareholders of GCP may take resolutions or implement measures that are not supported by the Company or that are contrary to Aroundtown's strategy, policies or objectives."* There is also no guarantee that positive developments in the residential real estate market in Germany will be reflected in the value of the Company's stake in GCP and/or in the performance of GCP or its properties and negative developments in the residential real estate market in Germany may have a disproportionate effect on the value of the Company's stake in GCP, which may result in the Company recording a significant loss to reflect the lower fair value of its investment in GCP and/or on the performance of the residential properties held by GCP.

Changes in demographic, economic, political and market factors are often impossible to predict. Although Aroundtown takes steps to limit the effect of expected economic, demographic, political and market developments, there is no guarantee that Aroundtown will be able to successfully predict or adapt to specific developments.

The occurrence of any of these risks or any misjudgement, miscalculation, failure or inability of Aroundtown to react to such risks may have a material adverse effect on the business, net assets, cash flows, financial condition, results of operations, net profits and prospects of Aroundtown.

***The results of the "Brexit" referendum and the announced withdrawal of the United Kingdom from the European Union may cause significant political and economic uncertainty in the European Union, potentially limiting access to debt and equity financing for Aroundtown and resulting in defaults by Aroundtown's counterparties.***

On 23 June 2016, voters in the United Kingdom voted in a referendum in favour of the United Kingdom leaving the European Union, a decision known as "Brexit". Because no major member of the European Union has previously chosen to leave the European Union, the legal and political process for doing so is untried and uncertain. On 29 March 2017 the United Kingdom submitted a formal departure notice to the European Council pursuant to article 50 of the Treaty on European Union (the "**EU Treaty**"). The negotiations regarding the withdrawal of the United Kingdom are expected to take up to two years. The Brexit vote, however, has resulted in a high degree of political and legal uncertainty within the United Kingdom, both with respect to the implications of Brexit and the outcome of the negotiations regarding the withdrawal.

The results of the referendum have already had a negative impact on the economy of the United Kingdom, and to a lesser extent on the European Union, and the ongoing economic and political implications are impossible to predict. Among other consequences, departure from the European Union may result in the United Kingdom no longer having access to the European Single Market. Although the United Kingdom is currently the second largest economy in the European Union, a withdrawal from the European Single Market is expected to have significant negative impact on the economy of the United Kingdom. If the United Kingdom no longer had access to the European Single Market, the Member States of the European Union would face greater barriers to trade and commerce with the United Kingdom, which may in turn diminish overall economic activity between the European Union and the United Kingdom, resulting in a general economic downturn throughout the United Kingdom, the European Union or both. The Brexit vote may also give rise to or strengthen tensions in other Member States regarding their membership in the European Union, potentially resulting in additional referendums or other actions in Member States regarding withdrawal from the European Union. The withdrawal of other Member States from the European Union would have unpredictable consequences and may threaten the existence of the European Union or the Eurozone as a whole.

Because London is currently one of the world's leading financial centres, the European financial sector is likely to undergo significant changes in the course of any implementation of the United Kingdom's withdrawal from the European Union. Any negative economic or political developments in the European financial sector or the European Union generally may result in a

new outbreak of the credit and banking crises that have plagued the European Union in recent years, and may make it more difficult for companies to access the financial markets and raise debt or equity financing. Because Aroundtown relies on access to the financial markets in order to refinance its debt liabilities and gain access to new financing, ongoing political uncertainty and any worsening of the economic environment may reduce its ability to refinance its existing and future liabilities or gain access to new financing, in each case on favourable terms or at all. Furthermore, Aroundtown's counterparties, in particular its hedging counterparties, may not be able to fulfil their obligations under their respective agreements due to a lack of liquidity, operational failure, bankruptcy or other reasons.

The occurrence of any of these risks may have a material adverse effect on Aroundtown's business, net assets, financial condition, cash flow, results of operations, net profits and prospects.

***Continuing uncertainty regarding the development of the global economy may result in economic instability, limited access to debt and equity financing and possible defaults by Aroundtown's counterparties.***

The global financial crisis of 2008 and 2009 resulted in a severe global economic downturn characterised by economic and political uncertainty, tensions in financial and capital markets and greatly weakened consumer confidence and levels of consumption. This downturn adversely impacted economic development worldwide, and its effects continue to generate uncertainty regarding the development of the global economy. The global economic crisis resulted in ongoing sovereign debt and financial deficit crises in many parts of the world, particularly in the Eurozone, resulting in recessions and slowed economic development from which some Eurozone countries are only now beginning to recover. Public debt and unemployment levels remain high in many countries in the Eurozone, such as Ireland, Spain, Greece and Portugal, and future economic growth in the Eurozone is threatened by the fragile state of economic recovery in many Eurozone countries. If a long-lasting solution to the ongoing sovereign debt and financial deficit crisis cannot be found, this may result in bankruptcies of states, withdrawal of states from the Eurozone and/or European Union and the re-introduction of national currencies.

The troubled macroeconomic environment also gave rise to ongoing economic and political instability, including the possibility of a breakup of the Eurozone. In addition, the outcome of "Brexit" vote and the United Kingdom's withdrawal from the European Union, the current severe geopolitical crises in the Middle East, North Korea, Ukraine, the ongoing economic sanctions against the Russian Federation, the world-wide threat of terror, the uncertain economic prospects in China and other parts of the world, the results of upcoming elections in a number of Eurozone countries (including in France and Germany), the possibility of increased barriers to trade or "trade wars" in or with other countries or regions and other factors, such as the fluctuation of raw material prices and currency fluctuations. Such instability and the resulting market volatility may

also create contagion risks for economically strong countries such as Germany and may spread to the German or other Eurozone financial sectors and to the German, Dutch and other Eurozone commercial and residential real estate markets. The German economy, which is highly dependent on its exports, might also be adversely impacted by trends to limit global free trade and by the introduction of market entry barriers such as market access taxes or tariffs. In particular, if the United States of America should introduce additional market access barriers for German or European businesses, this might negatively affect the overall German economic environment.

Aroundtown relies on access to the financial markets in order to refinance its debt liabilities and gain access to new financing. Any worsening of the economic environment or the financial markets may reduce Aroundtown's ability to refinance its existing or future liabilities or gain access to new financing, in each case on favourable terms or at all. Furthermore, Aroundtown's counterparties, in particular its hedging counterparties, may not be able to fulfil their obligations under the respective agreements due to a lack of liquidity, operational failure, bankruptcy or for other reasons.

The occurrence of any of these risks may have a material adverse effect on Aroundtown's business, net assets, financial condition, cash flow and results of operations.

***The business of Aroundtown and the real estate markets in Germany and in the Netherlands and in their regional sub-markets are affected by changes in general economic and business conditions. The current economic situation is characterised by low interest rates, high valuations and an increased demand for investments in real estate. A rise in interest rates could have a material adverse effect on real estate markets and on the business of Aroundtown.***

The global financial and economic crisis of 2008 and 2009 and the resulting slow global economic recovery have resulted in increased uncertainty regarding future economic developments. This uncertainty regarding the general economic outlook has made investment opportunities that provide stable and largely predictable cash flows more popular, such as investments in German real estate. This trend has been reinforced by the low interest rate environment in Europe. As a result, property valuations, demand for investments in real estate and the value of real estate companies have generally increased. These developments could reverse if, for example, interest rates were to rise, as has already begun to happen in some parts of the world. An increase in interest rates could be driven by economic conditions, resulting in increased investor interest in investments with a higher risk profile and a decrease in interest in real estate investments.

An increase in interest rates could adversely impact Aroundtown's business in a number of ways. Although Aroundtown's current debt structure primarily involves debt at fixed interest rates or, where variable interest rates apply, is predominantly subject to interest rate hedging agreements, a future increase in interest rates may have a negative impact on Aroundtown. In general, rising

interest rates (or market expectations regarding future increases in interest rates) would make financing needed by Aroundtown for its acquisition, capital expenditure (“**capex**”) and/or other real estate activities more expensive. Similarly, the willingness of purchasers to acquire real estate in such situations may be negatively affected, thereby restricting Aroundtown's ability to dispose of its properties on favourable terms when desired. Rising interest rates could also impair the future performance of Aroundtown's business, including future acquisitions and sales.

In addition, the discount rate used to calculate the fair value of real estate properties tends to increase in an environment of rising interest rates, which in turn could result in the properties held by Aroundtown and/or GCP having a lower fair value, resulting in significant losses for Aroundtown. Rising interest rates and economic recovery could also prompt investors to prefer investments which potentially have a higher yield than investments in real estate, which could lead to a general decrease in the value of real estate, thereby having a negative impact on the valuation of the properties held by Aroundtown and/or GCP. For more information, see "*Valuation Risks*".

The occurrence of any of these risks may have a material adverse effect on the business, net assets, cash-flows, financial condition, results of operations, net profits and prospects of Aroundtown.

***The future growth of Aroundtown depends on the availability of real estate properties with value-add potential. The real estate markets are competitive, and competition may increase in the future.***

Aroundtown seeks to acquire properties which Aroundtown believes have value-add potential, and the future growth of Aroundtown depends on the availability of such properties for purchase at attractive prices. Given the current high demand for real estate in particular in Germany, such properties or portfolios of such properties may be unavailable or available only on unfavourable terms or at unattractive prices. While Aroundtown is focused on acquisitions of commercial properties, in particular office, hotel and retail properties, many of the commercial properties available on the market do not fit Aroundtown's investment criteria. Similar difficulties are also present in the residential real estate markets, including opportunities in the German residential real estate market for GCP. Due to the ongoing consolidation process within the German residential real estate market the number of available properties has further decreased. In addition, a number of factors beyond Aroundtown's control, such as the overall development of real estate markets, construction activity, zoning and planning laws and competition in its target markets, influence the availability of office, hotel, retail and residential properties generally. There is no guarantee that Aroundtown will be able to continue to identify or acquire a sufficient number of suitable properties that will allow it to successfully implement its business strategy or grow its business effectively.

The supply of real estate portfolios available for sale may also be reduced due to fewer sales by private or public sellers. If public and/or private entities reduce or cease privatising or selling their real estate holdings, supply, in particular for residential real estate, could be reduced, which may result in increased competition for acquisitions of suitable properties and may motivate potential sellers to sell properties through an auction process. The use of auction processes for the sale of properties has grown increasingly common and may increase in the future. Any of these factors may result in increased prices for the types of properties which are the strategic focus of Aroundtown and/or of GCP. As a result, it could be more difficult for Aroundtown and/or of GCP to successfully acquire properties, which could limit their ability to grow their businesses effectively.

Aroundtown is also exposed to competition from local and international investors as well as other markets in which it seeks to operate. Aroundtown competes to acquire attractive properties with other investors, such as international real estate funds, German open-ended and closed-ended funds, German real estate investment trust stock corporations (*REIT-Aktiengesellschaft*), Dutch real estate companies, pensions funds and other European and international companies, any of which may have greater resources, better information or better access to properties or financing than Aroundtown and/or GCP. Aroundtown also competes with other property companies, investment funds, institutional investors, building contractors, individual owners and other entities to attract and retain suitable tenants on favourable conditions. Competition in the real estate markets Aroundtown and GCP are active in is generally intense and could further intensify in the future. There is no guarantee that Aroundtown will be able to successfully compete in any of the regions within its strategic focus or will be able to enter new regions successfully. Changes in law or regulation may also create environments in which Aroundtown can no longer effectively compete.

The occurrence of any of these risks may have a material adverse effect on the future business, cash flows, financial condition and results of operations of Aroundtown.

### **Risks Relating to the Business of Aroundtown**

***Aroundtown may not succeed in improving or adding value to its properties, such as increasing occupancy rates, rent levels and/or the weighted average lease term.***

Aroundtown focuses on acquiring properties which it believes have upside potential, primarily through operational improvements such as increased occupancy rates, rent levels and/or duration of lease terms. The success of Aroundtown depends significantly on Aroundtown's ability to improve and add value to the properties that it acquires, primarily by reducing vacancy rates and operating costs while increasing rent levels and WALT.



Aroundtown's ability to increase its rental income and the WALT from new and existing tenants and to reduce vacancy rates depends on many factors, including, in particular, the demand for its properties, local market rents, the condition and location of its properties, required capex, refurbishment and modernisation measures and tenant turnover rates. Even if increased capex, refurbishment or maintenance measures would merit increases in rents as a commercial matter, Aroundtown's ability to increase rents is subject to certain limitations, including competition. Rent levels for properties held by Aroundtown and/or GCP are also subject to the restrictions of relevant tenancy and other laws, as well as in certain cases contractual restrictions under purchase or financing arrangements in connection with the property, specific terms agreed with tenants under their leases, or conditions imposed as a consequence of having received government funding or public subsidies.

As a consequence, Aroundtown and GCP might not be able to reduce vacancy rates and increase rental income and the WALT in a manner or to the extent that Aroundtown expects, and vacancy rates in its properties may increase. The occurrence of any of these risks may have a material adverse effect on the business, net assets, cash flows, financial condition, results of operations, net profits or prospects of Aroundtown.

***The geographic composition of the property portfolio might change in the future due to further acquisitions or divestures.***

Aroundtown follows an opportunistic approach to acquisitions and focuses on real estate property which it believes has upside potential. As a result, Aroundtown continuously seeks investment opportunities throughout the regions of its strategic focus but also in other markets that it believes might meet its investment strategy. Consequently, the geographical composition of the property portfolio may change, either as a result of new acquisitions or as a result of divestitures of properties by the Company or other members of Aroundtown. A change in the geographical composition of the property portfolio may lead to increased concentration in certain geographical areas, or introduce dependencies on regional market conditions in new or different geographical areas, which may have different fundamentals, trends or legal, regulatory and tax regimes than the current regions where the properties are located. A broader geographical distribution may also result in additional costs in connection with the management of the properties and reduce the benefits of economies of scale. A different geographical distribution of the property portfolio may also result in reduced availability of market data, which could limit Aroundtown's ability to predict the performance of its investments. The same risks apply if the regional distribution of the property portfolio held by GCP should change.

The occurrence of any of the foregoing factors may have a material adverse effect on the business, net assets, cash flows, financial condition, results of operations, net profits and prospects of Aroundtown.

***Aroundtown is exposed to concentration risks and other negative developments which could affect demand for its properties or have significant impacts on key tenants or properties, any of which could have a material adverse effect on Aroundtown's business.***

Aroundtown is exposed to concentration risks due to its focus on certain types of real estate asset types, its concentration on certain geographies, and its reliance in the case of certain properties on a limited number of key tenants. The performance of Aroundtown may be disproportionately impacted by events or market developments occurring in specific regions or by developments that affect certain types of commercial or residential real estate. In the event of developments that impact certain key tenants, Aroundtown may be unable to find suitable replacement tenants at attractive rent levels or at all. Any of these developments may result in increased vacancy rates and decreased rent levels for the properties held by Aroundtown, or have a significant negative effect on Aroundtown.

In addition, demand for office, hotel and retail properties is not only affected by the overall development of the commercial real estate market, but also by commercial developments affecting existing and potential tenants for these types of properties. Such developments include an increase in food purchases over the internet and the trend towards smaller, high-quality food retailers for Aroundtown's retail properties, the trend towards working from home offices or from tax friendly headquarters located away from city centres for Aroundtown's office properties and the development of new or increased taxes, such as city tourism and hotel taxes, for Aroundtown's hotel properties. Also travel patterns for commercial or leisure travel, or the impact of war, actual or threatened terrorist activity impact the demand for hotel rooms. The ongoing increase in sales and retail activity over the Internet has and will likely continue to negatively affect demand for retail real estate. Although Aroundtown takes steps to adapt its properties in response to market developments, there is no guarantee that Aroundtown will be able to successfully predict or adapt to changes that may impact its tenant base.

The occurrence of any of the foregoing risks may have a material adverse effect on the business, net assets, cash flows, financial condition, results of operations, net profits and prospects of Aroundtown.

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

The letting of properties is one of the most important aspects of Aroundtown's business. Aroundtown's rental income depends on its ability to let its properties at profitable rent levels. Such efforts are influenced by a number of factors, including the remaining term of existing lease agreements, the commercial conditions of current tenants and the attractiveness of properties for new or existing tenants. Aroundtown may be unable to renew expiring lease agreements on acceptable terms or to find suitable tenants willing to enter into new lease agreements. There is

also no guarantee that Aroundtown will be able to successfully compete for suitable tenants with other landlords, who may be able to offer more attractive properties, lease terms and/or rent levels. If Aroundtown misjudges the attractiveness or future attractiveness of its properties, it may be difficult to find suitable tenants that are willing to rent its properties at the rent levels or for the time periods anticipated by Aroundtown.

Failure to find and retain suitable tenants may prevent Aroundtown from maintaining its current vacancy rate or renting vacant space, or may force Aroundtown to reduce the rent levels it demands from current and future tenants. In particular, with respect to Aroundtown's hotel properties, the number of potential tenants is limited, and suitable tenants must have sufficient experience with, and capacity for, operating hotels, as well be eligible to receive the relevant permits in order to operate hotel properties. Aroundtown's ability to find new tenants for its hotel properties depends on many factors, including factors that are beyond its control, such as demand for hotel rooms, profitability margins on hotels and the hotel industry generally, and the level of competition in the hotel sector.

In addition, the financial capacity or creditworthiness of Aroundtown's tenants may deteriorate over time, reducing their ability to make payments under their leases on time or at all. Reductions in tenants' abilities to make payments under their leases may force Aroundtown to reduce rent levels for the relevant properties, resulting in rental income that is significantly lower than originally estimated, while Aroundtown's operating costs might remain largely fixed or even increase. Aroundtown may also be forced to engage in expensive and time-consuming administrative or legal proceedings in order to evict certain tenants, or as the result of insolvency or other restructuring activities undertaken by its tenants, which may result in modifications to the terms of Aroundtown's leases with or without its consent. Although Aroundtown takes steps to verify the financial capacity of its tenants prior to entering into leases with them, Aroundtown cannot predict the financial stability and commercial viability of its tenants going forward.

The occurrence of any of the foregoing risks may have a material adverse effect on Aroundtown's business, net assets, financial conditions, cash flows, results of operations, net profits or prospects.

***Rent indexation clauses in Aroundtown's lease agreements could adversely affect Aroundtown's rental income.***

Some of Aroundtown's lease agreements include clauses providing for full or partial indexation of the applicable rent in line with a reference index, such as the German or Dutch consumer price indexes. Rent levels under these leases will fluctuate based on changes in the reference index, and rental income may decrease. If a lease agreement does not contain an indexation or equivalent adjustment clause, or if such clauses are found to be invalid, the applicable rent may remain constant for the term of the lease agreement, while Aroundtown's costs of maintaining the

respective property may increase over time due to inflation. This risk is compounded by the fact that many of Aroundtown's lease agreements provide for long-term leases.

The occurrence of any of these risks may have a material adverse effect on Aroundtown's business, net assets, financial condition, cash flows, results of operations, net profits or prospects.

***With respect to certain of its properties GCP is subject to contractual rent restrictions or restrictions on disposal under so-called charters of social rights (Sozialchartas) or under subsidies from public authorities which restrict the level of rents chargeable.***

As of end of March 2017, approximately 6 % of GCP's residential units were subject to one or more contractual restrictions. Residential real estate transactions often include contractual provisions restricting a buyer's right to sell the acquired properties, to increase the rent or to terminate existing leases. These restrictions might reduce the attractiveness of the affected units for prospective purchasers. Such restrictions often result from so-called charters of social rights (*Sozialchartas*) which are especially common in connection with the privatisation of publicly-owned property, where the selling public authorities (particularly cities and municipalities) often intend to mitigate potential social effects of such transactions, or when these portfolios are subsequently sold on to third parties. Usually, most obligations lapse in full or in part after a certain period of time. In addition, GCP receives grants from public authorities in the form of construction subsidies, expenses subsidies, expenses loans and low-interest loans that impose certain limitations. As of 31 March 2017, approximately 6 % of GCP's properties were rent-restricted due to subsidies provided by publicly owned economic development banks. Most of the subsidies are granted in the form of low-interest long-term loans. The public bodies granting a subsidised loan impose maximum rent levels on the properties constructed, acquired or modernised using such subsidised loan in order to compensate for construction, financing and property-related costs. Although the rent levels set by the public bodies are significantly below current market rents for a number of rent-restricted residential units, it may be difficult to increase rents to market levels after the lapse of subsidy restrictions because of a lack of tenants who are willing or able to pay market level rents for such properties. Some of the aforementioned restrictions may limit GCP's ability to attractively market parts of its residential properties, which could in turn lower the fair value of GCP's property portfolio and limit its ability to generate cash flow from selective divestitures. As Aroundtown depends on the performance of GCP, any of these factors might also adversely impact Aroundtown's business, net assets, financial condition, cash flow and results of operations.

***The loss of rent, reductions in rent, higher vacancy rates and shorter lease terms may have a negative effect on Aroundtown's business, net assets, cash flows, financial condition, results of operations, net profits and prospects.***

The business of Aroundtown strongly depends on the rental income generated by its properties, which is influenced by the rent levels, vacancy rates and the WALT of such properties. The same applies to the business of and properties held by GCP. Any decrease in demand for commercial or residential real estate (whether due to general economic, demographic, political or market developments or due to conditions in particular regions or at particular properties) may result in a loss of rent, reductions in rent, higher vacancy rates or shorter lease terms, any of which could result in a substantial decline in the overall rental income of Aroundtown and/or GCP. If tenants fail to meet their rent payment obligations in whole or in part (e.g., due to a deterioration of their financial situation or a deterioration of their business activity or the regions in which they operate), or if large numbers of tenants or certain key tenants terminate their leases, Aroundtown could suffer a substantial decrease in overall rental income. Even if Aroundtown is able to re-let the affected properties, there is no guarantee that it will be able to do so in a timely fashion, on attractive terms or at all. If GCP would suffer a substantial decrease in its overall rental income, this could indirectly also negatively impact Aroundtown and the value of its shareholding in GCP.

Aroundtown is also required to maintain its properties in the conditions required by their respective lease agreements, by law and in certain cases according to the provisions of financing or loan agreements. If the required maintenance measures are not performed on time or at all, the rent that Aroundtown is able to charge for the affected properties may be reduced, in some cases substantially.

The occurrence of any these factors may have a material adverse effect on the business, net assets, cash flows, financial condition and results of operations of Aroundtown.

***Aroundtown is exposed to risks related to capex, maintenance, repositioning and repair of properties. The capex, modernisation and repositioning of properties, as well as their ongoing maintenance, may take more time, be more expensive or ultimately be less effective than originally anticipated.***

Aroundtown is required to maintain its properties in good condition, based not only on the requirements of law and its obligations under the relevant lease agreements, but also based on the quality of similar properties in the relevant regions where the properties are located. Aroundtown performs maintenance and repairs, as well as invests capex, in its properties for many reasons, including among others to increase value, to order to avoid loss of value and to maintain demand for its properties. Modernisation, refurbishment and capex for Aroundtown's properties may also be necessary in order to increase their appeal or to meet changing legal requirements, such as provisions relating to modernisation and energy savings. In some cases,

the amount invested in a property by Aroundtown may be significant. In addition, under a small number of loan agreements, Aroundtown has an obligation to invest a certain amount into specified properties.

The properties held by Aroundtown may from time to time require investment for targeted modernisation and repositioning. Some of these properties were acquired following periods of mismanagement and may not have received adequate investment from previous owners, resulting in significant modernisation, repositioning, capex and fit-out costs, which could well exceed the costs of general maintenance.

Although Aroundtown takes steps to predict the expenses associated with its properties, there is no guarantee that Aroundtown has predicted, or will correctly predict in the future, the amount of time and money that it must spend on maintenance, repairs, modernization, repositioning, fit-out or capex and development of its properties. These costs may increase substantially as a result of many factors, such as increased costs of materials, increased labour costs, increased energy costs, bad weather conditions, unexpected safety requirements or unforeseen complexities and developments at the building site. Aroundtown may be unable to undertake work on its properties in a timely fashion or at all for many reasons, including lack of a skilled labour force, bad weather conditions or the failure of contractors or subcontractors to adhere to agreed-upon time schedules or continue as going concerns during the course of necessary work. Further, necessary building or other permits may be delayed or denied, or only issued subject to further restrictions or with fewer rights than anticipated by Aroundtown. In addition, the impact of these factors may be more significant for Aroundtown, which invests from time to time in properties that may have experienced periods of mismanagement, than for investors in properties that have been better maintained. In the case of acquired property portfolios, Aroundtown may not be contractually protected against these costs and may not have been able to adequately predict or foresee them prior to the acquisition of the relevant properties.

Aroundtown may selectively choose to engage in development activities if it can identify suitable opportunities. Such developments, which may be long-term in nature, are associated with numerous risks, including cost overruns, which may result in projects become unprofitable, and changes in the economic environment, which may make it difficult to complete projects on time or realize the returns Aroundtown anticipates upon beginning such projects.

The occurrence of any of these factors may have a material adverse effect on the net assets, cash flows, financial condition, results of operations, net profits and prospects of Aroundtown.

***The growth of Aroundtown depends on its continuing ability to acquire properties with value-add potential. A key factor for the growth of Aroundtown has been its ability to acquire properties via its sourcing network and through transactions in a variety of forms. Aroundtown may fail in its ability to source or acquire suitable properties.***

Aroundtown's business model includes the acquisition of properties with value-add potential. Aroundtown's growth relies on its ability to acquire such properties through its sourcing network, including the contacts of its key personnel. There is no guarantee that Aroundtown's sourcing network will provide it with sufficient opportunities or that Aroundtown will be able to maintain its sourcing network in the future. In addition, other investors may succeed in gaining access to the same sources of information and/or properties that Aroundtown has relied on in the past, thereby undermining the value of Aroundtown's sourcing network. Further, there can be no guarantee that new direct or indirect competitors will not arise.

Aroundtown acquires properties through transactions in a variety of forms, including without limitation asset-based transactions, share deals and acquisitions of non-performing loans (“NPL”) in a variety of forms. In the case of acquisitions of properties via NPLs, Aroundtown may be unable to gain access to the underlying property in the time period anticipated by Aroundtown, and may fail to gain access to the property at all, or may only do so at a significantly greater cost than anticipated. As a result, there is no guarantee that Aroundtown will be able to gain access in a timely fashion or at all to the properties it has attempted to obtain by means of NPLs.

The occurrence of any of these risks may have a material adverse effect on the future business, net assets, cash flows, financial condition, results of operations, net profits and prospects of Aroundtown.

***Aroundtown may be unable to make acquisitions if it is unable to obtain the necessary funds.***

Aroundtown's ability to make future acquisitions may be limited if Aroundtown is unable to obtain necessary funds through additional debt or equity financing, each on acceptable terms. Further, additional debt incurred in connection with future acquisitions could have a significant negative impact on Aroundtown's performance indicators, and could result in higher interest expenses for Aroundtown. If Aroundtown is no longer able to obtain the debt or equity financing it needs to acquire additional property portfolios, or if it is able to do so only on onerous terms, its future business development and competitiveness could be severely constrained. A shortage of financing may prevent Aroundtown from growing.

Since 2014, the Company has successfully raised debt and equity financing through the issuance of new shares, the issuance of debt securities and perpetual notes, in addition to raising financing through bank loans. There is no guarantee that the Company will be able to obtain debt or equity

financing as needed or on favourable terms or at levels that would allow it to acquire additional properties in the desired volumes.

The occurrence of any of these factors may have a material adverse effect on Aroundtown's business, net assets, financial condition, cash flows, results of operations, net profits and prospects.

***Aroundtown's acquisitions and investments involve risks, including unexpected liability claims, increased indebtedness and interest expenses, the impact of German, Dutch or other real estate transfer taxes, and the failure of acquired properties or portfolios to develop or perform as expected.***

Before acquiring a property or portfolio of properties, Aroundtown generally performs a due diligence exercise in order to evaluate the properties and to identify risks connected with the properties. There can be no assurance as to the adequacy or accuracy of information provided during any due diligence exercise or that such information will remain accurate following the conclusion of the due diligence exercise until the acquisition of the relevant properties. In certain situations Aroundtown may enter into transactions with only limited time to conduct due diligence and/or on the basis of limited, missing, inconsistent or incomplete information. Particularly in the case of properties or property portfolios that were mismanaged, have deteriorated or were sold under financial, legal or time pressure, information regarding the properties may be limited, missing, inconsistent or incomplete.

Aroundtown purchases property through transactions in a variety of forms, such as asset purchases, stock purchases and the purchase of NPLs. These types of transactions differ in the amount of information that can be provided to Aroundtown and the time that Aroundtown is given to review it. It is possible that Aroundtown may have overlooked or not received information regarding certain risks, especially where transactions were closed under financial, legal or time pressure. These risks, among others, relate to title and security searches, planning permissions and conditions, building permits, revisions to zoning plans, licences, fire and health and safety certificates and the compliance with related regulations as well as restrictions in connection with historic preservation laws, subsidised housing or contractual limitations imposed by the seller of the respective property that may relate to investment obligations, limitations as to rent increases or other provisions for extra-statutory tenant protection.

In the case of environmental risks, Aroundtown or the original acquirers, as the case may be, may not have been able to undertake (or obtain results for) inspections and surveys (including labour and time intensive environmental and asbestos investigations and technical surveys) that Aroundtown would otherwise have carried out in the course of comparable acquisitions. In respect of certain properties in Aroundtown's portfolio, only limited investigation or review was undertaken prior to purchase as to the existence of harmful environmental contamination.



Even if supplied with sufficient information, there is no guarantee that Aroundtown will be able to correctly evaluate and predict the impact of the risks and information that it receives. It is possible that damage or quality defects could remain entirely undiscovered or misunderstood, or that the scope of such problems may not be fully apparent in the course of Aroundtown's due diligence exercise, and/or that defects may only become apparent at a later time. In general, sellers exclude liability for hidden defects in properties which they sell, which would prevent a claim for any loss incurred by Aroundtown in connection with the acquisition of such property. Even if liability for hidden defects has not been fully excluded, it is possible that the representations and warranties made by the seller in the course of the sale of the property failed to cover all risks and potential problems.

Besides the risks directly related to the properties to be acquired, any acquisition also involves significant use of internal personnel resources and management capacity, which cannot be used otherwise. Certain acquisitions may be disproportionately time consuming and may limit the ability of Aroundtown to successfully engage with other projects.

If Aroundtown is not successful in raising additional capital at reasonable costs, it could be unable to acquire additional properties. Additional indebtedness in connection with future acquisitions might have a negative impact on key performance indicators, such as net asset value calculated in accordance with the recommendations of the European Public Real Estate Association ("**EPRA**") ("**EPRA NAV**") and loan-to-value ratio ("**LTV**"), which might trigger an increase in interest expenses. In addition, certain performance indicators material for the rating of Aroundtown might be adversely affected by acquisitions or Aroundtown might breach financial covenants under existing loan agreements or its outstanding debt securities (see: "*General Information - Rating*" and "*Material Contracts - Finance Agreements*").

Since the introduction of section 1 para 3a of the German Real Estate Transfer Tax Act (*Grunderwerbsteuergesetz*) generally might be avoided only, if the direct and indirect ownership interest of the Company in newly acquired property companies is less than 95 %. Should the Company intend to acquire new properties on a tax neutral basis, Aroundtown might have to cooperate with one or more third parties, which will acquire 5 % or more in the property. This might add complexity to the acquisition process, introduce stronger minority rights of partners and consequently might increase the acquisition costs and the management costs of the property.

Accordingly, in the course of acquiring a property portfolio, specific risks might not be or might not have been, recognised or correctly evaluated which could lead to additional costs and could have an adverse effect on the proceeds from rental income and sales of the relevant properties.

The occurrence of any of these factors may have a material adverse effect on the business, net assets, cash flows, financial condition, results of operations, net profits and prospects of Aroundtown.

***There is a risk that Aroundtown may incorrectly appraise the value of acquired properties or property portfolios, real estate companies or non-performing loans before, during and after an acquisition.***

Prior to an acquisition, Aroundtown carries out an examination and evaluation of the properties to be acquired, which typically includes developing an initial business plan for the properties after taking into account required maintenance, refurbishment, modernisation, repositioning or capex measures.

The assumptions, estimates and judgments made by Aroundtown in connection with its acquisition of properties, property portfolios, real estate companies or NPLs may be mistaken, inaccurate or incorrect, particularly with respect to anticipated rent and vacancy levels, commercial attractiveness, relevant costs and timeframes, and any other liabilities associated with the acquisition. During periods of reduced activity in the real estate markets, or periods of economic, political or market volatility, market prices for properties may be difficult to assess. In addition, the valuation methods used could subsequently be found to have been unsuitable for the environment during the periods in question.

Accordingly, the actual performance of acquired properties may differ substantially from the performance predicted by Aroundtown at the time of acquisition. It may be more difficult to lease or sell such properties than anticipated, market rents could decline or fail to achieve the levels anticipated by Aroundtown, and vacancy rates may exceed Aroundtown's projections or even increase following the acquisition.

Due to the numerous factors that affect the performance of property and real estate markets, there is no guarantee that the properties acquired by Aroundtown will perform in the way anticipated by Aroundtown at the time of acquisition. Incorrect and erroneous valuations in connection with the acquisition of property portfolios and other unforeseeable events could result in Aroundtown being unable to achieve its projected yields, leading to the risk that valuations of the properties at their acquisition or later on have to be adjusted downwards (see: "*Valuation Risks - Real estate valuation is based on assumptions that may change and are inherently subjective and uncertain. The values recorded in the Company's consolidated financial statements may not reflect the value of Aroundtown's properties*").

The occurrence of any of these factors may negatively affect the value of the property portfolio of Aroundtown as reported in its financial statements and may lead to negative impacts on the business, net assets, cash flows, financial condition, results of operations, net profits and prospects of Aroundtown.

***Aroundtown's investments are predominantly investments in real estate or real estate companies. Due to the potentially illiquid nature of the real estate market, Aroundtown***

***may not be able to sell any portion of its portfolio or investments on favourable terms or at all.***

Aroundtown primarily invests in real estate or in real estate companies. While the general strategy of Aroundtown is to hold properties that it acquires, Aroundtown will from time to time sell properties or portfolios of properties if attractive opportunities or market conditions arise. The ability of Aroundtown to sell its properties generally depends on the liquidity of the real estate markets at the time of the potential sale. The demand for real estate assets is influenced by, among other factors, the quality of the property, vacancy rates, the overall economic and market situation at the time of the sale, the level of interest rates and the availability of debt financing to market participants.

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

The occurrence of any of the foregoing factors may have a material adverse effect on the business, net assets, cash flows, financial condition, results of operations, net profits or prospects of Aroundtown.

***Aroundtown may be exposed to losses and liabilities (including tax liabilities) in respect of its assets as a result of the acts or omissions of vendors or previous owners or occupiers or relating to the prior period of ownership.***

Aroundtown may be exposed to losses and liabilities including, but not limited to, tax, environmental or regulatory liabilities, in respect of properties Aroundtown has acquired or will acquire in the future, as a result of the acts and omissions of the relevant vendors or previous owners or occupiers of such assets or relating to the prior period of ownership in question. When Aroundtown acquires property by means of the acquisition of other companies, the liabilities, provisions and other values booked by Aroundtown may not accurately reflect the actual values of the property or the company or the result that Aroundtown anticipated as part of the acquisition. The actual values may be materially lower than the face values recorded by Aroundtown, which may result in significant losses for Aroundtown. There is no guarantee that Aroundtown will be aware or able to determine the scope of such losses and liabilities prior to acquiring the assets.

The occurrence of any of these risks may have a material adverse effect on the business, net assets, cash flows, financial condition, results of operations, net profits and prospects of Aroundtown.

***Following an acquisition, Aroundtown is exposed to integration risks.***

After the acquisition of properties or a property portfolio, the properties must be integrated into Aroundtown's existing management platform. Aroundtown has developed an IT-based platform that is intended to provide efficient in-house management of its real estate portfolio, as well as the efficient integration of newly acquired properties. The integration of acquired portfolios may be more difficult or take longer than anticipated and cost savings and synergies may not develop as expected, resulting in higher administrative and management costs than anticipated by Aroundtown.

Also, the integration of IT systems of newly acquired property portfolios or real estate companies into the existing IT platform of Aroundtown or transmission of the respective data into the IT system of Aroundtown could require significant time, effort and related costs. As Aroundtown continues to grow, further acquisitions could cause a significant increase in such costs, or in other costs related to the development and maintenance of Aroundtown's IT systems.

The occurrence of any of these factors may have a material adverse effect on the business, net assets, cash flows, financial condition, results of operations, net profits and prospects of Aroundtown.

***The Company is not a majority shareholder in GCP, and the other shareholders of GCP may take resolutions or implement measures that are not supported by the Company or that are contrary to Aroundtown's strategy, policies or objectives.***

Although the Company is as of the date of this Prospectus)the largest single shareholder of GCP, holding 36 % of the shares in GCP as of the date of this Prospectus, the Company is not a majority shareholder in GCP. Accordingly, there is no guarantee that the other shareholders of GCP will not take resolutions or implement measures that are not supported by the Company or that are contrary to Aroundtown's strategy, policies or objectives. Thus, Aroundtown's influence on GCP is limited and there is no guarantee that the Company will be able to influence GCP to an extent it considers beneficial to its business. In addition, if the Company's shareholding in GCP decreases in the future, for example through conversions of GCP's outstanding convertible bonds or through capital increases, the Company's ability to influence important decisions at GCP might further decline. The occurrence of any of the foregoing factors may have a material adverse effect on the business, net assets, cash flows, financial condition and results of operations of Aroundtown.

***GCP's business is subject to a number of risks, and GCP may not manage or develop its business properly.***

GCP is a publicly traded specialist real estate company that focuses on investing in the German residential real estate market. As such, GCP is exposed to a number of risks which are similar to those described in this Prospectus with respect to the Company and Aroundtown, including without limitation demographic, economic, political and market developments in Germany, political and economic uncertainty in the Eurozone and the potential impact of "Brexit" referendum and the withdrawal of the United Kingdom from the European Union, uncertainty regarding global economic development, the potential impact of changes in interest rates, the availability of real estate for purchase and the impact of competition on the ability of GCP to pursue its business strategy, the ability of GCP to successfully manage its properties, potential changes in geographic composition and concentration risks in GCP's property portfolio, the ability of GCP to find and retain suitable tenants for its properties, the impact of capex, maintenance, repositioning and repair of its properties, the strength of GCP's sourcing network and its ability to retain senior management and key personnel, the availability of funding and the ability of GCP to access the capital markets on favourable terms or at all, fluctuations in the fair valuations of its properties, integration risks for newly acquired properties, potential environmental, building code or other legal, regulatory, tax or administrative liabilities in connection with its properties or business, interruptions to information technology or other operational systems, insufficient insurance coverage, defective or insufficient risk management systems, loss of reputation in the market place, the impact of financial covenants and other limitations on GCP's business under its existing financing arrangements and debt securities, the impact of ongoing legal disputes or administrative proceedings, and the impact of, and potential changes to, the legal, regulatory, administrative and tax regimes in Germany, Luxembourg and the other areas where GCP operates.

There is no guarantee that GCP will be able to successfully meet these risks or manage or develop its business going forward. Also, the ability of Aroundtown to influence any of these developments is limited due to its minority shareholding. Any negative developments with respect to the risks facing GCP or any misjudgement, miscalculation, failure or inability of GCP to react to such developments or to manage or develop its business successfully may have a material adverse effect on the business, net assets, cash flows, financial condition, results of operations, net profits and prospects of GCP, and in turn, may have a material adverse effect on the share price of GCP, the value of the Company's stake in GCP.

The occurrence of any of the foregoing factors may have a material adverse effect on the business, net assets, cash flows, financial condition and results of operations of Aroundtown.

***Minority interests of third parties in subsidiaries of Aroundtown or co-investments may make it difficult to implement significant structural changes or other material decisions***

***with regard to these entities, in particular, where those resolutions require a qualified majority or the unanimous consent of all shareholders of these entities.***

In some entities of Aroundtown, the Company and/or its subsidiaries do not own all shares and/or do not hold all voting rights in such entities and are thus exposed to the influence of other shareholders or joint venture partners in the respective entity, including the holdings of minority shareholders. In some cases, significant structural changes or other material decisions with respect to such entities may only be implemented with qualified majority consent and/or the consent of the remaining shareholders or the joint venture partner. Such exposure to other shareholders' influence and interests may limit Aroundtown's flexibility to implement Aroundtown's strategy, policies or objectives. This could affect the distribution of dividends from such subsidiary or the sale of shares in such subsidiary or related properties. Furthermore, a joint venture partner or minority shareholder may have economic or business interests or goals that are inconsistent with those of Aroundtown, take actions contrary to Aroundtown's strategy, policies or objectives, experience financial or other difficulties or be unable or unwilling to fulfil their obligations under their co-investment agreements.

The occurrence of any of the foregoing factors may have a material adverse effect on the business, net assets, cash flows, financial condition, results of operations, net profits and prospects of Aroundtown.

***The Company is subject to certain obligations and restrictions due to the stock listings of the Company, PCI and GCP.***

Presently, the Company's shares are listed on the Alternext market segment of the Paris Euronext stock exchange and on the open market of the Frankfurt Stock Exchange. Consequently, the Company is exposed to the restrictions and obligations arising from the applicable laws and regulations in France, and is expected to comply with the requirements applicable to companies whose shares are listed on Euronext Paris as well as the requirements of the Frankfurt Stock Exchange. Primecity Investment plc ("**PCI**"), a subsidiary of the Company holding Aroundtown's hotel properties, is also listed on the Alternext market segment of the Paris Euronext. GCP is listed on the regulated market of the Frankfurt Stock Exchange in the Prime Standard segment.

These stock listings impose obligations and restrictions on the Company, PCI and GCP under the applicable capital markets provision, such as the European Market Abuse Regulation including prohibition of insider trading, insider lists, disclosure of inside information as well as under applicable rules of the relevant stock exchange. In addition, the Company, as a result of being a shareholder of PCI and GCP, is subject to applicable capital markets laws and regulations, such as certain notification obligations on shareholding, public takeover regulations and squeeze-out provisions.

These laws and regulations are constantly evolving, and the diversity and complexity of these laws and regulations create a risk that, in some instances, the Company may be deemed liable for violations of such laws and regulations, in particular, in connection with a failure to comply with those laws and regulations.

Any violation or breach of these laws and regulations could affect the overall reputation of the Company and, depending on the case, expose the Company to administrative or judicial proceedings, which could result in adverse judgments. Furthermore there is a risk that the obligations arising from such laws and regulations may restrict or adversely influence the possibilities and overall conditions for taking material decisions with respect to the Company's interest in GCP and/or PCI.

The occurrence of any of these factors may have a material adverse effect on Aroundtown's business, financial condition, cash flows, results of operations, net profits and prospects.

***Aroundtown's business is exposed to risks from possible violations of building code and other such regulations in Germany and the Netherlands.***

Aroundtown's business is exposed to the risk of non-compliance with building codes and other such regulations as regards the construction of buildings. Such codes and regulations tend to become stricter over time. As a result, in addition to the risk that properties did not comply with such regulations at the time of acquisition, the building owner's responsibilities could also be further expanded with respect to fire, health and safety protection and environmental protection, which could require additional refurbishment, maintenance and modernisation measures. Furthermore, the projected cost of such measures is based on the assumption that the required permits are issued promptly and consistently with Aroundtown's schedules. It is possible, however, that the required building permits are not issued promptly or are issued only subject to conditions, which may lead to substantial delays in the completion of such modernisation measures and result in higher than projected costs and lower rental income for the relevant properties.

The occurrence of any of these risks may have a material adverse effect on the net assets, cash flows, financial condition, results of operations, net profits and prospects of Aroundtown.

***Aroundtown may incur environmental liabilities, such as from residual pollution including wartime ordnance, soil conditions and contaminants in building materials.***

Properties owned or in the process of acquisition by Aroundtown may contain ground contamination, hazardous substances, wartime relics (including potentially unexploded ordnance) and/or other residual pollution and environmental risks. Aroundtown's properties and their fixtures might contain asbestos or other hazardous substances such as polychlorinated biphenyl ("PCB"), Dichlorodiphenyltrichloroethane ("DDT"), Pentachlorophenol ("PCP") or Lindane above the

recommended levels or above the allowable or recommended thresholds, or the buildings could bear other environmental risks.

Aroundtown bears the risk of cost-intensive assessment, remediation or removal of such ground contamination, hazardous substances, wartime relics or other residual pollution. The discovery of any such residual pollution on the sites and/or in the buildings, particularly in connection with the letting or sale of properties or borrowing using the real estate as security, could trigger claims for rent reductions or termination of letting contracts for cause, for damages and other breach of warranty claims against Aroundtown.

Moreover, environmental laws in Germany and in the Netherlands, such as the German Federal Soil Protection Act (*Bundesbodenschutzgesetz*) and the Dutch Soil Protection Act (*Wet Bodembescherming*), typically impose actual and contingent liabilities to undertake remedial action on contaminated sites and in contaminated buildings or to compensate for damages. These obligations may relate to sites Aroundtown currently owns or sites Aroundtown formerly owned because environmental laws typically impose liability not only on the polluter but also on its legal successor, the owner of the contaminated site and - in some cases - certain previous owners. 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 Aroundtown to have recourse against a former seller of a contaminated site or building or the party that may otherwise be responsible for the contamination, for example, because the former seller or polluter cannot be identified, no longer exists or has become insolvent. Moreover, even the mere suspicion of the existence of ground contamination, hazardous materials, wartime relics or other residual pollution can negatively affect the value of a property and the ability to let or sell such a property.

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 Aroundtown's officers or employees infringe or have infringed environmental protection laws, Aroundtown could be exposed to civil or criminal damages. Aroundtown may be required to provide for additional reserves with respect to its potential obligations to remove and dispose of any hazardous and toxic substances.

The occurrence of any of these risks may have a material adverse effect on the business, net assets, cash flows, financial condition, results of operations, net profits and prospects of Aroundtown.



***Aroundtown could sustain substantial losses not covered by, or exceeding the coverage limits of, its insurance policies.***

The properties held by Aroundtown are generally insured against losses due to fire, flooding, earthquakes and other natural hazards, operational interruptions and third-party liability, as well as terrorism to the extent usual for its business. Aroundtown's insurance policies are, however, subject to exclusions and limitations of liability. Aroundtown may, therefore, have limited or no coverage relating to third-party liability, other natural disasters and other environmental risks or war. Aroundtown may also have limited or no coverage relating to inflation, changes in planning laws or regulations, building codes and ordinances, title defects and defective construction. In addition, Aroundtown's insurance providers could become insolvent.

Aroundtown does not maintain separate funds or otherwise set aside reserves to cover losses or third-party claims from uninsured events. Should an uninsured loss or a loss in excess of Aroundtown's insurance limits occur, Aroundtown could lose capital invested in the affected property, as well as anticipated income and capital appreciation from that property. In such circumstances Aroundtown may incur further costs to repair damage caused by uninsured risks. Aroundtown could also remain liable for any debt or other financial obligation related to such property, and may experience material losses in excess of insurance proceeds.

The occurrence of any of these risks may have a material adverse effect on the business, net assets, cash flows, financial condition, results of operations, net profits and prospects of Aroundtown.

***Aroundtown may face difficulties in replacing key personnel if it loses them.***

The success of Aroundtown depends on the performance of its management executives and qualified employees in key positions, particularly employees active in the management activities of Aroundtown with substantial expertise as to the sourcing of new property portfolios and the value-add and repositioning process for real estate. Aroundtown considers the know-how of its existing management team and key personnel as a key completion strength. Consequently, the loss of one or more members of the board of directors, advisory board, senior management or other key employees of Aroundtown could impair Aroundtown's ability to manage its operations effectively, in particular if Aroundtown fails to attract new highly qualified management executives or qualified employees in key positions. Aroundtown also faces competition for highly qualified employees from real estate and other companies, and may not be able to recruit, retain or replace key employees in a timely fashion or at all.

The failure to provide the necessary management resources or to recruit, retain or replace key employees may have a material adverse effect on the business, net assets, cash flows, financial condition and results of operations of Aroundtown.

***Damage or interruptions to Aroundtown's information technology systems could lead to diminished data security and limit Aroundtown's business operations.***

Aroundtown's proprietary information technology systems are an important part of Aroundtown's business model. Any interruptions in, failures of or damage to Aroundtown's information technology systems could lead to business process delays or interruptions. If Aroundtown's information technology systems were to fail and back-ups were not available, Aroundtown would have to recreate existing databases, which would be time-consuming and expensive. Aroundtown may also have to expend additional funds and resources to protect against or to remedy potential or existing security breaches and related consequences. Any malfunction or impairment of Aroundtown's information technology systems could interrupt its operations, including its monitoring, controlling and reporting operations, which may result in increased costs and potentially lost revenue. Aroundtown cannot guarantee that anticipated and/or recognised malfunctions can be avoided or remedied by appropriate preventative, maintenance or security measures in every case. Damage, malfunction or interruptions in Aroundtown's information technology systems may have a material adverse effect on the business, net assets, cash flows, financial condition, results of operations, net profits and prospects of Aroundtown.

***A loss of reputation or harm to the brand name of the Company, Aroundtown or members of Aroundtown, or of the members of the board, advisory board or senior management of the Company or members of Aroundtown, or insufficient levels of client satisfaction may reduce the demand for Aroundtown's properties, shares or debt and make it more difficult for Aroundtown to raise capital or issue debt on attractive terms.***

If the Company, Aroundtown or members of Aroundtown, or the members of the board, advisory board or senior management of the Company or members of Aroundtown, are unable to maintain their good reputations, brand names and high levels of client service, client satisfaction and the demand for Aroundtown's services and property may decline. In particular any damage to the reputation or brand names of the Company or Aroundtown or the members of Aroundtown may make it more difficult for Aroundtown to rent its properties on favourable terms or at all or to attract or retain tenants. The misuse, misrepresentation or abuse of the Company's or Aroundtown's reputation or brand names may occur due to the result of actions by third parties without the consent or awareness of the Company or Aroundtown, and may occur even if the alleged events or actions are false, misleading or did not occur.

Any loss of reputation or harm to brand names may restrict the Company or Aroundtown's ability to attract or retain clients and business partners, and may limit its ability to source new business opportunities or acquire new property on favourable terms or at all. Moreover, it may make it more difficult or expensive or impossible for the Company or Aroundtown to raise capital, issue debt or gain access to financing from banks or the capital markets.

The occurrence of any of these risks may result in a material decline in the share price of the Company or the trading prices of its debt, and may have a material adverse effect on the business, net assets, cash flows, financial condition, results of operations, net profits and prospects of Aroundtown.

### **Valuation Risks**

***In the event of a downturn or other developments in the real estate markets in Germany and in the Netherlands, the fair values of the properties may decline, which may have adverse effects on the valuation of Aroundtown's properties. The same risks also apply to GCP.***

Aroundtown accounts for its investment properties at fair value. The valuation model is predominantly based on the present value of net cash flows to be generated from the property, taking into account expected rental growth rates, void periods, occupancy rates, lease incentive costs such as rent-free periods and other costs not paid by tenants, as well as capex and maintenance expenses related to the property. The expected net cash flows are discounted using risk-adjusted discount rates. Among other factors, the discount rate estimation considers the quality of a building and its location, tenant credit quality, and lease duration and terms.

The fair value thus reflects not only the circumstances directly connected with the property but also the general conditions of the real estate markets, such as regional market developments and general economic conditions or interest rate levels. Accordingly, there is a risk that in the event of a downturn in the real estate market or the general economic situation, Aroundtown will need to revise downward the value of Aroundtown's properties. In addition, rising interest rates generally may have a negative influence on the fair value of property portfolios, and may impact the value of Aroundtown's properties.

Any change in fair value must be recognised as a profit or loss under the fair value adjustment. Any negative significant fair value adjustments Aroundtown is required to make could have significant adverse effects on Aroundtown's financial condition and results of operations, as well as the market price of the Company's shares. Additionally, there would be negative effects on performance indicators, particularly EPRA NAV and LTV, which may have a negative influence on the credit rating of the Company and may constitute a covenant breach under financing agreements. All of the risks mentioned above also apply to GCP. Any negative adjustments to the fair value of the properties held by GCP may also adversely affect the value of the shareholding of Aroundtown in GCP.

The occurrence of any of these risks may have a material adverse effect on the business, net assets, financial condition, results of operations, net profits and prospects of Aroundtown.

***Real estate valuation is based on assumptions that may change and are inherently subjective and uncertain. The values recorded in the Company's consolidated financial statements may not reflect the value of Aroundtown's properties.***

The condensed valuation reports comprising valuations of the real estate portfolio of Aroundtown included in this Prospectus were prepared by the independent external appraisers as follows:

- Jones Lang LaSalle SE, Rahel-Hirsch-Straße 10, 10557 Berlin, Germany (“**Jones Lang LaSalle**”), preparing a report on the fair value of certain properties held by Aroundtown pursuant to IAS 40 (the “**JLL Property Appraisal Report**”);
- Cushman & Wakefield LLP, Rathenauplatz 1, 60313 Frankfurt am Main, Germany (“**Cushman & Wakefield**”), preparing a report on the fair value of certain properties held by Aroundtown pursuant to IAS 40 (the “**Cushman & Wakefield Property Appraisal Report**”);
- Knight Frank Valuation & Advisory GmbH & Co. KG, Bockenheimer Anlage 46, 60322 Frankfurt, Germany and Knight Frank SA/NV, Avenue Louise 143 Louizalaan, 1050 Brussels, Belgium (jointly “**Knight Frank**”), preparing a report on the fair value of certain properties held by Aroundtown pursuant to IAS 40 (the “**Knight Frank Property Appraisal Report**”); and
- apollo valuation & research GmbH, Große Eschenheimer Str. 13, 60313 Frankfurt am Main, Germany and R&B Real Estate B.V., Concertgebouwplein 15, 1071 LL Amsterdam, Netherlands (jointly “**NAI**”) preparing a report on the fair value of certain properties held by Aroundtown pursuant to IAS 40 (the “**NAI Property Appraisal Report**”);

the JLL Property Appraisal Report, the Cushman & Wakefield Property Appraisal Report, the Knight Frank Property Appraisal Report and the NAI Property Appraisal Report together also the “**Property Appraisal Reports**”).

The Property Appraisal Reports are based on standard valuation principles and represent the opinion of the independent appraiser that prepared the report. The Property Appraisal Reports are based on assumptions that could subsequently turn out to have been incorrect. Data provided by Aroundtown and used in the Property Appraisal Reports were examined and verified for plausibility on a random sampling basis. The valuation of real estate is based on a multitude of factors that also include the appraiser's subjective judgment. These factors include, for example, the general market environment, conditions in the rental market and the quality of the location. The valuation of real estate contained in the Property Appraisal Reports is therefore subject to numerous uncertainties. Real estate valuation is inherently subjective, subject to uncertainties and based on assumptions which may prove to be inaccurate or affected by factors outside

Aroundtown's or an external appraiser's control. The past or future assumptions underlying the property valuations may later be determined to have been erroneous.

In valuing a property, an appraiser may consider factors such as real estate tax rates, operating expenses, potential environmental liabilities and the risks associated with certain construction materials, in addition to expected rental income, the property's condition and its historic vacancy level. In addition, property valuations may be based on assumptions or models that may not be correct or may contain mistakes. An adverse change in one of the assumptions used or factors considered in valuing a property can decrease the assessed value of the property.

Important assumptions used by independent property appraisers are based on information that Aroundtown produces, for example, vacancy rates, WALT and current rental income. A change in the factors considered and assumptions used may cause lower valuation results.

The external valuation of Aroundtown's properties may not reflect the actual sale or market prices that Aroundtown could generate on a sale of its property, even where any such sales occur shortly after the relevant valuation date, or the estimated yield and annual rental income of any such property. In particular, during times of reduced real estate transaction levels, market prices for properties may be difficult to assess.

Any re-valuation of Aroundtown's property could also cause the fair value determined for the respective valuation date to fall short of a property's book value, and could thereby result in a fair value loss. Under such circumstances, Aroundtown would be required to immediately write down the value of such real estate for the relevant accounting period. If any of the information or assumptions on which a valuation is based is subsequently found to be incorrect, the valuation figures may also be incorrect and may have to be reconsidered. In connection with the acquisition of property portfolios and other unforeseeable events this could result in Aroundtown being unable to achieve its expected returns.

The occurrence of any of the foregoing risks may have a material adverse effect on the business, net assets, financial condition, results of operations, net profits and prospects of Aroundtown.

***A decrease in the fair value of GCP may result in a loss for the Company.***

Following the deconsolidation of GCP from the Company's consolidated financial statements at the end of 2014, the Company's interest in GCP is presented as investment in an equity-accounted investee. As part of the deconsolidation, the Company determined the cost value of its investment in GCP based on an external valuation undertaken for that purpose. From 1 January 2015 forward, the Company has recorded its proportional share of GCP's result in the Company's profit and loss statement. The Company is required to assess the fair value of its interest in GCP on an ongoing basis. In the event of a significant or prolonged decline in the fair value of the

Company's interest in GCP, the Company would be required to recognize a loss based on the decline, which may be significant.

The occurrence of any of the foregoing risks may have a material adverse effect on the business, net assets, financial condition, results of operations, net profits and prospects of Aroundtown.

### **Financial Risks**

***Aroundtown's financing strategy depends on its current corporate investment grade rating, including the satisfaction of its future financing needs through the issuance of unsecured corporate bonds and notes.***

A fundamental part of Aroundtown's financing strategy to satisfy a significant portion of its future financing needs through the issuance of unsecured corporate bonds and notes. The Company obtained a corporate investment grade rating of "BBB" from Standard & Poor's Credit Market Services Europe Limited (Niederlassung Deutschland) (German Branch) ("**S&P**") in June 2016. Companies with a "BBB" rating are considered by S&P to have adequate capacity to meet their financial commitments, but adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the issuers to meet their financial commitments. Except for the Series B Bonds and the Series G Bonds which are not assigned a rating, the outstanding unsecured bonds of the Company have also been assigned a "BBB" rating by S&P. The subordinated perpetual notes of the Company have been assigned a "BB+" rating by S&P. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation.

If the Company were to lose its investment grade rating, future issuances of unsecured bonds and notes may become significantly more expensive or may not be possible in the targeted amounts. S&P could downgrade the Company, for instance if the value of Aroundtown's assets, Aroundtown's debt-service or interest coverage ratio were to fall below, or Aroundtown's debt-to-capital ratio exceeds, certain values, if Aroundtown were unable to keep or render sufficient values of its assets unencumbered or if the real estate market in Germany or in the Netherlands deteriorates in general. If any of the risks described above were to materialise, it would be more difficult for Aroundtown to pursue its current financing strategy, which could have material adverse effects on Aroundtown's business, net assets, financial condition, cash flow and results of operations.

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

The current credit ratings of the Company and/or GCP may be downgraded or withdrawn in the future as a result of factors that are beyond the Company's control, such as a deterioration in the real estate or financial markets, or due to weakened financial performance by the Company, GCP or Aroundtown. Any negative change in the credit rating of the Company or GCP may make future financing and debt issuances by the Company and other members of Aroundtown more difficult and expensive, and may require the Company and other members of Aroundtown to, among other things, pay higher interest rates and/or provide increased collateral or other security if they are able to access additional financing at all. A downgrade or withdrawal of the credit ratings of the Company and/or GCP may also result in a breach of certain financial covenants in their respective credit lines, financing arrangements and/or debt issuances, and may have a material adverse effect on their respective businesses. A downgrade or withdrawal of the credit ratings of the Company and/or GCP may also result in a significant decline in the share price of the Company and/or GCP, and in the case of a decline of the share price GCP, may result in a significant loss to the Company due to the decrease in value of its investment in GCP.

A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation. The occurrence of any of these factors may have a material adverse effect on the business, net assets, cash flows, financial condition, results of operations, net profits and prospects of Aroundtown.

***Aroundtown may not be able to extend its existing credit arrangements, refinance its debt on substantially similar terms as it matures or obtain acquisition financing on financially attractive terms as and when needed.***

Aroundtown may require additional funds to finance or refinance its debt, capital expenditures, future acquisitions and working capital requirements. Aroundtown may likewise need to borrow additional funds or to raise additional equity or debt capital. The extent of Aroundtown's future capital requirements will depend on many factors which may be beyond Aroundtown's control, and its ability to meet its capital requirements will depend on its future operating performance and ability to generate cash flows. Additional sources of financing may include equity, hybrid debt/equity, debt financing or other arrangements. The Company believes that its debt structure, with an overall LTV of 39 % as of 31 December 2016, is conservative and provides Aroundtown with adequate flexibility as to future financings. There can be no assurance, however, that Aroundtown will be able to obtain additional financing on acceptable terms when required. If Aroundtown does not generate sufficient cash flows or if Aroundtown is unable to obtain sufficient

funds from future equity or debt financings or at acceptable interest rates, Aroundtown may not be able to pay its debts as they come due or to fund its other liquidity needs. The occurrence of any of these factors would limit Aroundtown's operating flexibility, and may have a material adverse effect on the business, net assets, cash flows, financial condition, results of operations, net profits and prospects of Aroundtown.

***A rise in general interest rate levels could increase Aroundtown's financing costs. When it attempts to mitigate interest rate risk by entering into hedging agreements, Aroundtown also becomes exposed to the risks associated with the valuation of hedging instruments and these hedges' counterparties.***

Aroundtown has a substantial level of debt. As at 31 December 2016, the total carrying amount of Aroundtown's total financial debt was approximately € 3.57 billion and Aroundtown's total net debt (total financial debt deducted by cash and liquid assets) was approximately € 2.74 billion.

When concluding financing agreements or extending such agreements, Aroundtown depends on its ability to agree on terms for interest payments that will not impair its desired profit and amortisation schedules. In general, rising market interest rates would lead to higher financing costs in the future and so may have a material adverse effect on the business, financial condition and results of operations of Aroundtown. Aroundtown regularly enters into financing agreements with variable interest rates while hedging such variable interest rate with customary market hedging instruments, such as interest swaps or caps. The hedging instruments that Aroundtown uses, however, may not be completely effective and Aroundtown may be unable to enter into necessary extensions or renegotiations of its financing agreements or hedging instruments at their current interest rate terms, including associated costs, or to the extent planned.

In addition, the hedging agreements Aroundtown enters into generally do not completely counterbalance a potential change in interest rates, and as a result even with hedging agreements in place, interest rate fluctuations may have a negative impact on Aroundtown's equity. In addition, Aroundtown is exposed to the risk that its hedging counterparties will not perform their obligations as established by the hedging agreements into which Aroundtown has entered. Hedging counterparties may default on their obligations towards Aroundtown due to lack of liquidity, operational failure, bankruptcy or other reasons.

The occurrence of any of these factors may have a material adverse effect on the business, net assets, cash flows, financial condition, results of operations, net profits and prospects of Aroundtown.

***The redemption or early redemption of Aroundtown's or GCP's outstanding bonds may result in a substantial payment obligation for Aroundtown or GCP. Besides the final maturity dates as stipulated in the respective terms and conditions or any early***



***redemption in accordance with the terms and conditions, the breach of covenants of the conditions (if any) by Aroundtown or GCP under their outstanding bonds or a default of other obligations of Aroundtown or GCP arising from their outstanding bonds may result in a substantial payment obligation for Aroundtown or GCP before the final maturity dates of the bonds.***

Aroundtown has borrowed a significant amount of debt by the issue of bonds. As of the date of this Prospectus, the total aggregate amount of bonds outstanding is € 2.62 billion. Material outstanding obligations under bonds include as of the date of this Prospectus € 127.4 million under a convertible bond that is due and repayable on 5 May 2020 (the “**Series B Bonds**”) of which the Company currently holds bonds with an aggregate nominal amount of € 55.3 million it purchased from holders of bonds in the course of a certain tender offer to the holders of bonds on 9 May 2017, € 300 million under a convertible bond that is due and repayable on 18 January 2021 (the “**Series C Bonds**”), € 600 million under a straight bond that is due and repayable on 3 May 2022 (the “**Series D Bonds**”), € 650 million under a straight bond that is due and repayable on 15 July 2024 (the “**Series E Bonds**”), € 550 million under a straight bond that is due and repayable on 13 March 2023 (the “**Series F Bonds**”), € 30 million under a straight bond that is due and repayable on 22 December 2017 (the “**Series G Bonds**”) and \$ 400 million issued under Aroundtown’s EMTN programme that is due and repayable on 27 March 2032 (the “**Series H Bonds**”, and together with the Series B Bonds, Series C Bonds, Series D Bonds, Series E Bonds, Series F Bonds and the Series G Bonds, the “**Outstanding Bonds**”). The Outstanding Bonds are unsecured.

In the terms and conditions of the Outstanding Bonds, the Company in its capacity as guarantor or issuer as well as its subsidiary ATF Netherlands B.V. in its capacity as obligor or issuer have made several undertakings in respect of the incurrence of further indebtedness, group structuring and the granting of securities. The Outstanding Bonds require, in particular, that Aroundtown complies with certain financial covenants, such as a maximum LTV-Ratio, a minimum debt-service or interest coverage ratio, a minimum ratio of unencumbered properties and other assets or restrictions on the sale of properties. Any breach of such undertakings may trigger an event of default. An event of default under the Outstanding Bonds may also arise if the Company or ATF Netherlands B.V. fails to repay any indebtedness provided that such due but unpaid indebtedness exceeds 10 % of Aroundtown’s gross consolidated assets or if insolvency or similar proceedings are commenced against the Company or any other company of Aroundtown or if security granted by the Company or its subsidiaries is enforced. As a result of an event of default and cross default provisions, all Outstanding Bonds may become due and repayable in their respective principal amount plus any accrued interest. If the Company is not able to redeem the Outstanding Bonds plus accrued interest in full when required, this could lead to the insolvency of the Company.

In addition, the Company has issued perpetual notes with an aggregate principal amount of € 600 Million (which are accounted for as equity under IFRS). The Company can redeem the perpetual notes beginning on 20 January 2023, and the interest rate payable on the perpetual notes will increase after this date.

The Company intends to refinance its outstanding debt as necessary through the issue of bonds, perpetual notes and other credit facilities. The capability of Aroundtown to repay or refinance its existing financial indebtedness when it comes due might be adversely impacted by market conditions, development of Aroundtown's business and overall level of indebtedness of Aroundtown. Although Aroundtown has successfully managed to refinance and reduce its debts and/or to extend maturity of its bank loan facilities, an increase in the level of total indebtedness might become more difficult or only available at less favourable terms.

Similar risks apply to GCP, which indirectly may impact the Company and the value of its shares held in GCP. GCP itself has borrowed a significant amount of debt by the issue of bonds. As of 31 December 2016, the total aggregate amount of unsecured bonds outstanding was € 1.5 billion. GCP has also issued two different series of perpetual notes with an aggregate principal amount of € 700 Million (which are accounted for as equity under IFRS). GCP can redeem the perpetual notes on 18 February 2022 and 22 January 2023, respectively. Any later redemption will result in an increase of the interest rate due.

The occurrence of any of the risks described above might have a material adverse impact on the net assets, cash flows, financial condition and results of operations of Aroundtown.

***A change of control of the Company and/or the decrease in the free float of the ordinary shares in the Company below a certain level may result in a substantial payment obligation for the Company with respect to its outstanding bonds.***

According to the conditions of the Outstanding Bonds, the holders of such bonds are entitled to request redemption of their bonds in the event of a change of control in the Company. Such change of control is deemed to be the acquisition of more than 50 % of the voting rights in the Company by a third party (subject to limited exceptions) or the right of a third party to appoint and/or remove the majority of the members of the Company's board of directors. A repayment obligation under one series of the Outstanding Bonds may also trigger repayment obligation under the other series of Outstanding Bonds. Provided that the present number of Outstanding Bonds issued was also outstanding at the point in time a change of control in the Company occurred and all of the bondholders requested redemption, the potential payment obligations of the Company may total the aggregate principal amount of the Outstanding Bonds then outstanding plus accrued interest.

Any such payment obligation would have a material adverse effect on the business, net assets, cash flows, financial condition and results of operations of the Company. If the Company was not able to redeem the bonds to the extent required this may lead to insolvency of the Company.

***The Company's cash flow requirements and possible future interest payments are dependent on the profitability of Aroundtown or must be met with borrowed funds or by selling property.***

The Company is the parent of Aroundtown and conducts its business primarily through other members of Aroundtown. In order to service the Company's and Aroundtown's debt (principal and interest) Aroundtown needs to continue to achieve positive cash flows from operating activities. Aroundtown generally generates such cash flow from rental and operating income (as described in the Company's consolidated financial statements) and from proceeds from disposals. If Aroundtown is unable to generate positive cash flows from its operating activities in the future, Aroundtown could be forced to sell properties irrespective of the market situation and possibly on terms unfavourable to Aroundtown or be forced to borrow money on financially unattractive terms in order to meet its obligations.

The Company accounts for its interest in GCP as an investment in equity-accounted investees, and does not consolidate the results of GCP. While the value of the Company's interest in GCP may increase based on GCP's financial performance, resulting in additional income being recorded for the Company, the Company will not realize cash from its interest in GCP unless it sells its interest or GCP pays dividends to its shareholders. The values of the shares of GCP are subject to market fluctuations, which the Company cannot control, and its ability to sell the shares of GCP that it holds may be limited. In addition, any sales of shares of GCP by the Company or other members of Aroundtown may have a negative impact on the value of the shares of GCP. Because the Company is not a majority shareholder in GCP, the Company cannot guarantee that dividends will be declared by GCP. Accordingly, there is no guarantee that the growth or performance of GCP will result in additional cash income for the Company. For more information, see "*Risks Related to the Business of Aroundtown - The Company is not a majority shareholder in GCP, and the other shareholders of GCP may take resolutions or implement measures that are not supported by the Company or that are contrary to Aroundtown's strategy, policies or objectives.*"

The occurrence of any of these risks may have a material adverse effect on the net assets, cash flows, financial condition, results of operations, net profits or prospects of Aroundtown.

***There are risks of foreclosure if the borrowing entities in Aroundtown do not fulfil their obligations under loans granted by banks. A breach of covenants or undertakings under loan agreements, such as a change of control within Aroundtown or a material decline in the collateral securing the loan, could result in substantial payment obligations for***

***Aroundtown and could lead to the enforcement of the related collateral including sales at prices substantially below fair value.***

Aroundtown has raised capital in the past through loans and bond issuances and will likely continue to do so in the future. The receivables resulting from loans granted by banks for the purpose of acquiring and/or redeveloping properties are usually secured by first-ranking land charges in favour of the lending bank. If the relevant entity of Aroundtown does not fulfil its obligations under the loan, e.g. repayment of receivables when they become due, or a potential breach of covenants or undertakings is not cured within the cure period, such entity could be forced to sell the respective security under time pressure or on unfavourable conditions, or the lending bank may be entitled to enforce its interest in the security, any of which may lead to a sale of the security at prices substantially below fair value.

Loan agreements between banks and entities of Aroundtown usually provide for financial covenants or undertakings. If the relevant entity is in breach of such covenants or undertakings, the lender may terminate the affected loan agreements. In addition, certain of Aroundtown's loan agreements require that Aroundtown receive the lender's approval in connection with any change in tenant or new rental agreement for the relevant properties. While Aroundtown generally maintains good relationships with its lending partners, there is no guarantee that Aroundtown's lenders in such circumstances will grant their approval for tenant changes that Aroundtown would like to make, which may limit Aroundtown's ability to manage certain of its properties.

Most of the loan agreements of entities of Aroundtown with banks contain standard change of control clauses enabling the respective lender to terminate the loan agreement in case of a change of control without the lender's consent. Under a considerable portion of the loan agreements the respective lender may terminate the loan agreement if (a) the Company is no longer (directly or indirectly) the majority shareholder of the respective borrower or (b) the property management of the respective property is no longer performed by a member of Aroundtown. If a loan agreement is terminated due to the aforementioned reasons, the outstanding amounts (principal and interest) under the affected loan agreements are immediately due and payable.

The occurrence of any of the foregoing factors may have a material adverse effect on the business, financial condition, results of operations, net profits, cash flows and prospects of the affected entity and Aroundtown.

***Aroundtown has grown rapidly since 2012, and there is no guarantee that the Company and Aroundtown will be able to manage future growth successfully. The Company's and Aroundtown's historical earnings and other historical financial results are not necessarily predictive of future earnings or other financial results of the Company or Aroundtown.***

The financial information included in this Prospectus and the financial statements of the Company reproduced elsewhere in this Prospectus relate to the past performance of the Company and Aroundtown. Aroundtown has grown rapidly since 2012, and the future development of Aroundtown could deviate significantly from past results due to a large number of internal and external factors. There is no guarantee that the Company and Aroundtown have the capacity to adequately manage and handle their future growth. Aroundtown's risk management, IT, property management and other operational systems may be unable to handle growth of the Company and Aroundtown, and the Company and Aroundtown may be unable to acquire the employees, operating capacity and other resources that it needs to handle its growth in the future.

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

Aroundtown will from time to time invest in short term traded securities, primarily to generate returns from excess cash. There can be no guarantee that Aroundtown will not suffer losses related to these investments, which may cause its financial results to fluctuate.

### **Legal and Regulatory Risks**

***Aroundtown's business is subject to the general legal environment in Germany and the Netherlands, which may change to Aroundtown's detriment.***

Aroundtown's business is subject to the general legal framework applicable to real estate in Germany and the Netherlands. This framework includes a variety of laws and regulations, including civil, corporate, tax, planning, zoning, environmental, health and safety and other laws, regulations and/or requirements, as well as specific laws with impact on Aroundtown's properties in, such as German and Dutch tenancy law, and special provisions under other laws, including construction laws, historic preservation laws, social legislation and other public laws. Aroundtown may be required to pay penalties and/or lose required permits or licenses for non-compliance with any such laws, regulations and/or other requirements of local, regional and national authorities to

which it is subject, as well as the authorities of the European Union. Any changes to German, Dutch, European or other laws applicable to Aroundtown's properties, including changes with retrospective effect, or changes in the interpretation or application of existing laws may have a material adverse effect on the net assets, cash flows, financial condition, results of operations, net profits and prospects of Aroundtown.

In addition, the Company is incorporated in Cyprus and Aroundtown conducts its business through companies that are located in a number of jurisdictions, including without limitation Cyprus, Germany, Luxembourg and the Netherlands. Certain members of Aroundtown may be formed, incorporated or registered in jurisdictions where Aroundtown does not, or does not yet, hold property. Any change in the legal, tax or regulatory environments in any of these jurisdictions, including changes with retrospective effect, or changes in the interpretation or application of existing laws could have a material adverse effect on the net assets, cash flows, financial condition, results of operations, net profits and prospects of Aroundtown.

Although Aroundtown takes steps to keep itself informed of potential changes to the legal, tax and regulatory environments in which operates and where its members are formed, incorporated or registered, there is no guarantee that Aroundtown will become aware of such changes in a timely fashion. Any such changes or any misjudgement, miscalculation, failure or inability of Aroundtown to react to such changes may have a material adverse effect on the business, net assets, cash flows, financial condition, results of operations, net profits and prospects of Aroundtown.

***Aroundtown is subject to tenant protection laws in Germany and the Netherlands. These laws may limit among other things the ability to evict tenants, the levels of rent increases and the ability to pass on modernisation costs. Moreover, further regulatory developments are likely.***

Aroundtown is subject to tenant protection laws in Germany and the Netherlands. These laws may limit, in some cases substantially, Aroundtown's ability to engage in certain actions with respect to the properties that it owns, including without limitation with respect to the eviction of tenants, levels of rent increases and the ability to pass on modernisation costs. These laws may change in the future, and any such changes may in turn adversely affect the business, net assets, cash flows, financial condition, results of operations, net profits and prospects of Aroundtown.

In Germany and the Netherlands, the landlord-tenant relationship is subject to a significant level of statutory regulation which generally provides for far-reaching economic and social protections for tenants under residential leases. For example, landlords may only terminate residential lease agreements if there is a legitimate interest in doing so.

In Germany, landlords may not increase residential rents under existing leases by more than an aggregate of 20 % compared to locally prevailing comparative rent levels over a three-year period

(the capping limit). This capping limit may be, and has been in certain cases, reduced by certain municipalities to 15 % over a three-year period. Further statutory limitations on the rent for new lease agreements were introduced by the German Tenancy Law Amendment Act (*Mietrechtsnovellierungsgesetz*) which came into effect in June 2015, and according to which newly agreed rents may only be increased by a maximum of ten per cent above the relevant locally prevailing comparative rent level (*ortsübliche Vergleichsmiete*), unless the rent level agreed with the previous tenant was higher. Landlords in Germany are also subject to certain requirements with respect to modernisation of their properties and are limited in their ability to pass on these costs to residential tenants. In the Netherlands, rent control laws impose restrictions on landlords regarding rent increases if such relevant properties are subject to social housing rules. Rent increases in these situations are effectively limited to annual inflation.

Aroundtown is impacted by these and other regulations, and the growth of Aroundtown, including rent levels, vacancy rates and WALT, may be limited by such regulations. In addition, residential real estate in Germany continues to be a highly sensitive political topic and further regulatory developments in this area are likely.

In the Netherlands, the lease of retail and hotel property is subject to certain mandatory laws regarding tenant protection. As a rule, the lease of retail property requires an initial lease period of at least 5 years, with an automatic extension up to 10 years in total. There are only limited possibilities for the landlord to terminate the lease after the first 5 years. Retail leases for a period of 2 years or shorter are excluded from this rule. The applicability of this legal regime limits the ability of Aroundtown to terminate leases and it adversely affects Aroundtown's flexibility to terminate, extend or amend retail lease agreements.

Furthermore, laws in some jurisdictions may grant some tenants a periodic right to terminate a lease before it expires, which may affect among other things occupancy rates and rent levels in Aroundtown's properties.

The occurrence of any of these factors may have a material adverse effect on the business, net assets, cash flows, financial condition, results of operations, net profits and prospects of Aroundtown.

***Aroundtown's tenants in Germany could attempt to prematurely terminate their lease agreements based upon strict formal requirements under German law for long-term leases which could lead to a reduction or loss of rental income.***

Certain of the real estate properties in particular in the Commercial Portfolio, are subject to long-term lease agreements. Pursuant to German law, long-term lease agreements can be terminated prior to their contractually agreed expiration date if certain formal requirements are not complied with. These include the requirement that there is a document that contains all the material terms

of the lease agreement, including all attachments and amendments, and is signed by both parties. Although the details of the applicable formal requirements are assessed differently by various German courts, most courts and legal experts agree that such requirements are, in principle, to be interpreted strictly. Certain of the lease agreements in relation to the properties of Aroundtown may not satisfy these requirements. Consequently, some of Aroundtown's tenants might attempt to invoke alleged noncompliance with these formal requirements (or other requirements to be met by a landlord) in order to procure an early termination of their lease or force a favourable renegotiation of the terms of their lease, to the detriment of Aroundtown.

Premature loss of tenants and the ensuing loss of rental income, a failure to renew lease agreements, at all or at favourable conditions, and uncertainties regarding the validity of long-term lease agreements have a material adverse effect on Aroundtown's business, net assets, financial conditions, cash flows or results of operations.

***The growth of Aroundtown's portfolio may be limited by German, Dutch and other laws, including laws with respect to environmental modernization, restrictions on modernization alternatives and other regulations. Moreover, further regulatory developments are likely.***

Any change to German, Dutch or other laws applicable to the properties, including the laws of the European Union, may have an impact on Aroundtown's properties and its growth, including rent levels, vacancy rates and WALT, may be limited by such changes. These laws and any changes to them may have a material adverse effect on the business, net assets, cash flows, financial condition, results of operations, net profits and prospects of Aroundtown.

Based on environmental EU Directives, that have been implemented in the laws of Germany and the Netherlands, the landlord or the seller of a property will be required to present an energy certificate (*Energieausweis* in German and *energielabel* in Dutch) before concluding a new lease or sale and purchase agreement, respectively. Where a property is offered (for sale or lease) via commercial media, the energy performance rating of such property is also to be indicated in accordance with the available energy certificate. Penalties may apply when such energy certificate cannot be presented.

Also, owners of properties with a centralized water facility are required to take measures to prevent the legionella bacteria, for instance by periodical testing. Further, owners of properties are required to separate drinking water from fire-fighting water by establishing and maintaining separate lines for these systems.

In Germany, other heightened environmental laws may cause additional costs for Aroundtown. Under the German Ordinance on Energy Saving (*Energieeinsparverordnung*, "EnEV"), which was revised with effect from 1 May 2014, the landlord is responsible for making investments in renovation work for the purpose of reducing the energy consumption (including through heat



insulation). In certain circumstances, thermal renovation of the building in question will be necessary. For example, landlords are required to renovate the roofs of their let properties so as to meet minimum heat insulation standards.

In the case of listed historical buildings or monuments in Germany or in the Netherlands, laws or regulations regarding the protection of historical buildings may entail increased expenditures on maintenance and modernization procedures or may restrict the ability of the landlord or owner to carry out certain modernization, improvement or maintenance measures. Such laws or regulations may have a negative impact on Aroundtown's ability to sell or let such properties or to use them as security for financing purposes.

Any of these factors may have a material adverse effect on the business, net assets, cash flows, financial condition, results of operations, net profits and prospects of Aroundtown.

***Aroundtown is exposed to the risks of ground leases in Germany and the Netherlands.***

Certain of the properties of Aroundtown are located in Germany and the Netherlands on ground leases, where legal title to the land and the property are separated. In general, financing and sales in connection with properties located on ground leases are more difficult due to the restrictions typically found in ground leases, and the conditions of the ground lease agreements, such as their terms and payment obligations, are key parameters that impact the value of these properties. The ground lease agreements may contain provisions leading to the exceptional result of the loss of the ground leased property if Aroundtown is in material breach of the ground lease agreement. Furthermore, Aroundtown may face changes in the terms and conditions of the ground lease agreement, for example with respect to payment obligations to the owner of the land. Unfavourable changes to the ground lease agreements or relevant regulations may limit Aroundtown's ability to sell or refinance the properties, which are subject to ground leases, and may thereby decrease its value, or require Aroundtown to write down the assets value as recorded on Aroundtown's consolidated balance sheet.

The occurrence of any of these factors may have a material adverse effect on the business, net assets, cash flows, financial condition, results of operations, net profits and prospects of Aroundtown.

***Aroundtown's use of standardised documents, clauses and agreements could lead to additional legal risks.***

Aroundtown maintains legal relationships with a large number of persons, primarily tenants and also employees of Aroundtown. In this context, Aroundtown frequently uses standardised documents, clauses and agreements. If such documents, clauses or agreements are found to be invalid, in whole or in part, statutory provisions or judicial interpretations which are unfavourable to Aroundtown may be substituted for such documents, clauses or agreements, which may in turn

affect a large number of the documents, clauses and agreements used by Aroundtown. It is impossible to fully protect Aroundtown against risks from the use of such standardised documents, clauses and agreements due to the frequent changes to the legal frameworks, particularly court decisions relating to general terms and conditions of business.

In Germany, for example, the German Federal Court of Justice (*Bundesgerichtshof*) has ruled that standard clauses in letting contracts are invalid if they obligate the tenant to carry out cosmetic repairs (*Schönheitsreparaturen*) within a fixed schedule or to fully renovate the apartment at the end of the letting term (*Endrenovierung*) or if they provide for compensation regarding ratios (*Quotenabgeltung*). The invalidity of such clauses results in the landlord being responsible for the repair and maintenance and being required to bear all related costs. If the tenant carries out such repair and maintenance works without actually being obliged to do so, the landlord might be required to compensate the tenant for the corresponding costs. Even in the case of agreements prepared on the basis of legal advice, it is impossible for Aroundtown to avoid problems of this nature in advance or in the future, because changes could occur in the legal framework, particularly case law, making it impossible for Aroundtown to avoid the ensuing legal disadvantages. Although these rulings were originally applied only to residential real estate, additional court rulings have extended them to commercial real estate.

The occurrence of any of these factors may have a material adverse effect on the business, cash flows, financial condition, results of operations, net profits and prospects of Aroundtown.

***The risk management system of Aroundtown may prove to be partially or completely insufficient or fail, and unknown, unrecognised, underestimated or unexpected risks may materialise. Aroundtown may fail to adequately account for potential liabilities or risk exposures.***

Aroundtown has put in place management systems that it believes are suitable to its business, and Aroundtown continues to develop and update its risk management systems in order to monitor market risk, liquidity and financial risk, operational risk, organisational risk and the risk of reputational damage. There is no guarantee, however, that Aroundtown's risk management systems are in fact sufficient to manage the risks faced by Aroundtown. Aroundtown may be faced with risks that were previously unknown, unrecognized, underestimated or unconsidered, and its risk management systems may function incorrectly or fail. Inappropriate risk management measures may cause irregularities leading to among other things cash losses or delays in development of Aroundtown, or to official investigations or third-party claims against Aroundtown, which in turn could have significant financial, reputational and other consequences.

Aroundtown books provisions for potential liabilities such as tax liabilities, litigation exposure and bad debt. These provisions are based on management's assumptions, estimates and judgments, and there is no guarantee that the provisions taken by Aroundtown adequately account for

Aroundtown's potential or actual liabilities or risk exposures. Failure to take adequate provisions against potential liabilities could have significant financial, reputational and other consequences for the Company or Aroundtown.

The occurrence of any of these risks could have a material adverse effect on Aroundtown's business, net assets, financial condition, cash flows, results of operations, net profits, reputation and prospects.

***Aroundtown could incur liability in connection with properties, interests in companies or other assets that it sells.***

When Aroundtown sells properties, interests in companies that hold real estate or other assets, it is typically required to make representations, warranties, covenants and negative declarations of knowledge to purchasers with respect to certain characteristics of such properties, interests or assets. The resulting obligations of Aroundtown may continue to exist for a number of years after Aroundtown sells such properties, interests or assets. Among other things, Aroundtown could be subject to claims for damages from purchasers who assert that the representations or warranties that Aroundtown made to them were untrue, or that Aroundtown failed to meet its obligations under the relevant sale agreement. Aroundtown could become involved in lengthy and expensive legal disputes with purchasers and could be required to make significant payments for restitution, damages or to settle disputes.

As a seller of properties, Aroundtown is liable to tenants for any breach of letting contracts by the buyer unless it has notified the tenant of the change of ownership and the tenant fails to terminate the tenancy at the earliest permitted termination date. This applies specifically where Aroundtown no longer has any control over the property. Moreover, Aroundtown continues to be exposed to liability for breach of contract even in the event that the buyer resells the property and the subsequent buyer breaches the letting contract. As a rule, when selling properties, Aroundtown informs all tenants in writing of the change of landlord. Such release from liability does not apply for rental securities (*Mietsicherheiten*) provided by the tenants. If the tenant is unable to receive its rental security from the buyer of the property, the liability to repay such rental security remains with the seller. Failure to comply with these requirements may expose Aroundtown to legal, administrative or regulatory proceedings, sanctions or penalties. Legal or settlement costs, including the costs of defending lawsuits, whether justified or not, as well as potential damages associated with liability for properties, interests in companies or other assets that Aroundtown has sold may have an adverse effect on the cash flows, financial condition and results of operations of Aroundtown.

The occurrence of any of these factors may have a material adverse effect on the business, cash flows, financial condition, results of operations, net profits and prospects of Aroundtown.

***Entities of Aroundtown may be subject to litigation, administrative proceedings and similar claims.***

Entities of Aroundtown have been and will likely continue to be subject to various administrative and legal proceedings in the ordinary course of business. Such proceedings often relate to matters such as outstanding rent payments and the termination of lease agreements, but may from time to time involve larger scale litigation or disputes. These proceedings, even for routine matters, can be lengthy and expensive and involve substantial resources at Aroundtown. In addition, larger or unexpected proceedings may distract or delay management from implementing Aroundtown's business strategy.

Aroundtown may also be subject to litigation in connection with agreements entered into by the Company or members of Aroundtown relating to the purchase and/or sale of property, interests in companies or other assets, or other activities of Aroundtown. It is impossible for Aroundtown to predict if and when significant litigation or administrative or legal proceedings may occur.

The occurrence of any of these factors may have a material adverse effect on the business, cash flows, financial condition, results of operations, net profits and prospects of Aroundtown.

***Aroundtown could be exposed to restitution claims in Germany.***

According to the German Act on Unsettled Property Issues (*Gesetz zur Regelung offener Vermögensfragen*), persons who were expropriated of property within the former German Democratic Republic ("GDR") can claim restitution or compensation under certain conditions, in particular if the property was seized without compensation or less compensation than citizens of the GDR were entitled to. The German Act on Unsettled Property Issues is also applicable to persons who lost property due to racist, political, religious or ideological reasons between 1933 and 1945. Although the notification deadline under the German Act of Unsettled Property Issues, subject to certain exemptions, expired at the end of 1992, the aforementioned restitution and compensation claims cannot be entirely excluded. If any such claims were asserted in respect of an entity of Aroundtown regarding properties owned by Aroundtown, Aroundtown would be severely limited in its ability to manage such properties and may even be forced to transfer such properties to successful claimants without adequate compensation. Any such limitations or compulsory transfers of properties could have a material adverse effect on the business, net assets, cash flows, financial condition and results of operations of Aroundtown.

***Control and prevention mechanisms under the compliance system may not be sufficient to protect Aroundtown from financial and/or legal risks. Irregularities could result in investigations by competent authorities or claims of third parties.***

To protect Aroundtown against legal risks and other potential harm, Aroundtown implemented an Aroundtown-wide code of conduct. This binding policy addresses conduct, corruption prevention,

conflicts of interest, information and data protection, discrimination and protection of company property and applies to all employees and the members of the board of directors. Moreover, Aroundtown has introduced a code of conduct for its main business partners. Legal and compliance risks are addressed by Aroundtown's risk management. There can be no assurance, however, that the aforementioned compliance arrangements will be sufficient to completely prevent all unauthorised practices, legal infringements or corruption within Aroundtown. Any failure in compliance could have material adverse effects on its net assets, financial condition, cash flow, results of operations and reputation.

### **Tax Risks**

***Aroundtown is currently subject to the tax environment in Cyprus, Germany and the Netherlands, and may be subject to the tax environment in Luxembourg in the future. Aroundtown's tax burden may increase as a consequence of current or future tax assessments, tax audits or court proceedings based on changes in tax laws or changes in the application or interpretation thereof.***

Aroundtown is subject to the tax environment in Cyprus, Germany and the Netherlands. Upon the re-domiciliation of the Company to the Grand Duchy of Luxembourg, as resolved by the general shareholders' meeting of the Company (see "*Transfer of the Registered Seat of the Company to the Grand Duchy of Luxembourg*") Aroundtown will also be subject to the tax environment of the Grand Duchy of Luxembourg. Aroundtown's tax burden depends on various aspects of tax laws, as well as their application and interpretation. Amendments to tax laws may have a retroactive effect, and the application or interpretation of tax laws by tax authorities or courts may change. Furthermore, court decisions are occasionally limited to their specific facts by tax authorities. Any of these developments may increase or alter Aroundtown's tax burden.

A number of factors may also impact Aroundtown's tax situation. Aroundtown is required to file tax declarations in Cyprus, Germany, the Netherlands, the Grand Duchy of Luxembourg (in future), and any tax assessments that deviate from Aroundtown's tax declarations may increase or alter Aroundtown's tax obligations. The members of Aroundtown are regularly subject to tax audits by the competent tax authorities which may result in increases in Aroundtown's tax obligations or penalties and fines. Aroundtown may also be subject to administrative or judicial proceedings with respect to its tax declarations, and may incur substantial time and effort in addressing and resolving tax issues.

In addition, changes in tax legislation, administrative practice or case law, which are possible at any time and may occur on short notice, could have adverse tax consequences for Aroundtown. The applicable tax rates, for example with respect to property tax, property transfer tax or capital gains tax, may also change rapidly and with short notice. Additionally, changes could be made to

the ability to depreciate owned real estate. Any of these changes may have an adverse effect on the attractiveness of commercial and residential real estate. Despite a general principle prohibiting retroactive application, amendments to applicable laws, orders and regulations can have retroactive effect. Additionally, divergent statutory interpretations by the tax authorities or the courts are possible. Any changes to the Cyprus, German, Dutch or Luxembourg tax regimes, may have a material adverse effect on the business, cash flows, financial condition, results of operations, net profits and prospects of Aroundtown.

***The structure of Aroundtown is influenced by the general tax environment in Cyprus, Germany, the Netherlands and Luxembourg, and changes in the tax environment in these countries may increase the tax burden of Aroundtown.***

In addition to the Company, which is incorporated in Cyprus and has resolved to transfer its registered seat to Luxembourg (see *“Transfer of the Registered Seat of the Company to the Grand Duchy of Luxembourg”*), Aroundtown consists of more than 600 companies. These companies have registered offices primarily in Germany, Cyprus, the Netherlands and Luxembourg. The companies in Aroundtown are subject to the tax laws of their jurisdictions of registration and the jurisdictions where they conduct business. The Company and PCI have their registered office in Cyprus. Most of Aroundtown's German property companies are held through Cypriot subsidiaries which themselves are held by one of the Company's aforementioned subsidiaries or investees. GCP has its registered office in Luxembourg and itself is the parent company of more than 500 companies with registered offices primarily in Germany, Cyprus, the Netherlands and Luxembourg.

Thus, the structure of Aroundtown provides for various tax aspects, including cross-border taxation issues governed by double-tax treaties between Cyprus, Germany, the Netherlands and Luxembourg. It cannot be excluded that tax authorities in Cyprus, Germany, the Netherlands, or Luxembourg may not share the view of the tax assessment of Aroundtown which could lead to additional tax burdens for Aroundtown in any of these countries. Also, the tax laws in any of these jurisdictions or double-tax treaties between these countries might change in the future, even with retroactive effect, which could cause additional tax burdens for Aroundtown.

For Dutch corporate income tax purposes, real estate may be depreciated only for as long as the tax book value does not fall below the 'threshold value'. This threshold value of properties that are held as portfolio investment equals the value provided in the Law on Valuation of Real Estate (*Wet Waardering Onroerende Zaken* or **“WOZ”**), known as the WOZ value. With respect to real estate that is not portfolio investment (e.g. an own building used within an enterprise) different depreciation rules apply. Although the WOZ value is meant to approximate the fair market value of the real estate property, in practice there may be a significant difference between the WOZ value and the actual fair market value. The WOZ value is determined annually by the municipality

where the property is situated. If the threshold value increases, tax depreciation that had been previously claimed is not recaptured.

Upon the disposal of real estate and under strict conditions, a company may apply for a reinvestment reserve provided that the taxpayer has a clear intention of replacing the disposed business assets with business assets that perform a similar function within the enterprise. Under the reinvestment reserve provisions, the tax book profit arising from the disposal of real estate may technically be carried forward and offset against the acquisition cost of a reinvestment asset. The reinvestment reserve only applies for qualifying business assets used in an enterprise (i.e., no shares, portfolio assets or inventory).

The occurrence of any of these factors could have a material adverse effect on Aroundtown's business, net assets, financial condition, cash flows, results of operations, net profits, reputation and prospects.

***Aroundtown is exposed to real estate transfer taxes and value added taxes.***

Increases in the applicable real estate transfer tax rates for the properties of Aroundtown could negative impact Aroundtown by, among other things, reducing the proceeds from a sale of the affected properties or by reducing purchase demand for the affected properties.

Aroundtown currently holds real estate in Germany and shares in companies which own real estate in Germany. In Germany, the transfer of real estate or of a 95 % or greater interest in a company that owns real estate triggers a potential liability for real estate transfer taxes. In these cases, the real estate transfer tax generally equals the sum of the values for real estate transfer tax purposes according to the German Valuation Act (*Bewertungsgesetz*) multiplied by the tax rate, as applicable. At the national level in Germany, the legal framework of real estate transfer tax is provided for in the German Real Estate Transfer Tax Act (*Grunderwerbsteuergesetz*; "GrEStG"), at the level of the Federal States, however, the real estate transfer tax rate varies by Federal State, currently within a range of 3.5 % to 6.5 %. The relevant tax bases (*Bemessungsgrundlagen*) for real estate transfer tax purposes have recently been changed. This may generally lead to a higher real estate transfer tax burden than under previously applicable laws, in particular for share unifications or other transactions pursuant to section 1 paras. 2a, 3, 3a GrEStG. Such legislative change was based on a decision by the German Federal Constitutional Court (*Bundesverfassungsgericht*) which, inter alia, requested that the legislator implement valuation methods that lead to values which mirror the values of the relevant property realistically (*realitätsgerecht*). According to the recently amended real estate transfer tax law, such amendments are applicable to acquisitions (*Erwerbsvorgänge*) realized after 31 December 2008. For the tax bases being relevant for share unifications or other transactions pursuant to section 1 paras. 2a, 3, 3a GrEStG, the amended real estate transfer tax law refers to the relevant values for inheritance tax purposes. Under such rules, tax bases shall, inter alia, be derived from future earnings based on

the actual leases and be adjusted by certain deductions and additions based on a specific method pursuant to the German Valuation Act, provided inter alia that such leases do not deviate from third party leases for more than 20 %. In any event, the taxpayer may establish a lower fair market value (*gemeiner Wert*) (section 198 of the German Valuation Act).

Because of the complexity of the real estate transfer tax laws in Germany, Aroundtown may from time to time seek to acquire properties with less than a 95 % stake in the ownership company. This may result in an increased complexity of the transaction and stronger minority rights of the associate parties. As a consequence, transaction costs and future administrative expenses for the newly acquired property would generally rise, too.

In relation to acquisition of existing real estate located in the Netherlands, Real Estate Transfer Tax (“RETT”) will be due. The RETT rate is 2 % for residential real estate and 6 % for non-residential real estate and is levied over the value of the acquired property. Residential real estate is real estate that at the time of its transfer is intended for occupation by private individuals. The definition of residential real estate has been and is the subject of extensive debate and litigation. Where tax payers have claimed the 2 % rate, the tax authorities may increase to 6 % plus interest and possibly penalties if the property cannot, or not wholly, be classified as residential.

Dutch RETT may also be due in case of the acquisition of shares in a company of which the majority of assets consist of real estate in the Netherlands. This is the case if all of the following requirements are met:

- the stock is acquired in a Dutch legal entity with its equity divided into shares, or an entity incorporated under the laws of another state that has the same characteristics of such a Dutch legal entity;
- the stock is acquired in a legal entity of which, at the time of the acquisition or at any time in the preceding year, the assets consist or consisted of 50 per cent or more of real estate, and at least 30 per cent of all assets consist of real estate in the Netherlands;
- the activities pertaining to the real estate consist, at the time of the acquisition or at any time in the preceding year, of 70 per cent or more of the acquisition, disposal or exploitation of that real estate; and
- the buyer directly or indirectly acquires an interest of at least one-third in the entity's capital, including any interest the buyer may already directly or indirectly hold.

The Dutch RETT and value added tax (“VAT”) treatment of ground leases (*erfpacht*) follow specific regulations to calculate the tax base and to determine whether the establishment or acquisition of the ground lease qualifies as a supply of services or goods for VAT purposes. In



order to prevent an adverse outcome, the establishment and acquisition of ground leases should be carefully considered.

The transfer of real estate is generally exempt from VAT in the Netherlands, unless the transfer concerns newly developed real estate, such as construction sites and (part of) buildings including the surrounding terrain, prior to, on or within a period of two years after the moment of first use of the buildings concerned. Should a transfer of newly developed real estate indeed be subject to VAT, an exemption generally applies for RETT, but not always. Under certain circumstances, the renovation of real estate can be to such an extent that it can deem newly developed real estate.

In the event of an asset transaction - such as an acquisition of real estate, where a so-called 'totality of goods' is acquired - the acquisition may be considered as a non-taxable transfer for Dutch VAT purposes. As VAT is assessed on the basis of the tax payers own assessment the application of such exemption may not be recognized by the tax authorities.

The occurrence of any of these factors could have a material adverse effect on Aroundtown's business, net assets, financial condition, cash flows, results of operations, net profits, reputation and prospects.

### **Risks Relating to the Shares, the Admission and the Shareholder Structure**

***The Company's shares have not yet been publicly traded on a regulated market and there is no guarantee that a liquid market will develop or continue following the admission to trading on the regulated market.***

Prior to the admission to trading on the regulated market of the Frankfurt Stock Exchange described in this Prospectus, the shares of the Company have been listed since 2015 on the Euronext Paris in the Alternext segment and on the open market of the Frankfurt Stock exchange. Neither the open market of the Frankfurt Stock exchange nor the Alternext segment of Euronext Paris are regulated markets within the meaning of Directive 2004/39/EC of 21 April 2004 on markets in financial instruments ("MiFID"). There is no guarantee that an active liquid market for the shares will develop or be sustained following the admission to trading in the regulated market. If there is no active trading in the shares, investors may not be in a position to sell their shares quickly or at the price at which the latest trade was executed (market price) or at all.

***The price and trading volume of the Company's shares could fluctuate significantly, and investors could lose all or part of their investments.***

Following the admission to trading on the regulated market, the price of the shares will be affected primarily by the supply and demand for such shares as well as other factors, including, but not limited to, fluctuations in actual or projected operating results of the Company,

Aroundtown or their competitors, changes in projected earnings or failure to meet securities analysts' earnings expectations, changes in trading volume in the shares, changes in macroeconomic conditions, the activities of competitors, changes in the market valuation of similar companies, changes in investor or analysts perception of Aroundtown or the real estate industry, changes in the statutory framework in which Aroundtown operates, differences between the actual and the projected published portfolio value of the properties held by Aroundtown, assessments by investors with regard to the strategy described in this Prospectus as well as the assessment of the related risks, changes in the shareholder structure as well as other factors. Furthermore, external factors such as changing demand in the real estate markets, monetary or interest rate policy measures by central banks, seasonal influences or unique events can impact the revenues and the earnings of Aroundtown and lead to fluctuations in the price for the shares of the Company. The shares may therefore be subject to substantial fluctuations. Stock markets have experienced extreme volatility in recent years which has often been unrelated to the operating performance of particular company or industry sector. In addition, the Company's share price may also be subject to significant volatility. General market conditions and fluctuations in share prices and trading volumes generally, could adversely affect the trading price of the Company's shares.

***Following the admission to trading on the regulated market, the Company's largest shareholder Avisco Group plc will continue to be in a position to exert substantial influence on the Company. The interests of this shareholder could differ from the interests of the other shareholders.***

Upon admission to trading, Avisco Group plc (the "Principal Shareholder") will continue to be the Company's largest shareholder and will hold a total of 45 % of the Company's issued shares and voting rights following the admission to trading. The Principal Shareholder will be in a position to exert substantial influence at the general meeting and extraordinary meetings of the Company's shareholders and consequently on matters decided by the general meeting or extraordinary meetings of the Company's shareholders. Depending on the level of shareholder participation at the general meeting or extraordinary meetings of the Company's shareholders, the Principal Shareholder may be able to adopt and implement or prevent the adoption of resolutions which require a simple majority or even higher majorities solely through the exercise of its own votes in the Company. Furthermore, the Principal Shareholder could prevent a general meeting of the Company's shareholders from adopting resolutions which require a qualified majority of the votes cast. In any of the aforementioned instances, the interests of the Principal Shareholder could deviate from the interests of other shareholders.

Even if the Principal Shareholder were not in fact to use its controlling stake to influence the Company, the possibility of such influence could have material adverse effects on the Company's share price and make it more difficult for the Company, for example, to raise capital.

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

Upon admission to trading, the Principal Shareholder will continue to hold 45 % of the Company's share capital. There are no lock-up agreements with respect to the Shares, either with the Principal Shareholders or with other existing shareholders. Thus the Principal Shareholder and the other existing shareholders are free to sell their shares in the Company at any time. The Company's share price could fall substantially if one or more of the Principal Shareholder sell some or all of their shares or if such sales are anticipated by investors. This also applies if other significant shareholders sell shares in the market or if such a sale is expected.

The Principal Shareholder regularly pledges the shares of the Company that it holds or controls as security for credit facilities of various types. These credit facilities may include provisions with respect to mandatory prepayments and/or cancellations in the event of a change of control or in the case of the occurrence of certain events or triggers with respect to the pledged securities, including a decline in share price.

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

***The cash flow of Arountown and the ability of the Company to pay dividends depend on the profitability of its subsidiaries and investees and future dividend payments depend on Arountown's future distributable profit.***

The Company's ability to pay future dividends is dependent on whether the Company has sufficient distributable profit. As the Company conducts its operating business through its subsidiaries the amount of distributable profits depends among other things on distributions that it receives from its subsidiaries and other investment interests and as the case may be, repayment of loans that it has granted to the subsidiaries. Current and future financing agreements entered into by the Company's subsidiaries or changes in tax laws under applicable jurisdictions and other applicable legislation may effectively limit the amount of cash available to the Company's subsidiaries to pay to the Company or may otherwise restrict the Company's subsidiaries' ability to make cash contributions. In addition, some financing arrangements contain restriction on the disposal of certain assets and covenants relating to leverage ratios. Any of these factors could restrict the Company's ability to pay dividends.

It cannot be guaranteed that future profits will be sufficient to make dividend payments. In the event the Company is not able to generate sufficient distributable profits, this would negatively

impact the amount of, and could impact whether the Company will be in a position to pay, future dividends.

***Future offerings of debt or equity securities by the Company in particular the issue of shares potentially required to meet the conversion rights resulting from outstanding convertible bonds may materially adversely affect the market price of the shares, and future capitalization measures could lead to substantial dilution, i.e. a reduction in the value of the shares and the control rights of existing shareholders' interests in the Company.***

The Company may in the future require additional capital to finance its business and growth. In the future, the Company may seek to raise capital through offerings of debt securities (potentially including convertible debt securities) or additional equity securities or through other measures. The Company has issued two series of convertible bonds in the aggregate principal amount of € 750 million. As of the date of this Prospectus outstanding convertible bonds are convertible into shares representing approximately 10 % of the fully diluted share capital of the Company. In the event that all of the bondholders decide to convert their bonds into ordinary shares such conversion might cause the issue of up to 90.5 million new shares. The number of shares to be issued upon conversion might increase through future capital measures of the Company due to conversion price adjustments set forth in the terms and conditions of the convertible bonds. Conversions under the convertible bonds will dilute current shareholders and may adversely affect the trading price. The conditions of the convertible bonds also provide for adjustment of the conversion price in the event the Company distributes dividends. For this purpose, the bondholders of the convertible bonds will be compensated by an adjustment of the conversion price as if they already were holding shares at the point in time of the dividend distribution. Therefore, any distribution of dividends would increase the dilution effect of potential conversions under the convertible bonds.

Also an issuance of additional equity securities or debt securities with rights to convert into equity, such as convertible bonds and warrants, in the future could potentially reduce the market value of the shares and would dilute the economic and voting rights of existing shareholders if subscription rights were not granted to existing shareholders or, if granted, were not exercised by the existing shareholders. The issuance of additional shares or similar capital-raising measures and the timing and nature of any future offering would depend on market conditions of such an offering, the Company cannot predict or estimate the amount, timing or nature of future offerings. In addition, the acquisition of other companies or investments in other companies in exchange for newly shares of the Company, or a share issue in relation to possible future employee participation programs could lead to a dilution of the economic and voting rights of existing shareholders. Future offerings may adversely affect the trading price of the shares and/or dilute current shareholders.

***The Company will face additional administrative and compliance requirements and incur higher ongoing costs as a result of the admission to trading on the regulated market of the Frankfurt Stock Exchange.***

After the admission to trading on the regulated market, the Company will for the first time be subject to the legal requirements and post-admission obligations for companies listed on the regulated market under the laws of Cyprus and Germany. These requirements and post-admission obligations include periodic financial reporting and other public disclosures of information (including those required by the stock exchange listing authorities) and other required disclosures which in general are more comprehensive and detailed than those the Company is presently exposed to due to the listing of its shares in the Alternext segment of Euronext Paris and in the open market of the Frankfurt Stock Exchange. Such post admission obligations include, inter alia, publication of notification of the acquisition or disposal of major shareholdings, publication of certain information prior to the holding of general meetings of the Company's shareholders and the publication of voting results after general meetings of the Company's shareholders. There is no guarantee that Aroundtown's accounting, controlling, legal or other corporate administrative functions will be capable of responding to these additional requirements without incurring significant additional expenditures and/or expose it to legal, regulatory or civil costs or penalties. Furthermore, the preparation, convening and conduct of general shareholders' meetings and the Company's regular communications with shareholders and potential investors may entail substantially greater expense. Management of Aroundtown will need to devote time to these additional requirements that it could otherwise devote to other aspects of managing the operations of Aroundtown, and these additional requirements could also entail substantially increased time commitments and costs for the accounting, controlling and legal departments and other Aroundtown administrative functions. Any inability of Aroundtown's administrative functions to handle the additional demands placed on Aroundtown as well as any costs resulting thereof may have a material adverse effect on the business, results of operations and financial condition of Aroundtown.

***The re-domiciliation of the Company could be delayed or may not succeed at all. The rights of shareholders in the Company after a successful re-domiciliation might differ from their existing rights.***

On 7 April 2017, the shareholders of the Company adopted in an extraordinary general meeting a resolution approving the transfer of the seat of the Company from the Republic of Cyprus to the Grand Duchy of Luxembourg (the "**Re-Domiciliation**"). As of the date of this Prospectus, the implementation of the Re-Domiciliation is ongoing in both Cyprus and Luxembourg. The successful completion of the Re-Domiciliation is contingent upon the receipt of regulatory approvals from the authorities in Cyprus and Luxembourg, as well as the receipt of consents from certain third parties. The Company expects the completion of the Re-Domiciliation to occur in the

second half of the year 2017. There is no guarantee that the Re-Domiciliation will be successfully completed in a timely fashion or at all, and the successful completion of the Re-Domiciliation may be substantially more expensive and time consuming than the Company currently anticipates. In the event that the Re-Domiciliation is unsuccessful, the Company may incur substantial expenses without benefit and may suffer reputational harms as a result.

In addition, implementation of the Re-Domiciliation may consume the time and attention of senior management and key employees and distract them from growing the business and implementing the strategy of the Company. Although the Company believes that the Re-Domiciliation is in the best interests of the Company, there is no guarantee that the Re-Domiciliation will prove beneficial to the Company or its shareholders in the short- or long-term. The implementation of the Re-Domiciliation may also expose the Company to substantial additional or unexpected expenses, including without limitation income, capital gains and real estate transfer tax expenses in Cyprus, Germany, the Netherlands and Luxembourg and expenses associated with legal, accounting and other advisors.

Shareholders in the Company should also be aware that their rights under Luxembourg law following the successful implementation of the Re-Domiciliation may differ from their rights as shareholders under Cypriot law.

## **INFORMATION ON THE DRAFTING OF THE PROSPECTUS - PERSONS RESPONSIBLE**

This Prospectus has been drafted in accordance with the relevant legislation. The Prospectus has been approved by the Cyprus Securities and Exchange Commission only as to the coverage of the required information of the investors, as these are provided by the Public Offer and Prospectus Law of 2005 (as amended) of Cyprus and the Commission Regulation (EC) 809/2004 of the European Union (as amended).

This Prospectus contains all information concerning Aroundtown Property Holdings plc, the Shares and the admission to trading of the Shares, required to be publicised by the Public Offer and Prospectus Law of 2005 (as amended) of Cyprus and the Commission Regulation (EC) 809/2004 (as amended) and which concerns the Company and the Shares and the admission to trading of the Shares.

This Prospectus contains all the information necessary for the investors to evaluate the assets, liabilities, financial position, performance and prospects of the Company as well as the rights incorporated in the Shares described in this Prospectus.

The Company assumes full responsibility for the information contained in this Prospectus and declares that the information contained in the Prospectus is in accordance with the facts and contains no omission likely to affect its import. The Company's Directors are jointly and severally responsible for the information included in this Prospectus and declare that having taken all reasonable care to ensure that such is the case, the information contained in all parts of this Prospectus is, to the best of their knowledge, in accordance with the facts and that it contains no omission likely to affect its import.

In accordance with the provisions of the Public Offer and Prospectus Law of 2005 (as amended) this Prospectus has been signed by all the Directors of the Company.

The Cyprus Investment and Securities Corporation Limited (CISCO) in its capacity as Lead Manager - Investment Firm responsible for drawing up the Prospectus in accordance with article 23 of the Cyprus Prospectus Law declares that, having taken all responsible care to ensure that such is the case, the information contained in the Prospectus is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

Investors interested to obtain further information may contact the following during their regular business schedule:

**Lead Manager-Investment Firm responsible for the drawing up of the Prospectus in accordance with article 23 of The Public Offer and Prospectus Law of the Republic of Cyprus of 2005, as amended**

The Cyprus Investment and Securities Corporation Limited (CISCO)  
154 Lemesou Avenue, 2025 Strovolos, Nicosia, Cyprus, P.O. Box 20597  
tel: +357 22121700



## EXPECTED TIMETABLE OF PRINCIPAL EVENTS

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Filing of application for admission to trading of the Shares on the regulated market of the Frankfurt Stock Exchange ( <i>Prime Standard</i> )	On 23 May 2017
Approval and publication of this Prospectus	On or around 30 May 2017
Admission to trading of the Shares to the regulated market of the Frankfurt Stock Exchange ( <i>Prime Standard</i> )	On or around 1 June 2017
Commencement of trading of the Shares on the regulated market of the Frankfurt Stock Exchange ( <i>Prime Standard</i> )	On or around 2 June 2017, 9.00 CET

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The Shares of the Company are expected to be admitted to the regulated market and to trading on the regulated market of the Frankfurt Stock Exchange on or around 1 June 2017.

Any changes in the dates shown above, if material, shall be published in the form of an announcement pursuant to section 27 of the Cyprus Prospectus Law or in a supplement published in the same manner as this Prospectus in particular, on the website of the Company and the Lead Manager.

## GENERAL INFORMATION

### Purpose of this Prospectus

This Prospectus has been prepared for the purpose of the admission of 853,354,579 ordinary shares having a par value of € 0.01 each and full dividend rights as of 1 January 2016 (the “**Shares**”) being the entire share capital of the Company, to trading on the regulated market of the Frankfurt Stock Exchange with simultaneous admission to the sub-segment of the regulated market with additional post-admission requirements (*Prime Standard*) (the “**Admission**”).

### Forward-Looking Statements

This Prospectus contains certain forward-looking statements. A forward-looking statement is a statement that does not relate to historical facts and events. They are based on analyses or forecasts of future results and estimates of amounts not yet determinable or foreseeable. These forward-looking statements are identified by the use of terms and phrases such as “*anticipate*”, “*believe*”, “*could*”, “*estimate*”, “*expect*”, “*intend*”, “*may*”, “*plan*”, “*predict*”, “*project*”, “*aim*”, “*will*” and similar terms and phrases, including references and assumptions. This applies, in particular, to statements in this Prospectus containing information on future earning capacity, plans and expectations regarding Aroundtown’s business and management, its growth and profitability, and general economic and regulatory conditions and other factors that affect it.

Forward-looking statements in this Prospectus are based on current estimates and assumptions that the Company makes to the best of its present knowledge. These forward-looking statements are subject to risks, uncertainties and other factors which could cause actual results, including Aroundtown’s financial condition and results of operations, to differ materially from and be worse than results that have expressly or implicitly been assumed or described in these forward-looking statements. Aroundtown’s business is also subject to a number of risks and uncertainties that could cause a forward looking statement, estimate or prediction in this Prospectus to become inaccurate. Accordingly, investors are strongly advised to read the following sections of this Prospectus: “*Summary*”, “*Risk Factors*” and “*General Information on the Company and the Group*”. These sections include more detailed descriptions of factors that might have an impact on Aroundtown’s business and the markets in which it operates. In light of these risks, uncertainties and assumptions, future events described in this Prospectus may not occur. In addition, the Company assumes no obligation, except as required by law, to update any forward-looking statement or to conform these forward-looking statements to actual events or developments.

## Appraisers

The condensed valuation reports comprising valuations of the real estate portfolio of Aroundtown included in this Prospectus were prepared by the independent external appraisers as follows:

- Jones Lang LaSalle SE, Rahel-Hirsch-Straße 10, 10557 Berlin, Germany (“**Jones Lang LaSalle**”), preparing a report on the fair value of certain properties held by Aroundtown pursuant to IAS 40 (the “**JLL Property Appraisal Report**”);
- Cushman & Wakefield LLP, Rathenauplatz 1, 60313 Frankfurt am Main, Germany (“**Cushman & Wakefield**”), preparing a report on the fair value of certain properties held by Aroundtown pursuant to IAS 40 (the “**Cushman & Wakefield Property Appraisal Report**”);
- Knight Frank Valuation & Advisory GmbH & Co. KG, Bockenheimer Anlage 46, 60322 Frankfurt, Germany and Knight Frank SA/NV, Avenue Louise 143 Louizalaan, 1050 Brussels, Belgium (jointly “**Knight Frank**”), preparing a report on the fair value of certain properties held by Aroundtown pursuant to IAS 40 (the “**Knight Frank Property Appraisal Report**”); and
- apollo valuation & research GmbH, Große Eschenheimer Str. 13, 60313 Frankfurt am Main, Germany and R&B Real Estate B.V., Concertgebouwplein 15, 1071 LL Amsterdam, Netherlands (jointly “**NAI**”) preparing a report on the fair value of certain properties held by Aroundtown pursuant to IAS 40 (the “**NAI Property Appraisal Report**”);

the JLL Property Appraisal Report, the Cushman & Wakefield Property Appraisal Report, the Knight Frank Property Appraisal Report and the NAI Property Appraisal Report together also the “**Property Appraisal Reports**”, which are reprinted in this Prospectus (see “*Property Appraisal Reports*”).

Jones Lang LaSalle, Cushman & Wakefield, Knight Frank and NAI employ publicly appointed and sworn experts and members of the Royal Institution of Chartered Surveyors (RICS). The aforementioned appraisers have confirmed that they do not have any material interest in the Company. To the best of the Company’s knowledge none of the appraisers has a material interest in the Company taking into account the recommendations of ESMA to consider any material interest. The appraisers have consented to the inclusion of the Property Appraisal Reports in the unmodified form authorized by them and have approved the context in which it is presented (see “*Consents*”). The Company represents that, as of the date of this Prospectus, it is not aware of any material change in the value of the properties appraised in the Property Appraisal Report since the respective appraisal dates of the Property Appraisal Reports.

### **Information derived from third Parties; Sources**

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

- Bertelsmann Stiftung, Deutschland zwischen Wachstum und Schrumpfung, 2015, (***Bertelsmann Stiftung, Deutschland zwischen Wachstum und Schrumpfung***“);
- Bundesbank, DB Research report: German residential property market, November 2013 (***Bundesbank, DB Research Report***“);
- Centraal Bureau voor de Statistiek, Netherlands, press release from 20 February 2017, topic: Consumer Spending (***CBS, Consumer Spending***“);
- Centraal Bureau voor de Statistiek, Netherlands, online database, topic: GDP, 2016 (***CBS, GDP***“);
- Centraal Bureau voor de Statistiek, Netherlands, online database, topic: Migration balance, 2017 (***CBS, Migration***“);
- Centraal Bureau voor de Statistiek, Netherlands, online database, topic: Population density, 2017 (***CBS, Population Density***“);
- Centraal Bureau voor de Statistiek, Netherlands, online database, topic: Macroeconomics, 2017 (***CBS, Macroeconomics***“);
- Centraal Bureau voor de Statistiek, Netherlands, online database, topic: Retail Trade, Turnover Change, February 2017 (***CBS, Retail Trade, Turnover Change***“);
- Colliers, Germany, Office and Investment Report 2016/2017, 17 January 2017 (***Colliers, Office and Investment Report 2016/2017***“);
- Cushman & Wakefield, Research, The Netherlands, Retail Market Snapshot Fourth Quarter 2016, issued 2 February 2017 (***Cushman & Wakefield, Retail Market Snapshot Fourth Quarter 2016***“);
- DG HYP - Deutsche Genossenschafts-Hypothekenbank AG, Market Research, Real Estate Market Germany 2016/2017, October 2016 (***DG HYP, German Real Estate Market Report***“);

- DTZ Zadelhoff, Nederland compleet, Amsterdam en omgeving, January 2017 (“**DTZ Zadelhoff, Nederland compleet**”);
- Dynamis, Sprekende Cijfers, Winkelmarkten 2016, data from 1 July 2015 - 1 July 2016, issued 2016 (“**Dynamis, Winkelmarkten 2016** ”);
- European Central Bank, Statistics, Financial Markets and interest rates, Long-term interest rate statistics for convergence purposes, April 2017 (“**European Central Bank, Long-term interest rates**”);
- Eurostat - Statistical Office of the European Union, online data, topic: Population density as at 1 January 2016, 2016 (“**Eurostat, Population Density**”);
- Eurostat - Statistical Office of the European Union, online data, topic: Population on 1 January, 2016 (“**Eurostat, Population**”);
- Eurostat - Statistical Office of the European Union, online database, topic: Unemployment Statistics, updated January 2017 (“**Eurostat, Unemployment Statistics**”);
- Federal Statistical Office, Bevölkerung und Erwerbstätigkeit, December 2016, amended on 8 March 2017 (“**Federal Statistical Office, Bevölkerung und Erwerbstätigkeit**”);
- Federal Statistical Office, online database, topic: National Accounts, 2017 (“**Federal Statistical Office, National Accounts**”);
- Federal Statistical Office, online database, topic: Net Rents (*Nettokalnmieten*), 2017 (“**Federal Statistical Office, Net Rents**”);
- Federal Statistical Office, online database, topic: Population, 2017 (“**Federal Statistical Office, Population**”);
- Federal Statistical Office, online database, topic: Prices; Consumer prices, Consumer Price Index for Germany, 2017 (“**Federal Statistical Office, Consumer Price Index for Germany**”);
- Federal Statistical Office, online database, topic Projected households, 2017 (“**Federal Statistical Office, Projected households**”);
- Federal Statistical Office, press release 33/17, 27 January 2017 (“**Federal Statistical Office, Press Release 33/17**”);
- Federal Statistical Office and the statistical Offices of the Laender, Daten aus dem Gemeindeverzeichnis, Städte in Deutschland nach Fläche und Bevölkerung auf Grundlage des ZENSUS 2011 und Bevölkerungsdichte, December 2016 (“**Federal Statistical Office**”);

**and the Statistical Offices of the Laender, Städte in Deutschland nach Fläche und Bevölkerung”);**

- Federal Statistical Office and the statistical Offices of the Laender, online database, topic: Building and Housing; Buildings and Dwellings, Stock of Residential Buildings and Dwellings, 2017 (**“Federal Statistical Office and the Statistical Offices of the Laender, Stock of Residential Buildings and Dwellings”**);
- Federal Statistical Office and the statistical Offices of the Laender, online database, topic: Gross domestic product, gross value added, 2017 (**“Federal Statistical Office and the Statistical Offices of the Laender, Gross domestic product”**);
- The German National Tourist Board GNTB, Incoming Tourism Germany 2016, 2017 (**“GNTB, Incoming Tourism Germany”**);
- Grand City Properties S.A. consolidated financial statements as of 31 December 2016 and Grand City Properties S.A. company presentation February 2017, available on the website [www.grandcityproperties.com/investor\\_relations/downloads](http://www.grandcityproperties.com/investor_relations/downloads);
- HDE Handelsverband Deutschland, Der deutsche Einzelhandel, February 2017 (**“HDE, Der deutsche Einzelhandel”**);
- International Monetary Fund, database, topic: World Economic Outlook, October 2016 (**“IMF, World Economic Outlook”**);
- Jones Lang LaSalle, Logistics Property Report Germany 2017, March 2017 (**“Jones Lang LaSalle, Logistics Property Report Germany 2017”**);
- Jones Lang LaSalle, German Residential Market Overview 2016, September 2016 (**“Jones Lang LaSalle, German Residential Market Overview”**);
- Smith Travel Research, STR Global, Hotel Reviews, Germany, Hotel Performance December 2016, January 2017 (**“Smith Travel Research”**).

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

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

### **Documents on display**

For the duration of the validity of this Prospectus, copies of the Prospectus and the following documents referred to in this Prospectus will be available free of charge for physical inspection during regular business hours on any weekday (Saturdays, Sundays and public holidays excepted) at the offices of the Company in 54B Artemidos & Nikou Dimitriou, Scanner Avenue Tower, 4th floor 6027, Larnaca, Cyprus:

- (i) the most recent version of the memorandum and the articles of association (the “**Articles of Association**”) of the Company;
- (ii) the audited consolidated financial statements prepared in accordance with the International Financial Reporting Standards, as adopted by the European Union (“**IFRS**”) of the Company for the fiscal year ended 31 December 2016 (the “**2016 Consolidated Financial Statements**”);
- (iii) the audited consolidated financial statements prepared in accordance with IFRS of the Company for the fiscal year ended 31 December 2015 (the “**2015 Consolidated Financial Statements**”);
- (iv) the audited consolidated financial statements prepared in accordance with IFRS of the Company for the fiscal year ended 31 December 2014 (the “**2014 Consolidated Financial Statements**”);
- (v) this Prospectus;
- (vi) the Property Appraisal Reports; and
- (vii) the letters confirming the consents referred to in the section “*Consents*”.

This Prospectus will be available electronically on the Company’s website ([www.aroundtownholdings.com/investors](http://www.aroundtownholdings.com/investors)), on the website of CySEC ([www.cysec.gov.cy](http://www.cysec.gov.cy)) and on the website of Cyprus Investment and Securities Corporation Limited (CISCO) ([www.cisco-online.com.cy](http://www.cisco-online.com.cy)).

## **Currency and Financial Data**

In this Prospectus all references to “€”, “EUR” or “Euro” are to the currency introduced at the start of the third stage of the European economic and monetary union, and as defined in article 2 of Council Regulation (EC) No 974/98 of 3 May 1998 on the introduction of the Euro, as amended. In this Prospectus all references to “\$”, “USD” or “US Dollars” are to the currency of the United States of America.

The financial data contained in this Prospectus is - except as stated otherwise - derived from the 2016 Consolidated Financial Statements, the 2015 Consolidated Financial Statements and 2014 Consolidated Financial Statements. The financial data in the section “*Capitalisation and Indebtedness, Statement on Working Capital*” is derived from the Company’s internal accounting system. For more detailed information about financial information, see “*Selected Consolidated Financial Information*” and “*Financial Information*”.

Where financial data in this Prospectus is labelled “audited”, this means that it has been taken from the audited financial statements mentioned above. The label “unaudited” is used in the Prospectus to indicate financial data that has not been taken from the audited financial statements mentioned above. All of the financial data presented in the Prospectus are shown in thousands of Euro (in thousands of €), except as otherwise stated.

## **Figures**

In order to ensure that figures given in the text and the tables sum up to the totals given, the numbers are commercially rounded to the nearest whole number or in some cases to such number that facilitates the summing up. As a result of rounding effects, the aggregated figures in the tables may differ from the totals shown. Financial information presented in parentheses denotes the negative of such number presented. In respect of financial data set out in the main body of the Prospectus, a dash (“-”) or a zero (“0”) signifies that the relevant figure is not available or that the relevant figure is available but has been rounded to zero.

## **Interpretation**

Certain terms used in this Prospectus are defined in the section “*Glossary*” or elsewhere in this Prospectus.

References to the singular in this Prospectus shall include the plural and vice versa, where the context so requires.



## **Statutory Auditors**

The statutory auditors of the Company are appointed by the general meeting of shareholders, with such appointment lasting from the conclusion of such meeting until the conclusion of the next annual general meeting.

At the date of this Prospectus, KPMG Limited ("**KPMG**"), Certified Accountants and Registered Auditors, Millenium Lion House, P.O. Box 40075, 6300 Larnaca, Cyprus is appointed as auditor. Its mandate expires at the conclusion of the annual general meeting of the Company to be held in 2017.

KPMG is registered as a corporate body with the official table of company auditors drawn up by the Institute of Certified Public Accountants of Cyprus. The membership number is E194.

The 2016 Consolidated Financial Statements, the 2015 Consolidated Financial Statements and the 2014 Consolidated Financial Statements have been audited by the statutory auditor of the Company, KPMG, which in each case provided an unqualified auditor's report reproduced in this Prospectus.

## **Rating**

As at the date of this Prospectus, the Company, the Series C Bonds, the Series D Bonds, the Series E Bonds, the Series F Bonds and the Series H Bonds are assigned a "BBB" rating with a stable outlook for the Company by Standard & Poor's Credit market Services Europe Limited ("**S&P**"). The Perpetual Notes are assigned a "BB+" rating by S&P. No rating is assigned to the Series B Bonds and the Series G Bonds.

The credit rating opinions awarded by S&P range from the highest rating "AAA", which is defined as "extremely strong capacity to meet financial commitments" to the lowest rating "D", which is defined as "Payment default on financial commitments" (*Source: website Standard & Poor's*). S&P define a "BBB" rating for a long-term issuer as follows: "An obligor rated 'BBB' has adequate capacity to meet its financial commitments. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitments. Ratings from "AA" to "CCC" may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within the major rating categories." S&P define a "BBB" rating for a long-term issue obligation as follows: "An obligation rated 'BBB' exhibits adequate protection parameters. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitment on the obligation. The ratings from 'AA' to 'CCC' may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within the major rating categories." S&P define a "BB" rating for a long-term issue obligation as follows: "An obligation rated 'BB' is less vulnerable to non-payment than other

speculative issues. However, it faces major ongoing uncertainties or exposure to adverse business, financial, or economic conditions which could lead to the obligor's inadequate capacity to meet its financial commitment on the obligation. The ratings from 'AA' to 'CCC' may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within the major rating categories.”

S&P is established in the European Community and is registered under Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies, as amended by Regulation (EC) No 513/2011 of the European Parliament and of the Council of 11 May 2011 (the “**CRA Regulation**”).

S&P is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with the CRA Regulation at [www.esma.europa.eu/page/List-registered-and-certified-CRAs](http://www.esma.europa.eu/page/List-registered-and-certified-CRAs).

A rating by a rating agency or a third party is not a recommendation to buy, sell or hold any security and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency or third party. There is no guarantee that the rating will remain stable for a certain period of time and that it will not be reduced or withdrawn completely, should this be necessary in the rating agency's or third party's opinion.

## THE ADMISSION OF THE SHARES TO TRADING

### **Admission to the Regulated Market and Commencement of Trading, Reasons, Costs**

On 23 May 2017, the Company has filed an application to have the entire share capital of the Company, listed for trading on the regulated market of the Frankfurt Stock Exchange with simultaneous admission to the sub-segment of the regulated market with additional post-admission requirements (*Prime Standard*). The application was filed together with quirin bank AG, Kurfürstendamm 119, 10711 Berlin, Germany (“**quirin**” or “**Listing Agent**”) in its capacity as listing agent under German law. Admission is expected to be granted on 1 June 2017. Commencement of trading of the Shares on the regulated market of the Frankfurt Stock Exchange (*Prime Standard*) is expected to take place on 2 June 2017.

The trading of the shares on the Alternext segment of Euronext Paris will be kept in place following the admission. Upon the admission to trading of the Shares on the regulated market of the Frankfurt Stock Exchange, the trading of the shares on the open market of the Frankfurt Stock will cease.

The Board of Directors considers the Admission to be in the best interests of the Company and the shareholders of the Company, as a whole, as it is believed that the Admission will enhance the visibility and tradability of the Company’s shares and will further support the entry into various stock indices.

In connection with the admission to trading on the regulated market of the Frankfurt Stock Exchange the Company expects overall costs and expenses of approximately € 1 million.

### **Information on the Shares of the Company**

#### **Class of shares, currency and governing legislation**

As of the date of this Prospectus, all shares of the Company are ordinary shares and all are ranking *pari passu* with each other in all respects. There is only one class of shares, and that is the ordinary one and there are no other classes of shares bearing any preferred, deferred or other special rights or such restrictions, neither with regard to dividend, voting, return of capital or otherwise.

The currency of the Shares is Euro. As of the date of this Prospectus, the Shares are governed by the laws of the Republic of Cyprus.

## **Form and representation of shares**

All Shares are in dematerialised, registered form, represented by a global certificate, issued in the name of BNP Paribas Securities Services Luxembourg Branch (“**BNP**”) as common depository on behalf of Euroclear and Clearstream. Pursuant to an agreement made between the Company and BNP, amongst other things, BNP undertakes to hold and safekeep such global certificate as common depository on behalf of Euroclear and Clearstream (the “**ICSDs**”).

The Company further maintains an internal register of Members and Share Ledger where BNP is recorded as holding the shares as a common depository. In addition and upon the instructions of the Company, BNP may provide a register of members/shareholders of the Company, following receipt of information from the ICSDs, but always subject to the regulations of the relevant segments.

## **ISIN/ Trading Symbol**

International Securities Identification Number (ISIN)                      CY0105562116

Trading Symbol    ALATP / AT1

## **Transferability**

Subject to the provisions of the Articles of Association, as all Shares of the Company are listed to trading, the Company may not refuse the lawful transfer or purported transfer of the Shares.

Further as all Shares are listed to trading, there are no prohibitions or restrictions as to their transferability. No approvals need to be obtained by BNP or the Company for a transfer, though the Company reserves the right to implement arrangements for the registration, or effect of transfers of such shares.

## **Existing quotation**

Until the completion of the Admission and the commencement of trading of the Shares on the regulated market of the Frankfurt Stock Exchange, the Shares of the Company will be listed on the Alternext market segment of the Paris Euronext stock exchange and on the open market of the Frankfurt Stock Exchange. The trading of the Shares on the Alternext segment of Euronext Paris will be kept in place following the Admission. Upon completion of the admission, the trading of the Shares on the open market of the Frankfurt Stock will cease.

### **Information on the Shares after Re-Domiciliation**

Upon the effectiveness of the transfer of the registered seat of the Company to the Grand Duchy of Luxembourg, which the Company expects to become effective in the second half of the year 2017, the legal form of the Company will change into a *Société Anonyme* (S.A.) under the laws of the Grand Duchy of Luxembourg. From such date on the shares will represent shares of the Company in its new legal form. For more information see: “*Transfer of the Registered Seat of the Company to the Grand Duchy of Luxembourg - General Information on the Company in the new legal form*”.

### **Designated Sponsors**

Each of Joh. Berenberg, Gossler & Co. KG, Oddo Seydler Bank AG and M.M.Warburg & CO (AG & Co.) KGaA have assumed the function of designated sponsor of the Company's Shares currently traded in the electronic trading system XETRA of the Frankfurt Stock Exchange and will continue such function for the time being once the Shares are listed on the regulated market of the Frankfurt Stock Exchange. Invest Securities has assumed the function of a designated sponsor of the Company's Shares currently traded on the Alternext market segment of Euronext Paris.

### **Material Interests of Persons regarding the Admission, including Conflict of Interests**

The Listing Agent has an interest in the Admission, as it will receive a commission if the Admission takes place.

The Company and its shareholders have an interest in the Admission as the admission to trading of the shares in the Company is expected to have a positive impact on the liquidity of the Company's shares on the stock exchange.

Besides interests mentioned above, there are no other interests or potential conflicts of interest that are material to the Admission.

**DIRECTORS, SECRETARIES, REGISTERED AND HEAD OFFICE, ADVISERS AND APPRAISERS**

<b>Directors</b>	Mr. Andrew Wallis, Executive Director  Mr. Oschrie Massatschi, Executive Director  Mr. Reshef Ish-Gur, Executive Director  Ms. Elena Koushos, Non-Executive Independent Director  Ms. Jelena Afxentiou, Executive Director  Mr. Markus Leininger, Non-Executive Independent Director
<b>Company's Secretaries</b>	KKLAW Secretarial Limited Strati Myrivilli, 5 Strovolos, 2046, Nicosia, Cyprus
<b>Registered address, Head Office of the Company</b>	54B Artemidos & Nikou Dimitriou, Scanner Avenue Tower 4th floor 6027 Larnaca Cyprus
<b>Lead Manager responsible for drawing up of the Prospectus</b>	Cyprus Investment and Securities Corporation Limited (CISCO) 154 Lemesou Avenue 2025 Strovolos Nicosia Cyprus P.O. Box 20597
<b>Cypriot legal advisers to the Company</b>	KOUSHOS KORFIOTIS PAPACHARALAMBOUS LLC 20 Costis Palamas str., 'Aspelia' Court, 1096 Nicosia, Cyprus
<b>German legal advisers to the Company</b>	Taylor Wessing Partnerschaftsgesellschaft mbB Ebertstr. 15 10117 Berlin Germany
<b>Statutory Auditors to the Company</b>	KPMG Limited Certified Accountants and Registered Auditors

	<p>Millenium Lion House  P.O. Box 40075  6300 Larnaca  Cyprus  BNP Paribas Securities Services, Luxembourg Branch  60 avenue J.F. Kennedy  L-1855 Luxembourg  Luxembourg</p>
<b>Depositary</b>	
	<p>BNP Paribas Securities Services, Luxembourg Branch  60 avenue J.F. Kennedy  L-1855 Luxembourg  Luxembourg</p>
<b>Registrar</b>	
	<p>Jones Lang LaSalle SE  Rahel-Hirsch-Straße 10  10557 Berlin  Germany</p>
<b>Appraisers</b>	
	<p>Knight Frank SA/NV  Avenue Louise 143 Louizalaan  1050 Brussels  Belgium</p>
	<p>Knight Frank Valuation &amp; Advisory GmbH &amp; Co. KG  Bockenheimer Anlage 46  60322 Frankfurt  Germany</p>
	<p>Cushman &amp; Wakefield LLP  Rathenauplatz 1  60313 Frankfurt am Main  Germany</p>
	<p>apollo valuation &amp; research GmbH  Große Eschenheimer Str. 13  60313 Frankfurt am Main  Germany</p>
	<p>R&amp;B Real Estate B.V.  Concertgebouwplein 15  1071 LL Amsterdam</p>

Netherlands



## **DIVIDEND POLICY, DIVIDEND DISTRIBUTIONS**

### **General Provisions Relating to Profit Allocation and Dividend Payments**

All of the Shares carry equal dividend rights. Dividends and interim dividends may be paid out in accordance with the general provisions of Cyprus law and the Articles of Association. The general meeting of the shareholders of the Company may declare dividends or interim dividends (in such case via an extraordinary general meeting) by way of an ordinary resolution following the relevant recommendation by the Board of Directors; provided that no dividend or interim dividend shall exceed the amount recommended by the Board of Directors and no dividend or interim dividend shall be paid otherwise than out of divisible profits.

The Board of Directors may from time to time pay to the shareholders such interim dividends as appear to the Board of Directors to be justified by the divisible profits of the Company for the relevant period. The Board of Directors may, before recommending any dividend, set aside out of the profits of the Company such sums as they think proper as a reserve or reserves which shall, at the discretion of the Board of Directors, be applicable for any purpose to which the profits of the company may be properly applied, and pending such application may, at the like discretion, either be employed in the business of the Company or be invested in such investments (other than shares of the Company) as the Board of Directors may from time to time think fit. The Board of Directors may also without placing the same to reserve carry forward any profits which they may think prudent not to distribute.

All declared dividends as to the Shares, shall be declared and paid according to the amounts paid up on such shares, apportioned and paid proportionately to the amounts paid up on the relevant shares. Any dividends adopted by the general meeting are paid in accordance with the timing set forth in the adopting resolution. Since all shares of the Company are evidenced by global share certificates and are held by BNP Paribas Securities Services Limited Luxembourg Branch as common depository on behalf of Clearstream and Euroclear, dividends are paid via the clearing system to the custodian banks for the benefit of the shareholders. Domestic custodian banks have the same payout duty towards their clients. Shareholders who deposit their shares at foreign custodian banks must contact their custodian banks to inquire about the applicable conditions.

No dividend shall bear interest against the Company. All dividends or interim dividends unclaimed for a period of 5 years after having become due for payment shall (if the Board of Directors so resolves) be forfeited and shall revert to the Company.

For more details on provision with respect to dividends under the Cyprus Companies Law and the Articles of Association, see “*Description of the Share Capital – Dividends and Distributions*”. For information on the taxation of dividends paid by the Company to its shareholders, if any, see

“Taxation in the Federal Republic of Germany”, “Taxation in the Republic of Cyprus”, “Taxation in France” and “Taxation in the Grand Duchy of Luxembourg”.

### **History of Dividend Policy and Earnings Per Share**

The following table shows the consolidated profit for the period and basic earnings per share based on the consolidated financial statements (IFRS) of the Company as of and for the fiscal years ended 31 December 2016, 31 December 2015 and 31 December 2014:

	<b>For the year ended 31 December</b>		
	<b>2016</b>	<b>2015</b>	<b>2014</b>
	<b>IFRS</b>	<b>IFRS</b>	<b>IFRS</b>
	(audited)	(audited)	(audited)
<b>Profit attributable to the owners of the Company (in thousands of €)</b>	728,209	686,892	714,893
<b>Weighted average number of ordinary shares (in thousands)</b>	653,155	547,049	500,000 <sup>(1)</sup>
<b>Basic earnings per share (in €)</b>	1.11	1.26	1.43
<b>Profit attributable to the owners of the Company (diluted) (in thousands of €)</b>	717,931	640,071	703,630
<b>Weighted average number of ordinary shares (diluted) (in thousands)</b>	829,458	632,880	500,000 <sup>(1)</sup>
<b>Diluted earnings per share (in €)</b>	0.87	1.01	1.41

<sup>(1)</sup> The number of shares as of 31 December 2014 was 22,000. In February 2015 the number of shares increased to 500,000,000. For purposes of comparability, the number of shares related to this period has been adjusted accordingly.

The Company is a holding company. The business of Arountown is primarily conducted through direct and indirect subsidiaries and affiliates of the Company. The ability of the Company to distribute dividends to its shareholders partially depends on distributions by the Company's subsidiaries and GCP (see “*Risk Factors - Risks Relating to the Shares, the Admission and the Shareholder Structure - The cash flow of Arountown and the ability of the Company to pay dividends depend on the profitability of its subsidiaries and investees and future dividend payments depend on Arountown's future distributable profit.*”).

On 31 March 2017 the Board of Directors resolved on a dividend policy which shall apply for the fiscal year 2016 and onwards, according to which 65 % of the Company's FFO I per share shall be distributed as annual dividends to the shareholders, amending its previous dividend policy of 30 % of FFO I per share as adopted on 20 July 2015. The distribution of dividends is subject to a respective resolution of the shareholders' annual general meeting.

The following distributions of profits or reserves were made to shareholders of the Company for and in the fiscal years 2016, 2015 and 2014:

- For the fiscal year 2016 no distribution of profits or reserves were made until the date of this Prospectus. The Board of Directors intends to propose to the shareholders' annual general meeting which is expected to be held during the year 2017 a distribution of a cash dividend according to its dividend policy.
- For the fiscal year 2015, the shareholders' annual general meeting resolved on 18 November 2016 the distribution of a cash dividend in the amount of € 0.051 per share. The Company distributed the cash dividend in a gross aggregate amount of € 34.5 million on 23 December 2016.
- For the fiscal year 2014 no dividend was declared or distributed.

## CAPITALIZATION AND INDEBTEDNESS, STATEMENT ON WORKING CAPITAL

The following tables set forth Aroundtown's actual capitalization and indebtedness as of 28 February 2017 (left column and in the right column adjusted following significant events after 28 February 2017 until the date of this Prospectus) Investors should read these tables in conjunction with "Selected Consolidated Financial Information", "Management Discussion and Analysis of Net Assets, Financial Position and Results of Operations" and the audited consolidated financial statements as of and for the year ended 31 December 2016 including the notes thereto, which are included elsewhere in this Prospectus.

### Capitalization

The following tables provide an overview on the capitalization including the indebtedness of Aroundtown.

	As of 28 February 2017 <sup>(1)</sup> (unaudited) In thousands of €	Adjusted following significant events after 28 February 2017 until the date of this Prospectus (unaudited) In thousands of €
<b>Total Current debt</b>	<b>299,962</b>	<b>199,962</b>
<i>Thereof guaranteed <sup>(2)</sup></i>	-	-
<i>Thereof secured <sup>(3)</sup></i>	129,499	29,499 <sup>(9)</sup>
<i>Thereof unguaranteed/unsecured</i>	170,463	170,463
<b>Total Non- Current debt (excluding current portion of long term debt)</b>	<b>4,376,304</b>	<b>4,308,368</b>
<i>Thereof guaranteed <sup>(2)</sup></i>	-	-
<i>Thereof secured <sup>(3)</sup></i>	1,517,211	1,454,724 <sup>(9)(12)</sup>
<i>Thereof unguaranteed/unsecured</i>	2,859,093	2,853,644 <sup>(7)(8)(13)</sup>
<b>Total Equity <sup>(4)(10)</sup></b>	<b>4,037,807</b>	<b>4,749,578</b>
<b>Shareholders' Equity</b>	<b>3,090,163</b>	<b>3,801,934</b>
<i>Issued share capital</i>	6,763	8,534 <sup>(11)</sup>
<i>Legal Reserve <sup>(5)(6)</sup></i>	3,063,118	3,773,118 <sup>(10)</sup>
<i>Other reserve <sup>(5)(6)</sup></i>	20,282	20,282
<i>Equity Attributed to perpetual noteholders</i>	575,003	575,003
<i>Non-controlling Interest <sup>(5)</sup></i>	372,641	372,641
<b>Total</b>	<b>8,714,073</b>	<b>9,257,908</b>

- (1) Unless stated otherwise in the footnotes below.
- (2) Liabilities that are secured by bank guarantees.
- (3) Secured by mortgages and therefore also via rent assignment and assignment of insurance claims.
- (4) Is the Shareholder's Equity plus Non-Controlling Interest plus Equity attributed to perpetual noteholders including adjustments mentioned in footnote <sup>(10)</sup>.
- (5) Refers to the amount which the Company presented in the audited consolidated financial statements as of 31 December 2016.
- (6) Legal reserve and other reserve include the line items "Retained earnings and capital reserves" referred to in the consolidated statement of financial position of the Company as at 31 December 2016.
- (7) Include additional USD 400 million (which equal to € 372 million) fixed rate notes due 2032 issued by the Group on 20 March 2017.
- (8) Net of € 340 million Series B Bonds of which € 285 million was converted since 28 February 2017 and until the date of the Prospectus and € 55.3 million nominal value repurchased as part of the tender offer to holders of the bonds on 9 May 2017.
- (9) Net of repayment during April 2017 of financial liabilities from credit institutions in a principal amount of € 140 million of which € 100 million refer to payment within one year and € 40 million refer to payment after one year.
- (10) Reflect additional reserve of € 425 million and € 285 million from the capital increase which took place on 9 May 2017 and from Series B Bonds which converted since 28 February 2017 until the date of the Prospectus respectively.
- (11) Reflect increase of share capital through capital increase as of 9 May 2017 as well as conversions under Series B Bonds.
- (12) Redemption of the PCI Convertible Bond in the amount of approximately € 22 million.
- (13) Redemption of the Series A Bond in th amount of approximately € 37 million

## Indebtedness

	As of 28 February 2017 (unaudited) In thousands of €	Adjusted following significant events after 28 February 2017 until the date of this Prospectus (unaudited) In thousands of €
A Cash <sup>(1)</sup>	275,364	852,364 <sup>(11)(12)(13)</sup>
B Cash equivalents <sup>(2)</sup>	11,225	11,225
C Trading Securities <sup>(3)</sup>	117,863	117,863
	<b>404,452</b>	
<b>D Liquidity (A)+(B)+(C)</b>		<b>981,452</b>
<b>Current financial</b>		
<b>E Receivables <sup>(4)</sup></b>	<b>121,725</b>	<b>121,725</b>
F Current bank debt <sup>(5)</sup>	129,994	29,994 <sup>(14)</sup>
G Current portion of non-current debt <sup>(6)</sup>	49,334	49,334
H Other current financial debt <sup>(7)</sup>	132,717	132,717
<b>Current financial debt</b>		
<b>I (F)+(G)+(H)</b>	<b>312,045</b>	<b>212,045</b>
<b>Net current Financial</b>		
<b>J Indebtedness (I)-(E)-(D)</b>	<b>(214,132)</b>	<b>(891,132)</b>
K Non-current bank loans <sup>(8)</sup>	1,494,724	1,454,724 <sup>(14)</sup>
L Bonds Issued <sup>(9)</sup>	2,467,206	2,439,270 <sup>(11)(15)(16)(17)</sup>
M Other non-current financial loans <sup>(10)</sup>	48,442	48,442
<b>Non-current Financial</b>		
<b>N Indebtedness (K)+(L)+(M)</b>	<b>4,010,372</b>	<b>3,942,436</b>
<b>Net - Financial Indebtedness</b>		
<b>O (J)+(N)</b>	<b>3,796,241</b>	<b>3,051,304</b>

<sup>(1)</sup> Contains bank balance and cash.

<sup>(2)</sup> Contains cash in deposits.

<sup>(3)</sup> Contains traded shares and bonds.

<sup>(4)</sup> Contains Trade and other receivable, rent receivable, prepaid expenses and short term financial assets.

<sup>(5)</sup> Contains credit from bank and straight bond that become due for payment within one year

<sup>(6)</sup> Contains liabilities to banks and accrued interest for bondholders that become due for payment within one year

<sup>(7)</sup> Contains trade and other payable, tax payable and other creditors that become due for payment within one year.

<sup>(8)</sup> Contains liabilities to banks that become due for payment after one year, measured in accordance with IFRS. Also includes financial liability relates to liability held for sale.

<sup>(9)</sup> Refers to non-current straight bonds and convertible bonds issued by the Company

<sup>(10)</sup> Contains liabilities under tenancy deposits and financed lease and other long term creditors including derivatives that become due for payment after one year.

<sup>(11)</sup> Reflect additional USD 400 million (which equal to € 372 million) fixed rate notes due 2032 issue by the Group on 20 March 2017.

<sup>(12)</sup> Reflect additional capital increase of € 425 million which took place on 9 May 2017.

<sup>(13)</sup> Net of cash repayment after 28 February 2017 and until date of the Prospectus of financial liabilities from credit institutions in the principal amount of about € 140 million and Series B Bonds in the nominal amount of € 55.3 million for a consideration in the amount of € 80 million.

- (14) Net of repayment during April 2017 of financial liabilities from credit institutions in the principal amount of about € 140 million of which € 100 million refer to payment within one year and € 40 million refer to payment after one year.
- (15) Net of € 340 million Series B Bonds of which € 285 million was converted since 28 February 2017 and until the date of the Prospectus and € 55.3 million nominal value repurchased as part of a certain tender offer to holders of bonds as of 9 May 2017.
- (16) Redemption of the PCI Convertible Bond in the amount of approx. € 22 million.
- (17) Redemption of the Series A Bond in the amount of approx. € 37 million.

As of 28 February 2017 the Company had no material indirect liabilities and contingent liabilities (defined as commitments and contingencies) becoming due within one year.

Since 28 February 2017, the following material changes have occurred with respect to Aroundtown's financial indebtedness:

In March 2017 a subsidiary of the Company (PCI) redeemed the outstanding PCI Convertible Bonds (together with the accrued but unpaid interest) in an amount of approximately € 22 million. On 20 March 2017, the Company through ATF Netherlands B.V. successfully placed USD 400 million fixed rate notes due 2032. Since 28 February 2017 and until the date of the Prospectus nominal amount of € 284 million Series B Bonds have been converted into ordinary shares of the Company, resulting in a corresponding decrease in the outstanding amount of the Series B Bonds. Therefore the liability under the Series B Bonds decreased accordingly. In April 2017 the Company repaid financial liabilities from credit institutions in the principal amount of approximately € 140 million. On 4 May 2017, the Company redeemed the outstanding Series A Bonds at their accreted principal amount, together with accrued but unpaid interest to that date, in an amount of approximately € 40 million. On 9 May 2017, as part of a tender offer to the holders of Series B Bonds, the Company accepted tender offers for purchase for cash in an aggregate principal amount of € 55.3 million. Thus, of the outstanding principal amount of € 127.4 million of the Series B Bonds, the Company holds currently Series B Bonds in an aggregate principal amount of € 55.3 million as a consequence of the tender offer. The Company's Directors declare that besides the aforementioned there were no additional major changes in the financial position of the Company that would affect the borrowings as listed in this section from 28 February 2017 until the date of this Prospectus.

### **Statement on Working Capital**

In the opinion of the Company, the working capital available to Aroundtown is sufficient for Aroundtown's present requirements and, in particular, is sufficient for at least 12 months from the date of this Prospectus.

## SELECTED CONSOLIDATED FINANCIAL INFORMATION

The following selected historical financial information are based on the audited consolidated financial statements of Aroundtown Property Holdings plc for the fiscal years ended 31 December 2014, 2015 and 2016 (together the “**Consolidated Financial Statements**”), all of which are reproduced elsewhere in this Prospectus, and should be read together with them. The Consolidated Financial Statements were prepared in accordance with International Financial Reporting Standards (IFRS) as adopted in the European Union. The Consolidated Financial Statements were audited by KPMG and issued in each case with an unqualified auditor’s report.

On 31 December 2014 Grand City Properties S.A. was deconsolidated from Company’s consolidated financial statements and the Company’s interest in GCP has since then been presented as an equity-accounted investee in the Company’s consolidated financial statements. Since the deconsolidation took place at the year end of 2014, the consolidated profit and loss statements of the Company for the fiscal year 2014 fully consolidated the results of Grand City Properties S.A. As of 1 January 2015 the profit and loss statements of the Company do not consolidate Grand City Properties S.A.’s results but instead presents the Company’s share in Grand City Properties S.A.’s profit or loss in the line item share in profit from equity accounted investees.

The following summary of financial information for the fiscal year 2014 is derived from the audited consolidated financial statements of the Company prepared in accordance with IFRS as of and for the fiscal year ended 31 December 2015. Certain balance sheet and profit and loss items relating to the fiscal year ended 31 December 2014 have been reclassified in the consolidated financial statements of the Company for the fiscal year 2015 to enhance comparability. Furthermore, the following summary of financial information for the fiscal year 2015 is derived from the audited consolidated financial statements of the Company prepared in accordance with IFRS as of and for the fiscal year ended 31 December 2016; certain balance sheet and profit and loss items relating to the fiscal year ended 31 December 2015 have been reclassified in the consolidated financial statements of the Company for the fiscal year 2016 to enhance comparability. The consolidated financial statements for the fiscal year ended 31 December 2014, the consolidated financial statements for the fiscal year ended 31 December 2015 and the consolidated financial statements for the fiscal year ended 31 December 2016 are included in the Financial Information section of this prospectus starting on page F-1.

Where financial data below is labelled “audited”, this means that it has been taken from the audited financial statements mentioned above. The label “unaudited” is used in the below tables to indicate financial data that has not been taken from the audited financial statements mentioned above but was taken either from Aroundtown’s accounting or controlling records, or is based on calculations of these figures. Also, some of the financial and performance indicators including non-IFRS measures reproduced below were taken from Aroundtown’s accounting records and



are unaudited. In order to ensure that figures given in the text and the tables sum up to the totals given, the numbers are commercially rounded to the nearest whole number or in some cases to such number that facilitates the summing up, except for figures in tables that provide for selected financial information with respect to the latter the figures do not necessarily sum up to the totals given. Financial information presented in parentheses denotes the negative of such number presented. In respect of financial data set out in the main body of the Prospectus, both a dash (“ -”) or zero (“0”) are used to signify both unavailable figures and figures which are either exactly zero or have been rounded to zero.

The following summary of financial information should be read together with the section “*Management’s Discussion and Analysis of Financial Condition and Results of Operations (MD&A)*”, the consolidated financial statements and the related notes contained in the section “Financial Information” and the additional financial information contained elsewhere in this Prospectus.

### **Selected Consolidated Comprehensive Income Statement Data**

	<b>for the year ended 31 December</b>		
	<b>2016 (audited)</b>	<b>2015 (audited)</b>	<b>2014 (audited)<sup>(1)</sup></b>
	<b>In thousands of €</b>		
Revenue	273,699	125,162	257,171
Capital gains, revaluations and other income	719,517	814,511	877,618
Share in profit from investment in equity-accounted investees	197,064	134,138	936
Property operating expenses	(75,353)	(28,529) <sup>(2)</sup>	(102,031)
Cost of buildings sold	-	-	(14,425)
Administrative and other expenses	(7,921)	(4,287) <sup>(2)</sup>	(7,797)
<b>Operating profit</b>	<b>1,107,006</b>	<b>1,040,995</b>	<b>1,011,472</b>
Finance expenses	(47,408)	(20,466)	(26,930)
Other financial results	(35,883)	7,869	(32,877)
Current tax expenses	(19,910)	(9,264)	(16,760)
Deferred tax expenses	(102,711)	(98,380)	(36,451)
<b>Profit for the period</b>	<b>901,094</b>	<b>920,754</b>	<b>898,454</b>

<sup>(1)</sup> Due to the effect of the de-consolidation of GCP as of 31 December 2014, the fiscal year 2014 included results of profit and loss statement line items of GCP.

<sup>(2)</sup> Reclassified to enhance comparability.

### Selected Data from the Consolidated Balance Sheet

	as of 31 December		
	2016 (audited)	2015 (audited)	2014 (audited)
	In thousands of €		
<b>Non-current assets</b>	<b>6,988,905</b>	<b>4,007,602</b>	<b>1,543,865</b>
Investment property	5,016,235	2,430,595	426,303
Investment in equity-accounted investees	1,557,044	1,183,148	908,435
<b>Current assets</b>	<b>1,100,047</b>	<b>432,545</b>	<b>177,704</b>
<b>Total Assets</b>	<b>8,088,952</b>	<b>4,440,147</b>	<b>1,721,569</b>
<b>Non-current liabilities</b>	<b>3,799,033</b>	<b>1,773,357</b>	<b>439,026</b>
Straight bonds	1,713,965	187,923	150,522
Convertible bonds	708,686	817,721	96,728
<b>Current liabilities</b>	<b>348,839</b>	<b>241,278</b>	<b>60,882</b>
<b>Total Liabilities</b>	<b>4,147,872</b>	<b>2,014,635</b>	<b>499,908</b>
<b>Total Equity</b>	<b>3,941,080</b>	<b>2,425,512</b>	<b>1,221,661</b>

### Selected Data from the Consolidated Cash Flow Statement

	for the year ended 31 December		
	2016 (audited)	2015 (audited)	2014 (audited)
	In thousands of €		
Net cash provided by operating activities	178,804	94,305	134,572
Net cash used in investing activities	(1,900,279)	(1,418,725)	(629,166)
Net cash provided by financing activities	2,244,010	1,417,669	658,276
Cash in subsidiaries on which the company lost control	-	-	(270,131)
<b>Net change in cash and cash equivalents</b>	<b>522,535</b>	<b>93,249</b>	<b>(106,449)</b>

### Selected Other Consolidated Key Financial Information

The Company presents certain non-IFRS financial information in this Prospectus. The Company uses this financial information because it believes that these are of use for its investors. According to the ESMA guidelines on Alternative Performance Measures (“APM”), the Company considers the following information presented in this Prospectus as APM: EBITDA, Adjusted EBITDA, FFO I, FFO I per share, LTV, EPRA NAV, EPRA NAV per share and EPRA NNAV. All alternative performance measures used by the Company relate to its or Aaroundtown's past

performance. The Company believes that these measures are useful in evaluating Aroundtown's operational performance, the net value of Aroundtown's portfolio, the level of indebtedness and of cash profits generated from operations by Aroundtown, because a number of companies, in particular in the real estate sector, also publish these figures. However, none of the aforementioned performance measures are financial measures defined under IFRS and none of these performance measures is suitable to replace financial information such as total assets, total equity, total liabilities, rental and operating income, operating profit, profit for the year, net cash provided by operating activities or net cash used in finance activities or other line items in Aroundtown's consolidated balance sheet, consolidated comprehensive statement of consolidated income and consolidated cash flow statement which have been prepared in accordance with IFRS. The alternative performance measures used by Aroundtown not necessarily state if Aroundtown has sufficient cash flow or liquidity and might not be suitable as performance indicators for the past operative result of Aroundtown. The alternative performance measures are not suitable to predict a future performance. Because not all companies in the real estate sector use the same performance indicators and also might calculate them differently, the display of the alternative performance measures by Aroundtown is not necessarily suitable to be compared with similar performance indicators of other companies.

The below table contains a summary of some additional performance indicators with respect to the fiscal years ended 31 December 2016, 2015 and 2014.

	<b>As of and for the year ended 31 December 2016 (unaudited unless otherwise indicated)</b>	<b>2015 (unaudited unless otherwise indicated)</b>	<b>2014 (unaudited unless otherwise indicated)<sup>(1)</sup></b>
Rental and operating income (audited) in thousands of €	273,699	125,162	242,496
Adjusted EBITDA in thousands of € <sup>(2) (12)</sup>	268,229	153,552	59,665
FFO I in thousands of € <sup>(3) (13)</sup>	165,627	94,049	38,752
FFO I per share in € <sup>(4)</sup>	0.25	0.17	0.08
Dividend per share in € <sup>(5)</sup>	0.163	0.051	-
EBITDA in thousands of € <sup>(12)</sup>	1,109,012	1,041,372	1,012,395
Net profit (audited) in thousands of €	901,094	920,754	898,454
EPS (basic) (audited) in € <sup>(6)</sup>	1.11	1.26	1.43
LTV ratio <sup>(15)</sup>	39 %	35 %	19 %
Equity ratio	49 %	55 %	71 %
NAV in thousands of € <sup>(7)</sup>	4,243,410	3,040,790	1,273,270
NAV per share in € <sup>(8)</sup>	5.3	4.2	n/a
EPRA NAV in thousands of € <sup>(9) (14)</sup>	3,870,770	2,720,687	n/a
EPRA NAV per share in € <sup>(8) (14)</sup>	4.9	3.7	n/a
EPRA NAV incl. perpetual notes in thousands of € <sup>(10) (14)</sup>	4,349,047	2,720,687	n/a
EPRA NAV incl. perpetual notes per share in € <sup>(8) (14)</sup>	5.4	3.7	n/a

EPRA NNNNAV in thousands of € <sup>(11)</sup> <sup>(14)</sup>	3,776,298	2,662,744	n/a
EPRA NNNNAV per share in € <sup>(8)</sup> <sup>(14)</sup>	4.7	3.6	n/a

- <sup>(1)</sup> As GCP was consolidated on 31 December 2014, the income statement figures and alternative performance measures based on these reflect the full consolidation of GCP and the following years do not reflect the full consolidation of GCP
- <sup>(2)</sup> Adjusted EBITDA for the year ended 31 December 2015 is taken from the comparable number of the 2016 consolidated financial statements and deviates to the figure presented in the consolidated financial statements for the year ended 31 December 2015 which was € 153,289 thousand due to a change in GCP's adjusted EBITDA in 2015
- <sup>(3)</sup> FFO I for the year ended 31 December 2015 is taken from the comparable number of the 2016 consolidated financial statements and deviates to the figure presented in 2015 which was € 94,450 thousand due to a consideration of further minorities than in 2015 in order to improve comparability to 2016 as well as due to a change in GCP's adjusted FFO in 2015.
- <sup>(4)</sup> FFO I per share of 2015 was affected by the change described in footnote (2).
- <sup>(5)</sup> Calculated dividend per share for 2016 based on the dividend policy approved by the Board of Directors. The payment of the dividend for 2016 is subject to respective resolution of the annual general meeting. No dividend for the year 2016 has been paid out as of the date of this Prospectus
- <sup>(6)</sup> The EPS (basic) of 2014 was taken from the comparable figures of the 2015 consolidated financial statements and was not presented in the 2014 consolidated financial statements as the Company was not a public company at year-end 2014. The EPS (basic) of 2014 was based on 500m shares.
- <sup>(7)</sup> The NAV in 2014 and 2015 was classified as EPRA NAV and due to a re-classification in 2016 was renamed to NAV. The NAV in 2015 is taken from the comparable number calculated on the basis of the 2016 consolidated financial statements and deviates to the figure classified as EPRA NAV presented in 2015 which was € 3,042,864 thousand and included accrued interest of the convertible bonds which were excluded in 2016. The NAV of 2014 was taken from the comparable figure which was calculated on the basis of the 2015 consolidated financial statements.
- <sup>(8)</sup> In 2014 figures relating to "per share" were not presented.
- <sup>(9)</sup> The EPRA NAV presented in 2014 reflects the NAV according to the reclassification of 2016 and is thus presented in the NAV due to comparability with the following years. See also footnote (7) above.
- <sup>(10)</sup> As there have not been any perpetual notes in 2014 this figure was not presented.
- <sup>(11)</sup> For 2014 and 2015 the EPRA NNNNAV was not presented in the respective fiscal year. The figure for 2015 is a comparative figure presented in 2016.
- <sup>(12)</sup> "EBITDA" is defined as earnings before interest, tax depreciation and amortization. The figure is calculated by adding to the operating profit depreciation and amortization items. **Adjusted EBITDA** is adjusting the EBITDA by deducting non-operational and non-recurring items, such as capitals gains, revaluations and profit from disposals and adding back the non-cash effect of the management's share incentive plan. Additionally, the share of profit from investment in equity-accounted investees is subtracted as these profits include the Company's share also in non-operational profits generated by the equity-accounted investees and not only their operational results. The Company includes in its Adjusted EBITDA the relative share in the operational performance generated by GCP, according to its holding rate over the period. The following table shows the calculation of the EBITDA and the Adjusted EBITDA for the given periods:

	For the 12 months ended 31 December		
	2016 (audited)	2015 (audited)	2014 (audited)
	In thousands of €		
Operating profit	1,107,006	1,040,995	1,011,472
Total depreciation and amortization	2,006	377	923
<b>EBITDA</b>	<b>1,109,012</b>	<b>1,041,372</b>	<b>1,012,395</b>
Capital gains, revaluations and other income	(719,517)	(814,511)	(877,618)
Result on disposal of Inventories - trading properties	-	-	(250)
Share in profit from investment in equity accounted investees	(197,064)	(134,138)	(936)
Management long term share incentive plan	2,110	-	-
Excluding GCP consolidated share	-	-	(112,009)
<b>Adjusted EBITDA commercial portfolio <sup>(i)</sup> <sup>(ii)</sup></b>	<b>194,541</b>	<b>92,723</b>	<b>21,582</b>
Adjustment for GCP operational contribution <sup>(i)</sup> <sup>(iii)</sup>	73,688	60,829 <sup>(iv)</sup>	38,083
<b>Adjusted EBITDA <sup>(i)</sup></b>	<b>268,229</b>	<b>153,552</b>	<b>59,665</b>

<sup>(i)</sup> Unaudited.

<sup>(ii)</sup> The separation of the Adjusted EBITDA for the commercial portfolio has not been recorded prior to the 2016 annual financial report.

<sup>(iii)</sup> This adjustment is to reflect Aaroundtown's share in GCP's adjusted EBITDA. GCP generated an Adjusted EBITDA of € 225 million in 2016 and € 177 million in 2015. GCP was consolidated in 2014 and therefore

presentation was adjusted for comparability reasons.

(iv) Taken from comparable figure of the 2016 annual financial report due to reclassification of GCP's adjusted EBITDA in 2016.

(13) "FFO I" is an indicator for the recurring profit from operations, after deducting from the adjusted EBITDA the finance expenses, the current tax and respective minorities contribution to this item. "FFO I per share" is calculated by dividing the FFO I by the weighted basic amount of share in the respective period. The following table shows the calculation of FFO I and FFO I per share for the given periods:

	For the 12 months ended 31 December		
	2016 (unaudited)	2015 (unaudited)	2014 (unaudited)
	In thousands of €		
<b>Adjusted EBITDA commercial portfolio</b> <sup>(ii)</sup>	<b>194,541</b>	<b>92,723</b>	<b>21,582</b>
Finance expenses <sup>(i)</sup>	(47,408)	(20,466)	(4,890)
Current tax <sup>(i)</sup>	(19,910)	(9,264)	(2,897)
Contribution to minorities	(7,458)	(7,900)	(919)
<b>FFO I commercial portfolio</b> <sup>(ii)</sup>	<b>119,765</b>	<b>55,093</b>	<b>12,876</b>
Adjustment for GCP FFO I contribution <sup>(iii)</sup>	45,862	38,956 <sup>(iv)</sup>	25,876
<b>FFO I</b>	<b>165,627</b>	<b>94,049</b> <sup>(iv)</sup>	<b>38,752</b>
Weighted average basic shares in thousands <sup>(i)</sup>	653,155	547,049	500,000
<b>FFO I per share (in €)</b>	<b>0.25</b>	<b>0.17</b>	<b>0.08</b>

(i) Audited.

(ii) The separation of the Adjusted EBITDA and FFO I for the commercial portfolio has not been recorded prior to the 2016 annual financial report. 2014 was adjusted accordingly.

(iii) The adjustment is to reflect Aroundtown's share in FFO I of GCP.

(iv) Reclassified.

(14) "EPRA NAV" is defined by EPRA (European Public Real Estate Association) as the net asset value adjusted by including the properties and other investment interests at fair value and to exclude certain items not expected to crystallize in a long-term investment property business model. The purpose of EPRA NAV is to adjust the IFRS NAV in order to provide stakeholders with the most relevant information on the fair value of the Group's assets and liabilities within a true real estate investment company with a long-term investment strategy. The EPRA NAV is calculated by adding to the shareholder profit the effect of conversion of in-the-money convertible bonds, fair value measurements of derivative financial instruments and deferred tax liabilities. The EPRA NAV per share is calculated by dividing the EPRA NAV by the basic amount of shares, including in-the-money dilution effects. "EPRA NNNAV" is defined as EPRA NAV adjusted to include the spot values of the financial instruments, debt and deferred taxes. The purpose of the EPRA NNNAV is to make adjustments to EPRA NAV and provide stakeholders with the most relevant information on the spot value of the Company's assets and liabilities of a real estate company. The EPRA NNNAV per share is calculated by dividing the EPRA NNNAV by the basic amount of shares, including in-the-money dilution effects. The following table shows the calculation of the EPRA NAV and of the EPRA NNNAV as of the given periods:

**As of 31 December in thousands of € unless  
otherwise stated**

	<b>2016 (unaudited)</b>	<b>2015 (unaudited)</b>	<b>2014 (unaudited)<sup>(i)</sup></b>
NAV per the financial statements	3,941,080	2,425,512	1,221,661
Equity attributable to perpetual notes investors <sup>(ii)</sup>	(478,277)	-	n/a
<b>NAV excluding perpetual notes <sup>(ii)</sup></b>	<b>3,462,803</b>	<b>2,425,512</b>	n/a
Effect of conversion of in-the-money convertible bond	394,048	425,914	-
Fair value measurements of derivative financial instruments <sup>(iii)</sup>	7,074	3,590	4,995
Deferred tax liabilities <sup>(iii)</sup>	379,485	185,774	46,614
<b>NAV <sup>(iv)</sup></b>	<b>4,243,410</b>	<b>3,040,790</b>	<b>1,273,270</b>
<b>NAV per share in € <sup>(v)</sup></b>	<b>5.3</b>	<b>4.2</b>	n/a
Non-controlling interests <sup>(vi)</sup>	(372,640)	(320,103)	n/a
<b>EPRA NAV <sup>(vii)</sup></b>	<b>3,870,770</b>	<b>2,720,687</b>	n/a
<b>EPRA NAV per share in € <sup>(v)</sup></b>	<b>4.9</b>	<b>3.7</b>	n/a
Equity attributable to perpetual notes investors	478,277	-	n/a
<b>EPRA NAV including perpetual notes <sup>(viii)</sup></b>	<b>4,349,047</b>	<b>2,720,687</b>	n/a
<b>EPRA NAV including perpetual notes per share in € <sup>(v)</sup></b>	<b>5.4</b>	<b>3.7</b>	<b>n/a</b>
<b>EPRA NAV <sup>(vii)</sup></b>	<b>3,870,770</b>	<b>2,720,687</b>	<b>n/a</b>
Fair value measurements of derivative financial instruments <sup>(iii) (ix)</sup>	(7,074)	(3,590)	n/a
Net Fair Value of debt <sup>(ix)</sup>	(69,166)	(44,022)	n/a
Deferred tax liabilities <sup>(ix) (x)</sup>	(18,232)	(10,331)	n/a
<b>EPRA NNNAV <sup>(xi)</sup></b>	<b>3,776,298</b>	<b>2,662,744</b>	n/a
<b>EPRA NNNAV per share in € <sup>(v)</sup></b>	<b>4.7</b>	<b>3.6</b>	<b>n/a</b>

<sup>(i)</sup> The above presented structure of the breakdown of the EPRA NAV reconciliation was presented in the 2016 accounts. Thus, the 2015 figures are taken from the comparable figures of the 2016 accounts and many lines of the 2014 EPRA NAV reconciliation have not been presented in this breakdown structure and are thus not applicable.

<sup>(ii)</sup> As there have not been any perpetual notes in 2014 this figure was not presented.

<sup>(iii)</sup> Includes balances in assets held for sale.

<sup>(iv)</sup> The NAV in 2014 and 2015 was classified as EPRA NAV and due to a reclassification in 2016 was renamed to NAV. The NAV in 2015 is based on the comparable number of the 2016 accounts and deviates to the figure classified as EPRA NAV presented in 2015 which was € 3,042,864 thousand and included accrued interest of the convertible bonds which were excluded in 2016. The NAV of 2014 is presented in the comparable figure of the 2015 accounts.

<sup>(v)</sup> In 2014 the per share figures were not presented.

<sup>(vi)</sup> The non-controlling interest of 2014 was € 108,092 thousand but as this breakdown of the EPRA NAV reconciliation was not presented in the 2015 or 2014 accounts this figure is not presented here.

<sup>(vii)</sup> The EPRA NAV presented in 2014 reflects the NAV according to the reclassification of 2016 and is thus presented in the NAV due to comparability with the following years. See also footnote (IV) above.

<sup>(viii)</sup> As there have not been any perpetual notes in 2014 this figure is not applicable for 2014.

<sup>(ix)</sup> The reconciliation of the EPRA NNNAV as well as the figure itself was not presented in the 2015 and 2014 accounts. Thus these line items are either not presented in the respective accounts or presented in the balance sheet but not used for this breakdown and thus not presented here. The 2015 items are presented in the comparable figures used in the 2016 accounts.

<sup>(x)</sup> The deferred tax liabilities in this line item were adjusted to the line item with the same classification above as for the EPRA NNNAV reconciliation the assumption of disposals through share deals is taken.

<sup>(xi)</sup> The EPRA NNNAV in 2014 was not presented.

<sup>(15)</sup> “Loan-To-Value” (LTV) is an indicator to the financial leverage. The LTV is calculated by dividing the total net debt by the total value. By calculating its LTV, the Company includes into the total net debt the following items: loans and borrowings, loans and borrowings from liabilities held for sale, convertible bonds, straight bonds, current portion of long term loans, credit lines and loan redemption, net of cash and cash equivalents and traded securities at fair value

through profit and loss. Total value is including investment property, advanced payments for investment property transactions, investment properties of assets held for sale and equity accounted investees. The following table shows the calculation of the Loan-To-Value as of the given periods:

	<b>As of 31 December</b>		
	<b>2016 (unaudited)</b>	<b>2015 (unaudited)</b>	<b>2014 (unaudited)</b>
	<b>In thousands of €</b>		
Investment property including advanced payments for investment properties	5,259,750	2,482,085	451,486
Investment properties of assets held for sale	148,596	-	-
Investment in equity accounted investees	1,557,044	1,183,148	908,435
<b>Total value</b>	<b>6,965,390</b>	<b>3,665,233</b>	<b>1,359,921</b>
<b>Net debt</b>	<b>2,737,437</b>	<b>1,264,000</b>	<b>259,709</b>
<b>LTV</b>	<b>39.3 %</b>	<b>34.6 %</b>	<b>19.1 %</b>
Net debt without in-the-money convertible bonds	2,343,388	727,864	162,981
<b>LTV assuming conversion <sup>(i)</sup></b>	<b>33.6 %</b>	<b>19.9 %</b>	<b>12.0 %</b>

<sup>(i)</sup> Assuming conversion of convertible bonds which are in the money.

## **MANAGEMENT DISCUSSION AND ANALYSIS OF NET ASSETS, FINANCIAL POSITION, AND RESULTS OF OPERATIONS**

Investors are advised to read the following description and analysis of Aroundtown's net assets, financial position and results of operations in connection with the sections entitled "Business", "Risk Factors" and "Financial Information". The following section contains forward-looking statements, which are subject to risks, uncertainties and other factors liable to cause actual events to deviate from the information contained in or suggested by such forward-looking statements (see "*Risk Factors*" and "*General Information - Forward-Looking Statements*").

The financial information contained in this section is based on the Company's audited consolidated financial statements of Aroundtown, prepared in accordance with the International Financial Reporting Standards as adopted by the EU ("**IFRS**") as of and for the fiscal years ended 31 December 2016, 2015 and 2014, all of which are contained in the Financial Information section of this Prospectus, starting on page F-1.

Where financial information below is labelled "audited", this means that it has been taken from the audited financial statements mentioned above. Financial information which has not been taken from the aforementioned consolidated financial statements but, instead, is taken or derived from the Company's accounting records or internal management reporting systems or is based on calculations of financial information of the above mentioned sources is labelled in the following tables as "unaudited". Some of the financial and performance indicators including non-IFRS measures reproduced below were taken from Aroundtown's accounting records and are unaudited.

Unless otherwise indicated, all the financial information presented in the text and the tables of this section of the Prospectus is shown in thousands of Euro (in thousands of €) and is commercially rounded to one digit after the decimal point. Unless otherwise stated, all percentage changes in the text and the tables are commercially rounded to the first digit after the decimal point. As a result of rounding effects, the aggregated figures in the tables may differ from the totals shown and the aggregated percentages may not exactly equal 100.0 %. Parentheses around any figures in the tables indicate negative values.

### **Overview**

The Company is a specialist real estate company, with a focus on value-add and income generating properties primarily in the German and Dutch real estate market. The Company invests in commercial and residential real estate assets which benefit from strong fundamentals and growth prospects.



As of 15 February 2017, the Company directly or indirectly through fully consolidated subsidiaries held commercial real estate properties with a fair market value of approximately € 5.6 billion (investment properties excluding AHFS), consisting primarily of office, hotel, retail and other types of commercial real estate (the “**Commercial Portfolio**”).

In addition, as of the date of this Prospectus the Company holds a substantial interest of 36 % in Grand City Properties S.A. (“**GCP**”), a publicly traded real estate company that focuses on investing in value-add opportunities in the German residential real estate market. As of 31 March 2017, GCP held a property portfolio primarily consisting of residential real estate with a fair market value of approximately € 4.98 billion. As of 31 December 2014, GCP was deconsolidated from the Company’s consolidated financial statements; thus its financial results are no longer consolidated in the Company’s consolidated financial statements and the Company’s interest in GCP is presented as an investment in an equity-accounted investee in the Company’s consolidated financial statements.

Operating with a fully integrated real estate value chain Aroundtown predominantly targets cash generating properties with upside potential in terms of rental income and/or occupancy, lease and tenant structure, cost level optimization and consequential value. Through an intensive property operational repositioning, Aroundtown seeks to further improve the portfolio results and aims to create secure and strong cash flow generating characteristics and benefits from the internal growth potential. Aroundtown believes that this enables the Company to create significant value in its portfolio. Aroundtown has established a strong operational platform employing over 180 employees primarily in Germany as of the date of this Prospectus.

For the year ended on 31 December 2016, Aroundtown had revenues from rental and operating income of € 274 million, the EBITDA was € 1.1 billion, the Adjusted EBITDA was € 268 million, the FFO I was € 166 million and the Net Profit was € 901 million.

As of 31 December 2016, Total Financial Debt was € 3.57 billion including convertible bonds, straight bonds and bank loans. As of 31 December 2016, the Net Debt was € 2.74 billion, resulting in a LTV of 39 %, whereas the EPRA NAV was € 3.9 billion.

### **Key Factors Influencing the Net Assets, Financial Condition and Results of Operation**

The Company believes that the following factors and trends have affected the development of its net assets, financial results and business operation in the periods for which financial information is presented in this Prospectus. The Company’s net assets, financial position and results of operations will continue to be subject to a range of influences that in turn depend on a number of other factors. These influences include, in particular:

## **Economic and demographic developments**

Aroundtown's business activity is influenced by general economic factors relating to economic growth, opportunities for acquisitions, rental income levels, new regulations referring to the real estate sector, changes in interest rate levels, changes of tax rates, inflation and others. As the commercial properties of Aroundtown and the residential properties held by GCP are spread across various cities and regions in Germany and the Netherlands, Aroundtown's activities are directly and indirectly influenced by a number of demographic and economic factors. In particular the development of the German and Dutch real estate market and the regional sub-markets the properties are located in may have a significant impact on Aroundtown's business and the future prospects. Because the performance of real estate markets is driven by changes in the overall economy, Aroundtown's performance is affected not only by factors that impact the commercial and residential real estate markets, but also by factors that impact the economy more generally, such as interest rates, levels of public debt and inflation rates. Real estate markets tend to fluctuate, with asset values and rents reflecting both positive and negative developments. In addition, such impacts may affect commercial and residential real estate markets to a different extent.

The market for commercial real estate depends on factors such as changes in disposable income or industrial activity, the availability of credit financing, interest rates, taxation policies, economic growth, population growth, unemployment rates and consumer confidence. A decline in population levels, particularly among younger segments of the working population, or a decline in purchasing power or higher unemployment rates could reduce the demand for office, hotel, retail and other commercial properties. A lowered demand for commercial property may adversely affect Aroundtown's ability to achieve or maintain its desired occupancy rates, rent levels and WALT. Aroundtown's ability to attract and retain solvent and reliable tenants for its hotel properties depends on the broader development of the hotel market and on the demand for hotel rooms. The market for residential real estate, and consequently the performance of the residential properties held by GCP, depends on demographic and other economic developments in Germany. Declines in economic and population growth rates could lead to lower demand for residential real estate.

## **Size of portfolio, rent levels and vacancy rates**

The Company's revenue is greatly affected by the rental income the properties generate. Factors influencing rental income are the properties in-place rent, vacancy rate and tenant turnover. Aroundtown focuses on acquiring properties which it believes have upside potential, primarily through operational improvements such as increased occupancy rates, rent levels and/or duration of lease terms. Aroundtown's ability to increase its rental income and the WALT from new and existing tenants and to reduce vacancy rates depends on many factors, including, in particular,

the demand for its properties, local market rents, the condition and location of its properties, required capex, refurbishment and modernisation measures and tenant turnover rates. Even if increased capex, refurbishment or maintenance measures would merit increases in rents as a commercial matter, Aroundtown's ability to increase rents is subject to certain limitations, including competition. Rent levels for properties held by Aroundtown and/or GCP are also subject to the restrictions of relevant tenancy and other laws, as well as in certain cases contractual restrictions under purchase or financing arrangements in connection with the property, specific terms agreed with tenants under their leases, or conditions imposed as a consequence of having received government funding or public subsidies.

### **Acquisition opportunities**

Aroundtown's portfolio growth is subject to the availability of properties for sale in the market at attractive prices. Aroundtown seeks to acquire properties which Aroundtown believes have value-add potential, and the future growth of Aroundtown depends on the availability of such properties for purchase at attractive prices. Given the current high demand for real estate in particular in Germany, such properties or portfolios of such properties may be unavailable or available only on unfavourable terms or at unattractive prices. While Aroundtown is focused on acquisitions of commercial properties, in particular office, hotel and retail properties, many of the commercial properties available on the market do not fit Aroundtown's investment criteria. Similar difficulties are also present in the residential real estate markets, including opportunities in the German residential real estate market for GCP. Due to the ongoing consolidation process within the German residential real estate market the number of available properties has further decreased.

### **Results from Fair Value adjustments of Investment Properties**

Aroundtown accounts for its investment properties at fair value. The valuation model is predominantly based on the present value of net cash flows to be generated from the property, taking into account expected rental growth rates, void periods, occupancy rates, lease incentive costs such as rent-free periods and other costs not paid by tenants, as well as capex and maintenance expenses related to the property. The expected net cash flows are discounted using risk-adjusted discount rates. Among other factors, the discount rate estimation considers the quality of a building and its location, tenant credit quality, and lease duration and terms. The fair value thus reflects not only the circumstances directly connected with the property but also the general conditions of the real estate markets, such as regional market developments and general economic conditions or interest rate levels. Accordingly, there is a risk that in the event of a downturn in the real estate market or the general economic situation, Aroundtown will need to revise downward the value of Aroundtown's properties. In addition, rising interest rates generally may have a negative influence on the fair value of property portfolios, and may impact the value

of Aroundtown's properties. Any change in fair value must be recognised as a profit or loss under the fair value adjustment. Any negative significant fair value adjustments Aroundtown is required to make could have significant adverse effects on Aroundtown's financial condition and results of operations, as well as the market price of the Company's shares. Additionally, there would be negative effects on performance indicators, particularly EPRA NAV and LTV, which may have a negative influence on the rating of the Company.

### **Interest rates and costs of debt**

An increase in interest rates could adversely impact Aroundtown's business in a number of ways. Although Aroundtown's current debt structure primarily involves debt at fixed interest rates or, where variable interest rates apply, is predominantly subject to interest rate hedging agreements, a future increase in interest rates may have a negative impact on Aroundtown. In general, rising interest rates (or market expectations regarding future increases in interest rates) would make financing needed by Aroundtown for its acquisition, capital expenditure and/or other real estate activities more expensive. Similarly, the willingness of purchasers to acquire real estate in such situations may be negatively affected, thereby restricting Aroundtown's ability to dispose of its properties on favourable terms when desired. Rising interest rates could also impair the future performance of Aroundtown's business, including its acquisitions and sales. In addition, the discount rate used to calculate the fair value of real estate properties tends to increase in an environment of rising interest rates, which in turn could result in the properties held by Aroundtown and/or GCP having a lower fair value, resulting in significant losses for Aroundtown. Rising interest rates and economic recovery could also prompt investors to prefer investments which potentially have a higher yield than investments in real estate, which could lead to a general decrease in the value of real estate, thereby having a negative impact on the valuation of the properties held by Aroundtown and/or GCP.

### **Debt financing and access to capital markets**

Aroundtown has a substantial level of debt. As at 31 December 2016, the total carrying amount of Aroundtown's total financial debt was approximately € 3.57 billion and Aroundtown's outstanding net debt (outstanding financial debt deducted by cash and liquid assets) was approximately € 2.74 billion.

When concluding financing agreements or extending such agreements, Aroundtown depends on its ability to agree on terms for interest payments that will not impair its desired profit and amortisation schedules. In general, rising market interest rates would lead to higher financing costs in the future and so may have a material adverse effect on the business, financial condition and results of operations of Aroundtown.

The Company intends to repay or refinance debt when falling due by refinancing through the issue of bonds, perpetual notes and credit facilities. The capability of Aroundtown to satisfy existing financial indebtedness when due through refinancing might be adversely impacted by market conditions, development of Group's business and overall level of indebtedness of Aroundtown. Although Aroundtown has successfully managed to refinance and reduce its debts and/or to extend maturity of its bank loan facilities, an increase in the level of total indebtedness might become more difficult or only available at less favourable terms.

A fundamental part of Aroundtown's financing strategy is to satisfy a significant portion of its future financing needs through the issuance of unsecured corporate bonds and notes. The Company obtained a corporate investment grade rating of "BBB" from S & P on 16 June 2016. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation.

If the Company were to lose its investment grade rating, future issuances of unsecured bonds and notes may become significantly more expensive or may not be possible in the targeted amounts. S&P could downgrade the Company, for instance if the value of Aroundtown's assets, Aroundtown's debt-service or interest coverage ratio were to fall below, or Aroundtown's debt-to-capital ratio exceeds, certain values, if Aroundtown were unable to keep or render sufficient values of its assets unencumbered or if the real estate market in Germany or in the Netherlands deteriorates in general. If any of the risks described above were to materialise, it would be more difficult for Aroundtown to pursue its current financing strategy (see "*Risk Factors - Financial Risks - Aroundtown's financing strategy depends on its current corporate investment grade rating, including the satisfaction of its future financing needs through the issuance of unsecured corporate bonds and notes.*").

The Company believes that its debt structure, with an overall LTV of 39 % as of 31 December 2016, is conservative and provides Aroundtown with adequate flexibility as to future financings.

### **Factors that influence comparability of financial information**

Aroundtown closed a number of acquisitions that influence the comparability of the financial information contained in the consolidated financial statements as of and for the fiscal years ended 31 December 2016, 31 December 2015 and 31 December 2014. Thus, the fair value of Aroundtown's investment properties strongly increased during the period covered by the historical financial information from € 451 million as of 31 December 2014 to approximately € 5.3 billion as of 31 December 2016. Consequently, also the income from rental and operating income increased from € 125 million for the year ended 31 December 2015 to € 274 million for the year ended 31 December 2016. The rental and operating income for the financial year ended 2014 included rental and operating income generated by Grand City Properties S.A., which was fully

consolidated in the Company's financial results at that time, and thus is not fully comparable to the subsequent periods.

As of 31 December 2014 the Company de-consolidated GCP from its consolidated financial statements. Based on management assessments relating to GCP's shareholder structure and other criteria's, the Company believed that it had no longer effective control on GCP. Due to the loss of control in GCP the Company de-recognized the assets and liabilities of GCP from its consolidated statement of financial position, and recognized the investment retained in GCP at its fair value. The fair market value of the Company's interests in GCP as of 31 December 2014 was determined by an external independent valuator to be € 908 million. The Company recognized the difference between its investment retained in GCP and its fair market value in the amount of € 555 million in the consolidated statement of comprehensive income as of 31 December 2014, as part of capital gains, property revaluation and other income account. Since then, GCP has been included in the consolidated financial statements of the Company as an equity-accounted investee. Since the deconsolidation took place at the year end of 2014, the profit and loss statements of the Company for the year 2014 fully consolidate the results of GCP. As of 1 January 2015 the profit and loss of the Company do not consolidate GCP results but instead presents the Company's share in GCP's profit in the profit and loss statement item share in profit from equity accounted investees. GCP itself has grown strongly and has increased its property portfolio from approximately 43,000 units at the end of 2014 to approximately 84,000 units as of 31 March 2017, which is also reflected in the increase of the fair value of its investment property from € 2.2 billion as of 31 December 2014 to € 4.8 billion as of 31 December 2016 and € 4.98 billion as of 31 March 2017.

### **Income statement analysis**

#### **Revenue**

	<b>For the 12 months ended 31 December</b>		
	<b>2016 (audited)</b>	<b>2015 (audited)</b>	<b>2014 (audited)</b>
	<b>In thousands of €</b>		
Rental and operating income	273,699	125,162	242,496
Revenue from sales of buildings	-	-	14,675
<b>Total revenue</b>	<b>273,699</b>	<b>125,162</b>	<b>257,171</b>

#### **2016 compared to 2015**

Total revenue increased from € 125 million in 2015 to € 274 million in 2016, reflecting an increase of 119 %. This increase is a combined effect of portfolio acquisitions in 2016, the full annual effect

of properties acquired in 2015, which did not fully impact 2015 results, as well as operational improvements of the portfolio. During 2016 the Company acquired an additional € 2.2 billion of properties which at the time of acquisition produced an annualized net rental income of approximately € 155 million. These properties contributed in 2016 an amount of € 92 million to the total revenue, and the remaining € 182 million revenue originated from assets held in the end of 2015.

### **2015 compared to 2014**

Total revenue decreased from € 257 million in 2014 to € 125 million in 2015, reflecting a decrease of 51 %. The decrease between 2014 to 2015 is largely explained by the deconsolidation effect of GCP in the end of 2014. GCP's revenue contributed in 2014 an amount of € 231 million to revenue, and consequently no revenue in 2015. In 2014, Aroundtown disposed of 210 units, which were presented as inventory trading properties for gross proceeds in the amount of € 15 million.

Assuming the deconsolidation of GCP at the beginning of the fiscal year 2014, rental and operating income in 2014 would have amounted to € 26 million and would have increased to € 125 million revenue in 2015, reflecting an increase of 388 %. During 2015 the Company acquired € 1.3 billion of commercial properties. The increase is primarily the result of the significant growth of the commercial portfolio, increasing from € 426 million investment property in 2014 to € 2,431 million investment property in 2015, reflecting an increase of 470 %.

### **Share in profit from investment in equity accounted investees**

	<b>For the 12 months ended 31 December</b>		
	<b>2016 (audited)</b>	<b>2015 (audited)</b>	<b>2014 (audited)</b>
	<b>In thousands of €</b>		
<b>Share in profit from investment in equity accounted investees</b>	<b>197,064</b>	<b>134,138</b>	<b>936 <sup>(1)</sup></b>

<sup>(1)</sup> Reclassified.

### **2016 compared to 2015**

Share in profit from investment in equity accounted investees increased from € 134 million in 2015 to € 197 million in 2016, reflecting an increase of 47 %. The increase is primarily due to the increase in the shareholder profit of GCP, which is the primary investment of the Company in equity accounted investees. The shareholder profit of GCP increased from € 344 million in 2015 to € 545 million in 2016, reflecting a 58 % increase. The increase in GCP's shareholder profit is mainly attributed to higher recurring operational profits, representing an increase of 68 % in FFO I

and an increase of 92 % in revaluations gains. The Company holds a share in several additional investees which made a minor contribution to this item.

### **2015 compared to 2014**

The share of profit from investment in equity accounted investees increased from € 936 thousand in 2014 to € 134 million in 2015. The increase is due to the deconsolidation of GCP as of 31 December 2014, resulting in recording GCP's shareholder profit as an investment in equity accounted investees from 2015 onwards, whereas in 2014 income from GCP was included in the regular profit and loss items of the Company's consolidated statement of comprehensive income. In 2015 GCP presented € 344 million share profit, which directly impacted the share in profit from equity accounted investees. GCP's profit in 2015 rose primarily from recurring operational profits, reflected in FFO I of € 128 million, and from revaluation gains of € 311 million.

### **Capital Gains, Property Revaluations and Other Income**

	<b>For the 12 months ended 31 December</b>		
	<b>2016 (audited)</b>	<b>2015 (audited)</b>	<b>2014 (audited)</b>
	<b>In thousands of €</b>		
Change in fair value in investment property	654,794	605,421	225,724
Capital gains, other income and profit arising from business combinations	64,723	209,090	651,894 <sup>(1)</sup>
<b>Capital gains, revaluations and other income</b>	<b>719,517</b>	<b>814,511</b>	<b>877,618</b>

<sup>(1)</sup> Reclassified.

Capital gains, revaluations and other income are comprised of change in fair value in investment property and from capital gains, other income and profit arising from business combinations. Changes in fair value in investment property are revaluation gains (or losses), which are determined based on external valuation reports performed by independent professionally qualified valuers. The investment properties of Aroundtown are valued at least once a year and are determined primarily according to the Discounted Cash Flow method ("DCF"), for a period of at least 10 years, implying the valuers assumptions and cash flow forecast.

Capital gains, other income and profit arising from business combinations also include profits arising from business combinations, which occur when acquiring shares in a special purpose vehicle holding an asset through a share deal where the fair value of the total identifiable net assets of the acquired company exceeds the purchase price. Capital gain profits are the result of disposals of assets above their book value.



### **2016 compared to 2015**

Capital gains, revaluations and other income decreased from € 814 million in 2015 to € 720 million in 2016, reflecting a decrease of 12 %. This decrease is the result of the capital gains, other income and profit arising from business combinations item, which decreased from € 209 million in 2015 to € 65 million in 2016, reflecting a decrease of 69 %. The € 65 million result in 2016 arose from several acquisitions of companies through share deals during the year. For the companies the Company obtained control in 2016, the total identifiable net assets amounted to € 1,010 million, compared to € 955 million consideration paid including non-controlling interest, which together with € 10 million goodwill recognized, amounts consequently in € 65 million profit arising from business combination.

Change in fair value in investment property increased from € 605 million in 2015 to € 655 million in 2016, reflecting an increase of 8 %. The increase is due to higher revaluation gains derived from the external valuations in 2016, which result primarily from repositioning the portfolio, including increasing occupancy rates and rent levels, along improving the tenant structure and lease terms.

### **2015 compared to 2014**

Capital gains, revaluations and other income decreased from € 878 million in 2014 to € 814 million in 2015, reflecting a decrease of 7 %. The decrease mainly rises from Capital gains, other income and profit arising from business combinations, which decreased from € 652 million in 2014 to € 209 million in 2015, reflecting a decrease of 68 %. This 68 % decrease is the result of a high capital gain of € 555 million related to the deconsolidation of GCP. As of 31 December 2014, based on management assessments relating to GCP's shareholder structure and other criteria, the Company recognized it had no longer effective control in GCP. Due to loss of control in GCP, the Company de-recognized the assets and liabilities of GCP from the consolidated statement of financial position. The Company recognized the investment retained in GCP at its fair value. The recognized capital gain as a result from the fair value recognition at the amount of € 555 million is accounted for in the capital gains. Moreover, in 2014 the Company recognized € 39 million capital gains, other income and profit arising from business combinations of GCP. In 2015 GCP had been deconsolidated and therefore did not impact this item.

Change in fair value in investment property increased from € 226 million in 2014 to € 605 million in 2015, reflecting an increase of 168 %. The increase was further offset, as € 192 million of the revaluation gains in 2014 are related to GCP's portfolio, which had no impact in 2015 due to the deconsolidation effect of GCP. The increase in the change in fair value in investment property is as a result of higher revaluations gains, given by external valuers and reflect the repositioning of the portfolio, rising from higher occupancy rates and rent level, along improving the tenant

structure and lease terms. In addition, the revaluation gain increase is due to the increase in the total amount of the portfolio, which consisted as a larger base for revaluations.

### Property operating expenses

	For the 12 months ended 31 December		
	2016 (audited)	2015 (audited)	2014 (audited)
	In thousands of €		
Purchased services	(51,486)	(20,173)	(74,174)
Maintenance and refurbishment	(11,675)	(3,667)	(15,508)
Depreciation and amortisation	(2,006)	(377) <sup>(1)</sup>	-
Personnel expenses	(3,735)	(1,207)	(7,535)
Other operating costs	(6,451)	(3,105)	(4,814)
<b>Property and operating expenses</b>	<b>(75,353)</b>	<b>(28,529)<sup>(1)</sup></b>	<b>(102,031)</b>

<sup>(1)</sup> Reclassified.

### 2016 compared to 2015

Property and operating expenses increased from € 29 million in 2015 to € 75 million in 2016, reflecting an increase of 164 %. The main item in property and operating expenses is purchase services, which is mainly related to ancillary costs recoverable by tenants, such as heating, insurance, water and energy costs. Purchased services increased from € 20 million in 2015 to € 51 million in 2016, reflecting an increase of 155 %, correlated with the growth of the portfolio and the increase in rental and operating income. Further, the type of asset as well as the lease structure have an influence on the amount of purchased services, as some asset types, such as hotels and other single tenant assets, often arrange these expenses themselves, in other types, such as multi-tenant offices and shopping centres, these expenses are arranged by the landlord and recovered on the tenants. In comparison to 2015, in 2016 a larger portion of the portfolio consists of assets where Aroundtown arranges the ancillary costs, thus resulting in higher expenses.

Maintenance and refurbishment expenses increased from € 4 million in 2015 to € 12 million in 2016, reflecting an increase of 218 %. The increase is due to the increase of the portfolio, as well as in the variance of the asset types and lease structures, which have an impact on this item, which changed between 2015 and 2016 due to external growth.

Personnel expenses and other operating costs increased from € 4 million in 2015 to € 10 million in 2016, reflecting an increase of 136 %. This increase is a result of the growth of the Company and the corresponding growth of the number of employees from over 70 in the end of 2015 to over 170 at the end of 2016.

### **2015 compared to 2014**

Property and operating expenses decreased from € 103 million in 2014 to € 29 million in 2015, reflecting a decrease of 72 %. The decrease between 2014 and 2015 is primarily due the deconsolidation effect of GCP. The property operating expenses related to GCP's contribution were € 100 million in 2014, accounting for 97 % of this item in that year. GCP's property portfolio, which is primarily residential properties, is characterized by a relative large portion of recoverable expenses against a large portion of operating income, and has impacted the property operating expenses item only in 2014.

Similar to property operating expenses, maintenance and refurbishments expenses, as well as personnel expenses and operating expenses have decreased in 2015 in comparison to 2014, also due to the deconsolidation effect of GCP in the end of 2014.

### **Administrative and other expenses**

	<b>For the 12 months ended 31 December</b>		
	<b>2016 (audited)</b>	<b>2015 (audited)</b>	<b>2014 (audited)</b>
	<b>In thousands of €</b>		
Personnel expenses	(3,424)	(2,712)	(2,009)
Legal and professional fees	(1,810)	(616)	(1,285)
Year-end closing, accounting and audit expenses	(1,765)	(800)	(1,464)
Sales, marketing and administrative expenses	(922)	(159)	(2,116) <sup>(1)</sup>
Depreciation and amortization	-	- <sup>(1)</sup>	(923) <sup>(1)</sup>
<b>Administrative and other expenses</b>	<b>(7,921)</b>	<b>(4,287)</b>	<b>(7,797)</b>

<sup>(1)</sup> Reclassified.

### **2016 compared to 2015**

Administrative and other expenses increased from € 4.3 million in 2015 to € 7.9 million in 2016, which reflects an increase of 85 %. These costs refer mainly to expenses on the overhead level, such as expenses for headquarters, personnel and directors, audit, accounting and legal costs, as well as other overhead such as sales, marketing and administrative costs. The increase in 2016 compared to 2015 is a direct result of the growth of the Company, reflected in an increase of 82 % in the total assets between 2015 and 2016.

The largest item within the administrative and other expenses is the personnel costs, which increased from € 2.7 million in 2015 to € 3.4 million in 2016, reflecting an increase of 26 %. This increase is due to increased personnel within Aroundtown, to support its growth. Legal and professional fees increase from € 0.6 million in 2015 to € 1.8 million in 2016, reflecting an

increase of 194 %. The increase in this item is due to the large amount of acquisitions and capital market activities in 2016, compared to 2015. In 2016 Aroundtown acquired € 2.2 billion properties, compared to € 1.3 billion properties in 2015, and raised in 2016 € 2.6 billion compared 2015 € 1.2 billion.

### **2015 compared to 2014**

In 2014 administrative and other expenses decreased from € 8 million in 2014 to € 4 million in 2015, reflecting a decrease of 45 %. The decrease is a result of the deconsolidation effect of GCP which is still accounted for in 2014 income statement. The administrative and other expenses item related to GCP in 2014 accounted for 72 % of the total expense, which relate to the € 4.7 billion total assets managed in GCP at the end of 2014. The decrease of administrative and other expenses is offset by increase in expenses in the commercial portfolio, which excluding the contribution of GCP has increased from € 2.1 million in 2014 to € 4.3 million in 2015, reflecting an increase of 100 % and below the 158 % increase in the Company's total assets.

### **Finance expenses**

	<b>For the 12 months ended 31 December</b>		
	<b>2016 (audited)</b>	<b>2015 (audited)</b>	<b>2014 (audited)</b>
	<b>In thousands of €</b>		
<b>Finance expenses</b>	<b>(47,408)</b>	<b>(20,466)</b>	<b>(26,930)</b>

### **2016 compared to 2015**

Finance expenses increases from € 20 million in 2015 to € 47 million in 2016, reflecting an increase of 132 %. The increase in finance expenses is a direct result of the increase in debt in 2016 as well as the full year impact of debt raised in 2015. The total debt increased from € 1.7 billion 2015 to € 3.6 billion in 2016, reflecting an increase of 116 % and therefore increased the finance expenses in 2016. In addition, the total debt increased from € 0.4 billion in 2014 to € 1.7 billion in 2015, an increase of 279 %, of which substantial amounts were raised during 2015 and had their first full year impact on the 2016 result.

The increase in finance expenses was offset by a decrease in cost of debt, which in 2016 was reduced to 2 % as of December 2016 from 2.2 % in December 2015. The decrease in the cost of debt is primarily as a result of an initial investment grade credit rating of 'BBB-' announced in the end of 2015 by S&P and having a significant impact on the Company's capital market activities in 2016. Furthermore, in June of 2016 S&P upgraded the Company's rating to 'BBB' credit rating, allowing the Company to further reduce its cost of debt.

### **2015 compared to 2014**

Finance expenses decreased from € 27 million in 2014 to € 20 million in 2015, reflecting a decrease of 24 %. The decrease is due to the deconsolidation effect of GCP in the end of 2014. Excluding the contribution of GCP to the finance expenses in 2014, the finance expenses were in 2014 € 5 million and increased by 319 % to € 20 million in 2015. The increase is due to an increasing amount of debt, increase from € 0.4 billion in 2014 to € 1.7 billion in 2015, an increase of 279 %. Further, Aroundtown's subsidiary PCI issued a € 100 million convertible bond and the Company its € 161 million Series A Bonds in December 2014, having little impact of 2014 results, but a full year effect in 2015.

### **Other financial result**

	<b>For the 12 months ended 31 December</b>		
	<b>2016 (audited)</b>	<b>2015 (audited)</b>	<b>2014 (audited)</b>
	<b>In thousands of €</b>		
<b>Other financial result</b>	<b>(35,883)</b>	<b>7,869</b>	<b>(32,877)</b>

Other financial result comprises of two items, changes in fair value of financial assets and liabilities and finance related costs. Changes in fair value of financial assets and liabilities comprise mainly of changes in fair value of loan derivatives, changes in fair value of traded securities and amortization of issuance costs of bank debt and bonds. Changes in fair value of financial assets and liabilities are a non-recurring item by their nature. Finance related costs are related to bank fees, custody fees for holding shares and other financial provisions.

### **2016 compared to 2015**

Other finance results changed from € 8 million income in 2015 to € 36 million expense in 2016. Changes in fair value of financial assets and liabilities changed from an income of € 15 million in 2015 to an expense of € 30 million in 2016, reflecting an increase of € 45 million expenses. The difference is mainly due to positive impact of the fair value and financial assets and liabilities, such as traded securities and derivatives in 2015 compared to a loss in 2016 which is largely due to the result of purchasing back over € 160 million in principal amount of the Series A Bonds at a higher amount than the book value following the considerable reduction in the bond's yield since issuance. Finance related costs decreased from € 7 million in 2015 to € 6 million in 2016, a decrease of 15 %. The decrease is a combined effect of lower fees relating to inclusion for trading of the Company's and PCI's shares on the Paris and Frankfurt stock exchanges and higher one-time expenses related to financing.

### 2015 compared to 2014

Other financial result changed from expenses of € 33 million in 2014 to € 8 million income in 2015. The main difference between 2014 and 2015 rise from change is fair value if financial assets and liabilities, which amounted to € 25 million expense in 2014 compares to € 15 million income in 2015. The 2014 expense is mainly related to GCP, which was consolidated in the income statement up until the end of 2014. 2014 results were impacted by the effect of the early redemption fees of GCP's straight bond, at the nominal amount of € 350 million and bearing a coupon rate of 6.25 %. These bonds were redeemed and replaced with a straight € 500 million bond bearing a coupon rate of 2 %. Finance related costs decreased from € 8 million in 2014 to € 7 million in 2015 and is mainly the result of the deconsolidation effect of GCP in the end of 2014 which included higher amount of fees relating to a higher amount of debt.

### **Taxation**

	<b>For the 12 months ended 31 December</b>		
	<b>2016 (audited)</b>	<b>2015 (audited)</b>	<b>2014 (audited)</b>
	<b>In thousands of €</b>		
Corporation tax	(11,149)	(5,693)	(8,292)
Property tax	(8,761)	(3,571)	(8,468)
Deferred tax expenses	(102,711)	(98,380)	(36,451)
<b>Tax and deferred tax expenses</b>	<b>(122,621)</b>	<b>(107,644)</b>	<b>(53,211)</b>

### 2016 compared to 2015

Tax expenses increased from € 108 million in 2015 to € 123 million, reflecting an increase of 14 %. The increase is mainly due to deferred tax expenses which increased from € 98 million in 2015 to € 103 million in 2016, reflecting an increase of 4 %. Deferred tax relates to capital revaluation and accounts for the statutory real estate tax incurred in the theoretical future disposals of assets through assets deals. The increase in the deferred tax expenses is correlated with the increase of 8 % in the revaluations gains between 2015 and 2016.

Corporation and property taxes, also defined as current tax, increased from € 9 million in 2015 to € 20 million in 2016, reflecting an increase of 115 %. The increase of corporate tax from € 6 million in 2015 to € 11 million in 2016, reflecting an increase of 96 % and is correlated with the 104 % increase of in the adjusted EBT (Earnings Before Tax, adjusted for non-recurring items), reflecting the commercial portfolio operational profit before tax. Property tax increased from € 4 million to € 9 million, reflecting an increase of 145 % and in-line with the growth of the portfolio.

### **2015 compared to 2014**

The tax and deferred tax expenses increased from € 53 million in 2014 to € 108 million in 2015, reflecting an increase of 102 %. The increase between 2014 and 2016 is due to the increase in deferred tax expenses, which increased from € 36 million in 2014 to € 98 million in 2015, reflecting an increase of 170 %. Deferred tax relates to capital revaluation and accounts for the statutory real estate tax incurred in the theoretical future disposals of assets through assets deals, and the increase in the deferred tax expenses related to the increase of 168 % in the revaluations gains between 2015 and 2016.

The current tax, including corporation and property taxes decreased from € 17 million in 2014 to € 9 million in 2015, reflecting a decrease of 45 %. The decrease is a direct result of the deconsolidation effect of GCP, which impacted the income statement of 2014 and not the income statement of 2015.

### **Profit for the year**

	<b>For the 12 months ended 31 December</b>		
	<b>2016 (audited)</b>	<b>2015 (audited)</b>	<b>2014 (audited)</b>
	<b>In thousands of €</b>		
<b>Profit for the year</b>	<b>901,094</b>	<b>920,754</b>	<b>898,454</b>
<b>Of which attributed to owners of the Company</b>	<b>728,209</b>	<b>686,892</b>	<b>714,893</b>
<b>Of which attributed to perpetual noteholders</b>	<b>3,699</b>	<b>-</b>	<b>-</b>
<b>Of which attributed to non-controlling interest</b>	<b>169,186</b>	<b>233,862</b>	<b>183,561</b>

### **2016 compared to 2015**

The profit decreased from € 921 million in 2015 to in € 901 million in 2016, reflecting a decrease of 2 %. The decrease is related to lower capital gains, revaluation and other income which decreased to € 720 million from € 815 million, reflecting a decreased of € 95 million. The capital gains, revaluation and other income are non-cash items and do not reflect the recurring profit. FFO I commercial portfolio, before contributions to minorities, which presents the recurring operational profits of the commercial portfolio, increased from € 63 million in 2015 to € 127 million in 2016, increasing by € 64 million and offsetting the impact of the lower profit rising from capital gains, revaluation and other income. The profit attributed to the non-controlling interest for the 12 months ended 2016 amounted to €169 million, compared with €234 million in 2015. The profit attributed to the non-controlling interest of the companies mentioned in the footnotes 5 and 6 of the chart displayed in the section “*General Information on the Company and the Group – Group Structure*” and for PCI and its subsidiaries for the 12 months ended in 2016 and 2015 amounted to € 106 million and € 216 million respectively.

### **2015 compared to 2014**

The profit increased from € 898 million in 2014 to € 921 million profit in 2015, reflecting an increase of profits of 2 %. The increase is mainly due to higher FFO I commercial portfolio, before minorities contribution, which increased by € 49 million. The increase is offset by the deconsolidation effect of GCP, which included a fully contribution of GCP's results to the income statement only in 2014, but not in 2015. The profit attributed to the non-controlling interest for the 12 months ended 2015 amounted to € 234 million, compared with € 184 million in 2014. The profit attributed to the non-controlling interest of the companies mentioned in the footnotes 5 and 6 of the chart displayed in the section "General Information on the Company and the Group – Group Structure" and for PCI and its subsidiaries for the 12 months ended in 2015 and 2014 amounted to € 216 million and € 23 million respectively.

### **Earnings per share**

	<b>For the 12 months ended 31 December</b>		
	<b>2016 (audited)</b>	<b>2015 (audited)</b>	<b>2014 (audited)</b>
	<b>In €</b>		
Basic earnings per share (in €)	1.11	1.26	1.43
Diluted earnings per share (in €)	0.87	1.01	1.41
Weighted average basic shares in thousands	653,155	547,049	500,000 <sup>(1)</sup>
Weighted average diluted shares in thousands	829,458	632,880	500,000 <sup>(1)</sup>

<sup>(1)</sup> The number of shares as of 31 December 2014 was 22,000. In February 2015 the number of shares increased to 500,000,000. For purposes of comparability, the number of shares related to this period has been adjusted accordingly.

### **2016 compared to 2015**

Basic earnings per share decreased from € 1.26 per share in 2015 to € 1.11 per share in 2016, reflecting a 12 % decrease. The decrease is due to dilution effects which increased the average basic amount of share from 547 million in 2015 to 653 million shares in 2016. The effect of dilution between 2015 and 2016 are mainly from the capital increase in April 2016 and the full effect of the capital issuance in July 2015, as well as several conversions under outstanding convertible bonds. The dilution effect was offset by higher profit attributable to owners of the Company, which increased from € 687 million in 2015 to € 728 million in 2016. The diluted earnings per share decreased from € 1.01 per share in 2015, to € 0.87 per share in 2016 due to additional dilution effect of the convertible bonds, which increased the average diluted amount of shares from 633 million shares in 2015 to 829 million shares in 2016.



## 2015 compared to 2014

Basic earnings per share decreased from € 1.43 per share in 2014 to € 1.26 per share in 2015, reflecting a 12 % decrease. The decrease is a combined effect of dilution rising mainly from the equity increase in July 2015, and from lower profit attributable to the owners of the company which decreased from € 715 million in 2014 to € 687 million in 2015. The diluted earnings per share decreased from € 1.41 per share in 2014, to € 1.01 per share in 2015 due to additional dilution effect on the convertible bonds, which increased the average diluted amount of shares to 633 million shares in 2015.

### Adjusted EBITDA

	For the 12 months ended 31 December		
	2016 (audited)	2015 (audited)	2014 (audited)
	In thousands of €		
Operating profit	1,107,006	1,040,995	1,011,472
Total depreciation and amortization	2,006	377	923
<b>EBITDA</b>	<b>1,109,012</b>	<b>1,041,372</b>	<b>1,012,395</b>
Capital gains, revaluations and other income	(719,517)	(814,511)	(877,618)
Result on disposal of Inventories - trading properties	-	-	(250)
Share in profit from investment in equity accounted investees	(197,064)	(134,138)	(936)
Management long term share incentive plan	2,110	-	-
Excluding GCP consolidated share	-	-	(112,009)
<b>Adjusted EBITDA commercial portfolio <sup>(1) (2)</sup></b>	<b>194,541</b>	<b>92,723</b>	<b>21,582</b>
Adjustment for GCP operational contribution <sup>(1) (3)</sup>	73,688	60,829 <sup>(4)</sup>	38,083
<b>Adjusted EBITDA <sup>(1)</sup></b>	<b>268,229</b>	<b>153,552</b>	<b>59,665</b>

<sup>(1)</sup> Unaudited.

<sup>(2)</sup> The separation of the Adjusted EBITDA for the commercial portfolio has not been recorded prior to the 2016 annual financial report.

<sup>(3)</sup> This adjustment is to reflect Aroundtown's share in GCP's adjusted EBITDA. GCP generated an Adjusted EBITDA of € 225 million in 2016 and € 177 million in 2015. GCP was consolidated in 2014 and therefore presentation was adjusted for comparability reasons.

<sup>(4)</sup> Reclassified.

Adjusted EBITDA is adjusting the EBITDA by deducting non-operational and non-recurring items, such as capitals gains, revaluations and profit from disposals and adding back the non-cash effect of the management's share incentive plan. Additionally, the share of profit from investment in equity-accounted investees is subtracted as these profits include the Company's share also in non-operational profits generated by the equity-accounted investees and not only their operational results. The Company includes in its Adjusted EBITDA the relative share in the

operational performance generated by GCP, according to its holding rate over the period. The Company's weighted holding in GCP was 33 % in 2016, 34 % in 2015 and 34 % in 2014.

### **2016 compared to 2015**

The Adjusted EBITDA increased from € 154 million in 2015 to € 268 million in 2016, reflecting an increase of 75 % compared to 2015. The increase is mainly due to the increase in the Adjusted EBITDA commercial portfolio which increased from € 93 million in 2015 to € 195 million in 2016, reflecting an increase of 110 %, or € 102 million. The increase in the Adjusted EBITDA commercial portfolio is the result of the increase in the rental and operating income, offset by higher operational and administrative expenses (see detailed description on the rental income and expenses items above). The Adjusted EBITDA was supported by GCP operational contribution, which increased from € 61 million in to € 74 million, reflecting an increase of 21 % and is the result of the growth of GCP.

### **2015 compared to 2014**

The Adjusted EBITDA increase from € 60 million in 2014 to € 154 million in 2015, reflecting an increase of 157 % compared to 2014. The increase is due to both the increase in the Adjusted EBITDA commercial portfolio which increased from € 22 million in 2014 to € 93 million in 2015, and due to the increase in GCP's operational contribution which increased from € 38 million in 2014 to € 61 million in 2015. The increase in the Adjusted EBITDA commercial portfolio and in GCP's operational contribution is the result of the significant external and internal growth, along stable expenses levels in Aroundtown in 2015 and is described in details in the income statement items above.

## Funds From Operations I

	For the 12 months ended 31 December		
	2016 (unaudited)	2015 (unaudited)	2014 (unaudited)
	In thousands of €		
<b>Adjusted EBITDA commercial portfolio <sup>(1)</sup></b>	<b>194,541</b>	<b>92,723</b>	<b>21,582</b>
Finance expenses	(47,408)	(20,466)	(4,890)
Current tax	(19,910)	(9,264)	(2,897)
Contribution to minorities	(7,458)	(7,900)	(919)
<b>FFO I commercial portfolio <sup>(1)</sup></b>	<b>119,765</b>	<b>55,093</b>	<b>12,876</b>
Adjustment for GCP FFO I contribution <sup>(2)</sup>	45,862	38,956 <sup>(3)</sup>	25,876
<b>FFO I</b>	<b>165,627</b>	<b>94,049 <sup>(3)</sup></b>	<b>38,752</b>
Weighted average basic shares in thousands	653,155	547,049	500,000
<b>FFO I per share (in €)</b>	<b>0.25</b>	<b>0.17</b>	<b>0.08</b>

<sup>(1)</sup> The separation of the Adjusted EBITDA and FFO I for the commercial portfolio has not been recorded prior to the 2016 annual financial report. 2014 was adjusted accordingly.

<sup>(2)</sup> The adjustment is to reflect Aroundtown's share in FFO I of GCP.

<sup>(3)</sup> Reclassified.

Funds from Operation I ("FFO I") is a measure of the materialized bottom line operational profits, calculated by deducting current tax and finance expenses from the Adjusted EBITDA. The calculation includes further adjustments to consider minorities and the relative part of the Company in GCP's FFO I which are not consolidated in the Company's consolidated financial statements since the deconsolidation as of 31 December 2014.

### 2016 compared to 2015

FFO I increased from € 94 million in 2015 to € 166 million in 2016, reflecting an increase of 76 %. The increase is rising mainly from the FFO I commercial portfolio, which increased from € 55 million in 2015 to € 120 million in 2016, reflecting an increase of 117 %. The increase in the FFO I commercial portfolio is a result of 110 % increase of the Adjusted EBITDA commercial portfolio and is supported by relatively lower contribution to minorities, which is the result of higher holding rate in PCI in 2016 in comparison to 2015. At the end of 2016, the Company held 95 % on the shares in PCI, compared to 78 % in the end of 2015. The increase in finance expenses of 132 % and increase in current tax of 115 % between 2015 and 2016, were in-line with the increase of the Adjusted EBITDA commercial portfolio and therefore the FFO I commercial portfolio increased proportionally to the Adjusted EBITDA. The adjustment for GCP's FFO I contribution increased from € 39 million in 2015 to € 46 million in 2016, reflecting an 18 % increase and is the result of increasing operational profits in GCP.

The FFO I per share increased from € 0.17 in 2015 to € 0.25 in 2016, reflecting an increase of 47 %. The increase in the FFO I per share is offset in comparison to the increase in the FFO I due to dilution effects. The average basic amount of shares, which is the basis for the FFO I per share calculations, increased from 547 million shares in 2015 to 653 million shares in 2016, reflecting an increase of 19 %.

### **2015 compared to 2014**

FFO I increased from € 39 million in 2014 to € 94 million in 2015, reflecting an increase of 143 %. The increase is primary due to 328 % increase in FFO I commercial portfolio, which increased from € 13 million in 2014 to € 55 million in 2015. The increase in the FFO I commercial portfolio is due to the increase of the commercial portfolio and the income generated. For further information see "Income Statement Analysis". The adjustment for GCP's FFO I contribution increased from € 26 million in 2014 to € 39 million in 2015, reflecting a 51 % increase and is the result of increasing operational profits in GCP in the period.

The FFO I per share increased from € 0.08 in 2014 to € 0.17 in 2015, reflecting an increase of 113 %. The increase in the FFO I per share is below the 143 % increase in the FFO I due to dilution effects. The average basic amount of shares, which is the basis for the FFO I per share calculations, increased from 500 million shares in 2014 to 547 million shares in 2016, reflecting an increase of 9 %.

### **Analysis of Liquidity and Cash Flows**

	<b>For the 12 months ended 31 December</b>		
	<b>2016 (audited)</b>	<b>2015 (audited)</b>	<b>2014 (audited)</b>
	<b>In thousands of €</b>		
Net cash provided by operating activities	178,804	94,305	134,572
Net cash used in investing activities	(1,900,279)	(1,418,725)	(629,166)
Net cash provided by financing activities	2,244,010	1,417,669	658,276
Cash in subsidiaries on which the company lost its control	-	-	(270,131)
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>522,535</b>	<b>93,249</b>	<b>(106,449)</b>

### **2016 compared to 2015**

Net increase in cash and cash equivalents increased from € 93 million in 2015 to € 523 million in 2016, reflecting an increase of 460 %. This change results both from higher amounts provided by operating activities, as well as an increase in the volume of capital market activities.

Net cash provided by operating activities increased from € 94 million in 2015 to € 179 million in 2016, reflecting an increase of 90 %. This increase represents the increased cash flow generation of the commercial portfolio and is correlated with the increase of the Adjusted EBITDA commercial portfolio, which has increased due to higher rents and stable cost structure.

Net cash used in investing activities amounted increased from € 1.4 billion in 2015 to € 1.9 billion in 2016, reflecting an increase of 34 %. The increase is a direct result of the increase in acquisitions in 2016 compared to 2015 and reflects the portfolio growth. In 2016 Aroundtown has acquired € 2.2 billion properties, in comparison to € 1.3 billion acquisitions in 2015. In addition, the Company has invested in increasing its position in GCP and PCI, which was € 250 million in 2016 and € 265 million in 2015.

Net cash provided by financing activities increased from € 1.4 billion in 2015 to € 2.2 billion in 2016, reflecting an increase of 58 %. This increase is a result of the Company's intensive capital market activities, in which it raised over € 2.5 billion through the equity issuance of € 266.5 million, issuance of € 600 million Series D Bonds in April 2016, the issuance of € 500 million Series E Bonds in July 2016, the issuance of € 500 million nominal value perpetual notes in October 2015, the tap issuance of € 150 million of the Series E Bonds in November 2016 and the issuance of € 500 million Series F Bonds as well as the issuance of € 30 million Series G Bonds in December 2016. The amount raised is offset by the purchasing back of € 160 million in principal amount of Series A Bonds. Furthermore, an additional € 283 million, net from loans repaid and amortization of loans, has been raised through bank loans from several financial institutions.

#### **2015 compared to 2014**

Net increase (decrease) in cash and cash equivalents changed from a decrease of € 106 million in 2014 to an increase of € 93 million in 2015, reflecting a difference of € 200 million. Due to the GCP deconsolidation effect, the ordinary cash flow items include in 2014 the cash generated by GCP, but the total cash flow is adjusted to reflect the deduction of cash in subsidiaries on which the Company lost its control. In 2014 € 270 million cash was adjusted due to the deconsolidation effect of GCP.

Net cash provided by operating activities decreased from € 135 million in 2014 to € 94 million in 2015, reflecting a decrease of 30 %. This decrease is attributable to the deconsolidation effect of GCP. Assuming deconsolidation of GCP already on 1 January 2014, net cash provided by operating activities were increased from € 21 million in 2014 to € 94 million in 2015, which would reflect an increase of 356 %.

Net cash used in investing activities amounted increased from € 0.6 billion in 2014 to € 1.4 billion in 2015, reflecting an increase of 125 %. This increase is a result of the high level of new acquisitions by in 2015 and the subsequent portfolio growth.

Net cash provided by financing activities increased from € 0.7 billion in 2014 to € 1.4 billion in 2015, reflecting an increase of 115 %. This increase results from the high capital market activity in 2015, and includes the issuance of the € 39 million tap issue of the Series A Bonds in January 2015, the € 50 million nominal value tap of PCI's convertible bonds in February 2015, the issuance of € 450 million convertible Series B Bonds in April 2015, the equity issuance of € 320 million in July 2015 and the issuance of € 300 million convertible Series C Bonds in December 2015.

## **Balance sheet analysis**

### **Assets**

	<b>As of 31 December</b>		
	<b>2016 (audited)</b>	<b>2015 (audited)</b>	<b>2014 (audited)</b>
	<b>In thousands of €</b>		
<b>Non-current assets</b>	<b>6,988,905</b>	<b>4,007,602</b>	<b>1,543,865</b>
Investment property	5,016,235	2,430,595	426,303
Equity accounted investee, holding in GCP S.A. <sup>(1) (2)</sup>	1,316,724	1,059,909 <sup>(2)</sup>	801,078 <sup>(2)</sup>
Equity accounted investee, other <sup>(1) (2)</sup>	240,319	123,239 <sup>(2)</sup>	107,357 <sup>(2)</sup>
<b>Current assets</b>	<b>1,100,047</b>	<b>432,545</b>	<b>177,704</b>
Assets held for sale <sup>(1) (3)</sup>	152,940	-	-
Cash and liquid assets <sup>(1) (4)</sup>	835,813	386,983	175,750
<b>Total assets</b>	<b>8,088,952</b>	<b>4,440,147</b>	<b>1,721,569</b>

<sup>(1)</sup> Unaudited.

<sup>(2)</sup> In 2014 and 2015 GCP was not reported separately from other equity accounted investees.

<sup>(3)</sup> Not including cash held for sale.

<sup>(4)</sup> Including cash held for sale.

The assets of the Company are comprised mainly of investment property, representing the fair value of the real estate properties of Aroundtown, as determined and based on external valuation reports performed by independent professionally qualified valuers. The fair values represent a net figure, after deduction made by the valuers for the estimated legal costs, transfer tax and marketing commissions to be incurred by the purchaser, following disposal of the assets. The allocation to non-current assets corresponds to the ongoing operation horizon of the assets, thereby quantifying the discounted value arising from the long term operations.

A second major component of the Company's non-current assets is the item Equity accounted investees. Following the deconsolidation of GCP in the end of 2014, the Company presents its investment in GCP as an equity accounted investees. Under this accounting treatment the value of the Company's investment in GCP was determined as of the date of the deconsolidating by an independent valuator, and this balance is subsequently amended to include the share of the Company in the profit or loss of GCP, according to its actual holding rate along the period in which GCP has created such profit, and reduced by any amounts of dividend paid by GCP to the Company. Further, the Company has gradually increased its absolute holding in GCP since 2014, and the balance reflects the change in the investment volume.

Under Current assets, the item of Cash and liquid assets is a combined figure of the Company's balance of Cash and cash equivalents, Short term deposits, Traded securities at fair value through profit or loss, and cash in asset held for sale. In cases the Company classifies as held for sale all the assets under a certain special purpose vehicle, the additional balances of assets and liabilities in such special purpose vehicle are also classified as held for sale. The shown balance of assets held for sale above refers to the value of the investment properties alone. Similarly, cash in assets held for sale is added to the total balance of cash and liquid assets for purpose of presenting the entire liquid means of the Company. Asset held for sale is related to assets which the Company has resolved to dispose of in the next 12 months.

### **2016 compared to 2015**

As of 31 December 2016 the total balance of assets amounted to € 8,089 million, a € 3,469 million increase since 31 December 2015, reflecting an increase of 82 %.

The item Investment property amounted to € 5,016 million as of 31 December 2016, a € 2,585 million increase since 31 December 2015, reflecting an increase of 106 %. The main factors contributing to the change in this balance are: (1) Contribution of properties purchased during 2016, amounting to € 2.7 billion. The acquisition costs amended for transactions cost and additional balances of assets and liabilities assumed as part of the purchase amounted to € 2.2 billion, reflecting an average yield of 7.1 %. Acquisitions during 2016 were mainly made in Berlin, Amsterdam and NRW, as well as in other locations mainly in Germany and the Netherlands (2) an investment of € 30.5 million in the Company's existing properties as capex during 2016. (3) A balance of € 263 million of investment properties in 2015 was removed during 2016 due to categorization under Current assets of Assets held for sale, due to loss of control in consolidated companies and disposal of assets. (4) a revaluation gains of € 171 million on assets held as of December 2015, net of some € 22 million capex investment in those assets.

Out of the €2.6 billion investment properties added during 2016, €1.45 billion were initially consolidated through business combination accordance with IFRS 3. The annual revenue for those properties are approx. € 120 million. Since the takeover date these companies contributed

to the Group's consolidated results about € 60.5 million and € 32 million revenues and operating profit, respectively.

During 2016 the Company disposed of investment properties with a value of € 78 million (through share deals) for a consideration of € 18.5 million. Those properties had annual revenue of approx. € 10 million. From 1 January 2016 and until the disposal dates those subsidiaries contributed to the consolidated group's results a revenue of € 7 million and operational profit of € 2 million.

The balance attributed to the holding of the Company in GCP amounted to € 1,317 million as of 31 December 2016, a € 257 million increase since 31 December 2015, reflecting an increase of 24 %.

GCP profit attributed to the owners of GCP amounted to € 544 million in 2016. The Company maintained its holding in the outstanding shares of GCP from 35 % as of the end of 2015 to 35 % as of the end of 2016, which included acquisitions of GCP's shares to offset dilution effects from GCP's equity increase and conversion of convertible bonds.

The balance of cash and liquid assets amounted to € 836 million as of 31 December 2016, a € 449 million increase since 31 December 2015, reflecting an increase of 116 %. Net cash provided by the operating activities of the Company during 2016 amounted to € 179 million. During 2016 the Company received proceeds from various issuances made: equity issuance of € 266.5 million in April, Series D Bonds of € 600 million in April, perpetual notes of € 500 million in October, Series E Bonds of € 650 million in July and November 2016, Series F Bonds of € 500 million in December 2016, Series G Bonds of € 30 million in December 2016. The Company has purchased back during 2016 € 160 million principal amount of its Series A Bond.

Additional amount of € 283 million was raised through bank loans during 2016, net of loans repaid and amortization of loans. Net cash used in investing activities amounted to € 1,900 million in 2016, largely representing the funds used in financing the property acquisition activities during the year.

### **2015 compared to 2014**

As of 31 December 2015 the total balance of assets amounted to € 4,440 million, a € 2,719 million increase since 31 December 2014, reflecting an increase of 158 %.

The balance of Investment property amounted to € 2,431 million as of 31 December 2015, a € 2,004 million increase since 31 December 2014, reflecting an increase of 470 %. The main factors contributing to the change in this balance are: (1) Contribution of properties purchased during 2015, amounting to € 2.0 billion. The acquisition costs amended for transactions cost and additional balances of assets and liabilities assumed as part of the purchase amounted to € 1.3 billion, reflecting an average yield of 8.6 %. Acquisitions during 2015 were mainly made in Berlin,



Munich, and NRW, as well as in other locations mainly in Germany. (2) an investment of € 9 million in the Company's existing properties as capex during 2015. (3) no balances of investment properties in 2014 were removed during 2015 due to re-categorization, loss of control in consolidated companies or disposal of assets. (4) a revaluation gains of € 35 million on assets held as of December 2014, net of some € 1 million capex investment in those assets.

Out of the € 2 billion in investment properties added during 2015, € 0.65 billion were initially consolidated through business combination in accordance with IFRS 3. The annual revenues for those properties are approx. € 60 million. Since the takeover date these companies contributed to the Group's consolidated results about € 36 million and € 13 million revenues and operating profit, respectively.

The balance attributed to the holding of the Company in GCP amounted to € 1,060 million as of 31 December 2015, a € 259 million increase since 31 December 2014, reflecting an increase of 32 %.

GCP profit attributed to the owners of GCP amounted to € 344 million in 2015. The Company increased its holding in the outstanding shares of GCP from 34 % as of the end of 2014 to 35 % as of the end of 2015, through acquisition of additional GCP S.A. shares.

The balance of cash and liquid assets amounted to € 387 million as of 31 December 2015, a € 211 million increase since 31 December 2014, reflecting an increase of 120 %. Net cash provided by the operating activities of the Company during 2015 amounted to € 94 million. During 2015 the Company received proceeds from various issuances made: Tap issuance of Series A Bonds of € 39 million in January, convertible Series B Bonds of € 450 million in April, equity issuance of € 320 million in July, convertible Series B Bonds of € 300 million in December.

Additional amount of € 374 million was raised through bank loans during 2015, net of loans repaid and amortization of loans. Net cash used in investing activities amounted to € 1,419 million in 2015, largely representing the funds used in financing the property acquisition activities during the year.

## Liabilities

	<b>As of 31 December</b>		
	<b>2016 (audited)</b>	<b>2015 (audited)</b>	<b>2014 (audited)</b>
	<b>In thousands of €</b>		
Loans and borrowings	962,007	515,913	138,964

Straight bonds	1,713,965	187,923	150,522
Convertible bonds	708,686	817,721	96,728
Deferred tax liabilities	365,932	185,774	46,614
Other long term liabilities and derivative financial instruments <sup>(1)</sup>	48,443	66,026	6,198
Current liabilities	348,839	241,278	60,882
<b>Total liabilities</b>	<b>4,147,872</b>	<b>2,014,635</b>	<b>499,908</b>

<sup>(1)</sup> Unaudited.

### **2016 compared to 2015**

Total liabilities increased from € 2,015 million in 2015 to € 4,148 million in 2016, reflecting an increase of 106 %. The increase in liabilities, is correlated with the increase in total assets, which increased by 82 % in the respective period. The largest impact on the growth of the total liabilities is from the increase in straight bonds which increased from € 188 million in 2015 to € 1,713 million in 2016, reflecting an increase of over € 1.5 billion or 812 %. The increase in straight bonds was due to the issuance of three bonds series in 2016, Series D, E, and F with a maturity between 6 to 8 years and a fixed coupon rate of 1.5 % and 2.125 % with a total aggregated nominal amount of € 1,650 million. The increase in straight bonds was partially offset by Series A Bonds buyback, bearing a coupon of 3 %, in the amount of € 160 million.

Total loans and borrowings increased from € 516 million in 2015 to € 962 million in 2016, an increase of 86 %. The increase of the loans and borrowing is due to the financial needs of Aroundtown, financing the external growth of the portfolio.

The convertible bond balance decreased from € 818 million in 2015 to € 709 million in 2016, reflecting a decrease of 13 %. The decrease is the result of conversions of convertible bonds which were in the money in 2016, PCI convertible bond and Series B convertible bond. PCI Convertible balance was € 30 million in December 2016 and was fully redeemed in March 2017.

The Company practices a conservative approach with regard to its deferred tax liabilities, accounting for the full real estate tax on hypothetical future disposals of its assets. Deferred tax liabilities increased from € 186 million in 2015 to € 366 million in 2016, reflecting an increase of 97 %. The increase in deferred taxes is rising from valuations gains accounted in the income statement and profits from business combination achieved during 2016.

Other long term liabilities including derivative financial instruments decreased from € 66 million in 2015 to € 48 million in 2016, reflecting a decrease of 27 %. The decrease is mainly the result of the decrease in other non-current liabilities, which decreased from € 62 million in 2015 to € 41 million in 2016.

Current liabilities which increased from € 241 million in 2015 to € 349 million in 2016, up 45 % of which credit from financial institutions make up the largest part with €130 million in the end of 2016, up from € 36 million in the end of 2015. The balance of credit from financial institutions is the result of the short-term financial support of the Company's growth in the period.

### **2015 compared to 2014**

Total liabilities increased in 2014 from € 500 million to € 2,015 million in 2015, reflecting an increase of 303 %. The increase in liabilities was similar to the increase in total assets over the same period, excluding the Equity accounted investees which do not contribute to the liabilities item, of 301 %. The largest impact on the growth of the total liabilities is from the increase in convertible bonds which increased from € 97 million 2014 to € 818 million in 2015, reflecting an increase of € 721 million or 745 %. In 2015 Aroundtown issued convertible Series B Bonds, at the nominal amount of € 450 million and bearing a coupon of 3 %, and € 300 million convertible Series C Bonds bearing a coupon rate of 1.5 %. In addition, the PCI convertible bond was tapped by an additional amount of € 50 million in the first quarter of 2015, of which € 39 million were converted by the end of 2015. Straight bonds increased from € 151 million in 2014 to € 188 million in 2015, due to a € 39 million tap issuance to Series A Bond, increasing the total aggregate nominal amount to € 200 million

Loans and borrowings increased from € 139 million in 2014 to € 516 million in 2015, an increase of 271 %. The increase of the loans and borrowings is due to the increase in loans related mainly to office and retail properties which were bought during 2015, supporting the growth of the portfolio.

Deferred tax liabilities increased from € 47 million in 2014 to € 186 million in 2015, reflecting an increase of 299 %. The increase in deferred taxes is rising from valuations gains accounted in the income statement and profits from business combination achieved during 2015.

Other long term liabilities and derivative financial instruments increased from € 6 million in 2014 to € 66 million in 2015, reflecting an increase of 965 % and is the result of increase in long term liabilities.

Current liabilities increased from 2014 to 2015 by €180 million, reflecting an increase of 296%. The increase results mainly from the increase in trade and other payables which increased from € 9 million in 2014 to € 96 million in 2015, and current loans and borrowings which increased from € 7 million in 2014 to € 93 million in 2015.

## Loan-to-value

	As of 31 December		
	2016 (unaudited)	2015 (unaudited)	2014 (unaudited)
	In thousands of €		
Investment property including advanced payments for investment properties	5,259,750	2,482,085	451,486
Investment properties of assets held for sale	148,596	-	-
Investment in equity accounted investees	1,557,044	1,183,148	908,435
<b>Total value</b>	<b>6,965,390</b>	<b>3,665,233</b>	<b>1,359,921</b>
<b>Net debt</b>	<b>2,737,437</b>	<b>1,264,000</b>	<b>259,709</b>
<b>LTV</b>	<b>39.3 %</b>	<b>34.6 %</b>	<b>19.1 %</b>
Net debt without in-the-money convertible bonds	2,343,388	727,864	162,981
<b>LTV assuming conversion <sup>(1)</sup></b>	<b>33.6 %</b>	<b>19.9 %</b>	<b>12.0 %</b>

<sup>(1)</sup> Assuming conversion of convertible bonds which are in the money.

LTV, or loan-to-value, is the ratio of financial debt, net of cash and liquid assets, to the value of investment property, including advanced payments, investment properties held for sale and investment in equity accounted investees.

### **2016 compared to 2015**

LTV increased from 34.6 % in 2015 to 39.3 % in 2016, reflecting an increase of 4.7 percentage points. The increase in LTV was the result of the € 1.9 billion increases in total debt, along with € 2.2 billion of acquisitions in 2016, which increased the net debt to € 2,737 million in 2016, up 117 % from € 1,264 million in 2015. The increase in leverage was accompanied by an increase in total value from € 3,665 million in 2015 to € 6,965 million in 2016, an increase of 90 %. As between 2015 and 2016 the increase in debt was higher than the increase in value, the leverage has increased.

Excluding in-the-money convertible bonds, the LTV in 2015 was 19.9 %, compared to 33.6 % in 2016. The sharper increase compared to the LTV including convertible bonds is due to the lower ratio of convertible bonds in the debt mix in 2016, which results from both a lower amount of outstanding convertible bonds due to conversions as well as through high share of non-convertible straight bond issuances in 2016.

### **2015 compared to 2014**

LTV increased from 19.1 % in 2014 to 34.6 % in 2015, reflecting an increase of 15.5 percentage points. The increase in LTV is a result of the € 1.2 billion increases in total debt, along € 1.3 billion of acquisitions in 2015 increased the net debt from € 260 million in 2014 to € 1,264 million in 2015, an increase of 387 %. Total value increased from € 1.4 billion in 2014 to € 3.7 billion in 2015, reflecting an increase of 170 %. As between 2014 and 2015 the increase in debt was higher than the increase in value, the LTV has increased.

LTV assuming conversion increased from 12 % in 2014 to 19.9 % in 2015, reflecting an increase of 7.9 percentage points. In 2014 the Company had € 97 million convertible bonds in the money which comprise of 37 % of the net debt, in comparison to € 536 million in 2015 which comprise 42 % of the net debt.

### **Equity**

	<b>As of 31 December</b>		
	<b>2016 (audited)</b>	<b>2015 (audited)</b>	<b>2014 (audited)</b>
	<b>In thousands of €</b>		
<b>Total equity</b>	<b>3,941,080</b>	<b>2,425,512</b>	<b>1,221,661</b>
Of which equity attributable to the owners of the Company	3,090,163	2,105,409	1,113,569
Of which equity attributable to perpetual noteholders	478,277	-	-
Of which non-controlling interest	372,640	320,103	108,092

### **2016 compared to 2015**

Total equity increased from € 2,426 million in 2015, to € 3,941 million in 2016, reflecting an increase of 62 %. The increase of over € 1.5 billion resulted largely from the realized net profit in 2016 of over € 900 million. The equity additionally increased due to the € 267 million capital increase in April 2016, further € 478 million from the issuance of perpetual notes in October 2016 and from conversions of convertible bonds at the amount of € 40 million. The increase in equity was offset by the dividend distribution of € 34 million in December 2016.

The equity which attributed to the non-controlling interest increased in 2016 by € 53 million from € 320 million as of 31 December 2015 to € 373 million as of 31 December 2016. The amount of the non-controlling interest of the companies mentioned in the footnotes 5 and 6 of the chart displayed in the section “*General Information on the Company and the Group – Group Structure*” and PCI and its subsidiaries as of 31 December 2016 and 31 December 2015 is € 279 million and € 293 million respectively.

## 2015 compared to 2014

Total equity increased from € 1,222 million in 2014 to € 2,426 million in 2015, reflecting an increase of 99 %. The increase over € 1.2 billion results largely from the realized net profit in 2015 of € 898 million and from € 320 million equity raised in July 2015.

The equity which attributed to the non-controlling interest increased in 2015 by € 212 million from € 108 million as of 31 December 2014 to € 320 million as of 31 December 2015. The amount of the non-controlling interest of the companies mentioned in the footnotes 5 and 6 of the chart displayed in the section “*General Information on the Company and the Group – Group Structure*” and PCI and its subsidiaries as of 31 December 2015 and 31 December 2014 is € 279 million and € 108 million respectively.

## NAV and EPRA NAV

	For the year ended 31 December		
	In thousands of € unless otherwise stated		
	2016 (unaudited)	2015 (unaudited)	2014 (unaudited) <sup>(1)</sup>
NAV per the financial statements	3,941,080	2,425,512	1,221,661
Equity attributable to perpetual notes investors <sup>(2)</sup>	(478,277)	-	n/a
<b>NAV excluding perpetual notes <sup>(2)</sup></b>	<b>3,462,803</b>	<b>2,425,512</b>	n/a
Effect of conversion of in-the-money convertible bond Fair value measurements of derivative financial instruments <sup>(3)</sup>	394,048 7,074	425,914 3,590	- 4,995
Deferred tax liabilities <sup>(3)</sup>	379,485	185,774	46,614
<b>NAV <sup>(4)</sup></b>	<b>4,243,410</b>	<b>3,040,790</b>	<b>1,273,270</b>
<b>NAV per share in € <sup>(5)</sup></b>	<b>5.3</b>	<b>4.2</b>	n/a
Non-controlling interests <sup>(6)</sup>	(372,640)	(320,103)	n/a
<b>EPRA NAV <sup>(7)</sup></b>	<b>3,870,770</b>	<b>2,720,687</b>	n/a
<b>EPRA NAV per share in € <sup>(5)</sup></b>	<b>4.9</b>	<b>3.7</b>	n/a
Equity attributable to perpetual notes investors	478,277	-	n/a
<b>EPRA NAV including perpetual notes <sup>(8)</sup></b>	<b>4,349,047</b>	<b>2,720,687</b>	n/a
<b>EPRA NAV including perpetual notes per share in € <sup>(5)</sup></b>	<b>5.4</b>	<b>3.7</b>	<b>n/a</b>
<b>EPRA NAV <sup>(7)</sup></b>	<b>3,870,770</b>	<b>2,720,687</b>	<b>n/a</b>
Fair value measurements of derivative financial instruments <sup>(3) (9)</sup>	(7,074)	(3,590)	n/a
Net Fair Value of debt <sup>(9)</sup>	(69,166)	(44,022)	n/a
Deferred tax liabilities <sup>(9) (10)</sup>	(18,232)	(10,331)	n/a
<b>EPRA NNAV <sup>(11)</sup></b>	<b>3,776,298</b>	<b>2,662,744</b>	n/a
<b>EPRA NNAV per share in € <sup>(5)</sup></b>	<b>4.7</b>	<b>3.6</b>	<b>n/a</b>

- (1) The above presented structure of the breakdown of the EPRA NAV reconciliation was presented in the 2016 accounts. Thus, the 2015 figures are taken from the comparable figures of the 2016 accounts and many lines of the 2014 EPRA NAV reconciliation have not been presented in this breakdown structure and are thus not applicable.
- (2) As there have not been any perpetual notes in 2014 this figure was not presented.
- (3) Includes balances in assets held for sale.
- (4) The NAV in 2014 and 2015 was classified as EPRA NAV and due to a reclassification in 2016 was renamed to NAV. The NAV in 2015 is based on the comparable number of the 2016 accounts and deviates to the figure classified as EPRA NAV presented in 2015 which was € 3,042,864 thousand and included accrued interest of the convertible bonds which were excluded in 2016. The NAV of 2014 is presented in the comparable figure of the 2015 accounts.
- (5) In 2014 the per share figures were not presented.
- (6) The non-controlling interest of 2014 was € 108,092 thousand but as this breakdown of the EPRA NAV reconciliation was not presented in the 2015 or 2014 accounts this figure is not presented here.
- (7) The EPRA NAV presented in 2014 reflects the NAV according to the reclassification of 2016 and is thus presented in the NAV due to comparability with the following years. See also footnote (4) above.
- (8) As there have not been any perpetual notes in 2014 this figure is not applicable for 2014.
- (9) The reconciliation of the EPRA NNNAV as well as the figure itself was not presented in the 2015 and 2014 accounts. Thus these line items are either not presented in the respective accounts or presented in the balance sheet but not used for this breakdown and thus not presented here. The 2015 items are presented in the comparable figures used in the 2016 accounts.
- (10) The deferred tax liabilities in this line item were adjusted to the line item with the same classification above as for the EPRA NNNAV reconciliation the assumption of disposals through share deals is taken.
- (11) The EPRA NNNAV in 2014 was not presented.

### **2016 compared to 2015**

EPRA NAV amounted as of the end of 2016 to € 3.9 billion, up from € 2.7 billion in the end of 2015 which is an increase of 42 %. The increase is mainly a result of the increase in the shareholder's equity, following the shareholder profit in 2016 and the equity increase in April 2016, as well the increase in the deferred taxes and financial derivative balances. On a per share basis, the EPRA NAV increased from € 3.7 per share in 2015 to € 4.9 per share in 2016, an increase of 32 %. Including the perpetual notes, the EPRA NAV increased in 2016 to € 4.35 billion, up from € 2.7 billion in 2015 and € 5.4 per share and € 3.7 per share respectively. The EPRA NAV including perpetual notes increased additionally to the increase in EPRA NAV following the issuance of perpetual notes in October 2016. The perpetual notes are part of the Company's equity according to IFRS accounting treatment. The EPRA NNNAV in 2016 amounted to € 3.8 billion, up from € 2.7 billion in 2015, reflecting an increase of 42 % and results from the increase in EPRA NAV, offset by the higher amount of net fair values of debt following the overall higher volume of debt in 2016 as well as the higher market value of outstanding bonds in the end of 2016 compared to 2015. The EPRA NNNAV per share amounted to € 4.7 compared to € 3.6 in 2015.

### **2015 compared to 2014**

The NAV in 2014 and 2015 was classified as EPRA NAV in the 2016 accounts. The NAV of 2014 was stated in the comparable figure of the 2015 accounts. Consequently, the following description refers only to the NAV development. The NAV increased in 2015 by 139 % to over € 3 billion from € 1.3 billion in 2014. The increase is mainly related to higher total equity of over € 1.2 billion which is a combined effect of the generated profits in 2015, an equity increase of € 320 million in July 2015 and the inclusion of Series B convertible bonds which are in the money as of

year-end 2015. The increase in deferred tax liabilities positively affected the increase in the NAV in 2015 and is the result of the revaluation gains of 2015.

## **Investments**

Aroundtown's investments are primarily in its investment properties. Below is a summary of the investments for the periods mentioned.

### **Investments related to the period 1 January - 31 December 2014**

In 2014 Aroundtown's commercial portfolio increased by € 0.2 billion. The acquisitions were primarily hotel assets, acquiring 22 hotels across the main cities and touristic destinations in Germany, such as Berlin, NRW, Leipzig and Baden-Baden.

The resources for these acquisitions were arriving from the € 100 million nominal amount convertible bond raised in the period, € 84 million loans and borrowings and € 20 million relating to the commercial portfolio net cash provided from by operating activities.

### **Investments related to the period 1 January - 31 December 2015**

In 2015 Aroundtown acquired € 1.3 billion of commercial properties in various transactions, primarily across the strategic locations in Germany, in particular Berlin, Munich, NRW, Hamburg. Approximately 40 % of the acquisitions were office properties, 25 % were retail and approximately 20 % were hotel properties. The remaining acquisitions were other asset types, such as logistics and industrial assets.

The resources for these acquisitions were arriving from the opening cash balance of the period, amounting to € 28 million, € 39 million nominal amount straight bonds raised in the period, € 800 million nominal amount of convertible bonds raised in the period, € 320 million equity raised in the period and € 457 million increase in loans and borrowings in the period. An additional source was the net cash provided by operating activities, which amounted to € 94 million in the period. Not all of the resources were utilized in the period and used for acquisitions of investment properties, and the net change in cash and cash equivalents was € 93 million increasing the period end cash balance.

### **Investments related to the period 1 January - 31 December 2016**

In 2016 Aroundtown acquired € 2.2 billion of commercial properties. The acquisitions were done in various transactions, primarily across the strategic locations of Aroundtown, in particular Berlin, Amsterdam, NRW, Frankfurt and Hamburg. The prime focus is on top tier cities in Germany and



the Netherlands. In 2016 Aroundtown entered the Dutch market with approximately 1/3 of the acquisitions completed in the Netherlands. Over 75 % of the portfolio acquired in 2016 were office properties, and the remaining asset types were retail, hotel and others.

The resources for these acquisitions were arriving from the opening cash balance of the period, amounting to € 121 million, € 1,750 million nominal amount straight bonds raised in the period, € 267 million equity raised in the period, € 500 million nominal amount raised as perpetual notes and € 505 million increase in loans and borrowings in the period. An additional source was the net cash provided by operating activities, which amounted to € 178 million in the period. Not all of the resources were utilized in the period and used for acquisitions of investment properties, and the net change in cash and cash equivalents was € 523 million increasing the period end cash balance.

### **Investments since 1 January 2017**

As of the date of this Prospectus, in 2017 Aroundtown has acquired € 1.2 billion of commercial properties of which € 0.2 billion have been taken over after the valuation dates of the Property Appraisal Reports and thus are not included in these. Other commercial properties with a purchase price of € 0.15 billion have only been signed and not taken over as of the date of this Prospectus. The acquisitions were done in various separate transactions, primarily across NRW, Berlin, Hamburg, Frankfurt, Nuremberg. Approximately 80 % of the acquisitions are wholesale logistics and retail properties and the remaining are office and hotel properties.

The resources for these acquisitions are the opening cash and liquid assets balance of over € 800 million, over € 400 million nominal amount of straight bond issuances, € 100 million nominal amount of perpetual notes issuance and about € 0.5 billion bank loans related to these transactions.

Besides the recent investments above, the Board of Directors has made no firm commitment on any significant future investment. The Company plans to finance future acquisitions with current liquid assets, possible capital markets fundraising and bank debt as well as potential equity issuances.

### **Quantitative and Qualitative Description of Market Risks**

#### **Interest Rate Risks**

The general business of Aroundtown is subject to interest rate risks. Interest rate risks can occur, as changes in market interest rates impact on the fair value of fixed-interest financial instruments and also result in changes in interest expenditure on floating-rate financial instruments. It is not

possible to simultaneously minimize both types of interest rate risks. As of 31 December 2016, 93 % of Aroundtown's financial debt was hedged by hedging instruments (swaps, caps, collars, etc.). Aroundtown manages its interest expense through a combination of fixed-interest and floating-rate loans. As of 31 December 2016, 7 % of Aroundtown's financial debt was unhedged. In order to manage interest rate risks, Aroundtown generally uses interest rate hedging instruments.

### **Default Risk**

Default risks, or the risk that a counterparty will not be able to meet its obligations, is managed through credit limits and control processes. Where appropriate, the Company is provided with collateral. Aroundtown aims to conclude lease agreements with tenants of good solvency reflected by a respective rating or where Aroundtown reasonably expects that the tenants can fulfil their contractual obligations when falling due.

### **Currency Risks**

ATF Netherlands B.V. is the issuer and the Company is the guarantor of certain US-Dollar notes in the aggregate principal amount of USD 400 million outstanding as of the date of this Prospectus. ATF Netherlands B.V. has entered into a swap agreement to address the USD currency exposure. A default of its swap counterparty may expose Aroundtown to currency risks between Euro and US-Dollar.

### **Liquidity Risk**

Aroundtown has a substantial level of debt. As at 31 December 2016, the total carrying amount of Aroundtown's total financial debt was approximately € 3.57 billion and Aroundtown's outstanding net debt (outstanding financial debt deducted by cash and liquid assets) was approximately € 2.74 billion. The Company is subject to liquidity risks with respect to future refinancing. The capability of Aroundtown to satisfy existing financial indebtedness when due through refinancing might be adversely impacted by market conditions, development of the Group's business and the overall level of indebtedness of Aroundtown. Aroundtown monitors the risk of liquidity shortfalls daily. The monitoring takes into account the incoming and outgoing cash flows from the operating business as well as payments relating to financial debt. Aroundtown seeks to ensure that sufficient liquidity is available at all times to cover future obligations at all times. As of 31 December 2016, Aroundtown had an LTV of 39 %.

Aroundtown has borrowed a significant amount of debt by the issue of bonds. As of 31 December 2016, the total aggregate amount of bonds outstanding was € 2.42 billion. Hereof, if not converted during the remaining term, convertible bonds in principal amount of approximately € 73 million will

become repayable in 2020 and further € 300 million in 2021. Additional € 600 million under a straight bond will become repayable in 2022.

The existing loan agreements and bonds require, in particular, that Aroundtown complies with certain financial covenants, such as a maximum LTV, a minimum debt-service or interest cover ratio, a minimum ratio of unencumbered properties and other assets or restrictions on the sale of properties. As a result of an event of default and cross default provisions, all outstanding bonds may become due and repayable in their respective principal amount plus any accrued interest. If the Company is not able to redeem the bonds plus accrued interest in full when required, this could lead to the insolvency of the Company (for further information on events of default under outstanding bonds see “Material Contracts – Finance Agreements”).

In addition, the Company through ATF Netherlands B.V. has issued perpetual notes with an aggregate principal amount of € 600 Million (which are accounted for as equity under IFRS). The Company can redeem the perpetual notes from 2023; any later redemption will result in an increase of the interest rate due.

As of the date of this Prospectus, Aroundtown can issue notes with a total aggregate amount of up to € 1.5 billion under its EMTN-Programme. The Company obtained its current corporate investment grade rating of "BBB" from S&P in June 2016. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation. Any negative change in the credit rating of the Company may make future financing and debt issuances by the Company and other members of Aroundtown more difficult and expensive.

### **Significant Accounting Policies**

The preparation of consolidated financial statements in accordance with IFRS requires from management the exercise of judgment, to make estimates and assumptions that influence the application of accounting principles and the related amounts of assets and liabilities, income and expenses. The estimates and underlying assumptions are based on historical experience and various other factors that are deemed to be reasonable based on current knowledge available at that time. Actual results may deviate from such estimates. The estimates and underlying assumptions are revised on a regular basis. Revisions in accounting estimates are recognized in the period during which the estimate is revised, if the estimate affects only that period, or in the period of the revision and future periods, if the revision affects the present as well as future periods. In particular, information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amount recognized in the financial statements refer to:

- Fair Value of investment properties

Changes in their fair value are recognized in consolidated statement of comprehensive income. The fair value measurement of investment property requires valuation experts and the Company's management to use certain assumptions regarding rates of return on Aroundtown's assets, future rent, occupancy rates, contract renewal terms, the probability of leasing vacant areas, asset operating expenses, the tenants' financial stability and the implications of any investments made for future development purposes in order to assess the future expected cash flows from the assets. Any change in the assumptions used to measure the investment property could affect its fair value.

- Impairment of investments in associates

Aroundtown periodically evaluates the recoverability of investments in associates whenever indicators of impairment are present. Indicators of impairment include such items as declines in revenues, earnings or cash flows or material adverse changes in the economic or political stability of a particular country, which may indicate that the carrying amount of an asset is not recoverable.

- Tax and deferred tax expenses

Significant judgment is required in determining the provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Aroundtown recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

- Impairment of intangible assets

Intangible assets are initially recorded at acquisition cost and are amortized on a straight line basis over their useful economic life. Intangible assets that are acquired through a business combination are initially recorded at fair value at the date of acquisition. Intangible assets with an indefinite useful life are reviewed for impairment at least once per year. The impairment test is performed using the discounted cash flows expected to be generated through the use of the intangible assets, using a discount rate that reflects the current market estimations and the risks associated with the asset. When it is impractical to estimate the recoverable amount of an asset, Aroundtown estimates the recoverable amount of the cash generating unit in which the asset belongs to.

- Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash generating units of Aroundtown on which the goodwill has been allocated. The value in use calculation requires Aroundtown to estimate the future cash flows expected to arise from the cash generating units using a suitable discount rate in order to calculate present value.

- Legal claims and Provisions

In estimating the likelihood of outcome of legal claims filed against the Company and its investees, Aroundtown relies on the opinion of their legal counsel. Since the outcome of the claims will be determined in courts, the results could differ from these estimates. Provisions are recognized when Aroundtown has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made.

### **Valuation of Investment Properties**

As of 31 December 2016, Aroundtown has significant holding of investment properties as they represented 62 % of total assets. An investment property is property comprising buildings held by the owner to earn rentals or for capital appreciation or both rather than for use in the production or supply of goods or services, for administrative purposes or for sale in the ordinary course of business. Investment property is measured initially at cost, including costs directly attributable to the acquisition. After initial recognition, investment property is measured at fair value which reflects market conditions at the end of the reporting period. Gains or losses arising from changes in the fair values of investment property are included in profit or loss when they arise.

The valuation of the investment properties is conducted by the Company annually with regular updates for its quarterly financial reporting in accordance with the definition of fair value by the International Valuation Standard Committee and according to the requirements of IAS 40 and IFRS 13.

The valuation is based on the DCF model. This 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 period 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 fair value of the properties of Aroundtown is determined at least once a year by external, independent and certified valuers, mainly by the appraisers Jones Lang LaSalle and also Knight Frank, Cushman & Wakefield and NAI all of which have also prepared valuation reports for purposes of this Prospectus (see: “*General Information – Appraisers*” and “*Property Appraisal Reports*”). The fair value of the properties was prepared in accordance with the RICS Valuation - Professional Standards (current edition) published by the Royal Institution of Chartered Surveyors (“**RICS**”) as well as the standards contained within the TEGoVA European Valuations Standards, and in accordance with IVSC International Valuation Standard, the International Accounting Standard (“**IAS**”), International Financial Reporting Standards (“**IFRS**”) as well as the current guidelines of the European Securities and Market Authority (“**ESMA**”) based on the Market Value. This is included in the General Principles and is adopted in the preparation of the valuation reports of the appraisers.

In addition, the Company has instructed the aforementioned appraisers to draw up valuation reports as of the dates given in the Property Appraisal Reports, which are also included elsewhere in this Prospectus.

The Company and the appraisers confirm that there is no actual or potential conflict of interest that may have influenced the valuers status as external and independent valuator. The valuation fee is determined on the scope of complexity of the valuation report.

With respect to the valuation made in connection with the consolidated financial statements of the Company for the fiscal year ended 31 December 2016, as of that date the main range of the discount rates applied to the net annual rentals to determine the fair value of property is between 5.00 %-8.90 %. All the investment property of Aroundtown in total fair value amount of euro 5,016 million (2015: euro 2,431 million) has been categorized as a Level 3 fair value based on the inputs to the valuation technique used. For the valuation, Aroundtown has assumed a market rental growth weighted average of 1.96 %, void periods - mainly between 4-15 months after the end of each lease and risk adjusted discount rates in the range of 5.00 %-8.90 % (weighted average of 6.4 %). The estimated fair value would decrease if the expected market rental growth is lower, void periods were longer, the occupancy rates were lower and/or the risk-adjusted discount rate is higher.

### **Basis of Consolidation**

Aroundtown’s consolidated financial statements comprise the financial statements of the parent company Aroundtown Property Holdings plc and the financial statements of its subsidiaries. Subsidiaries are entities controlled by the Company. The Company 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 the

subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. GCP was deconsolidated from the Company's consolidated financial statements as of 31 December 2014 and since then is treated as an "equity accounted investee".

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated. Unrealized gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of Aroundtown's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

Aroundtown has considered the impact of the amendment to IFRS 10 - Investment Entities, and has determined that it does not meet the definition of an "Investment entity".

Changes in Aroundtown's ownership interests in existing subsidiaries that do not result in Aroundtown losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of Aroundtown's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity attributed to owners of the Company.

When Aroundtown loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests.

Accounting for business combinations under IFRS 3 only applies if it is considered that a business has been acquired. Aroundtown may invest in subsidiaries that hold properties but do not constitute a business. Those transactions are therefore treated as asset acquisitions rather than business combinations. Aroundtown allocates the cost between the individual identifiable assets and liabilities in Aroundtown based on their relative fair values at the date of acquisitions.

### **Business Combinations**

Acquisitions of businesses are accounted for using the acquisition method, i.e. when control is transferred to Aroundtown. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition date fair values of the assets transferred by Aroundtown, liabilities incurred by Aroundtown to the former owners of the acquiree and the equity interests issued by Aroundtown in exchange for control of the acquiree.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognized and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively;
- liabilities or equity instruments related to share based payment arrangements of the acquiree or share based payment arrangements of Aroundtown entered into to replace share based payment arrangements of the acquiree are measured in accordance with IFRS 2 Share based Payment at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard.

Goodwill is initially measured as the excess of the sum of the consideration transferred, the fair value of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognized immediately in the consolidated income statement as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction by transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

When the consideration transferred by Aroundtown in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.



The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39, or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in consolidated income statements.

When a business combination is achieved in stages, Aroundtown's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date (i.e. the date when Aroundtown obtains control) and the resulting gain or loss, if any, is recognized in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, Aroundtown reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

### **Investments in Associates and equity-accounted Investees**

GCP is considered an equity-accounted investee. An associate is an entity over which Aroundtown has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. A jointly controlled entity is an entity in which two or more parties have interest.

The results and assets and liabilities of associates and equity accounted investees are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. Under the equity method, an investment in an associate is initially recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize Aroundtown's share of the consolidated income statements and other comprehensive income of the associate. When Aroundtown's share of losses of an associate exceeds Aroundtown's interest in that associate (which includes any long term interests that, in substance, form part of Aroundtown's net

investment in the associate), Aroundtown discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that Aroundtown has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over Aroundtown's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognized at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment. Any excess of Aroundtown's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

The requirements of IAS 36 are applied to determine whether it is necessary to recognize any impairment loss with respect to Aroundtown's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases. When an entity in Aroundtown transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in Aroundtown's consolidated financial statements, however only to the extent of interests in the associate that are not related to Aroundtown.

### **Revenue Recognition**

Revenue is recognized in the consolidated statement of comprehensive income when it can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to Aroundtown and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

### **Rental and Operating Income**

Rental operating income from investment properties are recognized as revenue on a straight-line basis over the term of the lease. Lease incentives granted are recognized as an integral part of the total rental operating income, over the term of the lease. Operating income also includes service charges to third parties and payments for utilities if the costs and the amount of the income can be reliably determined. The revenue is recognized once the service is provided.

**Other**

Other income is used to represent income resulting in the release of provisions, tax repayments, cancellation of debts and others.

**MARKETS AND COMPETITION**

**Market Overview**

The Group has built a diversified and growing real estate portfolio consisting of commercial and residential properties located primarily in Germany and the Netherlands, with targeted investments in other locations with strong fundamentals. The following section presents an overview of the macro-economic environment and real estate markets in Germany and the Netherlands.

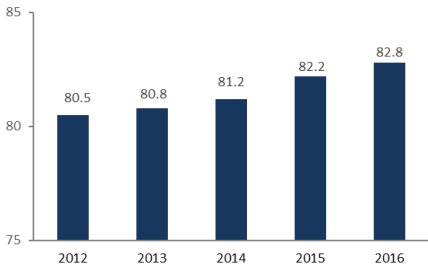
**Germany**

**Macro-economic Environment**

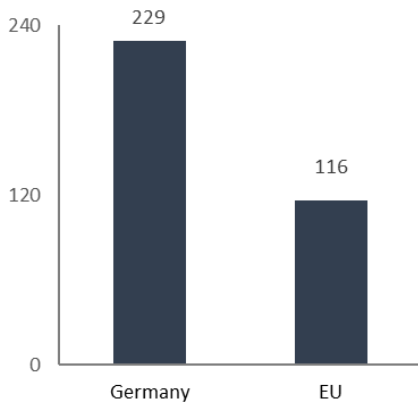
Germany’s gross domestic product (“**GDP**”) increased in 2016 exceeding € 3.1 trillion (*Source: Federal Statistical Office, National Accounts*). The unemployment rate in Germany as of December 2016 was 4.1 %, among the lowest in the Eurozone where the average rate is 9.8 % (*Source: Eurostat, Unemployment Statistics*). The German consumer price index increased by 7.4 % between 2010 and 2016, which reflects a price development of approximately 1.3 % a year. (*Source: Own calculations based on data from the Federal Statistical Office, Consumer Price Index for Germany*).

In 2015, Germany had a stronger financial profile than the average in the Eurozone with a debt level (net) of 47.5 % of GDP (Eurozone: 66.1 %), a budget surplus of 0.75 % of GDP (Eurozone: deficit of 2.3 %) and a S&P credit rating of AAA with a stable outlook, which is reflected in the second lowest yield on ten year government bonds within the Eurozone (*Sources: IMF, World Economic Outlook; European Central Bank, Long-term interest rates*).

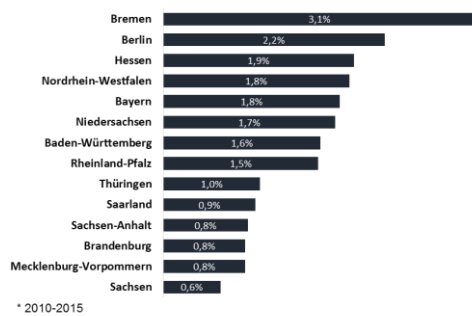
The following graphic shows the population in Germany between 2012 and 2016 in million (*Sources: Eurostat, Population; Federal Statistical Office, Press Release 33/17*).



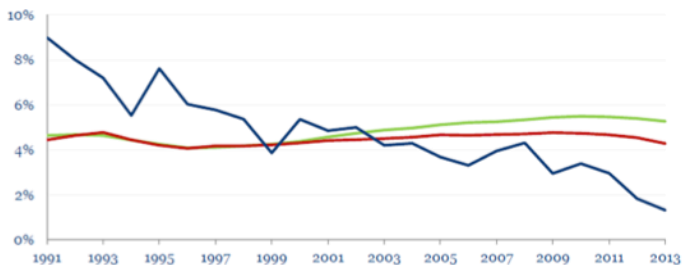
The following graphic shows the average population density (residents per sqkm) in Germany and the EU as at 1 January 2016 (*Source: Eurostat, Population Density*).



The following graphic shows the annualized growth in rent price index from 2010 to 2015 (Source: Federal Statistical Office, Net Rents).



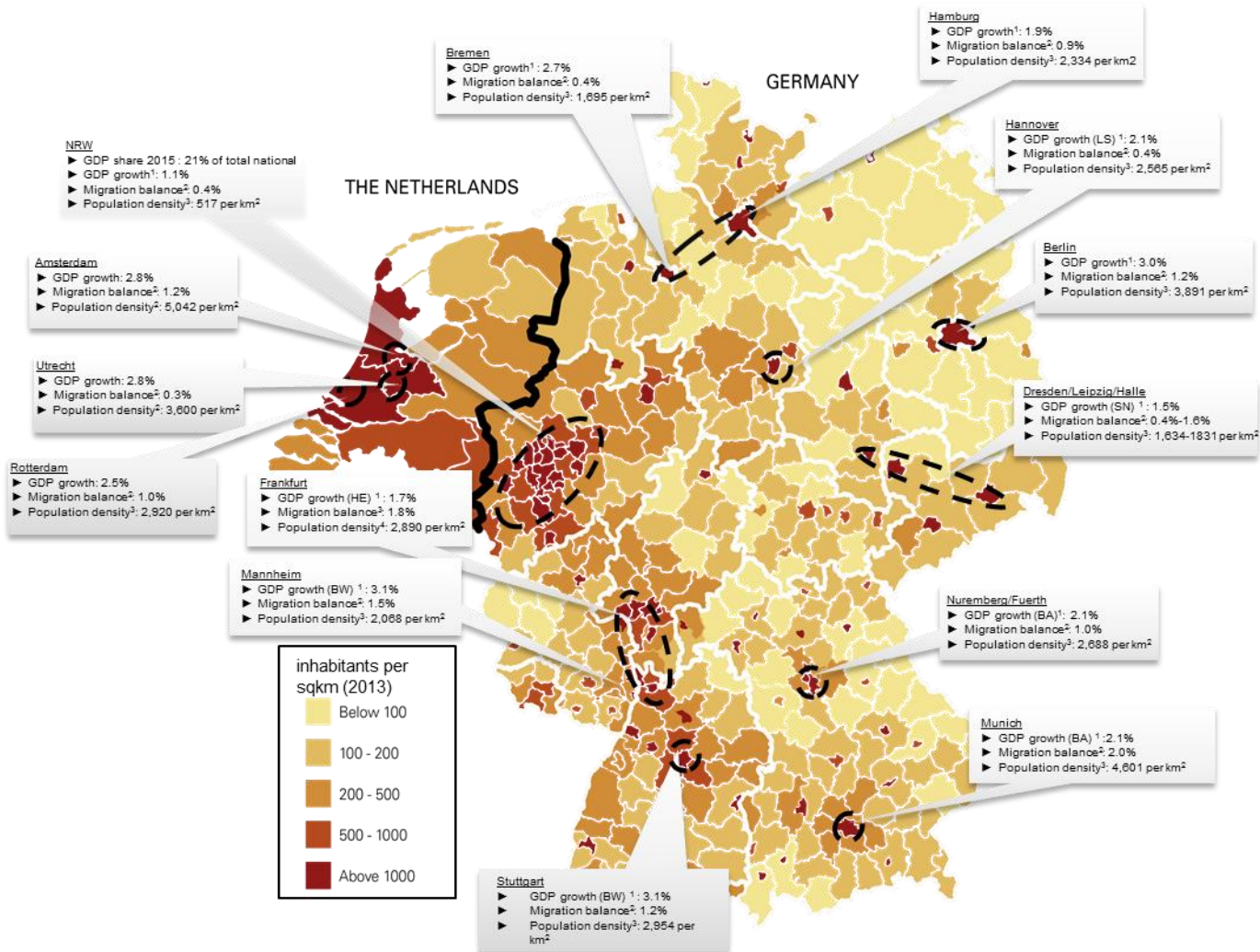
With 10 years German bond yielding below 0.5 % the German real estate market represents an opportunity to generate adjusted risk return. The following graphic shows the German rental yields (market rental yield in red and average rental yield in green) compared to the yields of German 10 year government bonds (1990 - date) (blue) (Source: Bundesbank, DB Research Report).



**Regional Economic Environment in Germany and the Netherlands**

The following graphic shows the regional population density (residents per sqkm) in Germany and the Netherlands in 2014; the graphic further shows for certain regions and cities the respective

GDP growth from 2014 to 2015 and the annual domestic and foreign migration balance from 2007 to 2014 (Sources: Federal Statistical Office, *Bevölkerung und Erwerbstätigkeit*, Federal Statistical Office and the Statistical Offices of the Laender, *Städte in Deutschland nach Fläche und Bevölkerung*; Federal Statistical Office and the Statistical Offices of the Laender, *Gross domestic product*; CBS, *GDP*; CBS, *Migration*; CBS, *Population density*; regarding the GDP Growth data from the respective federal state is used in case city data was not available).

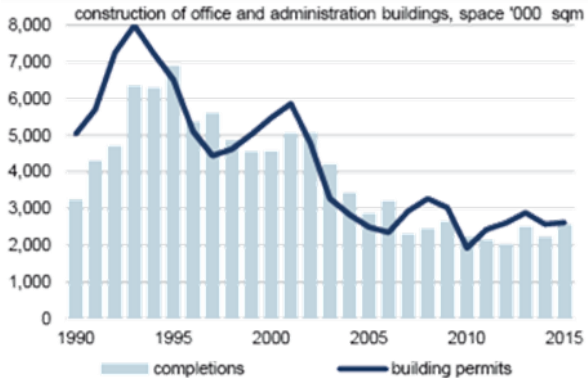


## Sectors of Commercial Real Estate Markets

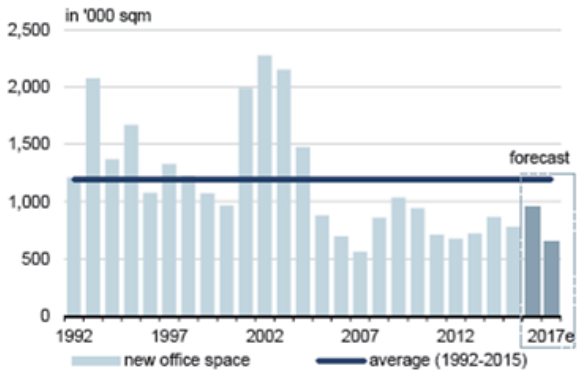
### Office Real Estate Market

The demand for office space in Germany in Berlin, Düsseldorf, Frankfurt am Main, Hamburg, Cologne, Munich and Stuttgart (the “**Top Seven Cities**”) rose by approximately 12 % between 2015 and 2016, driven primarily by increased take-up of space in Stuttgart (+48.4 %), Frankfurt (+41.9 %) and Cologne (+25,0 %) (Source: *Colliers, Office and Investment Report 2016/2017*).

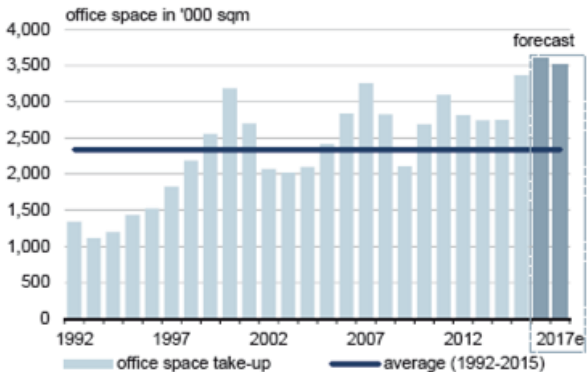
The following graphic shows the space of office and administration buildings constructed (in 1,000 sqm) in Germany between 1990 and 2015 (Source: DG HYP, German Real Estate Market Report).



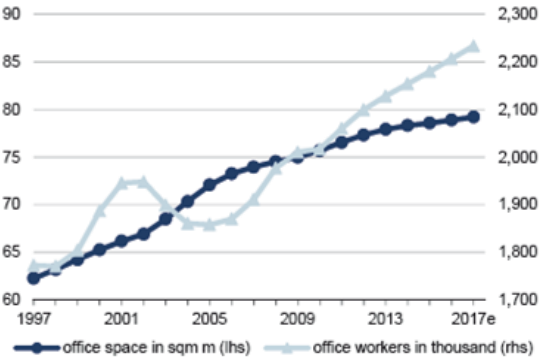
The following graphic shows the low addition of new office space between 1992 and 2015 and a forecast for 2016 and 2017 (in 1,000 sqm) (Source: DG HYP, German Real Estate Market Report).



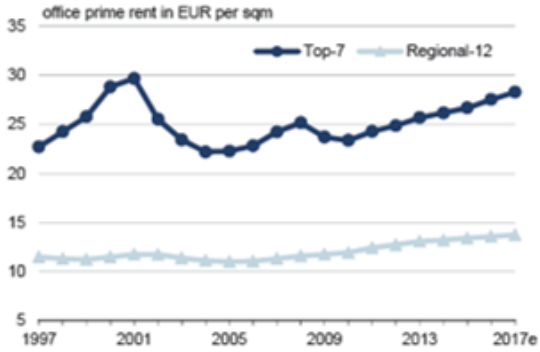
The following graphic shows the increasing and above average office space take-up between 1992 and 2015 and a forecast for 2016 and 2017 (in 1,000 sqm) (Source: DG HYP, German Real Estate Market Report).



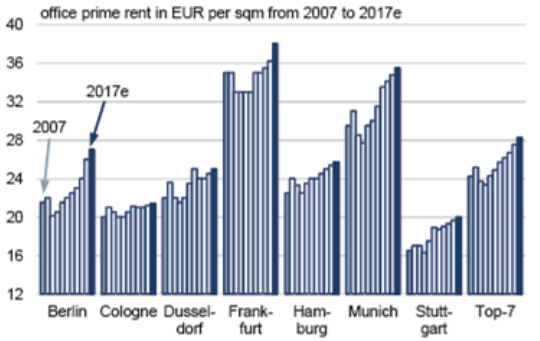
The following graphic shows the available office space (in 1,000 sqm) to the left hand side compared to the stronger increase of the amount of office workers in thousand to the right hand side between 1997 and 2017 (Source: DG HYP, German Real Estate Market Report).



The low supply and strong demand in the German office market lead to increasing rents and occupancy. The following graphic shows the office prime rent in Euro per sqm in the index Top Seven Cities and in the index Regional 12, which refers to regional centres Augsburg, Bremen, Darmstadt, Dresden, Essen, Hanover, Karlsruhe, Leipzig, Mainz, Mannheim, Münster and Nuremberg between 1997 and 2017 (Source: DG HYP, German Real Estate Market Report).

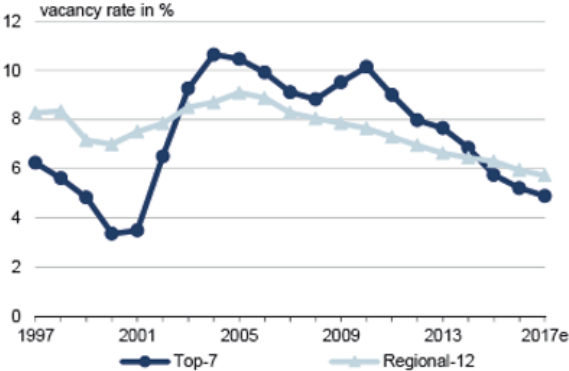


The following graphic shows the office prime rent in Euro per sqm in the Top Seven Cities and the corresponding averages of the Top Seven Cities between 2007 and 2017 (Source: DG HYP, German Real Estate Market Report).

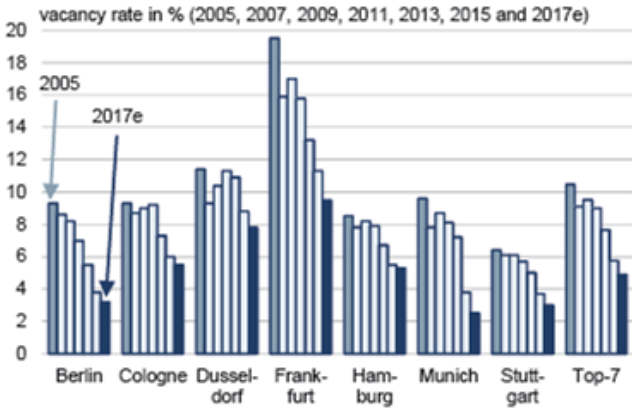




The following graphic shows the vacancy rate in percent in the Top Seven Cities and in the Regional 12 between 1997 and 2017 (Source: DG HYP, German Real Estate Market Report).



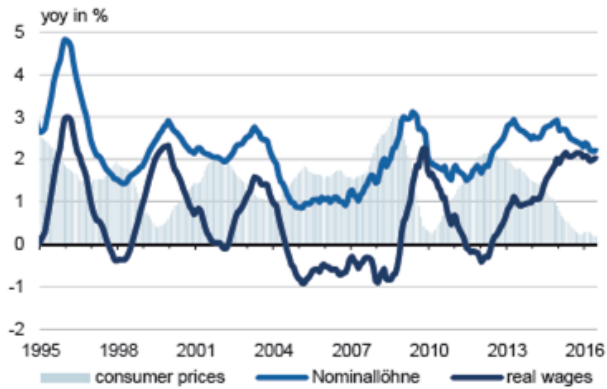
The following graphic shows the vacancy rate in percent in the Top Seven Cities and the corresponding averages of the Top Seven Cities in 2005, 2007, 2009, 2011, 2013, 2015 and 2017 (Source: DG HYP, German Real Estate Market Report).



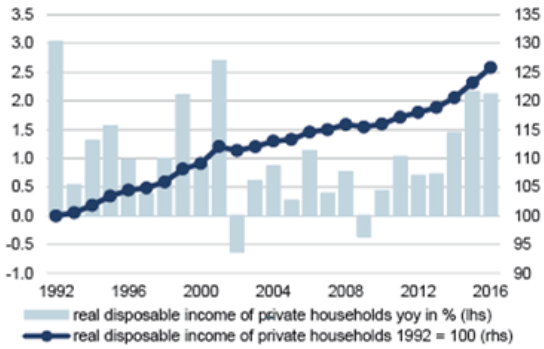
Retail Real Estate Market

Retail sales in Germany have been positively impacted by the stable labour market environment and rose from € 419 billion in 2009 to around € 482 billion in 2016. For 2017, the German Trade Association HDE expects another increase by 2 % to € 492 billion. The overall retail space in Germany increased from 2004 to 2015 by 7.6 % to 123.7 million square meters (Sources: Own calculations based on HDE, Der deutsche Einzelhandel).

Disposable income is increasing as real wages are increasing while inflation is decreasing, which leads to a higher consumer climate and higher retail sales. The following graphic shows the development of wages and consumer prices year over year from 1995 to 2016 (Source: DG HYP, German Real Estate Market Report).



The following graphic shows the increase in real disposable income of private households year over year in percent on the left hand side and real disposable income of private households in 1992 equalling 100 % on the right hand side (Source: DG HYP, German Real Estate Market Report).

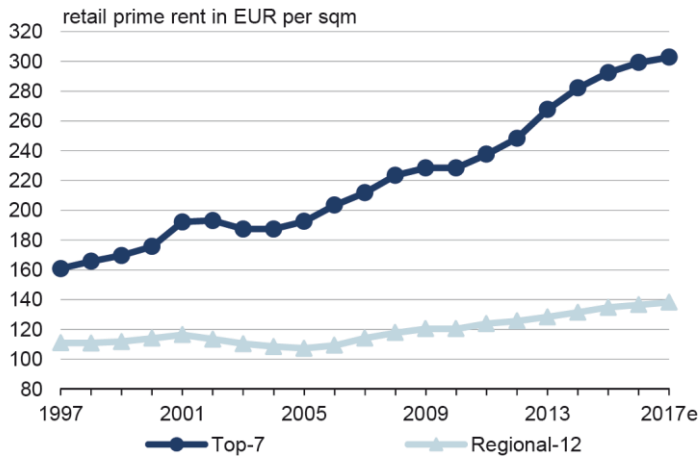


The following graphic shows the GfK consumer climate between 2001 and 2016 (Source: DG HYP, German Real Estate Market Report).



The following graphic shows the strong increase in retail sales year over year in percent on the left hand side and in billions of Euro on the right hand side between 2000 and 2016 (Source: DG HYP, German Real Estate Market Report).

The strong consumer spending from a strong employment market supports the increase of rents. The following graphic shows the retail prime rent in Euro per sqm in the Top Seven Cities and in the Regional 12 between 1997 and 2017 (Source: DG HYP, German Real Estate Market Report).

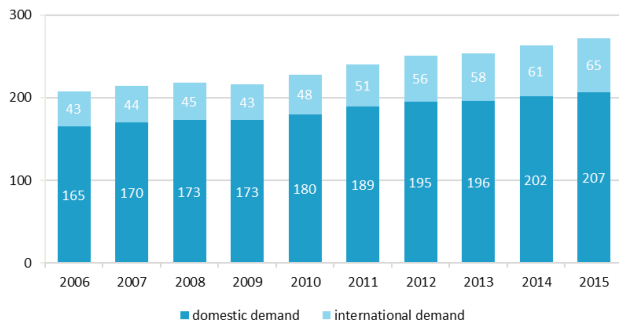


The following graphic shows the growth of the retail prime rent in percent in the Top Seven Cities from 2005 to 2015 and the corresponding average of the Top Seven Cities (Source: DG HYP, German Real Estate Market Report).

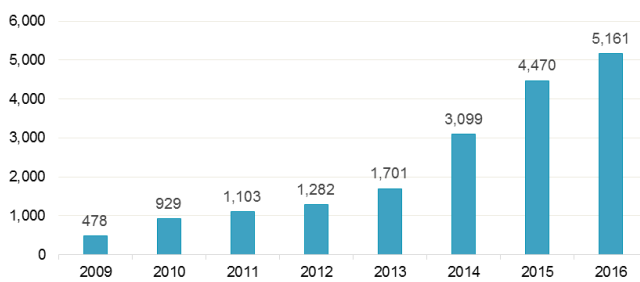


Hotel Real Estate Market

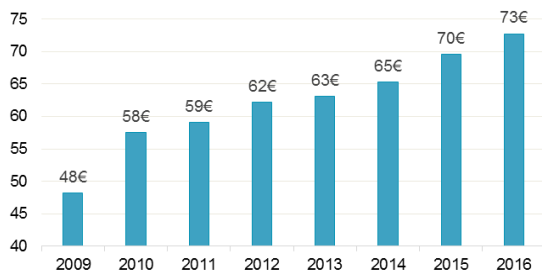
The German hotel market remains highly fragmented despite growing investor interest. Strong international and domestic travel growth continues to drive demand in the hotel market (Source: GNTB, Incoming Tourism Germany). In addition, demand for logistic and industrial space continues to be driven by growing revenues in the logistics sector (Source: Jones Lang LaSalle, Logistics Property Report Germany 2017). The following graphic shows the overnight stays across all accommodation types in millions (Source: Smith Travel Research).



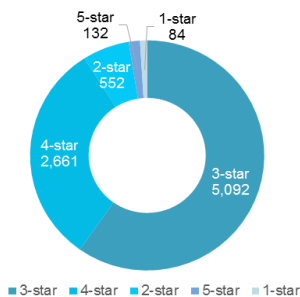
The following graphic shows the transaction volume of hotel properties in millions of Euro (Source: Smith Travel Research).



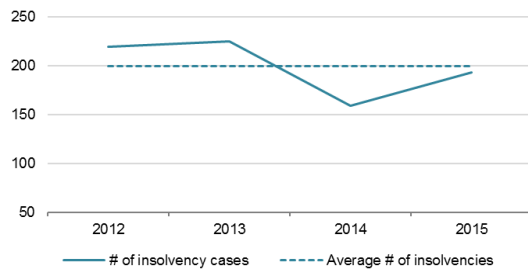
The following graphic shows the development of the revenue per available room (“RevPar”) between 2009 and 2016 (Source: Smith Travel Research).



The following graphic shows the rated hotels by category as at January 2017 (Source: Smith Travel Research).



The following graphic shows the number of insolvencies in the accommodation services sector between 2012 and 2015 (Source: Smith Travel Research).



### **Residential Real Estate Market**

In the residential sector, the demand for rental apartments is determined by variables like number of households and the average household size while the supply side is affected by the development of the available housing stock and vacancy rates. The amount of households increased from 2004 to 2014 by 3.8 % and respectively, the stock of apartments increased by 3.2 % over the same period (Sources: Own calculations based on data of the Federal Statistical Office, Population; data of the Federal Statistical Office and the Statistical Offices of the Laender, Stock of Residential Buildings and Dwellings). Germany's population has decreased in the past years due to a negative natural population change and reached 82.2 million in 2015, down from 82.5 million in 2005 (Source: Federal Statistical Office, Population Projections). This population decrease, however, has been offset by a positive net migration balance in Germany. Since the mid 1980's and excluding 2008 and 2009, Germany's net migration balance has been positive: overall migration balance increased 119 % in 2011, 32 % in 2012, 16 % in 2013 and 28 % in 2014, each as compared to the prior year. In 2015, the net migration balance in Germany was positive and increased by another 107 % as compared to the previous year. (Source: Own calculations based on Federal Statistical Office, Migration Statistics). Nonetheless, official forecasts predict a decrease in population.

International and domestic immigration trends to cities also support the stronger forecasted increase in the amount of households in cities, reflected in high rent and price increases mainly in German large cities. The forecasted increase in the amount of households is affected by a forecasted trend of decreasing household size. In 2004 71.3 % of households in Germany were 1-2 person households. By 2015 this ratio has increased to 76.4 % (Source: Own calculations, based on data of the Federal Statistical Office, Population). The trend is forecasted to continue, with the 1-2 persons households ratio expected to reach 81 % of total households in 2030 (Source: Own calculations, based on data of the Federal Statistical Office, Projected households). The resulting growth in the demand for rental apartments might lead to a further decrease of the vacancy rate and an increase in the rent prices (Source: Jones Lang LaSalle, German Residential Market Overview 2016).

## **Netherlands**

### **Macro-economic Environment**

The Netherlands has experienced steady economic growth since 2014, as well as further development of the real estate market. In 2016, the Dutch economy grew at a rate of 2.1 %, the highest growth rate since 2007 (*Source: Own calculations, based on CBS, Macroeconomics*). In December 2016, the unemployment rate in the Netherlands stood at 5.6 %, lower than the Eurozone average of 9.8 % (*Source: Eurostat, Unemployment Statistics*). Domestic household consumption has grown since October 2014 and increased by 2.5 % year-over-year in December 2016 (*Source: CBS, Consumer Spending*).

### **Real Estate Market**

The supply of office space in the Netherlands decreased by 1.3 % in 2016 compared to 2015. Furthermore, take-up of office space increased by 4.2 % over the same period, and overall vacancy decreased by 12 %. Office rents per sqm increased by 0.6 % in 2016 compared to 2015 (*Source: DTZ Zadelhoff, Nederland compleet*). This trend is stronger in the greater Amsterdam area, where the supply for office space decreased by 4 %, take-up of office space increased by 35 %, vacancy decreased by 35 % and rent per sqm increased by 1.8 % in 2016 compared to 2015 (*Source: DTZ Zadelhoff, Nederland compleet*). Take-up of retail space in the Netherlands increased by 66 % in 2016 compared to 2015 (*Source: Dynamis, Winkelmarkten 2016*). Retail take-up volume in major Dutch cities is driven by demand from overseas retailers (*Source: Cushman & Wakefield, Retail Market Snapshot Fourth Quarter 2016*). Retail revenues in the Netherlands grew by 1.9 % in 2016 compared to 2015 (*Source: CBS, Retail Trade, Turnover Change*).

### **Competition**

To the knowledge of the Company, no other company focuses on the asset types of commercial and residential real estate at the same time in the regions where the Company is active. Therefore, the Company assumes to have no direct competitors in its primarily targeted market covering all the asset classes the Company is invested in. Nevertheless competition exists on a per asset class basis.

With respect to letting its office, retail and hotel properties to commercial tenants Aroundtown competes with other companies active in the commercial real estate market. Companies with a partial overlap are Altria office REIT-AG which focuses on office properties in Germany, TLG Immobilien AG, which has a portfolio comprising of office, retail and to a smaller extent hotel properties which are primarily located in the eastern part of Germany. However, TLG to the

knowledge of the Company just recently decided to extend its operations to western parts of Germany. A further company to be considered as competitor is CA Immo Anlagen AG, which focuses on office properties, the majority of which are located in Germany and others in central and eastern European countries. Foncière des Regions holds office properties in Italy and France, residential properties in Germany and hotel properties across Europe.

GCP competes with respect to letting its residential properties to tenants and with respect to single acquisitions with other stock listed companies whose business strategy is purchasing and renting of real estate properties with a focus on residential units in Germany, such as Vonovia SE, Deutsche Wohnen AG, LEG Immobilien AG or TAG Immobilien AG. The Company believes that these companies have a strategy which is in part comparable to the GCP's strategy, e.g. these companies also focus on densely populated areas such as NRW, Berlin and other densely populated cities in Germany. Generally, in the Company's opinion these companies mostly focus on larger portfolio transactions and also generally aim to acquire properties which already provide low vacancy rates, whereas GCP is aiming at the acquisition of undermanaged properties in order to achieve a repositioning and realise the potential of the acquired assets through its intense repositioning measures.

## **BUSINESS**

### **Business Overview**

The Company is a specialist real estate company, with a focus on value-add and income generating properties primarily in the German and Dutch real estate markets. Aroundtown invests in commercial and residential real estate assets which benefit from strong fundamentals and growth prospects.

As of 15 February 2017, the Company directly or indirectly held commercial real estate properties with a fair market value of approximately € 5.6 billion, consisting primarily of office, hotel, retail and other types of commercial real estate. In addition, as of the date of this Prospectus the Company holds a substantial interest of 36 % in GCP, a publicly traded real estate company that focuses on investing in value-add opportunities the German residential real estate market. As of 31 March 2017, GCP held a property portfolio primarily consisting of residential real estate with a fair market value of approximately € 4.98 billion. Since its deconsolidation as of 31 December 2014, the properties of GCP are not consolidated in the Company's consolidated financial statements but the Company's interest in GCP is presented as investment in an equity-accounted investee. As of 31 December 2016 the Company's interest in GCP was recorded at € 1.3 billion in the Company's consolidated financial statements.

Operating with a fully integrated real estate value chain, Aroundtown targets cash generating properties with upside potential in terms of rental income and/or occupancy, lease and tenant structure, cost level optimization and consequential value. Through an intensive property operational repositioning, Aroundtown seeks to further improve the portfolio results, creating secure and strong cash flow generating characteristics and benefits from the internal growth potential. This enables the Company to create significant value in its portfolio.

### **History**

The history of Aroundtown's business is dating back to the year 2004. In the beginning the business model was focused on realizing increases in value in the portfolio through capital recycling in order to free funds for further acquisitions. As a result of going public in 2015, the Company gained access to additional financing sources and shifted its business model to focus on long-term holdings with opportunistic selling in order to take advantage of increases in portfolio value. Below are some key events since 2004:



2004 - 2013	<p>Incorporation of the Company in May 2004 under the name Redspot Media Limited and change of name into Aroundtown Property Holdings Limited in October 2004.</p> <p>Listing of the shares of Grand City Properties S.A. on the Open Market of the Frankfurt Stock Exchange in the Entry Standard segment in May 2012.</p> <p>Growth of the portfolio, reaching 26,000 units by the end of 2013 through GCP and 16 hotel assets.</p>
2014	<p>In November 2014, the Company became a public limited liability company in Cyprus under the name Aroundtown Property Holdings plc.</p> <p>Bond issuance with a total nominal amount of € 161 million maturing in 2021 (Series A Bonds).</p> <p>Listing of the shares of PCI on the Paris Euronext stock exchange.</p> <p>Deconsolidation of Grand City Properties S.A. in the Company's consolidated financial statements.</p>
2015	<p>Convertible bond issuance with a total nominal amount of € 450 million maturing in May 2020 (Series B Bonds).</p> <p>Listing of the shares of the Company on the Paris Euronext Stock Exchange (<i>Marché libre</i>).</p> <p>Share capital increase with gross proceeds of € 320 million.</p> <p>Uplisting of the Company's shares into the Alternext segment of the Paris Euronext Stock Exchange.</p> <p>Convertible bond issuance with a total nominal amount of € 300 million maturing in January 2021 (Series C Bonds).</p> <p>S&amp;P assigned the Company an investment grade long term corporate credit rating of "BBB-".</p>
2016	<p>Share capital increase with gross proceeds of € 266.5 million.</p> <p>Straight bond issuance with a total nominal amount of € 600 million maturing in May 2022 (Series D Bonds).</p>

S&P upgraded the Company's credit rating to "BBB" with a stable outlook.

Straight bond issuance with a total nominal amount of € 650 million maturing in July 2024 including tap issue (Series E Bonds).

Perpetual subordinated notes issuance with a total nominal amount of € 500 million.

Straight bond issuance with a total nominal amount of € 500 million maturing in March 2023 (Series F Bonds).

S&P assigned the Guarantor a short-term corporate credit rating of "A-2".

2017

The Company announced that it had made the decision to apply for the admission to trading of its shares on an EU-regulated market during 2017.

The shareholders of the Company resolved to move the registered seat of the Company from Cyprus to the Grand Duchy of Luxembourg and to continue the Company as a *société anonyme* (SA) under Luxembourg law.

The Board of Directors increased the dividend policy effective for the fiscal year 2016 to 65 % of FFO I per share.

Establishment of € 1.5 billion EMTN Programme.

Initial issuance under the EMTN Programme in a total nominal amount of USD 400 million maturing in 2032 (Series H Bonds).

Admission of GCP' shares to trading on the regulated market of the Frankfurt Stock Exchange.

Share capital increase with gross proceeds of € 426 million.

## **Competitive Strengths**

### **Experienced management team**

Aroundtown's management team draws on a broad base of experience in the real estate market and associated sectors. This enables Aroundtown to continuously innovate, take strategic decisions quickly as well as successfully grow. The rapid growth of Aroundtown in recent years has created two key benefits in this regard, on one hand the ability to attract managers and employees with a high reputation in the real estate sector, on the other hand the internalization of knowledge and experience pool at a fraction of the cost in relation to its portfolio. This knowledge is communicated and utilized across the Company and its business units which shapes its processes and operational improvements, such as automated cost saving initiatives and automated rent increase processes. Aroundtown believes that its management has in particular high capabilities in implementing vacancy reduction activities rapidly, putting in-place cost effective measures, establishing rent increase processes, understanding tenant structures and optimizing rental contracts in terms of lease maturity and income security, as well as sufficient cross-sector experience to develop the full value of the property portfolio and operations experience to monitor and reduce costs.

### **Deal sourcing and ability to create accretive growth**

Aroundtown believes that its acquisition track record of over 13 years has led Aroundtown to become a market leader in its business. Aroundtown has with many sellers of real estate a preferred acquirer status, primarily due to its professional approach, fast and high execution rates, and reliability. Given the wide coverage of asset classes and knowledge of its management, Aroundtown is able to assess repositioning options, including optimizing the target property's primary use. This improves efficiency and leads to the creation of value. Aroundtown has a proven track record of acquiring properties with various value-add drivers and successfully tapping their upside potential. Aroundtown also believes that it has a strong pipeline of acquisition opportunities which will enable it to sustain its growth in the future.

### **Proprietary IT/ software platform**

Aroundtown emphasizes the internalization of relevant skills to support innovation and improve processes. Its operations and growth are supported by its scalable proprietary IT/software systems that connect all departments and property units, enabling efficient monitoring and implementation of value-add measures. Through its IT systems Aroundtown is able to monitor across the portfolio the progress of rent, occupancy and WALT increases compared to the set budgets according to each properties' individual business plan. Aroundtown is also able to

monitor the strict cost discipline and implementation of cost efficiency measures which optimize yields further. Aroundtown's software team continuously interacts with the operational teams and delivers fast and efficient solutions to the Company's operational needs. After a software solution is implemented, constant improvements and updates take place to adapt to any additional operational necessities that arise.

### **Robust financial flexibility**

Aroundtown's operations are based upon solid financing and its management can draw from many years of experience in raising capital. Aroundtown works with leading national and international investment banks both as a direct source of financing and as bookrunners for various financing and capital markets transactions. Aroundtown has a proven track record of access to capital markets through numerous issuances of equity, bonds, convertible bonds and perpetual notes, providing it with the experience to continue to access the capital markets in the future. Since 2014, Aroundtown (not including GCP) raised in various capital market transactions over € 4.4 billion capital through issuances of equity, bonds, convertible bonds and perpetual notes. In March of 2017, Aroundtown established an EMTN programme in the amount of € 1.5 billion. At the end of March 2017 the Company completed its initial issuance of notes under the EMTN programme with a nominal value of USD 400 million. Furthermore, Aroundtown has close business relationships with over 20 commercial banks and has substantial experience in obtaining bank debt with preferred conditions.

### **Conservative financial profile**

Aroundtown considers its financial profile to be comparably conservative for the real estate sector. This is reflected in an LTV of 39 % as of 31 December 2016. Aroundtown's management views its low debt ratios as a key source of competitive advantage and therefore has put policies in place to keep financing costs relatively low and the portion of unencumbered assets relatively high. This approach enables further external growth, while still maintaining a conservative capital structure. The conservative capital structure emerges from Aroundtown's diversified financing sources, including equity, convertible bonds, debt securities, perpetual notes and bank loans with no material maturities before 2020. Additionally, the ratio of unencumbered assets of 56 % as of 31 December 2016 provides additional financial flexibility. The capital structure is reflected in Aroundtown's investment grade credit rating, which was upgraded to 'BBB' by S&P in June 2016 following the initial credit rating of 'BBB-' received from S&P in December 2015, only six months earlier.

## **Strategy**

The Company believes that value creation of assets begins prior to acquisition. Below are some key components of the Company's strategy.

### **Focus on value-add assets in densely populated areas, primarily in Germany and in the Netherlands**

The Company is a specialist real estate company, with a focus on value-add and income generating properties primarily in Germany and in the Netherlands. Within these countries, Aroundtown focuses on properties in densely populated areas, major cities and metropolitan areas. Within this geographical focus, Aroundtown invests in different asset types of real estate, including commercial real estate properties, such as office, hotel, retail and other types of commercial real estate as well as in residential real estate through its shareholding of 36% in GCP (as of the date of this Prospectus). Aroundtown believes that the real estate markets within its focus benefit from favourable fundamentals that will support stable profit and growth opportunities in the foreseeable future.

Given its low vacancy rates and existing below market level rents, Aroundtown believes that its portfolio will continue to exhibit strong and lasting growth after the implementation of initial repositioning activities. This is in line with Aroundtown's primarily buy and hold strategy, with a strong focus on creating a long-term stream of secure cash flows. Aroundtown believes that this enables Aroundtown to grow organically without relying on further acquisitions.

### **Maintain a conservative financial policy and the current investment grade rating while continuing to improve the company rating with a long term target of "A-"**

Aroundtown seeks to preserve its capital structure, which it considers to be conservative, with a target LTV ratio of less than 45%, relatively low interest rates from bank loans that are mostly hedged, diversified financing sources and long maturities. In addition, the Company aims to keep its unencumbered assets at a ratio of above 50%. A key feature of Aroundtown's financing objectives is to maintain ample investment flexibility in order to take advantage of investment opportunities when they arise. Because liquidity plays a significant role in the acquisition of value-add properties, Aroundtown attaches importance to having a solid liquidity position, which contributes to its ability to acquire properties with existing resources and refinance the acquisition at a later stage.

The Company not only aims at keeping its present investment grade rating, but strives to further improve it. A key item of the Company's financial policy is to achieve a "A-" corporate rating from S&P or a similar rating grade from another comparable rating agency in the future and the

Company will continue to implement measures to achieve this goal. Further, the Company focuses on maintaining a healthy mix between various debt financing sources such as unsecured bonds, credit facilities, notes, and bank loans.

### **Source and pursue attractive acquisitions with below market rent levels and below replacement cost**

As to acquisitions, Aroundtown focuses on value-add properties characterized by below market rent levels, inefficient cost or lease structure and/or with vacancy reduction potential. With over 13 years of experience in the real estate markets, Aroundtown benefits from a preferred buyer status across its sourcing network. Aroundtown sources deals from a large and diverse deal sourcing base, such as receivers, banks, loan funds, broker networks, distressed owners, private and institutional investors and court auctions. Aroundtown's primary focus is on major cities and metropolitan areas with positive demographic prospects in Germany and the Netherlands. Further main acquisition criteria of Aroundtown include value-add potential of through operational improvements, vacancy reduction potential, rent levels per sqm below market levels although located within the focus of Aroundtown, a purchase price below replacement cost and below market values as well as the potential to reduce the current cost per sqm significantly through operational improvements. Aroundtown believes that its experience in analysing properties with value creation potential, and in identifying both the potential risks and the upside potential of each property, results in fast, but thorough and reliable, screening procedures.

### **Focus on asset repositioning, increasing cash flow, quality, WALT and value creation**

A key factor of the Company's value-add strategy is the creation of a repositioning concept for each of its property already in the process of due diligence prior to the acquisition. The initial repositioning activities aim at minimizing the time until the profitability of the acquired properties is improved and include targeted marketing activities to increase occupancy and thereby rental income, identifying and selecting future tenants, dedicated modernisations in close co-operation with its tenants, and tailoring the assets to the needs of the existing or future tenants. Aroundtown believes that identifying potential tenants prior to acquisition of the property not only decreases operational risk but also accelerates the property repositioning process. The financial feasibility of proposed capex investments are balanced against the lease term, rental income and property acquisition cost and are designed to show quick returns over the investment period. Aroundtown further aims to drill down on cost saving opportunities on a per unit basis, making use of modern technologies such as consumption based meters. These efforts combined with cost savings achieved through vacancy reductions and economies of scale enable the Company to benefit from a significant improvement of the cost base and therefore higher profitability. As Aroundtown manages its entire real estate value chain across acquisition, letting, upkeep and refurbishment,

this integrated approach brings further efficiency benefits, such as fast response times to its tenants. Through these repositioning measures Aroundtown aims to increase rents, reduce vacancy and increase WALTs. Further, Aroundtown capitalises on its size in order to complement its property lease activities with selected value-added services to improve customer satisfaction. The repositioning concept input is integrated into Aroundtown's IT/software platform which enables the management to monitor all operational and financial parameters and fully control the repositioning progress.

### **Maximize tenant satisfaction**

Aroundtown puts great emphasis on establishing strong relationships with its tenants to reduce the rate of tenant turnover, and to predict as well as strengthen the tenant structure and thereby positively affect its cash flows in the future. The Company aims to offer high quality services for both potential and existing tenants. Aroundtown pays strong attention to the industries in which its commercial tenants operate and to their individual success factors. Improvements to properties are discussed in close coordination with committed tenants allowing an efficient and cost effective implementation of the investments. Aroundtown also offers direct support to its tenants through add-on facilities for its rental properties such as parking facilities and other space extensions to facilitate growth and smart space re-design to match modern office layouts. Further, Aroundtown aims to establish personal relationships between its asset and property managers and its tenants, providing them with personal contact points, which allows Aroundtown to react promptly to problems and proactively prolong existing contracts in order to optimize and secure long-term revenues. For its strong residential tenant base, GCP also provides a wide range of services including a Service Centre available 24 hours a day and seven days a week and regularly invests into community building projects such as playgrounds and community centres.

### **Property Portfolio**

As at 31 December 2016, the Company assessed the total market value of its real estate portfolio at € 5.0 billion (compared to € 2.4 billion as at 31 December 2015). As at 15 February 2017, the Company assessed the total market value of its real estate portfolio at € 5.6 billion (excluding AHFS). The increase since 31 December 2016 is based mainly on the acquisition of further properties.

The Property Appraisal Reports included in this Prospectus estimated the market value of Aroundtown's real estate portfolio, with valuation dates as of 30 June 2016, 30 September 2016, 31 December 2016 and 15 February 2017, to be € 5.5 billion. The table below presents the total valuation amounts for investment property as valued by each appraiser as presented in the respective property appraisal report in section "Property Appraisal Reports" in this Prospectus.

	<b>Fair value</b> <b>(in millions of €)</b>	<b>sqm</b> <b>(in 000' sqm)</b>	<b>Date of the valuations</b>
JLL Property Appraisal Report	3,848	2,487	30 September 2016 31 December 2016 15 February 2017
NAI Property Appraisal Report	599	375	15 February 2017
Knight Frank Property Appraisal Report	556	248	June 2016 December 2016 February 2017
Cushman & Wakefield Property Appraisal Report	460	271	31 December 2016
<b>Total</b>	<b>5,463</b>	<b>3,380</b>	

The Property Appraisal Reports cover 98 % of the value of the Aroundtown's portfolio as of February 2017. The remaining properties are covered by other appraisers, resulting in some minor differences between the information presented in the Property Appraisal Reports and the information presented by the Company. This results in a deviation of about € 100 million in investment property value. The Company further acquired properties after 15 February 2017 and which are thus not included in the Property Appraisal Reports. Please see "*Management Discussion and Analysis of Net Assets, Financial Position and Results of Operations – Investments*" for further details on the investments since 1 January 2017. Additionally, due to timing differences between the valuation dates operational figures, i.e. as rent and vacancy, do not reflect the state as of 15 February 2017. The Company presents all operational figures as of 15 February 2017.

Aroundtown's portfolio includes 3.4 million square meters of office, hotel, retail and other real estate primarily in large urban areas in Germany, such as Berlin, Munich, Hamburg, Frankfurt, NRW and Hannover, as well as in Amsterdam and Rotterdam in the Netherlands.

In addition, as of the date of this Prospectus the Company holds 36 % of the shares in GCP, a publicly traded specialist real estate company that focuses on investing in the German residential real estate market. Until 31 December 2014 GCP was consolidated in Aroundtown's consolidated financial statements and, due to a decrease of the Company's portion in shareholding, deconsolidated from Aroundtown's consolidated financial statements. Since 31 December 2014, the shareholding in GCP is presented as investment in an equity-accounted investee in Aroundtown's consolidated financial statements. The Company announced in 2016 its intent to increase its shareholding in GCP up to 40 % subject to market conditions. As of 28 February 2017, GCP held approximately 84,000 units located in densely populated areas in Germany, such as Berlin, NRW, Dresden, Leipzig, Mannheim, Halle, Nuremberg, Munich, Mannheim, Frankfurt, Bremen and Hamburg. As at 31 March 2017, GCP assessed the total market value of its real estate portfolio at € 4.98 billion.



Unless otherwise indicated, the figures in the tables and charts below have been extracted from Aroundtown's management information system.

### Overview on commercial portfolio for the years 2016, 2015 and 2014

The following table provides an overview on certain key information for Aroundtown's real estate portfolio as of and for 31 December 2016, 2015 and 2014. For changes in the real estate portfolio since 31 December 2016 see "Recent Development and Outlook".

#### **Commercial Portfolio – Breakdown by asset type as of 31 December 2014**

	Investment properties	Rentable area	EPRA vacancy	Annualized net rent	In-place rent per sqm	Value per sqm	Rental yield
	(in millions of €)	(in 000' sqm)		(in millions of €)	(in €)	(in €)	
Office	14	16	26.1 %	1	7.6	871	7.8 %
Retail	6	23	31.0 %	1	4.5	265	12.8 %
Hotel	405	257	0.0 %	27	8.9	1,578	6.5 %
Industrial/Others	1	5	0.0 %	0	0.0	200	0.0 %
<b>Total</b>	<b>426</b>	<b>301</b>	<b>2.5 %</b>	<b>28</b>	<b>8.6</b>	<b>1,416</b>	<b>6.7%</b>

#### **Commercial Portfolio – Breakdown by asset type as of 31 December 2015**

	Investment properties	Rentable area	EPRA vacancy	Annualized net rent	In-place rent per sqm	Value per sqm	Rental yield
	(in millions of €)	(in 000' sqm)		(in millions of €)	(in €)	(in €)	
Office	876	551	23.8 %	41	7,9	1,589	4.7 %
Retail	492	262	16.2 %	30	10,6	1,878	6.1 %
Hotel	751	417	0.0 %	46	9,3	1,798	6.1 %
Industrial/Others	312	637	7.8 %	24	3,2	490	7.8 %
<b>Total</b>	<b>2,431</b>	<b>1,868</b>	<b>12.8 %</b>	<b>141</b>	<b>6,9</b>	<b>1,301</b>	<b>5.8 %</b>

#### **Commercial Portfolio – Breakdown by asset type as of 31 December 2016**

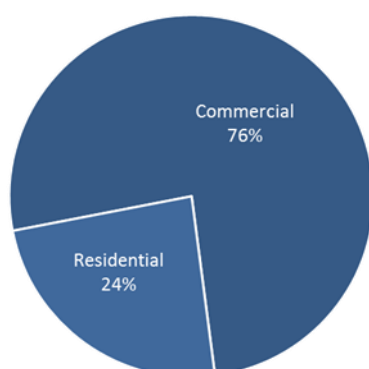
	Investment properties	Rentable area	EPRA vacancy	Annualized net rent	In-place rent per sqm	Value per sqm	Rental yield
	(in millions of €)	(in 000' sqm)		(in millions of €)	(in millions of €)	(in millions of €)	
Office	2,866	1,383	10.4 %	164	10.4	2,073	5.7 %
Retail	695	425	9.1 %	51	10.4	1,636	7.3 %
Hotel	1,014	542	0.0 %	64	9.9	1,873	6.3 %

Industrial/Others	441	655	8.0 %	25	3.2	673	5.7 %
<b>Total</b>	<b>5,016</b>	<b>3,004</b>	<b>7.9 %</b>	<b>304</b>	<b>8.7</b>	<b>1,670</b>	<b>6.1 %</b>

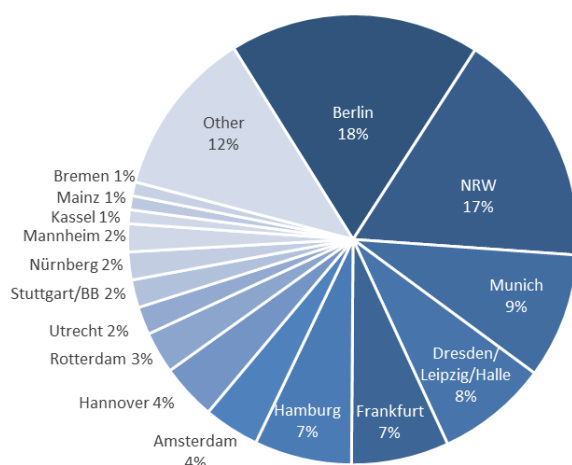
### Combined presentation of Commercial Portfolio and residential portfolio of GCP

To enable investors to assess the impact on its total assets of its investment in residential real estate through its 36 % shareholding in GCP as of the date of this Prospectus, Aroundtown adjusts certain portfolio data by taking into account a percentage of the residential portfolio held by GCP equal to the percentage of its shareholding in GCP. Aroundtown believes that this enables investors to assess the impact of the residential real estate on the business, net assets, financial condition, cash flows, results of operations, net profits and prospects of Aroundtown. Information relating to GCP or its property portfolio has been derived from publicly available information published by GCP, in particular from the website of GCP. The following calculations therefore combine portfolio data of Aroundtown and portfolio data of GCP to the effect that 36 % of the portfolio held by GCP are attributed to Aroundtown.

In the combination calculation as of 15 February 2017, by value, 76 % of the combined portfolios consisted of Aroundtown's Commercial Portfolio and 24 % of the combined portfolios consisted of GCP's residential portfolio.



As of 15 February 2017, by value, 18 % of the combined portfolios were located in Berlin, 17 % in NRW, 9 % in Munich, 7 % in Frankfurt, 8 % in Dresden/Leipzig/Halle, 7 % in Hamburg and 4 % in Amsterdam, with the remainder in other locations.



As of 15 February 2017, the total average monthly in-place rent in the combined portfolios was € 7.4 per square meter, and the EPRA Vacancy Rate was 7.4 % as of the same date. As of 15 February 2017, the combined portfolios' estimated monthly annualised adjusted EBITDA run rate was € 357 million.

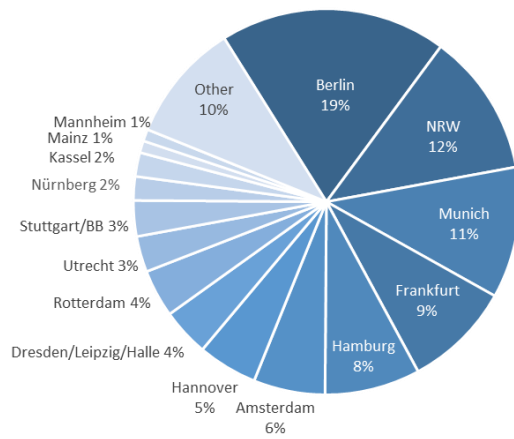
### **Commercial Portfolio**

The Commercial Portfolio consists primarily of office, retail and hotel properties. As of 15 February 2017, by value, Aroundtown's Commercial Portfolio consisted of 54 % office properties, 20 % retail space, 18 % hotel assets and 8 % industrial and other use properties.

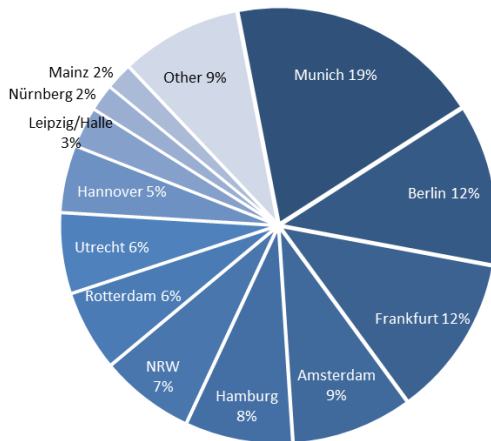


### **Commercial Portfolio Geographical Breakdown by Value**

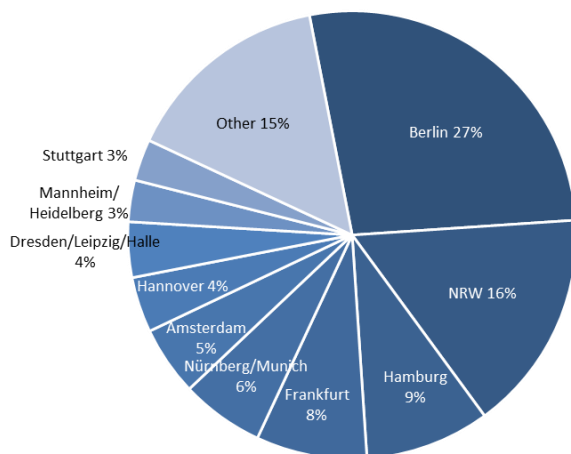
The Company believes that its Commercial Portfolio is geographically well distributed. As of 15 February 2017, by value, 19 % of the Commercial Portfolio was located in Berlin, 12 % in NRW, 11 % in Munich, 9 % in Frankfurt, 8 % in Hamburg, 6 % in Amsterdam, 5 % in Hannover and 4 % in Dresden/Leipzig/Halle, with the remainder in other locations. The tables below provide an overview of the geographical break of the Commercial Portfolio, as well as a geographical breakdown of the office, retail and hotel asset types in the Commercial Portfolio.



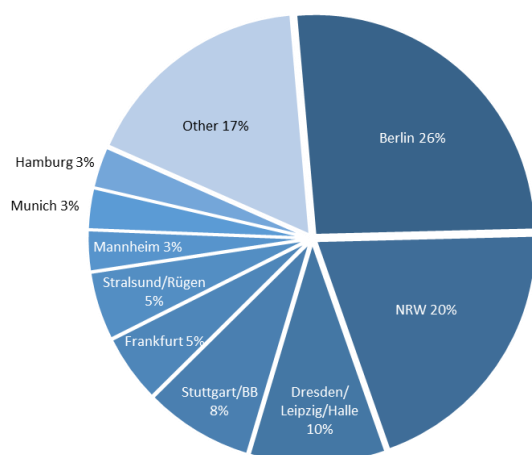
**Office Geographical Breakdown by Value**



**Retail Geographical Breakdown by Value**



### **Hotel Geographical Breakdown by Value**



### **Tenant Base**

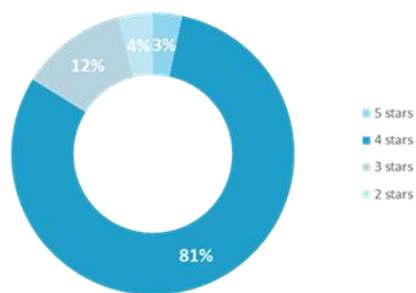
The Commercial Portfolio includes a comprehensive tenant base of approximately 2,500 tenants as of February 2017, which is diversified over a wide range of market sectors. Primary tenants in the Commercial Portfolio include Metro Group, HypoVereinsbank, Clifford Chance, Telekom, Allianz, Sheraton Arabella, Bol.com, De Persgroep, Jenoptik (ESW GmbH), Caterpillar and others. As of February 2017, the Commercial Portfolio generated an average monthly in-place rent of € 8.6 per square meter. The EPRA Vacancy Rate as of February 2017 was 7.3 %. As of February 2017, the WALT of the Commercial Portfolio was approximately 7.7 years.

As of February 2017, the monthly annualised rental income run rate for the Commercial Portfolio was € 380 million. The estimated FFO I run rate for the Commercial Portfolio as of February 2017 was approximately € 178 million.

The Commercial Portfolio also includes hotel assets with a total value of € 1 billion, consisting of 540 thousand square meters in key locations throughout Germany. Aroundtown's hotels are leased primarily on a long-term basis to third party commercial tenants.

The tenants of Aroundtown's hotel assets have entered into franchise agreements mainly with the following hotel brand franchisor enterprises: Wyndham, TRYP by Wyndham, Wyndham GARDEN, Days Inn, Swissôtel, ibis, Sheraton, Carlson REZIDOR, Radisson Blue, ACCOR, Mercure, Best Western, Holiday Inn and Steigenberger Hotel Group.

The majority of Aroundtown's hotel assets are categorized as "4 star" properties, which the Company believes allows them to meet the rising market demand for both business and leisure travel. Unless otherwise indicated, the figures in the chart have been extracted from Aroundtown's management information system.



The following tables provide a breakdown of the Commercial Portfolio by asset type and by region.

### **Commercial Portfolio Breakdown by Asset Type**

As of 15 February 2017

	Investment properties	Rentable area	EPRA vacancy	Annualized net rent	In-place rent per sqm	Value per sqm	Rental yield
	(in millions of €)	(in 000' sqm)		(in millions of €)	(in €)	(in €)	
Office	2,989	1,428	9.9 %	173	10.6	2,094	5.8 %
Retail	1,124	784	6.5 %	78	8.4	1,434	7.0 %
Hotel	1,019	542	0.0 %	64	9.9	1,881	6.3 %
Industrial/Others	441	655	8.0 %	25	3.2	673	5.7 %
<b>Total</b>	<b>5,572</b>	<b>3,408</b>	<b>7.3 %</b>	<b>341</b>	<b>8.6</b>	<b>1,635</b>	<b>6.1 %</b>

## Commercial Portfolio Breakdown by Region

As of 15 February 2017

	Investment properties	Rentable area	EPRA vacancy	Annualized net rent	In-place rent per sqm	Value per sqm	Rental yield
	(in millions of €)	(in 000' sqm)		(in millions of €)	(in €)	(in €)	
Berlin	1,064	534	7.6 %	57	9.4	1,992	5.4 %
NRW	658	657	6.3 %	47	5.9	1,001	7.1 %
Frankfurt	520	230	10.3 %	29	11.5	2,261	5.6 %
Munich	607	191	9.1 %	27	11.8	3,174	4.4 %
Hamburg	438	229	2.7 %	21	7.9	1,916	4.9 %
Amsterdam	329	124	9.8 %	20	14.7	2,641	6.2 %
Hannover	255	184	5.9 %	17	7.9	1,386	6.5 %
Dresden/Leipzig /Halle	244	165	9.8 %	15	8.1	1,486	6.1 %
Rotterdam	182	99	9.6 %	15	13.1	1,839	8.0 %
Utrecht	177	85	5.0 %	13	11.7	2,078	7.3 %
Stuttgart/BB	162	97	12.9 %	10	9.5	1,666	6.0 %
Nuremberg	110	79	2.9 %	7	7.5	1,385	6.7 %
Other	828	734	5.1 %	63	7.4	1,128	7.6 %
<b>Total</b>	<b>5,572</b>	<b>3,408</b>	<b>7.3 %</b>	<b>341</b>	<b>8.6</b>	<b>1,635</b>	<b>6.1 %</b>

### GCP residential portfolio

As of the date of this Prospectus the Company holds a substantial shareholding of 36 % in GCP. As at 31 December 2016, GCP assessed the total market value of its real estate portfolio at € 4.8 billion (compared to € 3.8 billion as at 31 December 2015). As at 31 March 2017, GCP assessed the total market value of its real estate portfolio at € 4.98 billion.

The following table provides an overview on certain key information for the GCP's real estate portfolio as of 31 March 2017. Unless otherwise indicated, the figures in the table have been extracted from GCP's website:

	Value (in € million)	Area (in thousand sqm)	EPRA vacancy	Annualized net rent (in € million)	In-place rent per sqm (in €)
NRW	1,613	1,861	8.3%	108	5.1
Berlin	834	470	5.3%	38	6.9
Dresden/Leipzig/Halle	894	1,129	9.1%	60	4.9
Mannheim/KL/Frankfurt/Mainz	282	243	3.8%	17	5.9
Nuremberg/Fürth/Munich	181	102	4.8%	9	7.6

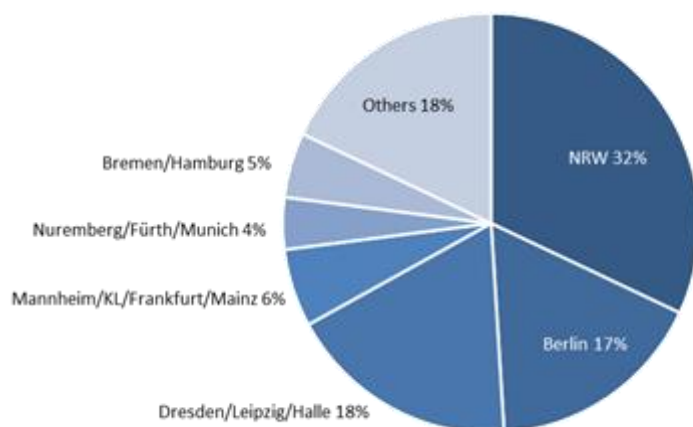
Bremen/Hamburg	245	264	6.0%	17	5.6
Others	929	1,230	8.4%	69	5.3
<b>Total</b>	<b>4,978</b>	<b>5,298</b>	<b>7.7%</b>	<b>318</b>	<b>5.4</b>

As of 31 March 2017, GCP's property portfolio generated an average monthly in-place rent of € 5.4 per square meter, with an EPRA Vacancy Rate of 7.7 %. As of 31 March 2017, the monthly annualised rental income for GCP's property portfolio was € 472 million, and the first quarter 2017 annualized FFO I for GCP's property portfolio was € 168 million.

The first quarter 2017 annualised adjusted EBITDA of the GCP property portfolio was € 240 million.

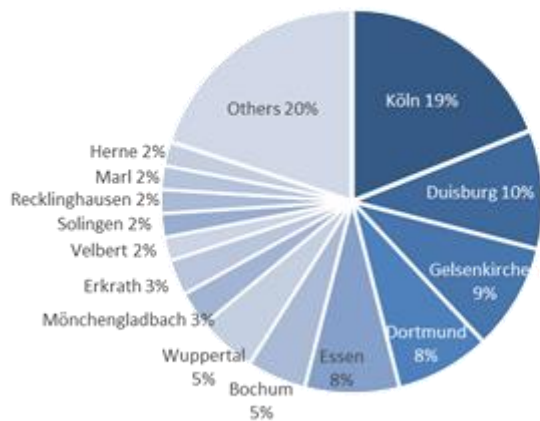
### **Regional distribution**

The GCP Group focuses on properties in densely populated areas in Germany. As of 31 March 2017 the GCP Group's portfolio comprised 28,029 units situated in NRW, 6,270 units in Berlin, 19,872 units in Dresden, Leipzig and Halle, 3,981 units in Mannheim/Kaiserslautern, Frankfurt und Mainz, 1,471 units in Nuremberg, Fürth and Munich, 3,844 units in Bremen /Hamburg and 20,635 units in other densely populated regions in Germany. The following chart shows GCP's real estate portfolio broken down by regions in percentages according to fair value:



As of 31 March 2017 GCP's portfolio comprised 28,029 units situated in NRW. The following chart shows the distribution of units within NRW in percentages according to fair value.



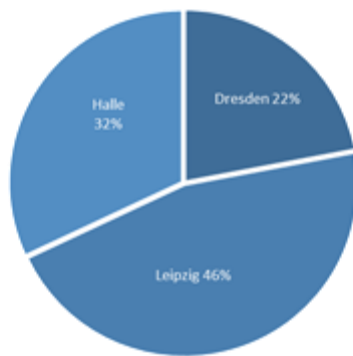


As of 31 March 2017 GCP's portfolio comprised 6,270 units situated in Berlin. The following table shows the distribution of units within Berlin.



63 % of the Berlin portfolio is located in top tier neighbourhoods. 50 % are located in the inner city, whereas 13 % are located in growing areas outside the inner circle, such as West Charlottenburg/Wilmersdorf, Lichtenberg, south of Schöneberg, Schönefeld, Steglitz and others. The remaining 37 % is located primarily in Reinickendorf, Treptow, Köpenick and Marzahn-Hellersdorf.

As of 31 March 2017 GCP's portfolio comprised 19,872 units situated in the cities of Dresden, Leipzig and Halle. The following chart shows the distribution of units within Dresden, Leipzig and Halle in percentages according to fair value.



### **Encumbrances on properties**

The properties of Aroundtown's Commercial Portfolio are subject to land charges granted to banks providing financing for the acquisition of said properties. As of 31 December 2016 the ratio of unencumbered assets held by Aroundtown was 56 %. Also, the properties of GCP's property portfolio are subject to land charges granted to banks providing financing for the acquisition of said properties. As of 31 December 2016 the ratio of unencumbered assets held by GCP was also 56 %.

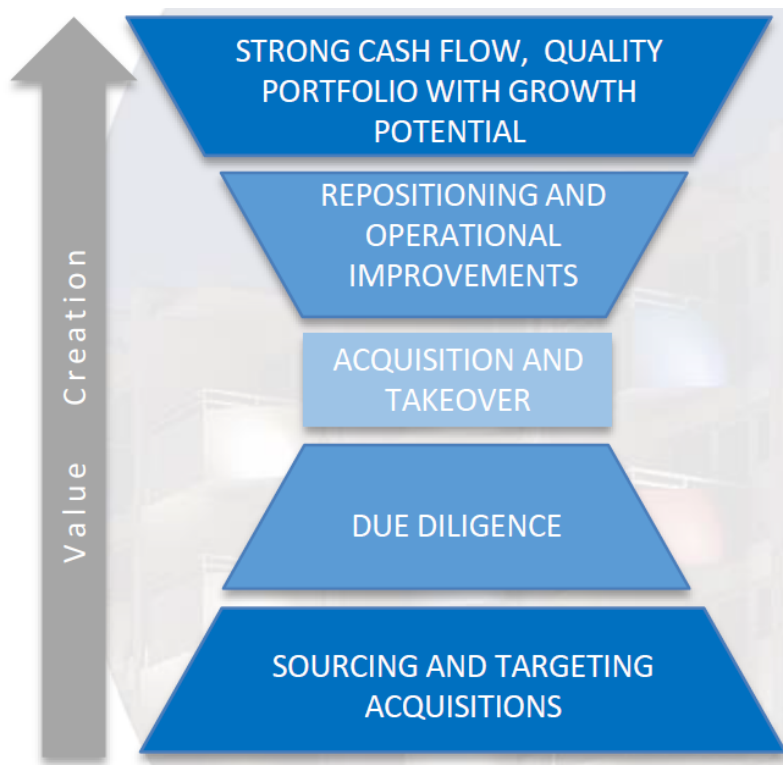
### **Business Operations**

Aroundtown invests in commercial and residential real estate assets which it believes benefit from strong fundamentals and growth prospects. Aroundtown's focus is on major cities and metropolitan areas with positive demographic prospects. Aroundtown targets in particular cash generating properties with upside potential in terms of rental income and/or occupancy, lease and tenant structure, WALT, cost level optimization and resulting value.

Aroundtown manages the entire real estate value chain of its properties, across acquisition, letting, upkeep and refurbishment. Aroundtown believes that this integrated approach brings further efficiency benefits and a preferred landlord status to Aroundtown and fast response times to its tenants. While Aroundtown's portfolio management is centrally organised, Aroundtown's asset management, sales and marketing activities are organised locally to better capture regional demand and necessities.

### **Business Model**

The following chart provides an overview on the business model of Aroundtown:



The steps of the business model are described in the paragraphs below.

## **Acquisitions and Disposals**

### **Sourcing**

Aroundtown focuses on value-add properties characterized primarily by below market rent levels and/or vacancy reduction potential. Aroundtown's property sourcing success stems from its wide network as well as its reputation as a reliable real estate acquisition partner. Aroundtown sources deals from a large and diverse deal sourcing base, such as receivers, banks, loan funds, broker networks, distressed owners, private and institutional investors and court auctions. With significant experience in the real estate markets since 2004, Aroundtown believes that it benefits from a preferred buyer status across its sourcing network. Aroundtown follows the following acquisition criteria:

- Upside potential through operational improvements
- Cash flow generating assets
- Vacancy reduction potential
- Rent levels per sqm below market levels (under-rented properties)
- Acquisitions located in densely populated areas and commercially attractive cities

- Purchase price below replacement cost and below market values
- Potential to reduce the cost per sqm significantly through operational improvements

Due to the broad experience and knowledge of its management, Aroundtown is able to consider different possible uses for properties that it acquires, including altering the property's primary use in order to target specific supply shortages in the marketplace. Given the complexity of reclassification projects and the necessity of cross-segment experience in order to complete them, Aroundtown believes that its business model provides it with a strong and sustainable competitive advantage.

### **Due Diligence**

After a potential property passes an initial screening, the property is further assessed in order to take into account the specific features of each project while ensuring that the acquisition is in line with Aroundtown's overall business strategy. Aroundtown believes that Aroundtown's experience in analysing properties with value creation potential, and in identifying both the potential risks and the upside potential of each property, results in fast, but thorough and reliable, screening procedures. During the due diligence phase, Aroundtown's construction team analyses potential capex requirements for the property. These are subsequently priced in the valuation process in order to provide a fair assessment of the property's value. A detailed business plan is created for each property in the due diligence phase, including an assessment of the portfolio fit and identification of possible tenants. Aroundtown believes that beginning to identify tenants prior to acquisition of the property not only decreases risk to Aroundtown but also accelerates the property takeover process. Further, possible rent increases and tenant restructuring are assessed in the due diligence process.

### **Acquisition and takeover**

Aroundtown follows a thorough cross-organizational process in the due diligence phase which facilitates an efficient takeover once a property is acquired. Because liquidity plays a significant role in the acquisition of value-add properties, Aroundtown benefits from its solid liquidity position and its ability to acquire properties with existing resources and refinance the acquisition at a later stage. Aroundtown also benefits from a strong and experienced centralized in-house legal department, which, combined with close and longstanding relationships with external law firms, enables Aroundtown to complete multiple deals simultaneously.

### **Disposals**

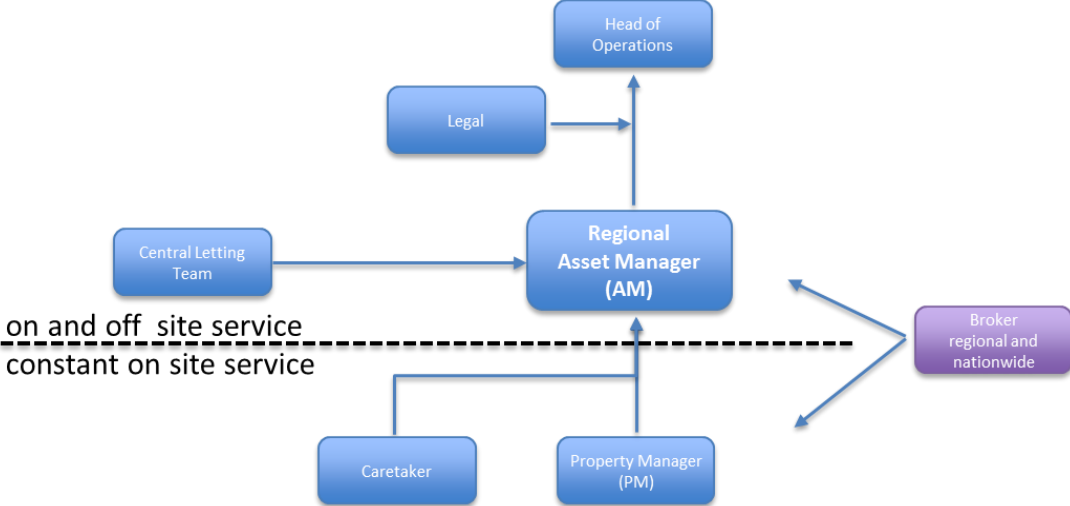
Aroundtown engages in disposals of properties which it considers as non-core properties or which in the Company's view have already realised their material potential.

**Tenant Management**

Aroundtown follows a holistic asset management approach to create teams which are specialized on the assets they are managing. This localized asset and property management enables Aroundtown to provide each tenant with a specialised contact team which helps Aroundtown to build strong relationships with its tenants. The performance of the local teams is regularly analysed. The local teams become specialized with the individual asset, the tenants and the regional market.

**Overview**

The chart provides an overview on the organisation of Aroundtown’s tenant management process:



The regional asset manager has also rental and marketing responsibilities. The regional asset manager is involved in major contract negotiations for the relevant region, handles lease and WALT management and ensures tenant service 24 hours a day and seven days a week. The regional asset manager analyses capex requirements and monitors the performance of the properties which also includes on-site visits. In negotiating lease contracts the regional asset manager receives letting advice from the central letting team which also carries out strategy planning for vacancy decrease and is pooling know-how and synergies.

The regional asset manager reports to the head of operations who signs off on mayor lease contracts which are finalized with the support of Aroundtown’s centralized in-house legal department. The head of operations also monitors the performance of the regional asset manager.

While the above mentioned services are provided on- and off-site, constant on-site service is provided by a property manager and a caretaker. The property manager supports the regional asset manager in all relevant rental and tenant aspects and executes local marketing measures

to reduce vacancy including the offering of promotional features (e.g. rent-free time if tenant invests to refurbish the vacant space). The property manager is the direct on-site contact for the tenant. He manages the caretakers. As the caretaker is the tenants' first to go person for all property related concerns the caretaker closely cooperates with the property manager and provides him with in-depth knowledge on every tenant.

The regional asset manager and the property manager cooperate with regional and nationwide external brokers. Regional external brokers have specific local market insight. Nationwide external brokers have a comprehensive network, which Aroundtown believes is ideal for cross-selling. Aroundtown enrolls vacant spaces with economic promotional bodies which serve as a hub to reach more potential tenants nation-wide.

### **Repositioning & Operational Improvements**

#### **Repositioning**

The initial repositioning activities aim at minimizing the time until the profitability of the acquired properties is improved. Therefore, Aroundtown maps weaknesses and strengths of the property in the course of the due diligence phase and prepares a specific business plan for each property. The business plan input is integrated into Aroundtown's IT/software platform which enables the management to monitor all operational and financial parameters and to fully control the repositioning progress.

#### **Marketing**

Aroundtown develops a rental and marketing strategy for every property to optimize its usage and to fit it to the demand and supply in the respective markets. Targeted marketing activities are implemented to increase occupancy and thereby rental income. Aroundtown conducts comprehensive vacancy analysis including usability studies and creates letting concepts of vacant spaces in order to attract a large pool of tenants. Market and benchmark analysis enables the management to closely track macro and micro developments and decision making. Various marketing channels are combined to cover the broadest market possible, including negotiations with existing tenants (business plans, perspective and development expectations), online data bases, advertising billboards, regional and nationwide brokerage, governmental data bases (local economic promotion) and e-commerce. Further, in order to optimize contract negotiations Aroundtown uses promotion incentives and offers adaptations to tenants' future plans.

Vacancy reduction initiatives are adjusted to the specific type of property at hand. As to its commercial properties Aroundtown focuses its marketing activities on its network of internal and external, as well as local and nationwide, letting brokers, on the offering of promotional features and on the building of a reputation in the market for high service standards. For Aroundtown's

hotel assets, operators are selected for the asset and a fixed long-term lease contract entered into once the hotel is repositioned.

As to the residential properties GCP targets relationship building with potential tenants and the local community by collaborating with local governments, supporting community building projects and advertising on key real estate platforms.

#### *Lease management*

Aroundtown conducts ongoing analysis regarding the WALT. Depending on factors such as market demand, gap to market rent or tenant structure Aroundtown either signs an extension of an individual lease contract in advance or lets the individual contract expire. Tenants are prospectively screened for credit worthiness (credit rating, business plan plausibility check, online screening) and tenant structure adaptability (competition protection and tenant type mix). Aroundtown carries out hands-on collection management and prepares monthly collection reports on an asset level and on a per-tenant basis. Thereby, Aroundtown aims to solve problems before they arise. Possibilities for rent increase and tenant restructuring which have been assessed in the due diligence process are executed according to the property's business plan or adjusted if needed.

#### *Operational Improvements*

All operational improvements Aroundtown initiates aim to increase the living quality or business environment for existing and future tenants and thereby to increase the demand for these repositioned properties. Once viable operational improvements have been identified, Aroundtown implements cost saving opportunities on a per unit basis, e.g. by making use of modern technologies such as consumption based meters. Aroundtown believes that these efforts combined with cost savings achieved through vacancy reductions and economies of scale enable Aroundtown to benefit from a significant improvement of the cost base and therefore higher profitability.

#### *Tenant relationship management*

Aroundtown emphasises strong relationships with its tenants to reduce tenant turnover rates and to predict and strengthen the tenant structure. Aroundtown aims to offer high quality services for both potential and existing tenants. Aroundtown pays strong attention to the industry in which its commercial tenants operate and to their individual success factors. Aroundtown also offers direct support to its tenants through add-on amenities for its rental properties such as parking facilities, space extensions to facilitate growth and smart space redesign to match modern office layouts. By providing the tenants with personal contact points to a local team, Aroundtown seeks to establish personal relationships between its property, the local teams and the tenants. The

personal contacts points allow Aroundtown to react promptly to problems and proactively prolonging existing contracts in order to optimize and secure long-term revenues. The local teams meet with the tenants on a regular basis. Aroundtown provides an open line of communication at all times and short reaction times to tenants' concerns to ensure short business interruptions. Tenant satisfaction is continuously analysed. Aroundtown believes that this localized one team contact point approach builds strong and long-term relationships with tenants.

With respect to its residential tenant base GCP regularly invests into community building projects such as playgrounds and community centres and provides a wide range of regional or centralized services including a service centre, which is available 24 hours a day and seven days a week.

### **Construction**

Aroundtown considers smart capex and conversion planning with scrutiny on execution to be vital for the maximization of a property's potential. Aroundtown addresses capex needs to keep the properties at high standards and addresses the requirements of its existing and prospective tenants. Already during the due diligence phase Aroundtown prepares a business plan, which addresses the potential volume of capex required e.g. for refurbishment. Moreover, capital intense improvements are discussed in close coordination with committed tenants allowing an efficient and cost effective implementation of the investments. The carried out investments are monitored by Aroundtown's experienced construction team. The financial feasibility of the proposed alterations is balanced against the lease term, rental income and property acquisition cost and the capacity to bear quick returns over the investment period.

### **Support Functions**

#### **IT**

Aroundtown has a centralized IT system that connects all departments and plays a significant support role for asset management of activities provided. The core element of this IT system is the detailed information management that enables Aroundtown on a daily basis to access all relevant financial and operational data of the properties on portfolio level and on existing and prospective tenants. The IT system is fully synchronized with the property management software and allows generating a wide range of reports from different data sources (for operational and accounting purposes). The IT software enables Aroundtown to completely monitor the portfolio and to identify tenant fluctuations.

#### **Employees**

As of the date of this Prospectus, Aroundtown employs 187 employees.



The following table shows the number of employees of Aroundtown, excluding the members of the Board of Directors and senior management as of the indicated reporting date:

	<b>as of 31 December 2016</b>	<b>as of 31 December 2015</b>	<b>as of 31 December 2014</b>
<b>Heads (total)</b>	<b>174</b>	<b>73</b>	<b>12</b>

More than 80% of the employees are located in Germany; the remaining employees are located in Cyprus and in the Netherlands.

The increase of the number of employees from 2014 to the date of this Prospectus reflects the overall growth of Aroundtown and its property portfolio in the periods under review (see “*Management Discussion and Analysis*”; “*Business - History*”).

Neither the Company nor any of its subsidiaries currently has a works council. There are currently no works agreements (*Betriebsvereinbarungen*) or collective bargaining agreements (*Tarifverträge*) applicable to the Company or any of its subsidiaries. The Company has set up an incentive scheme for certain employees of Aroundtown providing for rights of employees to acquire shares in the Company (see “*Description of Share Capital - Employee Stock Option Plan*”).

Besides the legally required contributions to government pension insurance carriers neither the Company nor any of its subsidiaries have set aside any amounts to provide pension, retirement or similar benefit.

### **Patents, Licenses and Trademarks**

Aroundtown neither holds patents nor trademarks.

The two internet domains held by the Aroundtown are aroundtownholdings.com and www.prime-city.com.

Aroundtown holds no significant intellectual property rights and is not dependent on patents or licenses material to its business.

### **Legal and Arbitration Proceedings**

Companies of Aroundtown are regularly party to legal disputes with regard to their business activities, in particular rental or warranty disputes, but none of these are material either individually or as a whole with respect to the financial situation or profitability of Aroundtown.

No company of Aroundtown is currently or has been in the past twelve month, party to any governmental, legal or arbitration proceedings (including such proceedings which are pending or - to the Company's knowledge - could be initiated) which could have a material effect on the financial position or profitability of Aroundtown or which has had such effect recently.

### **Insurances**

Aroundtown has concluded various operating insurance policies at market conditions covering *inter alia* the following risks: third party liability, fire, water, unidentified risks (all risks insurance).

The Company has purchased for its members of the board of directors several Directors' and Officers' insurance policies ("**D & O Insurance**"). The D & O Insurance covers liabilities up to € 30 million per year and legal expenses of up to € 2 million per legal case and up to € 2 million per criminal litigation or prosecution.

Based on its current knowledge Aroundtown considers its insurances policies to be appropriate in particular as to the risks of its business and as to the insurance coverage. However, Aroundtown cannot guarantee that it will not incur any losses or become subject to claims exceeding the amount of the insurance coverage or that it will be able to obtain appropriate insurance policies in the future (see "*Risk Factors - Risks Relating to the Business of Aroundtown - Aroundtown could sustain substantial losses not covered by, or exceeding the coverage limits of, its insurance policies.*")

## **MATERIAL CONTRACTS**

The following section provides an overview of material contracts other than contracts entered into in the ordinary course of business, to which the Company or any member of Aroundtown is a party.

### **Finance Agreements**

Aroundtown has entered into various financing agreements comprising of financial instruments as well as loan agreements. As of 31 December 2016 the total financial debt of Aroundtown was approximately € 3.57 billion, out of which total aggregate amount outstanding under outstanding bonds was € 2.42 billion. Aroundtown has further issued Perpetual Notes with a total outstanding amount of € 600 million. The Perpetual Notes qualify as equity. The total financial debt also includes various loan agreements with a total outstanding amount of approximately € 1.15 billion.

### **Convertible Bonds**

#### **Series B Bonds**

In May 2015, the Company issued senior, unsecured convertible bonds in the aggregate principal amount of € 450,000,000 (the “**Series B Bonds**”), convertible into new or existing shares of the Company with a par value of € 0.01. The Series B Bonds have a fixed coupon of 3.00 % p.a., payable semi-annually in arrears. As of the date of this Prospectus, the conversion price amounts to € 3.3763. The conversion price may change based on the occurrence of certain events, as described below. The Series B Bonds were issued in denominations of € 100,000 each. The Series B Bonds mature on 5 May 2020 and will, unless previously purchased and cancelled, redeemed or converted in accordance with the terms and conditions of the Series B Bonds, be redeemed at maturity at their principle amount. The Series B Bonds are listed on the Open Market segment of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) and have been assigned the ISIN XS1227093611.

On 9 May 2017, the Company invited holders of the Series B Bonds to tender their Series B Bonds for cash or new shares in the Company. In the course of this tender offer, the Company purchased Series B Bonds in an amount of € 55.3 million. As of the date of this Prospectus Series B Bonds in an aggregate amount of € 322.6 million have been converted into shares of the Company. This leaves an aggregate amount of € 127.4 million outstanding at the date of this Prospectus (of which the Company currently holds bonds with an aggregate nominal amount of € 55.3 million). Considering the current conversion price the outstanding Series B Bonds may be converted into up to approximately 37.7 million shares, representing up to approximately 4 % of the fully diluted share capital of the Company as of the date of this Prospectus.

The Company has agreed to certain customary covenants, undertakings and events of default in respect of the Series B Bonds (subject in each case to certain agreed exceptions and materiality carve-outs), including to procure that (i) the consolidated indebtedness of Aroundtown (as defined in the terms and conditions of the Series B Bonds) does not exceed 60 % and the secured indebtedness of Aroundtown (as defined in the terms and conditions of the Series B Bonds) does not exceed 45 % of the consolidated total assets of Aroundtown (as defined in the terms and conditions of the Series B Bonds); (ii) the ratio of consolidated earnings before interest and taxes as set out in the Company's financial statements as at the relevant reporting date to the aggregate amount of net cash interest of Aroundtown as at such reporting date is at least 2.0; and (iii) the unencumbered assets of Aroundtown (as defined in the terms and conditions of the Series B Bonds) will at no time be less than 125 percent of the unsecured indebtedness of Aroundtown (as defined in the terms and conditions of the Series B Bonds).

The Company may redeem the Series B Bonds in certain conditions prior to the final maturity date, as described below. In the case of such a redemption, the Series B Bonds will generally be redeemed at an amount equal to their accreted principal amount, which is determined based on a fixed amount as of the immediately preceding interest payment date plus a proportional increase based on the applicable fixed amount at the next following interest payment date and the number of days that have elapsed at redemption since the immediately preceding interest payment date.

The Company may redeem at its discretion all but not some of the Series B Bonds then outstanding at any time at an amount equal to their accreted principal amount together with accrued but unpaid interest, if on each of 20 consecutive dealing days, the parity value (as set forth in the terms and conditions of the Series B Bonds) exceeds the applicable percentage (as set forth below) of the principal amount of the Series B Bonds on such dealing days: (i) in the case of an optional redemption notice served on or after 5 May 2016 but before 5 May 2017: 150 per cent; (ii) in the case of an optional redemption notice served on or after 5 May 2017 but before 5 May 2018, 140 per cent; and (iii) in the case of an optional redemption notice served on or after 5 May 2018, 130 per cent.

The holders of the Series B Bonds are entitled to demand redemption of the Series B Bonds at an amount equal to their accreted principal amount together with accrued but unpaid interest in the event of a change of control in the Company.

The conversion price of the Series B Bonds is subject to adjustment upon the occurrence of certain dilutive events, including but not limited to: (i) the admission to trading of the shares of the Company to a multilateral trading facilities; (ii) a consolidation, reclassification/redesignation or subdivision affecting the number of ordinary shares of the Company; (iii) the issuance of ordinary shares by the Company to its shareholders by way of capitalisation of profits or reserves (other than an issuance of ordinary shares as or in lieu a dividend); (iv) the declaration, announcement, making or payment of any dividend to shareholders; (v) the issuance of ordinary shares by way of

rights, or the issuance or grant by way of rights, any options, warrants or other rights to subscribe for or purchase or otherwise acquire ordinary shares, or the issuance of securities which carry (directly or indirectly) rights of conversion into, or exchange or subscription for, or the right to acquire, any ordinary shares, in each case at a price that is less than 95 % of the current market price per ordinary share; (vi) the issuance of ordinary shares wholly for cash or no consideration at a price per ordinary share which is less than 95 % of the current market price per ordinary share; (vii) the issuance of securities wholly for cash or no consideration which carry (directly or indirectly) rights of conversion into, or exchange or subscription for, purchase of, or rights to otherwise acquire, ordinary shares of the Company (or upon the modification of such rights attaching to any securities) and the consideration receivable upon conversion, exchange, subscription, purchase or acquisition is less than 95 % of the current market price per ordinary share; and (viii) upon the occurrence of a change of control of the Company or when the Company, following consultation with the Trustee and the calculation agent, determines that an adjustment should be made to the conversion price, even if not specifically covered, or excluded, by the terms and conditions of the Series B Bonds.

### **Series C Bonds**

In December 2015, the Company issued senior, unsecured convertible bonds in the aggregate principal amount of € 300,000,000 (the “**Series C Bonds**” and together with the Series B Bonds, the “**Convertible Bonds**”), convertible into new or existing shares of the Company with a par value of € 0.01. The Series C Bonds have a fixed coupon of 1.50 % p.a., payable semi-annually in arrears. As of the date of this Prospectus the conversion price amounts to € 5.6862. The conversion price may change based on the occurrence of certain events, as described below. The Series C Bonds were issued in denominations of € 100,000 each. The Series C Bonds mature on 18 January 2021 and will, unless previously purchased and cancelled, redeemed or converted in accordance with the conditions of the Series C Bonds, be redeemed at maturity at their principle amount. The Series C Bonds are listed on the Open Market segment of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) and have been assigned the ISIN XS1336607715.

Considering the current conversion price the Series C Bonds may be converted into up to approximately 52.76 million shares, representing up to approximately 6 % of the fully diluted share capital of the Company as of the date of this Prospectus. As of the date of this Prospectus no Series C Bonds have been converted.

The initial interest rate of 1.50 per cent per annum will increase by a step-up rate of 0.5 per cent per annum in respect of all future interest periods which follow and begin after the date that is 10 business days in London prior to 18 July 2017 if: (i) an investment grade rating change (as described below) has not occurred at any time in the period beginning and including the issuance

date of the bonds and ending on and including such date; or (ii) an investment grade rating change has occurred in such period, but as of such date the Company no longer holds an investment grade rating. As of the date of this Prospectus a rating change as described above has occurred as the Company is assigned a BBB rating by S&P (see “*General Information - Rating*”).

The Company has agreed to certain customary covenants, undertakings and events of default in respect of the Series C Bonds (subject in each case to certain agreed exceptions and materiality carve-outs), including to procure that (i) the consolidated indebtedness of Aroundtown (as defined in the terms and conditions of the Series C Bonds) does not exceed 50 % of the consolidated total assets of Aroundtown (as defined in the terms and conditions of the Series C Bonds); and (ii) the ratio of consolidated earnings before interest and taxes as set out in the Company's financial statements as at the relevant reporting date to the aggregate amount of net cash interest of Aroundtown as at such reporting date is at least 1.5.

The Company may redeem the Series C Bonds in certain conditions prior to the final maturity date, as described below. In the case of such a redemption, the Series C Bonds will generally be redeemed at an amount equal to their accreted principal amount, which is determined based on a fixed amount as of the immediately preceding interest payment date plus a proportional increase based on the applicable fixed amount at the next following interest payment date and the number of days that have elapsed at redemption since the immediately preceding interest payment date.

The Company may redeem at its discretion all but not some of the Series C Bonds then outstanding at any time at an amount equal to their accreted principal amount together with accrued but unpaid interest, if on each of 20 consecutive dealing days ending not more than 7 days prior to the date on which the optional redemption notice is given to holders of the Series C Bonds, the parity value (as set forth in the terms and conditions of the Series C Bonds) exceeds the applicable percentage (as set forth below) of the principal amount of the Series C Bonds on such dealing days: (i) in the case of an optional redemption notice served on or after 18 December 2016 but before 18 December 2018: 140 per cent; and (ii) in the case of an optional redemption notice served on or after 18 December 2018, 130 per cent.

The holders of the Series C Bonds are entitled to demand redemption of the Series C Bonds at an amount equal to their accreted principal amount together with accrued but unpaid interest in the event of a change of control in the Company.

The holders of the Series C Bonds are also entitled to demand redemption of the Series C Bonds following any sale by the Company or other member of Aroundtown of the equity share capital of any of Grand City Properties S.A., Primecity Investment plc or Camelbay Limited in the event that (i) the percentage of the total equity share capital held or beneficially owned by the Company in the relevant company is reduced to less than in respect of Grand City Properties S.A., 29 per

cent, in respect of Primecity Investment plc, 55 per cent, or in respect of Camelbay Limited, 90 per cent; (ii) less than 90 per cent of the proceeds of such equity sale have been reinvested by the Company and/or the relevant member of Aroundtown directly or indirectly in Real Estate Property; and (iii) the Company announces, makes or pays a restricted distribution (as described in the terms and conditions of the Series C Bonds).

The conversion price is subject to adjustment upon the occurrence of certain dilutive events, including but not limited to: (i) a consolidation, reclassification/redesignation or subdivision affecting the number of ordinary shares of the Company; (ii) the issuance of ordinary shares by the Company to its shareholders by way of capitalisation of profits or reserves (other than an issuance of ordinary shares as or in lieu a dividend); (iii) the declaration, announcement, making or payment of any dividend to shareholders; (iv) the issuance of ordinary shares by way of rights, or the issuance or grant by way of rights, any options, warrants or other rights to subscribe for or purchase or otherwise acquire ordinary shares, or the issuance of securities which carry (directly or indirectly) rights of conversion into, or exchange or subscription for, or the right to acquire, any ordinary shares, in each case at a price that is less than 95 % of the current market price per ordinary share; (v) the issuance of ordinary shares wholly for cash or no consideration at a price per ordinary share which is less than 95 % of the current market price per ordinary share; (vi) the issuance of securities wholly for cash or no consideration which carry (directly or indirectly) rights of conversion into, or exchange or subscription for, purchase of, or rights to otherwise acquire, ordinary shares of the Company (or upon the modification of such rights attaching to any securities) and the consideration receivable upon conversion, exchange, subscription, purchase or acquisition is less than 95 % of the current market price per ordinary share; and (vii) upon the occurrence of a change of control of the Company or when the Company, following consultation with the Trustee and the calculation agent, determines that an adjustment should be made to the conversion price, even if not specifically covered, or excluded, by the terms and conditions of the Series C Bonds.

### **PCI Convertible Bond**

In November 2014 and February 2015, PCI issued senior, secured convertible bonds in the aggregate principal amount of € 150,000,000 (the “**PCI Convertible Bonds**”), convertible into new shares of PCI with a par value of € 0.01. The PCI Convertible Bonds have a fixed coupon of 4.00 % per annum, payable semi-annually in arrears. The initial conversion price was fixed at € 3.00. The PCI Convertible Bonds were issued in denominations of € 100,000 each. The PCI Convertible Bonds were listed on the Open Market segment of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) and have been assigned the ISIN XS1137260086.

On 9 February 2017 the Board of Directors of PCI resolved to exercise its right to redeem the outstanding PCI Convertible Bonds in accordance with its terms and conditions. PCI Convertible

Bonds with an aggregate principal amount of € 128.7 million have been converted .The remaining PCI Convertible Bonds with an aggregate principal amount have been redeemed on 13 March 2017.

### Unsubordinated, Unsecured Bonds

Aroundtown has further issued series of unsubordinated, unsecured bonds with an outstanding total nominal amount of € 1,83 billion and \$ 400 million as of the date of this Prospectus. The different series of bonds have similar conditions which are summarized in more detail below. One series of bonds has been issued under the EMTN Programme (see below “*EMTN Programme*”).

The following table provides an overview on the outstanding unsecured, unsubordinated bonds issued by the members of Aroundtown as of the date of this Prospectus:

	Nominal amount outstanding	Issuing member of Aroundtown <sup>(1)</sup>	ISIN / Market Segment	Maturity Date	Coupon
<b>Series D Bonds</b>	€ 600 million	Company / ATF Netherlands B.V. <sup>(2)</sup>	XS1403685636 / Main Securities Market (regulated market) at Irish Stock Exchange	3 May 2022	1.50 %
<b>Series E Bonds</b>	€ 650 million	Company / ATF Netherlands B.V. <sup>(2)</sup>	XS1449707055 / Main Securities Market (regulated market) at Irish Stock Exchange	15 July 2024	1.50 %
<b>Series F Bonds</b>	€ 550 million	ATF Netherlands B.V.	XS1532877757 / Main Securities Market (regulated market) at Irish Stock Exchange	13 March 2023	2.125 %
<b>Series G Bonds</b>	€ 30 million	ATF Netherlands B.V.	XS1540071724 / Open Market of Frankfurt Stock Exchange	22 December 2017	0 %
<b>Series H Bonds</b>	\$ 400 million <sup>(3)</sup>	ATF Netherlands B.V.	XS1586386739/ Main Securities Market (regulated market) at Irish Stock Exchange	27 March 2032	4.75 % <sup>(4)</sup>

<sup>(1)</sup> All payments under the bonds are unconditionally and irrevocably guaranteed by the Company.

<sup>(2)</sup> The bonds were originally issued by the Company. On 1 November 2016 ATF Netherlands B.V. became the obligor of the bonds and the Company provided an unconditional and irrevocable guarantee of all payments under the bonds.

<sup>(3)</sup> The bonds were issued under the EMTN Programme of ATF Netherlands B.V. (see: “*EMTN Programme*”).

<sup>(4)</sup> ATF Netherlands B.V. has entered into a swap agreement to address the USD currency exposure. In light of the swap agreement the effective coupon for Aroundtown is 1.365%, subject to adjustments in the Index of Consumer Prices (“CPI”) in Germany.

In December 2014 the Company issued unsubordinated, unsecured bonds with a fixed coupon of 3.00 % with an initial aggregate nominal amount of € 200 million (“**Series A Bonds**”). The Series A Bonds were listed in the Open Market of Frankfurt Stock Exchange with ISIN XS1151498737. The Series A Bonds had a final maturity on 9 December 2021.

On 29 March 2017 the Company exercised the option to redeem the bonds as more than 80 % of the aggregate principal amount of the Series A Bonds had been purchased and/or redeemed.



The outstanding Series A Bonds were redeemed at their principal amount on 4 May 2017 (together with accrued but unpaid interest to (but excluding) that date).

**Guarantee, Covenants and Events of Default**

As of the date of this Prospectus the Series D Bonds, Series E Bonds, Series F Bonds, Series G Bonds and the Series H Bonds have the benefit of an unconditional and irrevocable guarantee of all payments issued by the Company.

Under the conditions of the aforementioned bonds, the Company as well as ATF Netherlands B.V. have agreed to certain customary undertakings and covenants. A breach of such customary covenants and obligations may lead to an event of default. The material covenants (which are subject to customary exemptions to allow the Issuer to carry on its business in the ordinary course) include that:

- the consolidated indebtedness of Aroundtown (as defined in the respective terms and conditions of the relevant series of bonds) does not exceed a threshold, ranging from 50 % to 60 % of the consolidated total assets of Aroundtown (as defined in the respective terms and conditions of the relevant series of bonds). In addition the consolidated secured indebtedness of Aroundtown shall not exceed 45 % of the consolidated total assets of Aroundtown;
- the ratio of consolidated earnings before interest and taxes as set out in the Company's financial statements as at the relevant reporting date to the aggregate amount of net cash interest of Aroundtown as at such reporting date corresponds at least to a certain amount (interest coverage ratio) which ranges from 1.5 to 1.8; and
- the unencumbered assets of Aroundtown (as defined in the respective terms and conditions) shall at no time be less than 125 % of the unsecured indebtedness of Aroundtown (as defined in the terms and conditions).

In addition, the terms and conditions of some of the series of bonds contain limitations on the ability of certain subsidiaries to encumber properties or to pay dividends or grant loans to other members of Aroundtown, subject in each case to customary exemptions.

The terms and conditions of the unsubordinated unsecured bonds provide for certain events of default which include, amongst others the non-compliance with regard to any covenant, payment obligation or other obligation under the bonds and a cross default relating to events of default under other indebtedness, however defined, if such default equals or exceeds, either alone or taken together with other defaults, more than 10 % of the portfolio value of Aroundtown. Upon occurrence of an event of default (subject to curing provisions and thresholds for certain events of

default) the holders of the bonds are entitled to request redemption of the aggregate principal amount together with due and unpaid interest.

### **Redemption and Early Redemption**

Unless previously purchased and cancelled or redeemed early as outlined below the bonds are redeemable at their principal amount on their respective final maturity date as outlined above.

The Company or ATF Netherlands B.V., respectively, may redeem the bonds prior to the final maturity date at their discretion, each series of bonds in whole but not in part, for an amount defined in the respective conditions of the bonds. In addition, the Company or ATF Netherlands B.V., respectively, may redeem each series of bonds in whole but not in part in the event 80 % or more of the principal amount of the respective series of bonds have been purchased and cancelled or redeemed. Also, the Company or ATF Netherlands B.V., respectively, may redeem the bonds, each series in whole but not in part, for taxation reasons.

Holders of each series of bonds are entitled to request redemption of the bonds in the event of a merger or a change of control in the Company or ATF Netherlands B.V. for an amount as defined in the respective conditions of the bonds.

Subject to applicable requirements of any stock exchange (if any) the Company, ATF Netherlands B.V. or any member of Aroundtown may purchase bonds. Bonds so acquired may, and under some series of bonds must, be cancelled.

### **EMTN Programme**

On 10 March 2017 ATF Netherlands B.V., a wholly-owned subsidiary of the Company, has established a Euro medium term note programme (the “**EMTN Programme**”). Under the EMTN Programme ATF Netherlands B.V. may issue from time to time certain securities in the form of notes. The total maximum aggregate principal amount of all notes outstanding under the EMTN Programme may not exceed € 1,500,000,000 (or its equivalent in other currencies). The notes are governed by English law.

The notes issued under the EMTN Programme have the benefit of a guarantee provided by the Company. The guarantee constitutes an irrevocable, unsecured and unsubordinated obligation of the Company ranking *pari passu* with all other unsecured and unsubordinated obligations of the Company. The guarantee is governed by English law.

The Company as the guarantor as well as ATF Netherlands B.V. as the issuer of notes have agreed not to create or have outstanding any security interest upon or with respect to any indebtedness in the form of notes, bonds or similar debt instruments without ensuring that the

obligations under the notes are secured by the respective security interest as well. In addition, the Company covenanted, amongst others, that (i) the consolidated indebtedness of Aroundtown (as defined in the terms of the notes) will not exceed 60 % and the consolidated secured indebtedness of Aroundtown (as defined in the terms of the notes) will not exceed 45 % of the total assets of Aroundtown (as defined in the terms of the notes), (ii) the unencumbered assets (as defined in the terms of the notes) will at no time be less than 125 % of the unsecured indebtedness (as defined in the terms of the notes), (iii) neither the Company nor its subsidiaries cease to carry on its real estate business, (iv) the consolidated coverage ratio (as defined in the terms of the notes) will be at least 1.8. The terms of the notes *inter alia* provide for a cross default clause relating to events of default under other indebtedness, however defined. Such default under other obligations may lead to an event of default under the notes if such default equals or exceeds more than 10 % of the portfolio value of Aroundtown.

Notes under the EMTN Programme may be issued on a continuing basis to one or more dealers as specified under the EMTN Programme. Notes may be distributed by way of public offer or private placement and, in each case, on a syndicated or non-syndicated basis. The method of distribution of each tranche will be stated in the relevant final terms of each issuance of the respective notes. The minimum denomination of the notes issued under the EMTN Programme will be € 100,000 or an amount in any other currency which is at least equivalent on the issue date. One or more tranches may form a series of notes. Notes may be issued at par or a discount to or a premium over par and may be issued as fixed or floating rate notes, each as stated in the relevant final terms.

Application may be made for notes issued under the EMTN Programme for admission to the Official List and to trading on the Main Securities Market of the Irish Stock Exchange (which is a regulated market for the purposes of Directive 2004/39/EC on Markets in Financial Instruments) or, as the case may be, on other or further markets. Also notes may be issued which are neither listed nor admitted to trading on any market. The applicable final terms for each series of notes will state whether or not the relevant notes are to be listed and/or admitted to trading and, if so, on which stock exchanges and/or markets.

### **Perpetual Notes**

ATF Netherlands B.V., a member of Aroundtown has issued subordinated, guaranteed, perpetual hybrid notes with a total nominal amount of € 600 million in tranches on 17 October 2016 and 17 January 2017 ("**Perpetual Notes**"). The Company has provided an unconditional and irrevocable subordinated guarantee by way of an independent payment obligation (*selbständiges Zahlungsverprechen*) to each holder of the Perpetual Notes that the obligations under the Perpetual notes are paid when due. The obligations under the Perpetual Notes are subordinated to other obligations of the ATF Netherlands B.V. and the obligations of the Company under the

subordinated guarantee are subordinated to the other obligations of the Company. The Perpetual Notes rank senior only to the Shares and thus, qualify as equity of ATF Netherlands B.V for accounting purposes. The Perpetual Notes are governed by German law and admitted to trading on the regulated market (Main Securities Market) of the Irish Stock Exchange. The initial interest rate of the Perpetual Notes is 3.75 %. The interest rate is subject to certain adjustment mechanisms and is re-calculated every five years to apply for the subsequent five year period. Interest payments are due and payable annually. ATF Netherlands B.V. may choose to defer interest payments at its discretion. ATF Netherlands B.V. may redeem the Perpetual Notes in whole but not in part at their principal amount on 20 January 2023 and on each subsequent interest payment date. In addition, in the event the qualification of the Perpetual Notes with regard to rating, accounting or taxation changes due to changes in, or interpretation of, applicable law or applicable accounting standards, the ATF Netherlands B.V. may redeem the Perpetual Notes in full but not in part for 101 % of their principal amount. In addition, ATF Netherlands B.V. may redeem the Perpetual Notes for their principal amount in the event 80 per cent of the Perpetual Notes initially issued have been redeemed or purchased and cancelled by ATF Netherlands B.V. or the ATF Netherlands B.V. would, due to changes in legislation, be obliged to payment of additional amounts on the next interest payment date. Also, ATF Netherlands B.V. may redeem the Perpetual Notes for their principal amount in the event a change of control in the Company occurs.

## **Loan Agreements**

Members of Aroundtown have entered into various bank loan agreements with leading international credit institutions as well as with German saving banks and cooperative banks. The bank loan agreements have been concluded primarily for the purpose of property financing. The aggregate total amount of all bank loans outstanding (including accrued interest) is approximately € 991.5 million as at 31 December 2016.

The loan agreements have no material maturity before 2020 and maturities range until 2032. The loan agreements bear interest at fixed rates or rates to be adjusted on the change in EURIBOR or variable rates of three or six months EURIBOR plus margin. The weighted average interest rate of all loan agreements is 2.3 %. The interest rate depends, among other things, on the quality of the financed property, the total term, the loan-to-value ratio and the market conditions at the time of financial closing.

The loan agreements are typically secured by land charges, assignments of rental payment claims, pledges on the shares of the relevant subsidiary and account pledge agreements. In addition, some of the loan agreements are secured by charges on shares in GCP held by Aroundtown. Almost all of the loan agreements contain financial covenants customary for real estate borrowing. Any breach of financial covenants would usually allow the bank to terminate the

respective loan and claim early repayment of the entire loan unless the breach is cured within a cure period. The general terms and conditions of the relevant lender typically form part of the individual loan agreements which, *inter alia*, typically provide provisions regarding events of default linked to the commercial condition of the relevant borrower.

As at the date of this Prospectus, most of the loan agreements of entities of Aroundtown with banks provide for standard change of control clauses enabling the respective lender to terminate the loan agreement in case of a change of control without the lender's consent. Under a considerable portion of the loan agreements the respective lender may terminate the loan agreement if (a) the Company is no longer (directly or indirectly) the majority shareholder of the respective borrower, or (b) the property management of the respective property is no longer performed by a member of Aroundtown.

Material loan agreements with contractual nominal amounts exceeding € 50 million are described in more detail below as at 31 December 2016.

Lender	Borrowing subsidiary of Aroundtown	Contractual nominal loan amount	Outstanding nominal loan amount (including accrued interest)	Final maturity (year)
		€ million (rounded)	€ million (rounded)	
HSH Nordbank AG	COVOM Grundstücks GmbH STUFAB Grundstücks GmbH HADLF Grundstücks GmbH WCC Wedel S.à r.l. WCC Der Clou S.à r.l. Tedbory Investments Limited SEAKA Grundstücks GmbH	82	80	2021
Berliner Sparkasse	QUAD Grundstücks GmbH	53	51	2020
HSH Nordbank AG	Arg Real Estate 1 Properties S.à r.l. Arg Real Estate 2 Properties S.à r.l. Bonifazius Property B.V. Peaksid Two S.à r.l.	120	119	2026
Citigroup N.A. London Branch (as of January 2017)	Promontoria Blue Holding 3 B.V.	480	468	2020 plus 1 year extension option

### **Interest and Hedging**

The aforementioned loan agreements bear variable interest rates calculated on the basis and to be adjusted according to the change in one- or three-month EURIBOR plus a fixed margin and in one case an additional liquidity surcharge. The margin rates depend, among other things, on the

quality of the financed property, the total term and the loan-to-value ratio, and range from approximately 1.25 % to 2 % p.a.

The borrowers have entered into hedging agreements to cover the majority of the risks arising from possible changes in the variable EURIBOR interest rates. As of 31 December 2016 93% of the total financial debt was fixed or hedged through a hedging instrument.

### **Early repayment**

Except for one case the loan agreements provide for a mandatory early repayment of the loan in the event the respective real estate properties of the borrowing members of Aroundtown are sold. In such case the borrowers shall repay to the lender a proportional loan amount, which exceeds the respective value of the sold real estate properties attributed to such properties in the loan agreement.

In addition, all of the loan agreements provide for an option of the borrower to effect early repayments of the loans. In such case, the borrower has to pay a certain prepayment penalty.

### **Security and Financial Covenants**

The repayment claims of the lenders are secured, amongst others, by land charges on the financed properties, assignments of rental payment claims and account pledge agreements relating, amongst others, to rent accounts as well as in one case a charge of shares in the member of Aroundtown owning the financed properties.

The loan agreements contain certain financial covenants, including the maintenance of a certain LTV ratio and a debt service coverage ratio. A breach of financial covenants usually entitles the lender to terminate the loan agreement if such breach is not cured within a certain period of time. In addition, under some of the loan agreements the borrowing entities are obliged not to further encumber the respective real estate properties by land charges or similar security ranking junior to the security granted to the respective lender. In one case, the borrowing members of Aroundtown covenanted with the lender to maintain a certain WALT in the financed properties.

### **Change of Control and Termination Provisions**

Most of the loan agreements provide for a change of control clause enabling the lender to terminate the loan agreement and request repayment of the outstanding loan amount together with due but unpaid interest in the event the respective borrowing entities do not belong to Aroundtown any longer or a change of control occurs with respect to the Company. In some cases, the borrower has a right of approval of such change of control and a termination right exists in the event the change of control is implemented without the approval.

The loan agreements contain market standard termination provisions which include the right of termination for the lender in the event the borrower defaults on any payments due under the loan agreements or breaches certain financial or other covenants or files for insolvency.

### **Credit Facility Agreements**

Members of Aroundtown have entered into several credit facility agreements with leading international banks. As of 31 December 2016 the total loan amount available under the revolving credit facility agreements amounted to approximately € 262 million. The amounts drawn under these facility agreements bear interest in the amount of applicable EURIBOR plus a spread. The applicable spread ranged from 2.95 % to 3.3 %. As of 31 December 2016, members of Aroundtown had drawn a total nominal amount of € 140 million under the credit facility agreements. Two facility agreements with a total nominal amount available of approximately € 221 million ended in April 2017. The amounts drawn under these agreements were repaid together with accrued interest. Under these agreements Edolaxia Group Ltd. had pledged some of its shares held in GCP in order to provide security to the lenders for the existing obligations under the respective credit facility agreements. As of 31 December 2016, 19.5 million shares were pledged. After repayment of the outstanding amounts and the end of the respective facility agreements the pledge over the GCP shares has been terminated.

As of the date of this Prospectus all outstanding amounts under credit facility agreements have been repaid together with respective interest and there are no drawn amounts outstanding under any of the credit facility agreements. In addition, as of the date of this Prospectus, no shares in GCP are pledged.

### **Acquisition Agreements**

Members of Aroundtown enter into acquisition agreements relating to real estate properties in the ordinary course of business and on a regular basis. Generally, such acquisitions are conducted either by way of an acquisition of the shares in the respective entity holding the properties (share deal) or by way of a purchase of the real estate properties (asset deal). The following section provides an overview on the material acquisition agreements to which members of Aroundtown are a party.

In May 2016, members of Aroundtown completed the acquisition of eleven office properties (through share deals) in the Netherlands for a purchase price of approximately € 130 million. At the time of acquisition, the acquired portfolio was 91 % occupied and leased to several diversified tenants with a WALT of approximately 2.5 years and generated approximately € 15.2 million of annual net rent.

In July 2016, members of Aroundtown completed the acquisition of seven office properties (through share deals) in the Netherlands for a purchase price of approximately € 140 million. At the time of acquisition, the acquired portfolio was 90 % occupied and leased to several diversified tenants with a WALT of approximately 4.5 years and generated approximately € 11.5 million of annual net rent.

In October 2016, members of Aroundtown completed the acquisition of four office properties (through share deals) in the Netherlands for a purchase price of approximately € 160 million. At the time of acquisition, the portfolio was 82 % occupied and leased to several diversified tenants with a WALT of approximately 5.7 years and generated approximately € 11.5 million of annual net rent.

In January 2017, a member of Aroundtown completed the acquisition of a retail property portfolio located in Germany for a purchase price of approximately € 780 million. The purchase price is subject to certain market standard adjustment mechanisms. The acquisition was implemented by way of a share deal whereas a member of Aroundtown acquired 94.9 % of the shares in a holding entity of the property portfolio. Aroundtown intends to re-sell approximately half of the properties of the acquired portfolio in the course of the calendar year 2017. Such properties are currently classified as assets held for sale. As of the date of this Prospectus, Aroundtown has not entered into any sale agreements. However, in the event Aroundtown disposes of the respective properties held for sale, the effect of the acquisition after the potential on-sales to third parties would be a total net acquisition amount of approximately € 350 million. The property portfolio is comprised of approximately 40 properties - 20 of which are held for sale - across Germany mostly overlapping with Aroundtown's strategic locations. As of the date of this Prospectus, the properties are fully let to an investment grade tenant (rated "BBB-" by S&P) with a WALT of approximately 10 years and generate approximately € 59.5 million of annual net rent.



## **REGULATORY ENVIRONMENT**

Aroundtown's business activities are subject to legal requirements, in particular real estate related provisions in Germany and the Netherlands. The essential regulatory framework for Aroundtown's business activities is discussed below.

### **Regulatory Environment in Germany**

#### **Limitations of German Tenancy Law**

German tenancy law distinguishes between residential and commercial premises. The residential portfolio held by Aroundtown is governed by residential tenancy law, which in large part favours tenants through extensive social safeguards. In particular, it imposes restrictions on Aroundtown with regard to the increase of rent, allocation of ancillary costs including costs for repair and maintenance, the termination of letting contracts and the eviction of tenants which are in breach of contract. Further, the sale of residential space if converted into condominium property might trigger pre-emption rights and impair selling options.

#### **Statutory limits on rent increases**

With lease agreements that are not subject to rent control, e.g. by public subsidies regulations, the landlord may assert a right of contractual adjustment, subject to statutory and contractual requirements, up to locally prevailing comparative rent levels if the rent has remained unchanged for the 15 months preceding the intended increase. As a rule, however, the rent cannot be increased by more than 20 % in three years (capping limit). The German Tenancy Law Amendment Act 2013 (*Mietrechtsänderungsgesetz*) provided inter alia the authorization of German federal state governments to decrease the capping limit to 15 % over a three-year period for specific municipalities. The German federal state governments of Bavaria, Berlin, Brandenburg, Bremen, Hamburg, Hessen, NRW, Schleswig-Holstein, Baden-Württemberg, Sachsen and Rhineland-Palatinate have made use of their option and decreased the capping limit (e.g. for the municipalities of Berlin and Munich). When freely financed residential units are modernized, the landlord may also increase the annual rent by 11 % of the respective costs incurred in the modernization of the residential unit, subject to statutory and contractual requirements. Following the announcement of rent increase, the tenants may have a special termination right.

According to German law and the Privatization Agreement, Aroundtown may only increase the rent within the limit set by the relevant rent index (*Mietspiegel*). Further, any modernization shall be in line with the standards of government subsidized apartment buildings (*geförderte*

*Wohnungsbaumaßnahmen*), that is, Aroundtown may not undertake luxury refurbishments in order to increase the rent.

### **Owner's repair and maintenance obligations**

Under German law, the landlord must repair and maintain the property (this obligation extends to the structure, the façade, the roof of the building, and also the interior of the residential units). In general, the landlord cannot transfer this repair and maintenance obligation.

Subject to compliance with statutory limitations, the landlord may assign the repair and maintenance obligations for a residential unit's interior to the tenant. If the landlord assigns such obligations within standardized contracts, the terms must comply with the strict requirements for general terms and conditions (*Allgemeine Geschäftsbedingungen*). For example, the Federal Supreme Court has ruled that standard clauses in letting contracts are invalid if they obligate the tenant to carry out cosmetic repairs (*Schönheitsreparaturen*) within a fixed schedule or if they obligate the tenant to fully renovate the apartment at the end of the letting term (*Endrenovierung*) or if they provide for compensation regarding ratios (*Quotenabgeltung*). The invalidity of such clauses results in the landlord being responsible for the repair and maintenance and being required to bear all related costs. If the tenant carries out such repair and maintenance works without actually being obliged to do so, the landlord might have to compensate the corresponding costs.

### **Statutory protection against termination and eviction**

As a rule, the landlord may terminate an unlimited lease agreement for residential space on a statutory basis only if the landlord has a legitimate interest in ending the tenancy. By law, a legitimate interest in ending the tenancy may only arise (i) if the tenant commits a culpable contractual breach with material effect, (ii) if the owner has a lawful claim of personal use in the property for himself, his family members, or members of his household, or (iii) if the owner would otherwise be prevented from reasonable economic utilization and would therefore suffer considerable detriment. "Reasonable economic utilization" as grounds for termination is intended to ensure the free economic disposability of property. Such grounds exist if the owner were to suffer considerable detriment from continuing the tenancy (for example, receiving a significantly lower purchase price; expenses significantly exceed income). However, a landlord's intention of converting housing into individually owned residential units, for example, would not qualify.

If let residential space that is converted into condominium property, or is intended for such conversion, is to be sold to third parties, the German Civil Code (*Bürgerliches Gesetzbuch*) prohibits personal use and reasonable economic utilization as grounds for termination by the purchaser for three years after transfer of title if the residential space was already let to a tenant before the conversion to individual ownership. The German federal state governments are

authorized to extend the prohibition up to a period of ten years after transfer of title. All federal states (*Bundesländer*) except for Mecklenburg-Vorpommern, Sachsen, Sachsen-Anhalt and Saarland have made use of their option and extended the period of protection for specific municipalities.

Further, even if the landlord terminates the letting contract on the basis of a legitimate interest the tenant is protected under German tenancy law. In consequence, a court may allow for an appropriate deadline (with a maximum delay of one year) for the tenant to vacate the apartment even though the letting contract was effectively terminated by the landlord.

### **Statutory restrictions in selling residential space**

If let residential space that is converted into condominium property, or is intended for such conversion, is to be sold to third parties, the German Civil Code (*Bürgerliches Gesetzbuch*) grants the tenant a statutory pre-emptive purchase right, that is, the tenant is entitled to purchase the space on the same terms as the buyer. However, no pre-emptive right exists if the unit was already condominium property when let or if the unit is sold to landlord's family members, or members of his household. Requirement for energy certificates and energy conservation measures.

Starting 1 January 2009 for sales or new letting of residential units, potential buyers and tenants must be given an energy certificate upon request that discloses the property's energy efficiency. In undertaking modernization measures, additions or extensions, an energy certificate must be prepared if an engineering assessment of the entire building's energy consumption is performed in the course of the modernization that allows the certificate to be prepared at a reasonable cost. The energy certificate is generally valid for ten years. For buildings completed no later than 1965, the owner must already have had an energy certificate available starting 1 July 2008. The Energy Savings Ordinance (*Energieeinsparverordnung*) of 24 July 2007, as amended on 29 April 2009, also requires structural alterations for energy conservation. Failure to comply with these rules can be penalized as an administrative offense. A further amendment of the Energy Savings Ordinance was due on 9 January 2012 according to European Law, however has been delayed. This further amendment has been published on 21 November 2013 and took effect as from 1 May 2014. The further amendment requires inter alia additional structural alterations for energy conservation, which will have to be implemented by 2015 regarding heating facilities that are older than 30 years and by 1 January 2016 regarding buildings. Further the energy certificate must be handed over to the potential buyer or tenant prior to an entry into a new purchase or lease agreement. Furthermore, if a seller or landlord advertises the property via commercial media, the energy performance indicator of the respective property's existing energy certificate must be stated in the advertisement. The withholding of that kind of energy information may be penalised as an administrative offence.

## **Commercial Leases**

The legal relationship between commercial tenants and their landlords is more balanced than the relation between residential tenants and their landlord. The aforementioned strict statutory provisions aiming at protecting residential tenants are basically not applicable to commercial tenants. However, there are strong tendencies of courts in their decisions to construe the law in a way to apply similar rules to commercial leases, especially if these are based on general terms and conditions. The most relevant areas affected by such court decisions are refurbishment, maintenance and ancillary costs. In contrast to residential leases, commercial leases are mostly entered into for a fixed period, usually for several years. During fixed lease terms, neither the tenant nor the landlord is entitled to terminate the lease agreement unless for good cause. Fixed lease terms are advantageous for both. The tenant can rely on being entitled to use the rented space for a fixed period and the landlord has a secured steady cash-flow. However, lease agreements with a fixed lease term need to comply with the statutory requirement of written form. Although a lease agreement which does not meet the requisite written form standards is not void, it is regarded as lease with an indefinite term and thus can be terminated any time respecting notice periods in accordance with statutory law (e.g. office space: notice period six to nine months depending on when the termination notice is served) by either party. Therefore, it is essential for landlords to ensure that commercial leases with a fixed lease term comply with the requirement of written form in order to avoid a shortfall of payment.

There is a trend in the case law of the German Federal Supreme Court (*Bundesgerichtshof*) to the effect that restrictions originally developed for residential tenancy law are increasingly being applied to lease agreements for commercial properties. This may result in provisions contained in commercial lease agreements no longer being valid in the future and thus increasing costs to be borne by the landlord.

## **Current Developments in Tenancy Law**

The German Federal Government as well as several German states have presented draft bills that - partly because of necessities resulting from the Energy Concept which shall facilitate, inter alia, a reduction of the German primary energy need (*Primärenergiebedarf*) in 2050 by 80 % (compared to 1990) - came into effect in May 2013. Main amendments resulting therefrom are that (i) tenants shall have to endure - and be excluded from rent reduction for three months because of - maintenance measures (*Erhaltungsmaßnahmen*) and modernization measures (*Modernisierungsmaßnahmen*), in particular energetic modernization measures, unless such measures would constitute an unreasonable hardship; (ii) following the announcement of modernization measures, tenants are entitled to a special termination right (*außerordentliche Kündigung*); (iii) except for certain types of measures that are not directly linked to the leased premises and unless this would constitute an unreasonable hardship for the tenant, landlords

shall be entitled to allocate cost for such modernization measures to tenants of residential units by way of an increase of the annual rent in the amount of 11 % of the cost accrued (less the cost accrued for maintenance measures anyway); (iv) German federal state governments are authorized to limit rent increasement up to locally prevailing comparative rent level to 15 % in three years (capping limit) for specific municipalities; (v) as alternative to the classic eviction procedure, the so-called „Berliner Räumung”, offering the landlord the cost effective opportunity to limit the eviction procedure to the procurance of possession, shall be implemented; (vi) eviction procedures shall furthermore no longer be tediously delayed because of a right of possession of a third person that is not covered by the executory title (*Vollstreckungstitel*); a further title against such third person shall be obtainable by way of an injunction (*einstweiliger Rechtsschutz*); (vii) the existing restriction of termination of lease agreements for a period of three years shall be extended to the case that in the course of a continuing lease the leased premises have been transformed into condominium and have subsequently been sold to a partnership or to more than one purchaser. Furthermore, the Tenancy Law Amendment Act (*Mietrechtsänderungsgesetz*) includes provisions according to which the costs resulting from heat-contracting (*Wärmelieferung*) can be charged to tenants as part of the service charges under certain conditions. These provisions have become effective as of 1 July 2013.

Further statutory limitation on the rent for new lease agreements (so-called *Mietpreisbremse*) have been introduced by another German Tenancy Law Amendment Act (*Mietrechtsnovellierungsgesetz*) adopted on 21 April 2015. According to the German Tenancy Law Amendment Act (*Mietrechtsnovellierungsgesetz*), which came into effect in June 2015, the limit shall apply to any newly agreed rent at a maximum of ten per cent above the relevant locally prevailing comparative rent level (*ortsübliche Vergleichsmiete*), unless the rent level agreed with the previous tenant was higher. It shall, however, neither apply to commercial lease agreements nor to the first lease agreements relating to new or fully modernised buildings. The German Tenancy Law Amendment Act (*Mietrechtsnovellierungsgesetz*) authorises the German federal state governments to implement such limitation (and thus a limitation would be at the discretion of each federal state) for specific regions which are subject to restrictions in the affordable housing sector and will be designated by them in ordinances. The ordinances may be enacted until the year 2020. All federal states (*Bundesländer*) except for Mecklenburg-Vorpommern, Sachsen, Sachsen-Anhalt and Saarland have already implemented or have announced the implementation of respective ordinances.

In addition, the German Tenancy Law Amendment Act (*Mietrechtsnovellierungsgesetz*) contains provisions regarding the payment of real estate agents. Previously, the tenant had to pay the agent's commission even if the landlord hired the real estate agent. The German Tenancy Law Amendment Act (*Mietrechtsnovellierungsgesetz*) requires the landlord to pay the commission if the landlord hires the agent.

In Germany, affordable housing continues to be a political topic receiving a high level of attention. The German Federal Ministry of Justice (*Bundesjustizministerium*) has presented another draft bill (*Zweites Mietrechtsnovellierungsgesetz*) on 12 April 2016 amending the calculation of lettable spaces and the regulation regarding modernisation measures. This topic and further regulatory implementations could further affect the ability of Aroundtown to freely agree on rental fees in new lease agreements to the extent described. Tightened rent restrictions might impair the ability of Aroundtown to increase rents, which in turn could adversely affect the business, net assets, cash flows, financial condition and results of operations of Aroundtown.

## **Limitation for the Use of the Properties**

### **Easements in the Land Register**

On some of the properties owned by Aroundtown, easements (*Grunddienstbarkeiten*) are registered with the land register. Probably, properties to be acquired in the course of development projects will often be encumbered with such easements. An easement requires the owner of the charged property “in rem” to refrain from taking action (for example, not to build on specific parts of the property) or to forbear action to be taken (for example, to grant transmission rights, electricity, water, and gas). The content of the obligation can be enforced by the relevant third-party. Since registered easements are attached to the property itself, they can be enforced against the current and subsequent owner of the charged property as well as against legal successors.

### **Public easements**

Some of the properties owned by Aroundtown are also encumbered with public easements (*Baulasten*). A public easement requires the owner of the charged property vis-à-vis the public authority to take action (for example, to create a certain number of parking slots), refrain from taking action (for example, not to build on specific parts of the property) or forbear action to be taken (for example, laying pipes or cables by third parties). The content of the obligation can be enforced by means of an administrative order. Some of the investment properties are subject to unification public easements (*Vereinigungsbaulasten*). These public easements create a single “construction property” (*öffentlich-rechtliches Baugrundstück*) out of the affected properties which continue to be independent properties under civil law. Many provisions of public building law, such as the requirements of minimum distances between buildings, apply to the construction property as if the plot boundaries did not exist. Probably, properties to be acquired in the course of development projects will often be encumbered with public easements.

Since public easements attach to the property itself, they can be enforced against the owner of the charged property and against third parties. The public easement is also effective against legal

successors (that is, buyers of the charged properties) and can only be suspended by a waiver of the competent authority. The restrictions resulting from the public easement may affect the value of the charged property.

### **Restrictions in connection with monument protection**

In case buildings are listed as protected monuments, certain restrictions set forth in the various monument protection acts of the federal states (*Bundesländer*) are applicable. Although the federal states' monument protection acts differ in detail, the basic provisions are identical. Protected monuments must not be demolished, reconstituted, refitted or amended without a permit being issued by the competent authority. In the permit, the authority usually imposes certain requirements as to how to carry out the construction measures envisaged by the developer. These requirements might restrict the measures possible, cause additional costs and take additional time and, therefore, need to be taken into consideration before deciding on a development and in the course of such development. Theoretically and as very last resort, the competent authority could even expropriate the owner of a protected monument if the building cannot be protected otherwise. However, the owner is entitled to financial compensation in the case of an expropriation.

### **Restrictions in connection with the Building Permit**

Owners of buildings that have been erected in compliance with applicable laws and regulations and have received a building permit (*Baugenehmigung*) in principle enjoy constitutional protection of property with respect to such buildings. Nevertheless, as an exception to this general rule, the competent authority may, under certain circumstances, demand alterations to buildings on grounds of safety (e.g., fire safety) or health risks from a property. While mere non-compliance with prevailing regulations generally does not warrant such orders, the occurrence of concrete safety or health risks with respect to users of the building or the general public allows the competent authority to demand immediate action from the owner. Relevant risks in this regard include fire risks, traffic risks, risks of collapse and health risks from injurious building materials such as asbestos.

The protection of existing buildings does not cover any alterations to such buildings or changes in the type of use. A change of use may require a construction permit if the intended use differs from the use classified in the development plan (*Zweckentfremdung*) or the intended use is subject to special regulations. Thus, for example, the conversion of residential space into office or retail space or vice versa may require a construction permit.

### **Restrictions in connection with special urban planning laws**

Cities and municipalities are entitled to enact urban planning law to remediate or avoid undesired urban development. By such urban planning laws, areas can inter alia be classified as urban refurbishment areas (*Sanierungsgebiet*) or urban preservation areas (*Erhaltungsgebiet*). In case a site is situated in an urban refurbishment area, a vast number of measures regarding the site or the building are subject to a permit being used by the competent authority. A permit is especially required for (i) the sale of the property, (ii) the conclusion of lease agreements with a lease term of more than one year, (iii) the registration of rights encumbering the site, (iv) the registration of public easements and (v) the division of the site. In urban preservation areas, the erection, demolition and amendment of buildings as well as any changes of their use and the creation of condominium rights may, subject to local statutory law (*Erhaltungssatzung*), require a permit being issued by the competent authority.

In addition, the city or municipality can pass a resolution which classifies an area as a conversion area (*Umlenungsgebiet*). Such resolutions are passed if there are (too many) sites which cannot be properly used due to their size and/or location and, as a consequence, obstruct the city's/municipality's urban development intentions. In the conversion process, sites or parts of sites are exchanged. If the exchanged (parts of) sites do not have equal values, financial compensations are paid. From the passing of the resolution on conversion to the completion of the conversion process, a permit being issued by the competent authority is required for (i) the sale, (ii) the registration of rights encumbering the site and (iii) any building measures unless they are not subject to a building permit and do not increase the site's value.

### **Restrictions due to copyrights in architectural services**

Some of Aroundtown's properties may be works of architectural significance and therefore possibly also subject to copyrights, especially with regard to the respective architect's services. Structural changes in such instances may be subject to the designer's or architect's consent.

### **Liability for Contamination of the soil and buildings**

Liability for residual pollution (*Altlasten*) and contamination of the soil (*schädliche Bodenveränderungen*), including water pollution caused by such residual pollution or



contamination, as well as for the contamination of buildings with asbestos and other harmful materials, such as PCB, DDT, PCP or Lindane, may arise from rules and regulations under both public law and civil law. Liability under public law for residual pollution cannot be excluded through agreements under civil law. Liability under civil law may, however, generally be limited or excluded by way of agreement. In the course of developments the developer will be responsible for the disposal of pollution, usually, however, shifting this responsibility to a general contractor to a great extent. To the extent that liability is not assumed by the seller of a property or other third party, e.g. a pre-seller or a general contractor, or cannot be enforced against this third party, Aroundtown remains liable as owner of the acquired property or as developer as the case may be.

### **Responsibility under public law for residual pollution and soil contamination**

Pursuant to the Federal Soil Protection Act (*Bundesbodenschutzgesetz*), the parties responsible for remediation measures with regard to residual pollution and contamination of the soil include the party that caused the contamination, its universal legal successor (*Gesamtrechtsnachfolger*), the owner of the contaminated real property and each previous owner of the contaminated property (if such former owner transferred the property after the entering into force of the Federal Soil Protection Act (*Bundesbodenschutzgesetz*) on 1 March 1999 and knew or should have known about the contamination), the person with actual control over the property, and, in specific circumstances, the person or entity responsible under general principles of commercial or corporate law for the legal entity (*juristische Person*) owning the site. With regard to these potentially liable parties, there is no general ranking as to which of the parties is primarily liable. It is within the discretion of the relevant authority to decide which party shall be held liable. The party most likely to be held liable is the current owner of the contaminated site, because it is legally entitled to carry out the required remedial measures.

Furthermore, the liability of the entities and persons who can be held liable by the authorities for remediation does not require a showing of negligence or intent on the part of the liable parties. The Federal Soil Protection Act (*Bundesbodenschutzgesetz*) authorizes the local authority to require risk inspections, investigations, remedial measures, and other necessary measures for the protection against contamination of the soil or residual pollution. The Federal Soil Protection Act (*Bundesbodenschutzgesetz*) contains a default statutory indemnification obligation on the part of the responsible parties that, irrespective of an official order, allocates liability among the parties in accordance with their respective contribution to the cause of the contamination. This allocation can be modified or waived by express contractual agreement.

Further, pursuant to the German Environment Contamination Act (*Umweltschadensgesetz*) authorities may at their discretion require risk inspections, investigations, remedial measures, and other necessary measures for the protection against any environment contamination which were

caused after the 30 April 2007. The holder of a real property may be held responsible, any potential party responsible may be held liable and there is no general ranking as to which of the parties is primarily liable.

### **Asbestos**

German law distinguishes between two types of asbestos: (i) friable asbestos and (ii) other types of asbestos, each resulting in different legal consequences.

Friable asbestos can release asbestos fibres into building air due to ageing and external force. Friable asbestos is generally found in construction materials that provide fire safety, noise abatement, moisture protection, heat insulation, and thermal protection. Other types of asbestos are involved if the material containing asbestos is firm and no asbestos fibres can escape into the air, thus not posing a risk to human health.

Under the rules of the asbestos guidelines (*Asbest-Richtlinien*) of the German federal states, the standard for determining a remediation obligation is the presence of any threat to health in any specific case. Therefore, except in the event of structural alterations, there is generally no obligation to remove non-friable asbestos under the asbestos guidelines because of the lack of fibre formation.

As to friable asbestos, the asbestos guidelines prescribe criteria for assessing the urgency of taking remedial action in case of contamination. This is determined according to three levels of urgency: urgency level I requires immediate remediation of the structure; urgency level II requires reassessments at intervals of no more than two years; and urgency level III requires a reassessment at intervals of no more than five years. Remediation measures under the asbestos guidelines include demolition, removal, or coating of the asbestos products, and separation of the asbestos products from the respective space to ensure that fibres do not become airborne.

In the event of asbestos contamination, the tenant can assert a commensurate right of rent abatement. German courts have decided that the presence of a defect for purposes of warranty requirements under tenant law can be presumed if the onset of a health threat cannot be excluded. Accordingly, the courts have permitted rent abatements even in cases involving urgency levels II or III, which, under the asbestos guidelines, merely require that the level of risk be monitored. Tenants may also claim compensatory damages if the defect was present at the time of contract formation or if the landlord is in default with its obligation to remedy the defect. Finally, tenants also have the right to remedy the defect on their own and require that their reasonable expenses be reimbursed under certain conditions.

**Polychlorinated Biphenyl (PCB), Dichlorodiphenyltrichloroethane (DDT), Pentachlorophenol (PCP) and Lindane**

PCB is widely spread in the environment today. Since PCB may cause damage to embryos and is suspected to have carcinogenic effects and affect human health, its production was prohibited in Germany in 1983. However, PCB may still exist in buildings (for example, in wood preservatives, synthetic materials, insulations or joints). PCP was used as a fungicide against mould. Based on construction law or emissions protection law in conjunction with the “Guidelines on the Assessment and Remediation of PCB containing Construction Material or Elements in Buildings” (PCB-Guidelines), the owner of a building may be obliged to remedy PCB sources. In particular, remediation measures may become necessary if the PCB concentration in rooms which are designed for human use exceeds 300 nanograms per cubic meter of air. Remediation measures include the elimination or sealing of PCB-containing construction elements. DDT and Lindane are synthetic pesticides, which were also used in wood preservatives. DDT is suspected to cause cancer and to be genotoxic, while Lindane is suspected to harm the nervous system, especially in case of occupational exposure, and to also possibly cause cancer. As regards DDT, PCP and Lindane, their existence in buildings may entitle the tenant under certain conditions to reduce rent or claim damages. Moreover, the remediation of rooms or buildings where DDT, PCP or Lindane concentrations exceed certain thresholds may be required. Guidelines dealing with DDT, PCP and Lindane exist in several federal states. For instance, the Senate of Berlin recommends the remediation of rooms intended to be used permanently for residential purposes if the DDT concentration in wood or dust exceeds 5 milligrams per kilogram, or if the Lindane concentration in wood or dust exceeds 2 milligrams per kilogram. With regard to PCP, the Senate of Berlin recommends the remediation of rooms intended to be used permanently for residential purposes if the PCP concentration in wood will exceed 50 milligrams per kilogram, or if in dust it will exceed 5 milligrams per kilogram and further conditions are met. Another guideline issued by several German federal states recommends the remediation of rooms used permanently for residential purposes if the PCP concentration in “fresh” dust exceeds 1 milligram per kilogram, or if in “old” dust it exceeds 5 milligrams per kilogram and further conditions are met.

**Legionella-Tests**

According to the German Ordinance on drinking water (*Trinkwasserverordnung 2001*) as amended on 2 August 2013, owners of drinking water facilities located in properties with more than one residential unit are obliged to check regularly, at least triennially, if the water is polluted by Legionella (bacteria). The competent authorities are entitled to require additional checks. The Legionella tests have to be carried out by accredited laboratories. If the thresholds mentioned at the German Ordinance on drinking water are exceeded, the owner of the drinking water facility has to restore target conditions.

### **Protection of Groundwater and Maintenance of Sewage Systems**

Pursuant to the German Federal Water Management Act (*Wasserhaushaltsgesetz*), all sewage systems must be constructed, operated and maintained according to the generally accepted Rules of Technology (*anerkannte Regeln der Technik*). Property owners are required to check, among other things, for the sewage system's condition, operability, maintenance and the amount and quality of wastewater and the substances contained therein. In the case of deficiencies, property owners must repair the sewage system. The German Federal Water Management Act (*Wasserhaushaltsgesetz*) authorizes the German Federal Government (*Bundesregierung*), with approval of the Second Chamber of the German Parliament (*Bundesrat*), to enact an ordinance specifying the abovementioned obligations concerning sewage systems. On 3 January 2012, the German Federal Government (*Bundesregierung*) announced that no set date can currently be foreseen for the enactment of such an ordinance. Until an ordinance by the German Federal Government (*Bundesregierung*) is enacted, the federal state governments may enact their own ordinances regarding the aforementioned obligations. Required testing intervals under such ordinances vary from state to state and sometimes between different zones within one state.

### **Restitution Claims**

#### **German Act on Unsettled Property Issues in Eastern Germany (Gesetz zur Regelung offener Vermögensfragen)**

According to the German Act on Unsettled Property Issues (*Gesetz zur Regelung offener Vermögensfragen*), persons who were expropriated of property within the former German Democratic Republic ("GDR") can claim restitution or compensation under certain conditions, in particular if the property was seized without compensation or less compensation than citizens of the GDR were entitled to. The German Act on Unsettled Property Issues (*Gesetz zur Regelung offener Vermögensfragen*) is also applicable to persons who lost property due to racist, political, religious or ideological reasons during 1933 and 1945. Dispossessions between 1945 and 1949 are, however, considered irrevocable and no restitution is granted under the German Act on Unsettled Property Issues (*Gesetz zur Regelung offener Vermögensfragen*).

Applications for restitution of real property generally had to be filed by 31 December 1992. However, the Jewish Claims Conference filed a general claim in 1992 due to the difficulty of specifying individual claims prior to the 31 December 1992 deadline. This general claim lists numerous former owners of real properties and their respective heirs who may be entitled to restitution or compensation under the German Act on Unsettled Property Issues (*Gesetz zur Regelung offener Vermögensfragen*). It is not clear, however, how much real property could be affected by the general claim.

If specific claims are brought forward concerning real property, the German Act on Unsettled Property Issues (*Gesetz zur Regelung offener Vermögensfragen*) requires that current owners of such real property become subject to restrictions on material changes to, and transfer of, the real property. Since the processing of claims may take up to several years, such restrictions may be in effect for that duration. If specific claims are successful, the owner(s) of the relevant real property may be forced to transfer the real property to the claimant.

The person who holds title to the real property immediately before the restitution is, under certain circumstances, entitled to compensation for the loss of the real property from the compensation fund. Further, the person who holds title to the real property immediately before the restitution is entitled to claim compensation from the former/new owner (or its successor), to whom the real property is returned, if he invested in the real property and if these investments lead to an improvement of the real property which will be with the new/former owner.

### **German Act on the adjustment of property law (*Sachenrechtsbereinigungsgesetz*)**

As Aroundtown's properties are partially located in the former GDR, the German Act on the adjustment of Property Law (*Sachenrechtsbereinigungsgesetz*) is applicable which provides for specific claims, inter alia if a real property was developed by the user during the term of the GDR, so that the ownership of the land and the building could fall apart in accordance with the GDR's statutory law. According to the German Act on the adjustment of Property Law (*Sachenrechtsbereinigungsgesetz*), the user is entitled (i) to acquire such real property at a purchase price equivalent to half of the market value or (ii) to be granted a hereditary building right with a hereditary ground rent equivalent to half of the usual amount. Claims under the German Act on the adjustment of Property Law (*Sachenrechtsbereinigungsgesetz*) were generally subject to a limitation of ten years after the German Act on the Modernization of Contractual Law (*Gesetz zur Modernisierung des Schuldrechts*) became effective on 1 January 2002, i.e. became generally time-barred on the 31 December 2011.

### **Social Law Framework**

A portion of Aroundtown's tenants receive social benefits, including financial support for accommodation costs as part of unemployment compensation (*Arbeitslosengeld 2*), basic social care for retired persons (*Grundsicherung im Alter*) or social welfare (*Sozialhilfe*), as well as accommodation allowances (*Wohngeld*). Social benefits are based on the German Basic Constitutional Law (*Grundgesetz*), particularly on the fundamental rights of protection of human dignity, of marriage and family, and on the principle of the welfare state.

Persons who have not yet reached the statutory retirement age and are fit for work, that is, not permanently disabled, may receive social benefits according to the Second Book of the Social

Security Act (*Sozialgesetzbuch II*) if they are not able to make their living from their own means. These social benefits include financial support for accommodation costs. Such financial support is also granted to persons who have already reached the retirement age but whose income, including the retirement pension and personal fortune, are not sufficient to enable them to make their living. In Berlin, such financial support accommodation costs are under the responsibility of Berlin. This support is usually paid in the amount of the rent actually incurred but only up to the rates deemed appropriate by Berlin. Currently, in Berlin the appropriate rates for rent and heating start at € 405 for a single-person household. In general, the support is paid to the tenant. However, if it is uncertain that the tenant will use the financial support to pay the rent, the competent authority may transfer the money directly to the landlord.

Pursuant to the Twelfth Book of the Social Security Act (*Sozialgesetzbuch XII*), financial support for accommodation costs may also be paid to other persons in need, for example, to persons who are diseased over a substantial period of time. According to the Act on Accommodation Allowances (*Wohngeldgesetz*), everybody who does not receive financial support for accommodation costs as part of unemployment compensation, basic social care for retired persons, social welfare or according to specific provisions for asylum seekers, may be entitled to accommodation allowances. The right to such allowances depends on the number of persons living in the household, their income and the costs of rent. Since January 1, 2011, heating cost do no longer form part of the calculation basis of the accommodation allowances.

### **German Tax Law on Property Purchases**

Purchasers of properties located in Germany are required to bear certain taxes and public charges. Amongst others, purchasers of properties are obliged to pay Real Estate Transfer Tax (*Grunderwerbsteuer*). Real Estate Transfer Tax amounts to a certain percentage of the value of the property (generally correlating with the purchase price). The precise percentage is fixed by the respective German federal state in which the property is located and currently varies from 4.5 % to 6.5 %. Further amendments have been announced regarding share-deals.

### **Access for Foreign Investors to German Real Estate**

In contrast to some other jurisdictions there are no property-specific restrictions for foreign investors to acquire property in Germany.

### **Restrictions in connection with subsidized housing**

Subsidized housing generally triggers restrictions on the maximum amount of rent permitted by law and often limits Aroundtown of possible tenants to those holding a “housing eligibility certificate” (*Wohnberechtigungsschein*).

German legislation regarding subsidized residential units has been significantly amended as from 2001, replacing the former Controlled Tenancies Law (*Wohnungsbindungsgesetz*) and the concept of “cost covering rent” with the Residential Space Subsidy Law (*Wohnraumförderungsgesetz*) and the concept of “maximum rent”. Under the cost covering rent concept, which is still applicable for residential units subsidized before 31 December 2001 (in exceptional cases before 31 December 2002), the landlord is only allowed to charge the amount of rent necessary for covering all of the costs for the property including financing costs. Under the new concept of maximum rent pursuant to the Residential Space Subsidy Law (*Wohnraumförderungsgesetz*), which is generally applicable for residential units subsidized after 31 December 2001, the landlord is entitled to charge the maximum rent which has been set forth by the competent authorities and which reflects the market value. The market value and therefore the maximum rent is subject to future changes and may be adjusted in correlation with market developments.

Inter alia the following statutory provisions generally apply to subsidized housing: First and Second Housing Laws (*Erstes und Zweites Wohnungsbaugesetz*), the 1970 Rent Ordinance for New Construction (*Neubaumietverordnung*), the Controlled Tenancies Law (*Wohnungsbindungsgesetz*), the Second Calculation Ordinance (*II. Berechnungsverordnung*), the Residential Space Subsidy Law (*Wohnraumförderungsgesetz*), “First, Second and Third Subsidy Programs” (*Erster, Zweiter, Dritter Förderweg*) and the respective German federal state’s statutory provisions, as e.g. the “Maintenance and Modernization Subsidy” (*Instandhaltungs- und Modernisierungsförderung*) of Berlin and the Law on Social Housing in Berlin (*Wohnraumgesetz Berlin*). Further, subsidies may have been granted under the Law on Pre-existing Debt (*Altschuldenhilfegesetz*), applicable for municipalities and municipally owned entities which acquired properties located in the former GDR after the reunification. Under the aforementioned statutory provisions, please note especially that provisions on rent control (*Mietpreisbindung*) at present value and provisions regarding the ending of the attribute “government funded” (*öffentlich gefördert*) apply.

Subsidies for maintenance and modernization of housing granted on the basis of directives of Berlin also contain restrictions on the maximum rent and scope of eligible tenants. However, such restrictions are generally not resulting from statutory provisions but from contractual obligations, i.e. agreements entered into between the respective landlord and the City of Berlin.

Regarding statutory restrictions, in some cases, sales of subsidized residential units are restricted as they require the competent authorities’ approval. Furthermore, subsidies may have to be repaid to the authorities in the event that condominium rights will be created for subsidized residential units. In any case, the respective owner of subsidized residential units is obliged to comply with various information obligations vis-à-vis authorities who have granted such subsidies.

One year after the ending of the attribute “government funded” (*öffentlich gefördert*), the landlord is entitled to increase the rent for the subsidized unit up to market rent. The restrictions set forth under section 558 German Civil Code (BGB) apply. If the subsidies are repaid early, an extension

period of up to ten years applies, however, limited to the initial “government funded” period. During such extension period, the limitations on the maximum amount of rent permitted have to be complied with, i.e. the landlord may only claim cost cover rent or market value rent. Regarding eligible tenants, the landlord is generally free to rent to any tenant after the subsidy has been repaid.

### **Restrictions in connection with investment funding**

Under the Investment Allowance Act of 1999 (*Investitionszulagengesetz 1999*), investment funding could be granted for the purchase, modernization, refurbishment or maintenance of certain apartment buildings within the territory of the former German Democratic Republic. The granting of investment funding is not coupled with occupancy rights, rent control or comparable restrictions. The recipient of the funding is, however, obligated to rent out the subsidized rental units for residential housing purposes only, for a period of five years upon completion of the modernization works. In cases of non-compliance, the funding can be reclaimed.

### **Restrictions in connection with private subsidies**

Private subsidies, especially so-called work loans (*Werkdarlehen*), which are granted in order to create affordable housing units for the employees of a company, generally trigger restrictions in favour of the lender. Such restrictions often translate into limitations of Aroundtown of possible tenants to those appointed by the lender.

## **Regulatory Environment in the Netherlands**

### **Limitations of Dutch Planning Law**

Owner’s rights to the use of immovable property are regulated by the Spatial Planning Act and the Environmental Permitting (General Provisions) Act. The zoning plan is a central element in the Spatial Planning Act. This plan is drafted by the municipal authorities and designates the purpose for the land in the plan, be it housing, offices, retail, agricultural use, public space, etc. In addition, the zoning plan sets out the rules regarding the use of the land and the immovable property situated on it. Permits concerning the construction of immovable property can only be issued if the intended use is in keeping with the zoning plan; enforcement measures are available in the event of failure to comply with the prescribed use.

Should a landowner desire to construct immovable property, convert existing immovable property or carry out activities harmful to the environment, a permit is required. On the grounds of the Environmental Permitting (General Provisions) Act, effective from 2010, a single permit can be requested that is sufficient for all activities of the landowner’s project. This is known as the



single environmental permit. A large number of permits, exemptions and notifications (around 25) are integrated into this single environmental permit.

### **Liability for Soil Contamination**

Liability for soil pollution is regulated under the Soil Protection Act. This is based on the 'polluter pays' principle. When it is not or no longer possible to identify the polluter, the owner is in principle held liable. The owner may also be held liable if the pollution spreads or if others suffer damage as a consequence of exposure to it. The government can force polluters or owners to clean up by ordering them to do so. If this is not possible, the government itself takes on the responsibility for remediation. In summary, the general order of liability is: polluter, owner, government. The strict liability of the owner or leaseholder of a business park has been expanded since 1 January 2006. The owner or leaseholder is obliged to clean up after the occurrence of serious soil pollution for which a need of remediation has been established, regardless of whether the pollution was caused by the owner or the leaseholder. The obligation to remediate the soil lies with the owner or leaseholder of the business park in which the source of the pollution is located. For business parks, the 'polluter pays' principle also applies.

### **Dutch Tax Law on Property Purchases and Rent Payments**

Pursuant to the Real Estate Transfer Tax Act, a real estate transfer tax is in principle levied upon acquisition of immovable property located in the Netherlands. The same applies to rights to which immovable property is subject, such as leasehold or building rights. The term 'acquisition' includes the acquisition of beneficial ownership. The rate for residential properties is 2 %. The rate for other immovable property is 6 %. There is a notional provision designating shares in a property entity as immovable property. As a consequence, the acquisition of shares in a property entity is also subject to real estate transfer tax under certain conditions. Through this legal assumption, the legislature wants to prevent real estate transfer tax avoidance through the transfer of shares in a legal entity that holds immovable property, instead of a direct transfer by that legal entity of the immovable property itself. As a result, such acquisitions, which from the legislature's point of view are comparable in an economic sense to 'ordinary' acquisitions, are treated equally in terms of taxation. A property entity is an entity with its capital divided into shares (both with and without legal personality), of which:

- (i) the majority (more than 50 per cent) of the possessions at the time of the acquisition of the shares or at any point in time in the year previous to that time (reference period) consist or have consisted of immovable property and at least 30 per cent of the possessions consist or have consisted of immovable property located in the Netherlands (holding requirement), and

- (ii) the immovable property (taken as a whole) is or was primarily (for 70 per cent or more) of service to the acquisition, disposal or operation of that immovable property (purpose requirement).

When an interest in a property entity is acquired, a tax levy only takes place if acquisition or expansion of interest constituting at least a third part of the property entity occurs (interest requirement). The Real Estate Transfer Tax Act contains several exemptions, concerning, *inter alia*, an acquisition resulting from merger and divestment, transfers between group companies and the acquisition of networks. Furthermore, an exemption from real estate transfer tax applies to the acquisition of newly constructed immovable property or building land in respect of which turnover tax is owed. The delivery of possession of immovable property is in principle exempted from turnover tax, unless it concerns:

- (i) a delivery of possession of new immovable property taking place before, simultaneously to, or a maximum of two years after the date of first occupation;
- (ii) delivery of possession of building land.

Under the law, these forms of delivery of possession have a 21 % turnover tax imposed on them.

Rent payments are VAT exempt. However, the parties can elect for the rent to be subject to VAT, provided certain requirements are met, including 90 % or more of the tenant's activities being subject to VAT.

### **Lease of Business Premises**

With regard to business premises Dutch tenancy law makes a distinction between two types of business premises: retail premises and other business premises. Lease of retail premises covers, *inter alia*, use of the immovable property for retail trading, as well as its use as a restaurant, café or craft workshop. The premises must include a space accessible to the public for the direct supply of moveable goods or services. The regime for retail premises is intended to offer protection to the lessee by means of mandatory provisions due to the location specificity of the lessee's business.

The second business premises category covers all residual immovable property that is not leased as retail premises or housing. It includes all industrial leases of other types of commercial space other than retail; for example offices, parking space, factory buildings, storage space and warehouses. Dutch law only provides limited protection for the lessees of such other business premises. In this category, parties are free to define the terms of a lease agreement as they deem appropriate. The landlord and the tenant are free to agree on the rent payable.

Business premises leases are customarily drafted in conformity with Real Estate Council of the Netherlands (“**ROZ**”) models. These models are a commonly used standard for lease agreements for business premises in the Netherlands and are generally lessor-friendly. Among other things, the models concern the term, rent, rent increase, lessee liability and security aspects. General terms and conditions usually apply to Dutch lease agreements, e.g. the ROZ-model lease agreements. Important standard clauses include, amongst others, (i) the prohibition of subletting except the sublet to franchisees of the tenant with consent of the lessor; (ii) the right of the Landlord to request at the end of the lease term to remove any investments in the building and restore the original condition without compensation; (iii) lessee’s obligation to pay an additional insurance premium in the event the insurer raises the premium due to the running of a business in the property. Maintenance costs may be allocated by respective agreement by the parties. In general, the landlord is responsible for the costs of exterior maintenance and the tenant normally pays for the interior maintenance of the leased premises. As some of the stipulations arising from the Dutch Civil Code are semi-mandatory - meaning that the tenant can declare stipulations against its interest to be void, unless a court has given its approval to said stipulations - the ROZ model does not deviate from the Dutch Civil Code.

Under leases on the basis of the ROZ Model an annual indexation of rent is made. For small and medium-sized business premises, a regulation applies in which parties can apply to the court to have the rent fixed anew once in five years. Parties usually agree to a rent subject to annual reviews. In the case of industrial leases or other types of commercial space, parties are free to agree the terms of any interim adjustment of the rent (aligned to market conditions). Standard review procedures are often included. As regards retail leases, the lessee and the lessor are entitled to request that the court assesses and adjusts the rent in line with the rent of comparable local retail space based on an average of five years. The tenant and the landlord are entitled to request the court to adjust and assess the rent in accordance with the rent of comparable local retail space, as per the end of the lease period (in the case of renewal), or, if the retail lease has been entered into for an indefinite period, every five consecutive years after adjustment of the rent by the parties, or every five consecutive years after adjustment by the Court. The tenant and the landlord must first try to reach mutual agreement on a new adjusted rent. If the parties do not succeed, they must seek expert advice. If the parties cannot reach agreement on the expert to be appointed, the court can appoint an expert. This advice may sometimes take between one and two years. As the advice of the expert is not binding, either party is entitled to request that the rent be adjusted by the Court. This procedure may also take a considerable period of time. Therefore the procedure to have the rent reviewed may sometimes take years. The new rent will be assessed as of the date of the request to the Court to appoint an expert.

The Dutch Civil Code contains a number of provisions generally applicable to rental agreements, of which the most important are:

- The lessor is responsible for damage resulting from visible or hidden defects in property.
- The lessee may sublet in whole or in part, if reasonable objections of the lessor are not anticipated.
- Major maintenance and repairs are for the account of the lessor.
- Minor repairs and day-to-day maintenance are for the account of the lessee.

The general provisions mentioned above do not form part of compulsory law, and are frequently set aside in individual contracts. Lessors often make use of general conditions, which deviate from the Dutch Civil Code.

As a general rule, a sale of the property does not affect the lease. The permission of the landlord is usually required for subletting. Subletting to affiliates of the tenant is usually permitted. Assignment of the lease normally requires the landlord's consent. In certain circumstances, the tenant may request a court to approve replacement of the tenant by a third party.

### **Retail premises**

General leasing regulations apply to the 'retail premises' category. In addition, mandatory provisions apply, including those concerning the lease and notice periods. The underlying principle of the retail premises regime is that the period of the lease must be at least 10 years. In practice, leases are often concluded for five years with the possibility of extension for an additional five years. Even when no second five-year period is agreed, the lease is extended by five years by operation of law. The underlying idea is that ten years is sufficient for the investments made by the lessee to be recouped. Termination provisions differentiate between fixed term leases and leases concluded for an indefinite term. Fixed term leases may be terminated by termination notice for the end of that period. Leases concluded for an indefinite period may be terminated by respective termination notice at any time, provided however, that the duration of the lease has been at least 10 years and that the termination notice period must be at least one year. A termination notice given by the lessor is effective only if (i) the lessee agrees to the termination or (ii) the lease end date is fixed irrevocably by a court order at the petition of the lessor. In addition, a termination notice by the lessor is only permissible for cause, which may be the following:

- (i) the lessor urgently requires the leased property for its own use (including use as business premises of a different kind or renovation of the leased property that cannot be carried out without termination of the lease);
- (ii) the manner in which the lessee operates its business does not befit a good lessee;

- (iii) the lessor intends the realisation of the leased property's purpose as designated in a valid zoning plan;
- (iv) the lessee does not agree to a reasonable offer to enter into a new lease that does not include any change to the rent; or
- (v) the lessor's interest in termination substantially prevails the interests of the lessee in continuation of the lease.

Dutch law provides for a minimum term for lease agreements concerning a shop or restaurant of five years. This applies even if the parties enter into a lease agreement with an indefinite term. The lease agreement is valid for five years and upon expiration, it is renewed for a second term of five years. In the event the lease agreement provides for have a fixed term that is longer than five years and shorter than ten years, it is renewed for a second term of such length that the two terms in total will add up to ten years. If the lease is not terminated after ten years, it will continue for an indefinite term. The termination notice period is one year or such longer term as the parties may have agreed. The tenant may opt for early termination of the lease without cause at any time under adherence of the termination notice period. In contrast, the lessor must base a termination notice on reasons as described above. Otherwise the respective termination notice is null and void. In the event the lessor intends to terminate a lease agreement at the end of the five year term, this may only be based on limited statutory grounds.

With regard to the minimum lease term certain exemptions of the mandatory fixed term of five plus five years apply, for instance in case the lessee wants to make use of a two-year term, in order to assess whether the operated business is profitable enough. For this lease category with a term less than two years, no special mandatory termination notice requirements apply, in particular the lease agreement may be terminated without cause. If the term of such a lease agreement is shorter than two years, it expires at the end of the agreed term. Also, in such cases the lessee does not benefit from rent review control as outlined above.

In the event the tenant wishes to sell and transfer the business it conducts in the leased space (staff, movable property, stock, goodwill, etcetera), the tenant may also have the right to transfer the position of tenant under the lease agreement to the buyer by means of assignment. This is a rule of mandatory law, which means that this right of the tenant cannot be limited or otherwise infringed in the lease agreement. If the landlord does not consent, assignment can be claimed by court order. The court will sustain such a demand if the tenant has relevant arguments in favour of the transfer. However, the court may deny the demand if the third party does not provide sufficient security that it will fulfil the obligations under the agreement and that it will act as a 'good tenant'. The court may make the assignment subject to charges and/or conditions. Such charges and/or conditions will usually relate to the security that the new tenant is obliged to offer

to the landlord. No assignment of the lease is possible if the leased space is vacant and/or in the event there is no transfer of the current tenant's business.

### **Other business premises**

General leasing regulations apply to the 'other business premises' category however, the level of regulation is rather low and the parties have considerable contractual freedom. No mandatory provisions with regard to lease and notice periods, etc. apply to these types of business premises. The only mandatory protection for the lessee is protection against eviction. A termination notice must be in writing, unambiguous and include an expressed notice of eviction. Such notice of eviction must also be provided for lease agreements having a fixed term.

Should the lessee not agree to the termination of the lease, the lessee's obligation to vacate is suspended by operation of law for two months from the date on which notice of eviction was provided. During these two months, the lessee can apply to the court to extend the period of suspension. Extension may be granted for a period of up to one year. The lessee may repeat such an application twice, so that suspension of the obligation to vacate may sum up to a maximum of three years. In the assessment of such applications for extension (and in the absence of any misconduct by the lessee), the court applies a balancing of interests. There is no possibility of appealing the court's decision on an application for extension. During the period in which the obligation to vacate has been deferred, the rights and obligations of the parties continue to apply. The compensation the lessee must pay to the lessor is in principle the same as the rent that applied on the date that notice of eviction was given; however, should one of the parties so request, the court will fix the compensation that the (former) lessee is obliged to pay during the extension period. The court sets that compensation at an amount that is reasonable when compared to other rents in the locality.

### **Preferential Rights of Municipalities Act**

The Municipalities Preferential Rights Act (*Wet voorkeursrecht gemeenten*), which came into force on 1 January 1985, provides municipalities with a better starting position in the purchase of real estate. Originally, its scope was limited to municipalities to which expansion capacity was intended or granted under national or provincial policy. Nowadays, any municipality may exercise this preferential right. Where a preferential right exists, a landowner who has the intention to sell his land must first offer it for sale to the municipality. The owner, therefore, may not simply sell his land to a third party. However, there is the possibility that the Municipal Executive may waive this duty to offer for sale. The Municipal Executive may impose a temporary preferential right that lapses after three months or at such earlier time as the Municipal Council imposes a preferential right. The Municipal Council may exercise a preferential right on the basis of a structural vision (*structuurvisie*) - subject to certain conditions being satisfied - or on the basis of a Zoning Plan.

Provinces and the State also have powers to impose preferential rights on the basis of a structural vision or a land use plan. A preferential right based on a structural vision will lapse unless a Zoning Plan or a land use plan is adopted within three years of the date of the decree. A preferential right based on a Zoning Plan or land use plan will lapse after ten years of the Zoning Plan or the land use plan coming into effect. This means that provided the sequence of planning decisions is taken in good time, a preferential right may be enforceable for a period of thirteen years and three months. By virtue of article 26 of the Municipalities Preferential Rights Act, the Municipality may rely on the voidability of transactions performed with the apparent effect of escaping the preferential right, such as transactions for the disposal of real estate without the transfer of control, such as share transactions.

## **Expropriation**

Expropriation is only possible if it is in the public interest and subject to the prior guarantee of compensation. The most well-known grounds for expropriation are the zoning plan expropriation and the infrastructure expropriation. Any expropriation proceedings consist of two phases: an administrative phase and a judicial phase. The administrative expropriation decision is given by the Crown, whereby the main issue is whether there is a necessity for expropriation. Here the owner may argue, for example, that it wishes to carry out the project itself (the 'self-realisation' defence). However, the Crown imposes strict requirements upon this defence. For example, the owner must possess sufficient skills, experience and capital to be deemed able to realise the project himself. Furthermore, a self-realisation defence can fail on the basis of case law conducted by the Crown in the following cases:

- if the self-realisation prevents a systematic realisation of the Zoning Plan;
- if the plan has to be implemented in an integrated and cohesive form;
- if the landowner envisages a different type of implementation of the plan than the form required by the municipality, and the form required by the municipality can be deemed urgently desired in the public interest.

The Crown must reach a decision within six months following a request by the Municipal Council. Once the decision of the Crown (or the adoption of the zoning plan) has been determined, the claim for expropriation can be filed with the Court. In the judicial phase, the main issue is compensation, during which the Court also marginally tests the Crown's decision to expropriate. The (irrevocable) expropriation order cannot be recorded in the public registers until the Zoning Plan has also become irrevocable. The Court's expropriation order can also be appealed in a higher Court. Such an appeal has the effect of making the expropriation order revocable for a temporary period and thus, it cannot be recorded in the public registers. The appeal procedure takes an average of one and a half years. Assuming a potentially lengthy administrative phase for

the expropriation procedure by the municipality (and the Crown) and an appeal procedure in the civil law phase of the expropriation procedure, a minimum length of thirty months should be taken into account.

### **Energy performance label**

Since 1 January 2008, the Energy Performance (Buildings) Decree (*Besluit energieprestatie gebouwen*) stipulates that each owner or landlord (apart from a short list of exceptions) has the obligation to submit an 'energy performance certificate' for their building(s) to the purchaser or tenant in case of sale or letting out of the building. This certificate intends to provide the purchaser or tenant insight in the amount of energy required for the normal use of the building concerned.

As from 1 January 2015, the obligation to submit an energy performance certificate was replaced by the obligation to submit an 'energy performance label'. New is especially the enforcement of the obligation. Not submitting a definitive energy performance label in case of a sale or letting out of a building is currently subject to a fine up to € 405.00 in case of individuals and up to € 20,250.00 in case of legal entities. This legislation, however, only sets a minimum sustainability standard. Investors and tenants generally raise this standard by stipulating more stringent sustainability requirements. In tailor-made SPA's and/or lease agreements, specific attention can be given to the content of the energy performance label (for example which minimum category is acceptable) and also by stating whether or not an energy performance label is already available and if not, that parties will cooperate in obtaining such energy performance label after sale or lease. The Dutch government has currently opted for a generic requirement for all offices taking effect on 1 January, 2023 that such buildings need to comply with label C of energy efficiency. If such legislation will be enacted, proposed amendments will imply penalties and the power to require discontinuation of use. The related compliance costs by the lessors may be recouped through a rent increase.



## **GENERAL INFORMATION ON THE COMPANY AND THE GROUP**

### **Formation, Incorporation, Registered Office, Commercial Name, Financial Year**

Aroundtown Property Holdings plc is a public limited company duly incorporated and registered with the Cyprus Department of Registrar of Companies and Official Receiver with registration number HE 148223. The Company was incorporated on 7 May 2004 under the name Redspot Media Limited as a private company limited by shares (Ltd) under the laws of the Republic of Cyprus. By special resolution of the general meeting of shareholders dated 4 October 2004 the legal name was changed to Aroundtown Property Holdings Limited, with effect as of 13 October 2004. By special resolution of the general meeting of shareholders dated 28 November 2014 the Company was transformed into a public company limited by shares (plc) and its name changed to Aroundtown Property Holdings plc with effect as of 2 December, 2014.

The address and registered office of the Company is at 54B Artemidos & Nikou Dimitriou, Scanner Avenue Tower, 4th floor 6027, Larnaca, Cyprus. The telephone number of its registered office is Tel. +357-2420-1312.

The commercial name of the Company is Aroundtown. The duration of the Company is unlimited.

The financial year of the Company is the calendar year.

### **Corporate Purpose**

In section 3 of its memorandum of association (the “**Memorandum of Association**”), the objects of the Company are described in detail. Generally, the Company is entitled to all actions or measures required to operate its business. The Company is entitled to the following activities (not exhaustive): carry on the business of commerce, general trade business and works, import, export; carry on activities as business consultants and management consultants; purchase or otherwise acquire or possess any estate or interest in lands or buildings; maintain, manage, improve and repair flats, shops or offices; improve manage, let on lease or otherwise deal with all or any part of the property, assets and rights of the Company; engage, hire and train staff and workers; purchase or otherwise acquire other companies or partnerships; apply for, purchase or otherwise acquire trademarks, patents or copyrights or licenses therefore; borrow, lend or raise money or secure obligations (whether of the Company or others); establish, regulate and discontinue branch offices, regional offices and local boards and to acquire or purchase shares or securities.

## **Group Structure**

The Company is the holding company of Aroundtown, which consists of more than 600 companies primarily in Germany, Luxembourg, the Netherlands and Cyprus.

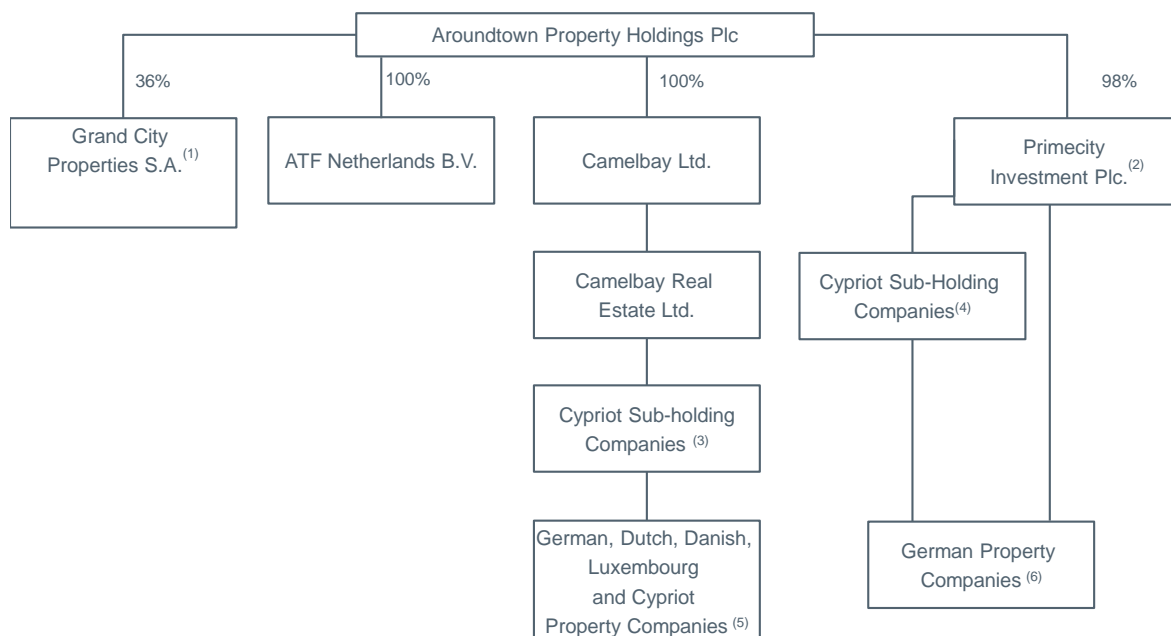
The Company holds all shares in its wholly owned subsidiary Camelbay Limited, which holds in turn through further subsidiaries, commercial properties. Further, as of the date of this Prospectus the Company holds approximately 98 % of the shares in Primecity Investment plc ("**PCI**"), a specialist real estate company focused on investing in and the repositioning of hotel properties, particularly in Germany. The shares of PCI are listed on the Euronext Stock Exchange in Paris in the Alternext market.

As of the date of this Prospectus, the Company held approximately 36 % of the shares in Grand City Properties S.A. ("**GCP**"), a publicly traded real estate company that focuses on investing in value-add opportunities the German residential real estate market. The shares of GCP are listed on the regulated market of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) with additional post-admission obligations (Prime Standard).

In addition, the Company is the sole shareholder of ATF Netherlands B.V., which is incorporated in the Netherlands and functions as a finance subsidiary of Aroundtown.

The Company's primary role within Aroundtown is to function as a management and finance holding company. The business (with respect to Aroundtown's property portfolio) is conducted by the Company primarily through the subsidiaries of Aroundtown.

The chart below shows the current structure of the Group in a simplified form.



The entities referred to in the notes below are those which individually (directly or indirectly) hold properties accounting for at least 2 % of the market value of Aroundtown's total investment property as of 31 December 2016. Over 74 % of the Aroundtown's investment property portfolio is held by German property companies.

- (1) As of the date of this Prospectus the Company holds approximately 36 % of the shares in GCP through its subsidiary Edolaxia Group Limited which is not shown in the diagram for simplification purposes. On 31 December 2014 GCP was deconsolidated from the Company's consolidated financial statements and the indirect shareholding of the Company in GCP has since then been presented as an investment in an equity-accounted investee in the Company's consolidated financial statements.
- (2) As of the date of this Prospectus the Company holds approximately 98 % of the shares in PCI through its subsidiaries Alfortia Ltd. and Bluestyle Ltd. which are not shown in the diagram for simplification purposes.
- (3) Dromerian Limited, Ziernel Limited, Wonesol Limited, Pretelin Limited, Abiconia Limited, Pruvenol Limited, Sunelis Limited.
- (4) Lextus Limited, Zaplino Limited.
- (5) Projekt Säulenhalle München Grundstücks GmbH\*, Projekt Walddörferstraße Hamburg GmbH\*, FBC Frankfurt GmbH\*, Florisse WTC Papendorp B.V.\*\*
- (6) Projekt Arnulfstraße München Grundstücks GmbH\*
- (\*) The Company holds directly and indirectly a 65 % interest.
- (\*\*) The Company holds directly and indirectly a 94 % interest.

Except for GCP all entities referred to above are controlled by the Company.

### **Information on Material Subsidiaries and Shareholdings**

The following table provides an overview on certain financial data as of 31 December 2016 of the material subsidiaries and shareholdings of Aroundtown, as well as key company information relating to these equity interests.

The calculation of the shareholdings includes shares held directly by the Company, indirectly through a direct or indirect subsidiary of the Company included in the Company's consolidated financial statements or by a third party acting for the account of such companies. All shares in affiliated companies have been fully paid in. The financial data for the year ended 31 December 2016 have been taken from the respective individual financial statements of the subsidiary, prepared in accordance with IFRS. No material change occurred subsequent to this date. All shares held by the Company and/or a member of Arountown are fully paid up. The field of activity of the respective entity is indicated in a footnote.

Name of subsidiary / shareholding and registered office	Proportion of ownership interest / proportion of voting power held (%)	Issued capital	Reserves	Book value of the shares	Payables to the Company	Receivables from the Company	Profit / loss	Dividends realized by the Company in fiscal year 2016
(in thousands of €) (rounded) (unaudited unless indicated otherwise)								
<b>Material Subsidiaries</b>								
Edolaxia Group Ltd., Larnaca, Cyprus <sup>(1)</sup>	100	0.1	261,720	0.1	766,509	-	24,105	-
Camelbay Real Estate Ltd., Larnaca, Cyprus <sup>(1)</sup>	100	0.1	754,038	0.1	71,824	-	43,642	-
PrimeCity Investments plc., Larnaca, Cyprus <sup>(1)(3)</sup>	95	1,402	125,076	316,546	2	-	7,442	-
ATF Netherlands B.V., Amsterdam, Netherlands <sup>(2)</sup>	100	0.01	1,486	2	-	1,149,793	-3,402	-
<b>Material Shareholdings</b>								
Grand City Properties S.A., Luxembourg, Grand Duchy of Luxembourg <sup>(1)(4)</sup>	35	15,379	670,928	556,619	-	-	12,952	38,447

<sup>(1)</sup> Field of activity is the holding of shares in other companies.

<sup>(2)</sup> Field of activity is corporate financing.

<sup>(3)</sup> Figures are audited. The below table shows the most significant position and results of Primecity Investment plc

<b>PrimeCity Investment plc</b> (in thousands of €) (audited)		
	31.12.2016	31.12.2015
Current assets	47,222	31,267
Cash and Cash equivalents	34,619	20,900
Non-current Assets	985,862	922,376
Current liability	16,307	34,280
Non-current liability	397,634	442,917
Non-controlling interest in Primecity Investment plc and its subsidiaries	114,975	187,311

Revenue	52,628	39,670
Depreciation and amortisation	(329)	(290)
Finance expense	(9,066)	(8,760)
current tax expenses	(5,499)	(3,903)
Total comprehensive income	62,249	207,495
Profit attributed to non-controlling interest on Primecity Investment plc and its subsidiaries	15,589	109,784

(4) Figures are audited. The below table shows the most significant position and results of Grand City Properties SA.

<b>Grand City Properties SA</b>		
(in thousands of €)		
(audited)		
	31.12.2016	31.12.2015
Current assets	1,027,702	627,204
Cash and Cash equivalents	448,873	236,001
Non - current Assets	5,126,031	4,061,699
Current liability	338,325	277,317
Non - current liability	2,750,344	2,239,291
Revenue	442,670	333,497
Depreciation and amortisation	(1,695)	(1,729)
Finance expense	(36,319)	(25,830)
current tax expenses	(26,799)	(22,776)
Total comprehensive income	653,105	393,570

### **Publications, Paying Agent**

This Prospectus and supplements to the Prospectus, if any, will be published in electronic form on the website of Cyprus Investment and Securities Corporation Limited (CISCO) ([www.cisco-online.com.cy](http://www.cisco-online.com.cy)), CySEC ([www.cysec.gov.cy](http://www.cysec.gov.cy)) and on the website of the Company <https://www.aroundtownholdings.com/share.html>.

The paying agents are BNP Paribas Securities Services, Luxembourg Branch with mailing address at 60 avenue J.F. Kennedy, L-1855 Luxembourg, Luxembourg and Société Générale SA with mailing address at 29, boulevard Haussmann, 75009 Paris, France. The main service provided by the paying agents is the payment of dividends to the shareholders of the Company.

## **DESCRIPTION OF SHARE CAPITAL**

Set forth below is a description of the Shares of the Company, summaries of certain provisions of the Articles of Association and certain requirements of the Companies Law, Cap. 113, of the Republic of Cyprus as amended (the “**Cyprus Companies Law**”) in effect on the date hereof. Because this is a summary, it does not purport to be complete and is thus qualified in its entirety by reference to the full Articles of Association and applicable provisions of the Cyprus Companies Law. All references to Cyprus Companies Law will be applicable to the Company as long as its registered seat is in the Republic of Cyprus.

### **General**

The 853,354,579 shares subject to the Admission represent all shares of the Company and are ordinary shares, each with a par-value of € 0.01 per share (the “**Shares**”).

As per the provisions of the Articles of Association, any new shares proposed to be issued may be ranking *pari passu* in all respects with any existing issued shares of the Company or may be issued with special rights as the shareholders of the Company may determine at a general meeting, with the sanction of an ordinary resolution, and thus creating a new class of shares.

The Shares are issued under Cyprus law and are subject to the provisions of the Articles of Association, the Cyprus Companies Law and all other applicable laws.

### **Issued Share Capital**

As of the date of this Prospectus, the Company has an issued share capital of € 8,533,545.79 divided into 853,354,579 fully-paid ordinary Shares having a par value of € 0.01 each.

### **Development of Issued Share Capital**

At the date of incorporation of the Company the issued share capital of the Company amounted to C£ 5,000.00 divided into 5,000 ordinary Shares with a par value of C£ 1.00 each. On 20 October 2005 the issued share capital was increased by resolution of the extraordinary meeting of the Company to C£ 5,549.00 divided into 5,549 ordinary Shares with a par value of C£ 1.00 each. Following the changeover to the Euro currency in Cyprus, effective from 1 January 2008, the share capital amounted to € 9,488.79 divided into 5,549 ordinary Shares with a par value of € 1.71 each.

On 13 May 2008, at the extraordinary general meeting of the Company's shareholders, it was resolved to increase the issued share capital to € 9,490.50 divided into 5,550 ordinary Shares with a par value of € 1.71 each.

On 28 November 2014 the extraordinary general meeting of the Company's shareholders resolved to increase the issued share capital from € 9,490.50 to € 37,962.00, divided into 22,200 Shares with a par value of € 1.71 each by the issue of 16,650 shares of € 1.71 each

On 10 February 2015, the extraordinary general meeting of the Company's shareholders resolved to subdivide the nominal value of each share from € 1.71 per Share to € 0.01 per Share resulting in an issued share capital of € 37,962.00 divided into 3,796,200 Shares with a par value of € 0.01 each.

On 20 February 2015 the shareholders of the Company unanimously passed special written resolutions waiving and/or dis-applying their pre-emption rights of the shareholders with respect to any and all future proposed increases of the issued share capital of the Company and allotment of new shares by the Board of Directors by the issuance of new and additional shares out of the available Authorized Capital up to a maximum of 1,000,000,000 new shares at a price not lower than the nominal value of the existing shares, namely € 0,01 each.

On 20 February 2015, the Board of Directors proceeded with the increase of the issued share capital from € 37,962.00 divided into 3,796,200 Shares with a par value of € 0.01 each to € 5,000,000 divided into 500,000,000 Shares with a par value of € 0.01 each by the issue of 496,203,800 shares of € 0.01 each.

On 1 July 2015, the issued share capital was increased from € 5,000,000 divided into 500,000,000 Shares with a par value of € 0.01 each to € 5,001,416.41 divided into 500,141,641 Shares with a par value of € 0.01 each by the issue of 141,641 shares of nominal value € 0.01 each at a premium € 3.52 each, following receipt of a conversion notice with respect to the € 450,000,000 3 % unsecured convertible bonds due 2020.

On 13 July 2015, the Board of Directors proceeded with the increase of the issued share capital from € 5,001,416.41 divided into 500,141,641 Shares with a par value of € 0.01 each to € 6,001,416.41 divided into 600,141,641 Shares with a par value of € 0.01 each by the issue of 100,000,000 shares of nominal value € 0.01 each at a premium € 3.19 each.

On 7 April 2016, the issued share capital was increased from € 6,001,416.41 divided into 600,141,641 Shares with a par value of € 0.01 each to € 6,029,036.70 divided into 602,903,670 Shares with a par value of € 0.01 each by the issue of 2,762,029 shares of nominal value € 0.01 each at a premium € 3.4295 each, following receipt of a conversion notice with respect to the Bonds.

On 14 April 2016, the issued share capital was increased from € 6,029,036.70 divided into 602,903,670 Shares with a par value of € 0.01 each to € 6,036,305.19 divided into 603,630,519 Shares with a par value of € 0.01 each by the issue of 726,849 shares of nominal value € 0.01 each at a premium € 3.4295 each, following receipt of a conversion notice with respect to the outstanding convertible bonds.

On 15 April 2016, the Board of Directors proceeded with the increase of the issued share capital from € 6,036,305.19 divided into 603,630,519 Shares with a par value of € 0.01 each to € 6,686,305.19 divided into 668,630,519 Shares with a par value of € 0.01 each by the issue of 65,000,000 shares of nominal value € 0.01 each at a premium € 4.09 each.

On 23 June 2016, the issued share capital was increased from € 6,686,305.19 divided into 668,630,519 Shares with a par value of € 0.01 each to € 6,732,823.57 divided into 673,282,357 Shares with a par value of € 0.01 each by the issue of 4,651,838 shares of nominal value € 0.01 each at a premium € 3.4295 each, following receipt of a conversion notice with respect to the outstanding convertible bonds.

On 6 July 2016, the issued share capital was increased from € 6,732,823.57 divided into 673,282,357 Shares with a par value of € 0.01 each to € 6,742,127.24 divided into 674,212,724 Shares with a par value of € 0.01 each by the issue of 930,367 shares of nominal value € 0.01 each at a premium € 3.42 each, following receipt of a conversion notice with respect to the outstanding convertible bonds.

On 22 July 2016, the issued share capital was increased from € 6,742,127.24 divided into 674,212,724 Shares with a par value of € 0.01 each to € 6,752,303.13 divided into 675,230,313 Shares with a par value of € 0.01 each by the issue of 1,017,589 shares of nominal value € 0.01 each at a premium € 3.4295 each, following receipt of a conversion notice with respect to the outstanding convertible bonds.

On 19 September 2016, the issued share capital was increased from € 6,752,303.13 divided into 675,230,313 Shares with a par value of € 0.01 each to € 6,762,479.02 divided into 676,247,902 Shares with a par value of € 0.01 each by the issue of 1,017,589 shares of nominal value € 0.01 each at a premium € 3.4295 each, following receipt of a conversion notice with respect to the outstanding convertible bonds.

On 2 November 2016, the Board of Directors proceeded with the increase of the issued share capital from € 6,762,479.02 divided into 676,247,902 Shares with a par value of € 0.01 each to € 6,762,684.73 divided into 676,268,473 Shares with a par value of € 0.01 each by the issue of 20,571 shares of nominal value € 0.01 each.

From 1 March, 2017 to 2 May, 2017, following the receipt of multiple conversion notices under the Series B Bonds, the Board of Directors resolved through several resolutions to increase the



issued share capital from € 6,762,684.73 divided into 676,268,473 Shares with a par value of € 0.01 each in aggregate to €7,599,695.43 divided into 759,969,543 Shares with a par value of € 0.01 each by the total issue of 83,701,070 shares with a nominal value € 0.01 each at a premium of € 3.3663 each.

On 10 May 2017, the Board of Directors of the Company resolved on the increase of the issued share capital from €7,599,695.43 divided into 759,969,543 Shares with a par value of € 0.01 each to €8,529,695.43 divided into 852,969,543 Shares with a par value of € 0.01 each by the issue of 93,000,000 shares with a nominal value of € 0.01 each at a premium of € 4.57 each by way of a private placement.

From 16 May 2017 until the date of this Prospectus, following the receipt of conversion notices under the Series B Bonds, the Board of Directors resolved through several resolutions to increase the issued share capital from € 8,529,695.43 divided into 852,969,543 Shares with a par value of € 0.01 each in aggregate to € 8,533,545.79 divided into 853,354,579 Shares with a par value of € 0.01 each by the total issue of 385,036 shares with a nominal value € 0.01 each at a premium of € 3.3663 each.

### **Authorized Capital**

The Company has an authorised capital which amounts to (including the subscribed capital) to € 15,000,000.00 (the “**Authorized Capital**”) divided into 1,500,000,000 shares of a par value of € 0.01 each. On 20 February 2015 the shareholders of the Company unanimously passed special written resolutions waiving and/or dis-applying their pre-emption rights of the shareholders with respect to any and all future proposed increases of the issued share capital of the Company and allotment of new shares by the Board of Directors by the issuance of new and additional shares out of the available Authorized Capital up to a maximum of 1,000,000,000 new shares at a price not lower than the nominal value of the existing shares, namely € 0,01 each.

Any shares to be issued out of the Authorized Capital, exceeding the aforesaid amount of 1,000,000,000 shall be offered pro rata as nearly as possible to the number of shares held by each existing shareholder of the Company, via a notice specifying the number of shares proposed to each shareholder and the period within which the offer expires. If the offer is not accepted within the deadline, it is deemed to have been declined and the Board of Directors may dispose the shares as it thinks fit. The same applies and takes effect, mutatis mutandis, to any proposed issue of debentures convertible into shares.

Any special rights attributed to shares of any class, may be varied or abrogated with the consent (a) in writing of the sole holder of, or the shareholders holding in aggregate at least two-thirds of,

the shares of that class; or (b) of the general meeting of the holders of shares of the class with the sanction of a majority resolution; but not otherwise.

### **Development of the Authorised Share Capital**

At the date of incorporation of the Company the authorised share capital of the Company amounted to C£ 5,000.00 divided into 5,000 ordinary Shares with a par value of C£ 1.00 each. On 20 October 2005 the authorised share capital was increased by resolution of the extraordinary meeting of the Company to C£ 5,549.00 divided into 5,549 ordinary Shares with a par value of C£ 1.00 each. Following the changeover to the Euro currency in Cyprus, effective from 1 January 2008, the share capital amounted to € 9,488.79 divided into 5,549 ordinary Shares with a par value of € 1.71 each.

On 13 May 2008, the extraordinary general meeting of the Company's shareholders resolved to increase the authorised share capital from € 9,488.79, divided into 5,549 ordinary Shares with a par value of € 1.71 each, to € 85,500 divided into 50,000 Shares with a par value of € 1.71 each.

On 11 February 2015 the extraordinary general meeting of the Company's shareholders resolved to subdivide the nominal value of the shares from € 1.71 per Share to € 0.01 per Share resulting in an authorised share capital of € 85,500 divided into 8,550,000 Shares with a par value of € 0.01 each.

On 11 February 2015, the extraordinary general meeting of the Company's shareholders resolved to increase the authorised share capital from € 85,500 divided into 50,000 Shares with a par value of € 0.01 each, to € 15,000,000 divided into 1,500,000,000 Shares with a par value of € 0.01 each.

### **Employee Stock Option Plan**

On 8 July 2016 the Board of Directors of the Company resolved to set up a framework incentive agreement (the "**Incentive Agreement**") the object of which is to incentivise management, employees and directors of the Company and/or subsidiaries of the Company in order to contribute to the success of the Company and Arountown. Under the Incentive Agreement subsidiaries of the Company may grant their key management personnel and directors an incentive in the form of ordinary shares in the capital of the Company in accordance with the management incentive program of Arountown (the "**MIP**") following the framework of the Incentive Agreement.

The Company, its relevant subsidiary and each employee of that subsidiary qualifying under the MIP will enter into individual agreements specifying the terms and conditions applying for each

respective employee regarding the MIP. Where the MIP is to be granted in the form of ordinary shares in the capital of the Company, the Company shall provide its subsidiary with a certain amount of ordinary shares for the subsidiary to avail should it wish to or when it wishes, according to the MIP.

The implementation of the MIP is based on two kind of agreements, consisting of (i) German governed separate framework share incentive agreements with certain members of Aroundtown pursuant to which the Company covenants to each Subsidiary to issue and deliver the incentive shares amounts and (ii) Cypriot or German law governed individual share incentive agreements between the entity granting the incentive share amount and the individual beneficiary specifying the particulars of the MIP.

On 4 February 2016 in the extraordinary general meeting approved that the Board of Directors is authorized to issue up to 5,000,000 Shares, each having its nominal value as a minimum price payable and such issuance and allotment of shares shall be used in connection with a long term incentive plan intended to be established and which can relate to the Directors of the Company and/or Company's employees and/or to the management and/or employees of the Company's subsidiaries.

Upon exercise by a beneficiary of its incentive under the MIP, the Board of Directors will create the required amount of shares and deliver them directly to an instructed account. The Company will receive a payment in the amount of the fair market value of the shares issued from the Company or the subsidiary who granted the incentive.

The grant of the incentive shall be linked to the term the person stays with the Company or Aroundtown, i.e. the amount of shares vested increases each year of the MIP and the exercise of such incentive is principally subject to the completion of a term of active employment or directorship of up to four years or less (depending on the situation), starting from the MIP grant date. In case of prior dismissal by the employer or termination of mandate, the key management person or director shall receive the analogous incentive amount only up to the date of termination. In all other circumstances of prior termination, the incentive amount will be reduced to one third.

The vested incentive amount may be paid either in cash or in shares of the Company or its subsidiary as applicable which will be calculated on the fair market value of the shares, as defined in the Incentive Agreement. The decision as to whether the incentive amount shall be paid, and if paid, shall be in cash or in shares of the Company or its subsidiary as applicable, is at the full discretion of the Company or the subsidiary. Any such payment shall be less any tax amount to be deducted at source.

The Company considered the list of beneficiaries of the MIP as well as their respective fixed incentive amount, as well as any other beneficiary to be approved by a resolution of the Board of Directors.

### **Convertible Bonds**

The Company has issued two series of senior, unsecured convertible bonds. In May 2015, the Company issued senior, unsecured convertible bonds in the aggregate principal amount of € 450,000,000 (the “**Series B Bonds**”), convertible into new or existing Shares with a par value of € 0.01. The Series B Bonds have a fixed coupon of 3.00 % p.a., payable semi-annually in arrears. As of the date of this Prospectus, the conversion price amounts to € 3.3763. The conversion price is subject to certain adjustment mechanisms. The Series B Bonds mature on 5 May 2020 and will, unless previously purchased and cancelled, redeemed or converted in accordance with the terms and conditions of the Series B Bonds, be redeemed at maturity at their principle amount. The Series B Bonds are listed on the Open Market segment of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) and have been assigned the ISIN XS1227093611.

In December 2015, the Company issued senior, unsecured convertible bonds in the aggregate principal amount of € 300,000,000 (the “**Series C Bonds**” and together with the Series B Bonds, the “**Convertible Bonds**”), convertible into new or existing Shares with a par value of € 0.01. The Series C Bonds have a fixed coupon of initially 1.50 % p.a., payable semi-annually in arrears, which is subject to step-up provisions upon occurrence of certain step-up events. As of the date of this Prospectus the conversion price amounts to € 5.6862. The conversion price is subject to certain adjustment mechanisms. The Series C Bonds mature on 18 January 2021 and will, unless previously purchased and cancelled, redeemed or converted in accordance with the conditions of the Series C Bonds, be redeemed at maturity at their principle amount. The Series C Bonds are listed on the Open Market segment of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) and have been assigned the ISIN XS1336607715.

For more information on the Convertible Bonds see “*Material Contracts - Finance Agreements - Convertible Bonds*”.

### **Shareholders’ Rights**

The holders of Shares are entitled to:

- receive notice of and to attend at and to vote at meetings of holders of Shares on the basis of one vote per Share;
- receive dividends declared on the Shares; and

- receive pro-rata the remaining property of the Company upon dissolution in equal rank with the holders of other Shares of the Company.

### **Repurchase of Shares**

Pursuant to section 14 of the articles of association of the Company as adopted by special resolution of the general meeting of the shareholders of the Company dated 28 November 2014 and as further replaced by a new set of articles of association that was adopted by a special resolution of the shareholders of the Company dated 4 February 2016 (the “**Articles of Association**”) the Company may, to the extent permitted by section 53 and 57A to 57E (inclusive) of the Cyprus Companies Law, and subject to the aforesaid sections, purchase any interest (legal and/or beneficial) in its own Shares, provided, however that the Shares held by the Company do not exceed, at any time, the 10 % of the nominal value of the entire issued share capital of the Company.

Pursuant to the provisions of the Cyprus Companies Law and the Articles of Association of the Company, it is prohibited for the Company to provide any financial assistance for the purchase of or subscription for its own or its holding company’s shares but such prohibition does not cover the provision of any loan of money made by the Company in the ordinary course of its business, where the said loan is part of the ordinary business of the Company; ii) the provision of money, in accordance with any scheme being in force at the time, for the purchase of, or subscription for, fully paid shares in the Company, being a purchase or subscription by trustees of or for shares to be held by or for the benefit of employees of the Company and/or of any other connected company, including any director holding a salaried employment or office in the Company and/or in any connected company; iii) the provision of a loan to bona fide employees of its own or of a connected company, other than directors, enabling them to purchase or subscribe for fully paid shares in the Company or its holding company to be held by themselves by way of beneficial ownership.

Pursuant to the provisions of the Cyprus Companies Law and the Articles of Association of the Company, it is prohibited for the Company may further acquire, for valuable consideration, fully paid shares in its own share capital if, and in so far as, the Company, at a general meeting, has authorised the Board of Directors by a special resolution to acquire such shares. The authorisation may be given for no more than twelve months on each occasion, notwithstanding any other provisions. The said authorisation shall specify the maximum number of shares to be bought, that in any event shall not exceed the 10 % of the issued share capital of the Company, the period that such shares, not exceeding the period of two years and the minimum and maximum price of the shares acquisition.

The payment for the shares shall only be made out of realised and undistributed profits of the Company.

The acquisition of its own shares, including own shares which the company had previously acquired and keeps in a portfolio and the acquisition of shares of the same company which were acquired by a person acting in his own name, but on the company's behalf, should not result in the reduction of the net assets below the amount prescribed the provisions of the Cyprus Companies Law.

The Company does not need the approval of the general meeting of the shareholders of the Company, in acquiring shares in its own share capital in order to dispose those shares to the personnel of the Company or a connected company under a scheme applicable to such personnel.

Subject to the provisions of Articles of Association and subject always to the provisions of the Cyprus Companies Law being applicable on each occasion, the Company may purchase its own shares or beneficial interests in its shares in the following circumstances:

- where the shareholders by special resolution have approved the purchase of the shares or the purchase of beneficial interests in the Company's shares; and/or
- where the shares proposed to be purchased are listed on a stock exchange and the proposed purchases may be effected from time to time, as authorised by the shareholders by special resolution, at a price per share being no higher than five percent of market price of the said shares on a stock exchange, for the last five stock exchange sessions immediately preceding any such purchase; and/or where the purchase of the shares or the beneficial interest of the shares becomes urgently necessary, in order to avoid imminent serious damage to the company, such as, inter alia, the decline of the market price of the share below its actual value, as determined by the certified auditors of the Company;

provided that, in all cases, the Company shall not purchase in aggregate beneficial interests in more than such number of shares as shall result in the Company holding more than 10 % of the Company's issued share capital. Subject to the provisions of the Cyprus Companies Law proposed purchases of own shares made under the following circumstances are exempted from the standard provisions of the Cyprus Companies Law with respect to the purchase of own shares:

- due to a decision of a reduction of capital;
- following the complete transfer of all the assets of the Company;

- the purchase is free of charge and the shares have been fully paid up or acquired by banks or other credit institutions as purchasing commission;
- due to a legal obligation resulting from a court judgment with respect to the protection of the minority shareholders in certain circumstances; the shares were acquired by a shareholder, if the latter has not paid them up;
- to indemnify the minority shareholders in associated companies; and
- the shares have been fully paid-up and acquired by auction following compulsory execution which had the purpose of satisfying a claim of the Company against the owner of the relevant shares.

Subject to the provisions of the Cyprus Companies Law and the Articles of Association, shares that the Company purchases or otherwise acquires pursuant to the Articles of Association, may be cancelled or held as treasury shares voting rights and rights of payment of dividends attaching to the treasury shares are suspended and shall not be exercised by the Company while it holds the share as treasury shares

Treasury shares may be transferred by the Company on such terms and conditions (not otherwise inconsistent with the Articles of Association) as the Company may by resolution of the Board of Directors determine.

### **Reduction of Capital**

The Company may by special resolution and in accordance with the provisions and consents provided for by the Cyprus Companies Law reduce its share capital, any capital redemption reserve fund or any share premium account in any manner and with, and subject to, any incident authorised, and consent required, by the Cyprus Companies Law.

### **Form of the Shares**

All Shares are in dematerialised, registered form, represented by a global certificate, issued in the name of BNP Paribas Securities Services Luxembourg Branch (“**BNP**”) as common depository on behalf of Euroclear and Clearstream. Pursuant to an agreement made between the Company and BNP, among other things, BNP undertakes to hold and safekeep such global certificate as common depository on behalf of Euroclear and Clearstream (“**ICSDs**”).

No person shall be recognized by the Company as the legal holder or beneficial owner of Shares upon any trust and the Company shall not be bound by, or recognise, any beneficial or other equitable interest, or any contingent future or partial interest, in Shares except the absolute right

to the entirety of the Shares in their holder and further no notice of any trust, expressed, implied or constructive shall, pursuant to section 112 of the Cyprus Companies Law, be entered on the share register.

### **Ownership and Transfer of the Shares**

The Articles of Association do not preclude the transfer of shares or other securities of the Company in uncertificated form. All transfers of shares which are in uncertificated form may be effected by means of the rules and regulations of the relevant system and applicable listing rules.

In respect of certificated shares, the instrument of transfer of any share shall be executed by or on behalf of the transferor and transferee, and the transferor shall be deemed to remain a holder of the share until the name of the transferee is entered in the register of members in respect thereof. In respect of certificated shares, any member may transfer all or any of his shares by instrument in writing in any usual or common form or any other form, including electronic form, which the Directors may approve. In respect of certificated shares, the Board of Directors may refuse to register any shares which are not fully paid and in respect of uncertificated shares, the Board of Directors may refuse to register any such shares which are not fully paid. In respect of certificated shares, the directors may choose to recognise any instrument of transfer relating to the transfer of such shares. If the Board of Directors refuses to register a transfer of any certificated share, it shall within two month after the date on which the instrument of transfer was lodged with the Company send to the transferee notice of the refusal. In respect of certificated shares, no fee shall be charged for the registration of any instrument of transfer or other document relating to or affecting the title to any share. The Company shall be entitled to retain any instrument of transfer which is registered.

### **General Meetings**

The Company shall in each year hold a general meeting as its annual general meeting in addition to any other meetings in that year, and shall specify the meeting as such in the notices calling it; and not more than 15 months shall elapse between the date of one annual general meeting of the Company and that of the next. The annual general meeting shall be held at such place and time as the Board of Directors shall appoint.

All general meetings other than annual general meetings shall be called extraordinary general meetings. General meetings may be held in any part of the world as may be determined by the Board of Directors.



The directors may, whenever they think fit, convene an extraordinary general meeting, and extraordinary general meetings shall also be convened on such requisition, or in default, may be convened by such requestor, as provided by section 126 of the Cyprus Companies Law.

At any general meeting a resolution put to the vote of the meeting shall be decided either on a show of hands or on a poll. Subject to any rights or restrictions for the time being attached to any class or classes of shares and subject also to any special provisions contained in the Articles of Association, on a poll every shareholder has one vote per share.

No objection shall be raised to the qualification of any voter except at the meeting or adjourned meeting at which the vote objected to is given or tendered and every vote not disallowed at such meeting shall be valid for all purposes. Any such objection made in due time shall be referred to the chairperson of the meeting, whose decision shall be final and conclusive.

On a poll, votes may be given either personally or by proxy. Each shareholder shall be entitled to appoint one or more proxies to attend on the same occasion, on condition however that such appointment shall be made in one single instrument. The instrument appointing a proxy shall be in writing signed by the appointer or of his attorney duly authorised in writing, or, if the appointer is a corporation, either under seal, or under the hand of an officer or attorney duly authorised. A proxy need not be a member of the Company.

No business shall be transacted at any General Meeting unless a quorum of shareholders is present at the time when the meeting proceeds to business.

### **Voting at Shareholder Meetings**

Subject to any rights or restrictions for the time being attached to any class or classes of shares and subject also to any special provisions contained in the Articles of Association of the Company, when voting on a poll, every Shareholder shall have one vote for each share of which he is the holder and is entitled to not use or cast all the votes in the same way.

Unless the Directors determine otherwise, no Shareholder shall be entitled to vote at any General Meeting unless all calls or other sums payable by the Shareholder in respect of shares held in the Company have been paid.

In the case of joint holders, the vote of the most senior who casts a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes cast by the other joint holders; and for this purpose seniority shall be determined by the order in which the names of the joint holders present at the General Meeting, first appear in the register of shareholders of the Company. A shareholder in respect of whom an order has been made by any competent court in matters concerning mental disorder, may vote either on a poll or a show of hands, by his receiver, curator

bonis or other person authorised and appointed for that purpose by the said court, and that person may vote by proxy.

No objection shall be raised as to the qualification of any voter to vote and/or attend at a general meeting except at the general meeting at which the said voter shall be present and every vote which is disallowed at the meeting shall be valid. Any objection made in due time shall be referred to the chairperson of the general meeting, whose decision shall be final and conclusive.

A shareholder may appoint one or more proxies to attend and vote on a show of hands or on poll.

Pursuant to article 68 of the Articles of Association of the Company, the chairperson of a general meeting is entitled to a casting vote in addition to any other votes he has, in the event of an equality of votes.

Any corporation which is a shareholder or a proxy of the Company may by a resolution of its directors or other governing body authorise such person as it thinks fit to act as its representative at any general meeting of the Company or a separate meeting of any class of shareholders of the Company, and the person so authorised shall be entitled to exercise the same powers on behalf of the corporation which he represents as that corporation could exercise if it were an individual shareholder or proxy of the Company.

### **Issuance of Additional Shares and Pre-emption Rights**

Subject to the Cyprus Companies Law and the Articles of Association of the Company, new shares may be issued (a) as shares with such special rights as the shareholders decide at a general meeting via an ordinary resolution or if no such decision in place, as the Directors determine; (b) as shares ranking *pari passu* in all respects with any existing and already issued shares as the Directors determine.

The new shares shall be offered by notice to the shareholders, pro rata, as nearly as possible, to the number of the shares they respectively hold immediately prior to the notice. Each notice shall specify the number of the proposed shares offered to each shareholder and the period within which the offer, if not accepted, shall be deemed to be declined and after the expiration of the said period, the Directors may dispose the declined proposed shares in such a manner as they think fit. Same applies for the issue of debentures convertible into shares.

Such aforesaid pre-emption rights may be disapplied or relaxed to any extent as the shareholders may determine via a majority resolution.

The Company may exercise the powers of paying commissions which may be satisfied by the payment of cash or by the allotment of fully or partly paid shares or partly in one way and partly in the other.

### **Dividends and Distributions**

Dividends and interim dividends may be paid out in accordance with the general provisions of Cyprus law and the Articles of Association. The general meeting of the shareholders of the Company may declare dividends or interim dividends by way of an ordinary resolution following relevant recommendation by the Board of Directors. Provided that no dividend or interim dividend shall exceed the amount recommended by the Board of Directors and no dividend or interim dividend shall be paid otherwise than out of divisible profits.

The Board of Directors may from time to time pay to the shareholders such interim dividends as appear to the Board of Directors to be justified by the profits of the Company for the relevant period. If at any time the share capital of the Company is divided into different classes, the Board of Directors may pay such interim dividends on shares which rank after shares conferring preferential rights with regard to dividend as well as on shares conferring preferential rights unless at the time of payment any preferential dividend is in arrears. Provided that the Board of Directors acts in good faith it shall not incur any liability to the holders of shares conferring preferential rights for any loss that they may suffer in consequence of the declaration or by the lawful payment of any interim dividend on shares ranking after those with preferential rights.

The Board of Directors may, before recommending any dividend, set aside out of the profits of the Company such sums as they think proper as a reserve or reserves which shall, at the discretion of the Board of Directors, be applicable for any purpose to which the profits of the company may be properly applied, and pending such application may, at the like discretion, either be employed in the business of the Company or be invested in such investments (other than shares of the Company) as the Board of Directors may from time to time think fit. The Board of Directors may also without placing the same to reserve carry forward any profits which they may think prudent not to divide.

Subject to any special rights conferred on shares at their issuance, all declared dividends shall be declared and paid according to the amounts paid up on such shares, apportioned and paid proportionately to the amounts paid up on the relevant shares. Any general meeting of the shareholders of the Company declaring a dividend or bonus may decide by ordinary resolution, the payment of such dividend or bonus, wholly or partly, by the distribution of specific assets and the Board of Directors shall give effect to such resolution, and where any difficulty arises in regard to such distribution, the Board of Directors may settle the same as it thinks expedient by resolution of the Board of Directors.

No dividend shall bear interest against the Company.

All dividends or interim dividends unclaimed for a period of five years after having become due for payment shall (if the Board of Directors so resolves) be forfeited and shall revert to the Company.

### **Alteration of Rights**

Subject to the Cyprus Companies Law, and without prejudice to any special rights previously conferred on the holders of any existing shares or class of shares, any share in the Company may be issued with such preferred, deferred or other special rights or such restrictions, whether in regard to dividend, voting, return of capital or otherwise as the Company may from time to time, by resolution of the general meeting of the shareholders determine.

If at any time the share capital is divided into different classes of shares, the rights attached to any class may, whether or not the Company is being wound-up, be varied with the consent of the requisite number of votes of shareholders passed at a separate general meeting of the holders of the shares of the class, as per section 59A of the Cyprus Companies Law. To every such separate general meeting the provisions of the Articles of Association relating to general meetings apply.

Subject to section 59A of the Cyprus Companies Law, the Company may from time to time increase the share capital by such sum, to be divided into shares of such amount, as the resolution shall prescribe. The Company may by resolution of the general meeting of its shareholders:

- increase the registered (authorised) share capital of the Company by creating new (additional) shares of any nominal value;
- consolidate and divide all or any of its share capital into shares of larger amounts than its existing shares;
- subdivide its existing shares, or any of them, into shares of smaller amounts than is fixed by the Memorandum of Association subject, nevertheless, to the provisions of section 60(1)(d) of the Cyprus Companies Law;
- cancel any shares which, at the date of the passing of the Resolution, have not been taken or agreed to be taken by any person; and
- with the sanction of a special resolution, reduce the issued share capital, the capital reserve, or any share premium account of the Company.

### **Winding-up of the Company**

If the Company is wound-up, the surplus assets remaining after payment of all creditors are to be divided among the shareholders in proportion to the capital which at the commencement of the winding-up is paid up on the shares held by them, respectively and, if such surplus assets are insufficient to repay the whole of the paid up capital, they are to be distributed so that as nearly as may be the losses are borne by the shareholders in proportion to the capital paid up at the commencement of the winding up on the shares held by them, respectively. The foregoing is subject to the rights attached to any shares which may be issued on special terms or conditions.

If the Company is wound-up, the liquidator may, with the sanction of an extraordinary resolution of the general meeting of the shareholders and any other sanction required by the Cyprus Companies Law divide among the shareholders either in kind or in specie the whole or any part of the assets of the Company and may for that purpose value any assets and determine how the division shall be varied out as between the shareholders or their different classes. The liquidator may with the sanction of an extraordinary resolution of the shareholders vest the whole or any part of the assets of the Company in trustees upon such trusts for the benefit of the shareholders as he with the like sanction determines, but no shareholder shall be compelled to accept any assets upon which there is a liability or other encumbrance.

### **Takeover Bids**

Cyprus implemented the Directive 2004/25/EC of 21 April 2004 on takeover bids ("**Takeover Directive**") by the Law to Make Provisions for Public Takeover Bids for the Acquisition of Securities of Companies and Related Matters L.41(I)/2007 as amended ("**Cyprus Takeover Law**"), which provides mandatory takeover bid rules where a person, as a result of his own acquisition or the acquisition by persons acting in concert with him, holds securities of a company which, added to his existing holdings and the holdings of persons acting in concert with him, directly or indirectly give him a percentage of 30 % or more of existing voting rights in that company at the date of the acquisition. The rule, which is subject to various exemptions which may be granted upon application to the competent authority in Cyprus, triggers an obligation on such a person to make a bid at the earliest opportunity to all the other holders. The bid must be addressed to all the remaining shareholders and must be at a fair price.

The obligation to make a mandatory bid is valid when, following the acquisition, the offeror holds at least 30 % of the voting rights of a company. The following cases constitute a non-exhaustive list of situations where the obligation to make a bid applies:

- where the offeror holds no securities or holds securities representing less than 30 % of the voting rights of a company and with an acquisition of securities he/she reaches or supersedes 30 % of the voting rights of a company; or
- where the offeror already holds a percentage equal to or greater than 30 % and below 50 % of the voting rights of a company and increases his/her percentage of holding.

In case the acquirer already holds more than fifty per cent (50 %) of the voting rights of a company, the further acquisition of securities does not create an obligation to make a mandatory bid, provided the Commission grants an exception pursuant to section 15 of the Cyprus Takeover Law.

Since the Company has its registered office in Cyprus and the Shares will be listed on a regulated market in Germany, the Takeover Directive provides for dual regulation. The relevant applicable provisions of the Cyprus Takeover Law are, inter alia, the ones regarding employee information and company law matters, determination of voting thresholds offering control for the purposes of mandatory offers, any derogation from a possible obligation to launch a mandatory offer, circumstances within which the board of directors may frustrate a takeover bid, as well as squeeze out and sell out rules. The CySEC has provided an overview on their website providing information on such shared regimes.

Specifically, pursuant to the Takeover Directive, the percentage of voting rights conferring 'control' is to be determined by the rules of the Member State in which a company has its registered office. In addition to this, matters of notification of the offeree company personnel, the exceptions from the obligation to launch the bid and the terms under which the board of the offeree company has capacity to proceed with acts capable of frustrating a bid, as well as squeeze out and sell out rules, are also regulated by the rules of the Member State in which a company has its registered office, therefore is regulated by the Cyprus Takeover Law and supervised by CySEC. Matters concerning the consideration of the bid, in particular the price as well as matters concerning the procedure for a bid, in particular notification by the offeror of his decision to launch a bid, the content of the offer document and publication of a bid are governed by the laws of the jurisdiction of the regulated market and would be supervised by the laws of the country of the regulated market to which the Company shall list its Shares. As the Shares shall be admitted to trading on the regulated market of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) in Germany and not on a regulated market in Cyprus, the competent authority will be the German authority *Bundesanstalt für Finanzdienstleistungsaufsicht* ("**BaFin**") if the Company is the target and the German Securities Acquisition and Takeover Act (*Wertpapiererwerbs- und Übernahmegesetz, WpÜG*) will be applicable in this respect.

One of the applicable provisions of the Cyprus Takeover Law is section 6(3) which provides that the board of directors of the offeree company and of the offeror shall inform the representatives of

their respective employees or, where there are no such representatives, the employees themselves.

Regarding provisions concerning principles for the percentage of acceptance in a takeover bid, the applicability is subject to agreement with the regulator of the country of the regulated market to which the Company shall list its Shares and its national law, i.e. in case of the Company German law.

The applicable section 22(1)(a)(ii) of the Cyprus Takeover Law further provides that as long as the approval of the CySEC to publish the offer document is secured, the offeror communicates as soon as possible the offer document to the offeree company and to the representatives of the offeror's employees or where there are no such representatives, to the employees themselves.

Pursuant to section 34 of the Cyprus Takeover Law, the powers of the Board of Directors of the offeree company are limited during the time allowed for acceptance.

Pursuant to section 38 of the Cyprus Takeover Law, as soon as the offeree company is notified of result of the bid, it communicates it to the representatives of its employees, or where there are no such representatives, to the employees themselves.

### **Cyprus Squeeze-Out and Sell-Out Provisions**

#### **Squeeze-Out and Sell Out Rules under the Cyprus Takeover Law**

Section 36 of the Cyprus Takeover Law provides that, where an offeror makes a bid to all the holders of securities of an offeree company for the total of their holding, he is able to require all the holders of the remaining securities to sell him/her those securities in the following situations:

- where the offeror holds securities in the offeree company representing not less than 90 % of all securities capital carrying voting rights and not less than 90 % of the voting rights in the offeree company; or
- where the offeror holds or has irrevocably agreed to acquire, following the acceptance of a takeover bid, securities in the offeree company representing not less than 90 % all securities capital carrying voting rights and not less than 90 % of the voting rights included in the takeover bid.

The offeror may exercise the aforesaid right within three months from the end of the time allowed for acceptance of the bid. The consideration for the acquisition of securities shall take the same form as and be at least equal to the consideration offered in the bid or there will be a cash alternative.

This right is exercised following a relevant application to the CySec, which is communicated by the offeror to the offeree company. Together with the application, the offeror submits a confirmation by one or more credit institutions or other organizations with the necessary, according to the Commission, solvency, where it will be stated that the cash the offeror will be called to pay to the holders of securities of the offeree company is available and will remain available to the credit institution or to the organization until the completion of the procedure. The following working day from the submission of the said application, the offeror makes an announcement. The payment of the consideration and the transfer of securities is also announced by the offeror.

Section 37 of the Cyprus Takeover Law allows for the holder of the remaining securities (i.e. the remaining 1 - 10 %) of the offeree company in any of the two situations described above, to require the offeror (holding not less than 90 % of the securities carrying voting rights and not less than 90 % of the voting rights as described above) to buy his/her securities from him/her at a fair price, provided that this right is exercised within three months of the end of the time allowed for acceptance of the bid. The offeror makes a relevant announcement.

### **Squeeze-Out and Sell Out Rules under the Cyprus Companies Law**

The Cyprus Companies Law also contains provisions for the squeeze out and/or sell out of remaining shareholders in circumstances where a company is subject to a takeover bid, inter alia, takeover bids, however, it is deemed that for as long as the Company's shares remain admitted to trading on a regulated market and it is the subject of a purported takeover bid during such time, the provisions of the Cyprus Takeover Law shall be applicable to the Company, at the exclusion of such provisions.

Should it be the case however, that the Company becomes delisted, the provisions of the Cyprus Companies Law may be applicable to subsequent takeover bids as follows:

Section 201 of the Cyprus Companies Law denotes that, where a scheme or contract involving the transfer of shares or any class of shares in a company (in this section referred to as "the transferor company") to another company, whether a company within the meaning of the Cyprus Companies Law or not (in this section referred to as "the transferee company"), has, within four months after the making of the offer in that behalf by the transferee company been approved by the holders of not less than nine-tenths in value of the shares whose transfer is involved (other than shares already held at the date of the offer by, or by a nominee for, the transferee company or its subsidiary), the transferee company may, at any time within two months after the expiration of the said four months, give notice in the prescribed manner to any dissenting shareholder that it desires to acquire his shares, and when such a notice is given the transferee company shall, unless on an application made by the dissenting shareholder within one month from the date on



which the notice was given the Court thinks fit to order otherwise, be entitled and bound to acquire those shares on the terms on which, under the scheme or contract, the shares of the approving shareholders are to be transferred to the transferee company.

### **Disclosure of Transactions involving Persons holding Managerial Responsibilities**

The regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse (Market Abuse Regulation, “**MAR**”) requires that persons discharging managerial responsibilities within a company, the shares of which are listed on a regulated market or on a multi-trading facility (“**MTF**”), such as the Company, or persons closely associated with them notify their own transactions in shares of the company or related financial instruments, to the company and to the CySEC respectively within three working days. Persons discharging managerial responsibilities are members of a management, administrative or supervisory body of the company as well senior executives who regularly have access to insider information and are authorized to make material business decisions. The following persons are deemed to be closely related to a person discharging managerial responsibilities: spouses, registered partners, dependent children and other relatives who, at the time when the transaction must be notified, have been living for at least one year in the same household as the person discharging managerial responsibilities. Legal entities in which the above persons perform management duties are also subject to the notification requirement. This regulation also encompasses such legal persons, companies and institutions which are directly or indirectly controlled by a person discharging managerial responsibilities or a person closely related to such person that were formed for the benefit of such person or whose economic interests largely correspond to those of such person.

The Company is obliged to publish this notification immediately after receipt, but no later than three business days after occurrence of the respective transaction.

### **Notification of the Acquisition or Disposal of Major Holdings**

The Cyprus Transparency Law of 31 December 2007 as amended (the “**Cyprus Transparency Law**”) imposes notification obligations on persons who acquire or dispose of Shares. Where a shareholder acquires or disposes of Shares, such shareholder is obliged to notify the Company in accordance with Cyprus Transparency Law of the proportion of voting rights he holds in the Company as a result of the acquisition or disposal where that proportion reaches, exceeds or falls below the thresholds of 5 %, 10 %, 15 %, 20 %, 25 %, 30 %, 50 % and 75 %. Notification requirements will also apply to certain indirect acquisitions or disposals of major proportions of voting rights, as set out in more detail in section 28 of the Cyprus Transparency Law. The shareholder will have to file the aforementioned notification also with the CySEC (provided that

the home member state of the Company is Cyprus, or otherwise, to the relevant competent authority of such home member state).

The voting rights are calculated on the basis of all the shares of the issuer to which voting rights are attached even if the exercise thereof is suspended. Information is also given in respect of all the shares of the issuer which are in the same class and to which voting rights are attached.

In the event where CySEC has reasonable grounds for suspecting that the issuer has infringed provisions of the Cyprus Transparency Law, CySec may request the relevant regulated market to suspend trading in securities of an issuer, for a period not exceeding ten days.

When receiving a shareholder ownership notification, the Company will also have to publish such notification as soon as possible and not before the next working day following the receipt of a notification.

In addition, certain provisions of the German Securities Trading Act (*Wertpapierhandelsgesetz*, “**WpHG**”) apply as long as the Company has admitted securities to a regulated market only in Germany. Pursuant to applicable provisions of the WpHG, if the Company receives a shareholder ownership notification, the Company must publish such notification via media outlets, where it can be assumed that the notification will be disseminated in the European Union as well as in the non-European Union parties to the Treaty on the European Economic Area. The Company must also transmit the notification to the BaFin and to the German Company Register (*Unternehmensregister*) for storage. The Company may publish the notification solely in English language.

## **MANAGEMENT, BODIES AND SENIOR MANAGEMENT**

### **Management Structure**

The Company is administered and managed by a board of directors (“**Board of Directors**”; each member of the Board of Directors, a “**Director**”). The Board of Directors is vested with broad powers to perform all acts of administration and management in the Company’s interest. All powers not expressly reserved by the Cyprus Companies Law or by the Articles of Association for the general meeting of the Company’s shareholders fall within the competence of the Board of Directors. The powers of the Board of Directors may be delegated by resolution of the Board of Directors or a committee duly authorized by the Board of Directors to a single director, officer or a third person. The Board of Directors may determine the scope of such delegation at its discretion.

The Board of Directors may appoint one or more Directors to the office of managing director of the Company. The Board of Directors shall choose amongst the Directors a chairperson. It may also choose a secretary who need not be a member of the Board of Directors. The chairperson of the Board of Directors shall have a casting vote when adopting resolutions of the Board of Directors.

Pursuant to the Cyprus Companies Law as well as the Articles of Association the minimum number of Directors, notwithstanding section 170 of the Cyprus Companies Law, shall be at least two unless otherwise determined by the general meeting via an ordinary resolution. The maximum number of Directors is not restricted. The general meeting further resolves on the remuneration of the Directors.

Subject to the provisions of the Cyprus Companies Law, the memorandum of association of the Company, the Articles and to any directions given by the General Meeting with the sanction of an ordinary resolution, the business and affairs of the Company shall be managed by the Board of Directors which may exercise all the powers of the Company. No alteration of the memorandum of association or the Articles and no direction of the General Meeting shall invalidate any prior act of the Board or any Director which would have been valid if that alteration had not been made or that direction had not been given. The powers given by this Regulation 86 shall not be limited by any special power given to the Board or the Directors by the Articles and a Board Meeting may exercise all powers exercisable by the Board of Directors.

The Board of Directors may exercise all the powers of the Company to borrow, raise money, give guarantee and to mortgage, charge and encumber the undertaking, property, assets (fixed and current), rights, revenues and uncalled share capital, of the Company and to create or issue Debentures and other securities, whether as primary or collateral security for any debt, liability or obligation of the Company, any Subsidiary or any other Person, and to issue notes, bonds and

other promises and obligations of the Company, either for cash or as consideration for the acquisition of property other than cash.

The Company may, by power of attorney under the Seal or otherwise signed by two Directors or a Director and the Secretary, appoint any Person as attorney or agent of the Company for such purposes, on such terms and conditions and with such powers (not exceeding the powers vested in, or exercisable by, the Board of Directors under the Articles) as the Board thinks fit, including the power to delegate all or any part of the authority granted to such Person.

The Board of Directors may delegate to:

- (a) committees consisting of at least two Persons (of whom at least one shall be a Director) as the Board shall appoint (the 'Committee'); and
- (b) Directors (jointly and/or severally),

such of the Board's powers as the Board thinks fit. The delegations may be made subject to any conditions the Board may impose and either collaterally with or to the exclusion of its own powers and may be revoked or altered by it. Unless otherwise determined by the Board the proceedings of every Committee shall be governed by the Regulations regulating to the proceedings of the Directors so far as they are capable of applying.

No person shall be appointed (or reappointed) a Director at a general meeting of the Company or (where applicable) separate meeting of the holders of a class of Shares unless:

- (a) that Person is recommended by the Board of Directors or by a Committee duly authorised by the Board; or
- (b) not less than seven nor more than 42 days before the date appointed for holding the meeting, notice executed by a Member entitled to vote at the meeting has been given to the Company of that Member's intention to propose that Person for appointment (or reappointment) as Director (stating the particulars which would, if he were so appointed, be required to be included in the Company's register of Directors) together with a notice executed by that Person stating that he is willing to act as Director.

Neither less than three, nor more than 21 days before the date appointed for holding the meeting notice shall be given to all the Members entitled to receive notice of the meeting:

- (a) of every Person who is recommended by the Board of Directors, or the Committee; and
- (b) of every Person in respect of whom notice has been duly given to the Company of the intention to be proposed,

for appointment (or reappointment) as a Director at the meeting. The notice shall give the particulars of that Person which would, if he were so appointed, be required to be included in the Company's register of Directors.

The General Meeting may:

- (a) subject to section 177(1) of the Cyprus Companies Law, with the sanction of an ordinary resolution appoint any Person (willing to act) to the office of Director either to fill a vacancy or as an additional Director provided that no appointment shall cause the number of the Directors to exceed the maximum number as aforesaid; and
- (b) subject to sections 136 and 178 of the Cyprus Companies Law, with the sanction of an ordinary resolution remove any Director from office (but the Director's removal from office shall be without prejudice to any claim which he has for breach of contract).

The Board of Directors may at any time appoint any person (willing to act) to the office of Director either to fill a vacancy or as an additional Director provided that no appointment shall cause the number of the Directors to exceed the maximum number permitted. Every Director (other than a Director holding an executive office) appointed as such shall hold office only until the next following annual general meeting.

A Director who retires at an annual general meeting of the Company shall, unless he is re-appointed, remain in office until the meeting appoints another in his place, or if the meeting does not do so, until the conclusion of the meeting.

The Board of Directors may appoint one or more Directors to the office of managing director of the Company or to any other executive office in, or employment with, the Company as Executive Director for such period, on such terms and, subject to section 181 of the Cyprus Companies Law, for such remuneration (by way of salary, participation in the profits or otherwise), as it thinks fit. Any such appointment shall (unless its terms provide otherwise) terminate when the Director so appointed shall cease to be a Director.

A Director notwithstanding his office may, without prejudice to applicable law and sections 183 to 186 (both inclusive) and 191 of the Cyprus Companies Law:

- (a) become a party to, or otherwise be interested in, any transaction or arrangement with the Company or in which the Company is otherwise interested; and
- (b) become a director or other officer of, or be employed by, or become a party to any transaction or arrangement with, or otherwise be interested in, any Corporation promoted by the Company or in which the Company is otherwise interested,

and accordingly the Director shall not, by reason of his office, be accountable to the Company for any benefit which he may derive from any such office or employment or from any such transaction or arrangement or from any interest he may have in any such Corporation and no such transaction or arrangement shall be liable to be avoided on the ground of any such interest or benefit provided always that the Director discloses to the Company the nature and extent of his interest.

For the purposes of the aforesaid, a general notice given to the Company or tendered at a Board Meeting that a Director is to be regarded as having an interest of the nature and extent specified in the notice in any transaction or arrangement in which a specified Person or class of Persons is interested shall be deemed to be a disclosure that the Director has an interest in the said transaction or arrangement of the nature and extent so specified. Notwithstanding the forgoing, an interest of which a Director has no knowledge and of which it is unreasonable to expect him to have knowledge shall not be treated as an interest of his.

Subject to the Articles, the Directors may regulate the proceedings of Board Meetings as they think fit. A Director may, and the Secretary at the direction of a Director shall, call a meeting of the Directors. Notice of a meeting of Directors shall be given to each Director whether or not absent from Cyprus. Every Director has one vote and all business arising at every Board Meeting shall be decided by a resolution and no resolution shall be effective unless sanctioned by at least a majority of votes of the Directors present at the meeting, voting and entitled to vote. In the case of an equality of votes, the Chairperson shall have a casting vote. A Director who is also an alternate director shall, in addition to his own vote, be entitled, in the absence of the Director appointed him, to a separate vote of the Director appointed him.

A Director may vote as a Director on a resolution concerning any matter in which he has, directly or indirectly, an interest or duty and, if he votes, his vote shall be counted and he shall be counted in the required quorum when that resolution or matter is put before the Board of Directors,

PROVIDED THAT the Director interested:

- (a) has disclosed his interest in accordance with applicable law, the Cyprus Companies Law, the Articles and at the meeting of Directors; and
- (b) was granted permission to vote by the Chairperson or, if no Chairperson is appointed, or is present, or if the Director interested is the Chairperson, by all the Directors present at the meeting who have no interest in the matter or business to be transacted.

The required quorum for the transaction of the business of the Directors shall be at least the majority in number of the Directors present throughout the meeting. A person, who holds office only as an alternate director shall, if the Director appointed him is absent, be counted in the quorum.

The Directors who are present at a meeting of the Directors at which there is no quorum or at a Board Meeting at which the quorum ceases to be present may act only for the purpose of calling a general meeting and for no other purpose.

The Board of Directors may appoint one Director as the “Chairperson” and may at any time remove him from that office. The Chairperson shall preside at every Board Meeting he attends. If there is no Chairperson appointed or if the Chairperson is unwilling to preside or is not present within 15 minutes after the time appointed for holding the meeting, the Directors present may by majority appoint one of them to preside at the Board Meeting.

Notwithstanding section 174 of the Cyprus Companies Law, acts done by the Board of Directors, a Committee or a Person acting as Director are, notwithstanding that it afterwards discovered that there was some defect in the appointment of a Director or that any of the Directors was disqualified from holding office, or had vacated office, or was not entitled to vote, as valid as if such person had been duly appointed as Director and was not disqualified and had continued to be a Director and had been entitled to vote.

A written resolution signed by all the Directors or in relation to a Committee by all its members, shall be as valid and effectual as if it is sanctioned at a Board Meeting, or (as the case may be) a Committee Meeting, duly convened, constituted and transacted on the date it is delivered at the registered office of the Company; and it may consist of several documents in like form each signed by one or more persons; and, if a written resolution is signed by a Director who is also appointed an alternate director, it need not be signed by the alternate director in that capacity.

A meeting of the Board may consist of a conference between Directors some or all of whom are in different places provided that each Director who participates is able to hear each other participating Director addressing the meeting and to address all of the other participating Directors simultaneously, whether directly, by conference telephone or by any other means of, or equipment for, communications or by a combination of the said means or equipment. A quorum shall be deemed to be present if those conditions are satisfied in respect of at least the number of Directors required to form a quorum; such a meeting of the Board shall be deemed to be a Board Meeting that took place at the registered office of the Company.

### **Members of the Board of Directors**

The following table sets out information with respect to each of the members of the Board of Directors, the date of their appointment and their positions within the Company at the date of the Prospectus.

<b>Name</b>	<b>Position</b>	<b>First Appointment</b>	<b>Latest Appointment / Term of Office</b>
Mr. Andrew Wallis	Executive Director	18 November 2016	18 November 2016 for a term ending on the date of the annual general meeting of the Company's shareholders 2017.
Mr. Oschrie Massatschi	Executive Director	18 November 2016	18 November 2016 for a term ending on the date of the annual general meeting of the Company's shareholders 2017.
Mr. Reshef Ish-Gur	Executive Director	5 February 2015	4 February 2016 for a term ending on the date of the annual general meeting of the Company's shareholders 2017.
Ms. Jelena Afxentiou	Executive Director	1 May 2014	4 February 2016 for a term ending on the date of the annual general meeting of the Company's shareholders 2017.
Ms. Elena Koushos	Non-executive, independent Director	1 May 2014	4 February 2016 for a term ending on the date of the annual general meeting of the Company's shareholders 2017.
Markus Leininger	Non-executive, independent Director	22 February 2017	22 February 2017 for a term ending on the date of the annual general meeting of the Company's shareholders 2017

The executive directors compose together with the CEO and the CFO (see below "*Senior Management*") the executive management of the Company. Besides the management of the day-to-day business of the board the executive directors are in particular responsible for investor relations, financing and cash flow. The Board of Directors did not elect a chairperson.

The business address of the Directors is at 54B Artemidos & Nikou Dimitriou, Scanner Avenue Tower, 4<sup>th</sup> Floor, 6027, Larnaca, Cyprus.



### **Mr. Andrew Wallis**

Mr. Wallis was born in 1968 in Berlin Germany. He is member of the Board of Directors of the Company since 2016. Between 1987 and 1989 Mr. Wallis completed two-year Police Constable probationary training period in London. Between 1989 and 1997 he was a Royal Marines Commando Officer. From 1997 to 2001 he was the vice president of Merrill Lynch, London and from 2001 to 2004 he was the vice president of JPMorgan, London. From 2005 to 2006 he was the vice president of HSBC London. From 2006 to 2007 he occupied various roles at Speymill plc, London, where he was a key member of the team directly involved in building Speymill plc's new fund management business. He was chief executive officer of two Berlin based property companies (Goal Service GmbH, Berlin from 2007 to 2011 and Sandby GmbH, Berlin from 2011 to 2015). Further, Mr. Wallis holds an MBA from the University of Westminster, London since 1998 and is a Chartered Financial Analyst (CFA) since 2003.

### **Mr. Oschrie Massatschi**

Mr. Oschrie Massatschi was born in 1981 in Salzgitter, Germany. He is member of the Board of Directors of the Company since 2016. Between 2000 and 2004 he studied at the Manchester Metropolitan University in the United Kingdom and Macquarie University in Sydney, Australia - majoring in Corporate Finance and Asian Business Studies. He is a co-founder and former VP of Finance of the professional American Business Fraternity - Alpha Kappa Psi - of the first established branch outside the United States. After graduating as "best in class 2004" with a First Class Honours degree in International Business, Mr. Massatschi gained initial work experience at Siemens AG in Finance/Controlling, JP Morgan Securities in Equity Sales trading and Deloitte & Touché in M&A / Corporate Finance. From 2005 to 2007, he joined the Financial Executive Management Program at TUI AG where he took project management responsibilities in various countries across Europe and the Middle-East in the fields of airline finance, software development and flight strategy optimisations. Since 2007, Mr. Massatschi worked in financial services and payments strategies at the Management Consultancy firm Edgar, Dunn & Company in Sydney, Australia. In his capacity as Consultant he gained international experience in merchant acquiring & issuing, co-branded cards, NFC and contactless payment innovations, credit and fraud risk and customer profitability, whilst advising the Reserve Bank, large credit card schemes and a vast number of retail banks across South-East Asia. He also implemented Australia's first ATM Market Study & roundtable to prepare the industry for direct charging in early 2009. Subsequently, Mr. Oschrie Massatschi joined the Banking & Financial Services group of Macquarie Bank in Sydney, Australia in 2009 as leading Business Analyst, where he was in charge of the merchant acquiring business and led the bank's merchant acquiring services and platform migration & white labelling restructure. In the beginning of 2013, he joined the Group as Head of Due Diligence/Acquisitions, Privatizations and Rent Increase whilst obtaining certification in real estate valuations from the BBA - Academy of Real Estate Economics of Berlin. Mr. Oschrie

Massatschi became member of the Board of Directors in November 2016. In his capacity as Executive Director he also has joint responsibility for the global Investor Relations efforts of the Group.

**Mr. Reshef Ish-Gur**

Mr. Ish-Gur was born in 1978 in Tel Aviv, Israel. He is member of the Board of Directors of the Company since 2015. Mr. Ish-Gur is a CPA (Israel) since 2008. Further, he holds a bachelor's degree in accounting and finance. Between 2001 and 2004 Mr. Ish-Gur worked as a reporter for "Globes" Israel's Business Newspaper with a focus on stock listed companies. Between 2006 and 2008 Mr. Ish-Gur pursued an internship with KPMG, where he subsequently worked from 2008 to 2009 in the audit department. Between 2009 and 2011 Mr. Ish-Gur worked for Systema engineering and planning consultancy, a company specialising in environmental engineering. Between 2011 and 2015 Mr. Ish-Gur worked for the Group as a financial controller, member of the audit committee and has been in his present position since April 2015.

**Ms. Jelena Afxentiou**

Ms. Afxentiou was born in 1974 in Belgrade, Serbia. She is a member of the Board of Directors of the Company since 2014. Further, she is the head of the accounting department of the Company since 2011. Ms. Afxentiou has twenty years of experience in the real estate and the hotel business, in particular in finance and accounting. Currently Ms. Afxentiou is attending an MBA program at Cyprus International Institute of Management. She also acquired higher qualifications in public relations and accounting from the London Chamber of Commerce and Industry and studied at a school of hotel and tourism.

**Ms. Elena Koushos**

Ms. Koushos was born in 1985 in Nicosia, Cyprus. She is a member of the Board of Directors of the Company since 2014. Between 2003 and 2006 Ms. Koushos studied law at University of Leicester, where she received an LL.B in law. From 2007 to 2008 she followed an LL.M. program at Queen Mary University of London where she received an LL.M. in medical law and ethics. In September 2008 she started to work as an associate at KOUSHOS & KORFIOTIS ADVOCATES & LEGAL CONSULTANTS LLC now KOUSHOS KORFIOTIS PAPACHARALAMBOUS LLC, a leading law firm in Nicosia, Cyprus, where she currently is a partner.

**Mr. Markus Leininger**

Mr. Leininger was born in 1966 in Mainz, Germany. He is a member of the Board of Directors of the Company since February 2017. Mr. Leininger holds a professional banking diploma (Certificate 'Bankkaufmann') awarded by the German Chamber of Industry and Commerce.

Further, Mr. Leininger holds a diploma in business administration from Justus-Liebig-Universität, Giessen, where he graduated in 1994. Mr. Leininger has been a senior banker with a focus on financing, private equity and real estate. Mr. Leininger occupied various positions at RHEINHYP Rheinische Hypothekenbank AG, Frankfurt (subsidiary of Commerzbank AG), from 1995 to 2002, including loan manager "commercial real estate" and head of operations. From 2002 to 2012 Mr. Leininger was the Head Central and Eastern Europe of EUROHYPO AG. From 2012 to 2015 he was member of the advisory board and investment committee of Revetas Capital Advisors. In 2015 Mr. Leininger became an independent director of Pradera Management S.à r.l., Luxembourg.

There are no family relationships between any of the members of the Board of Directors and/or members of the Senior Management.

To the knowledge of the Company, the members of the Board of Directors have not been convicted of a fraudulent offence in the past five years, nor have they been prohibited by a court ruling or by an enforceable ruling of an administrative authority from exercising an occupation, a profession, a trade or a line of trade. To the knowledge of the Company, no bankruptcies, receiverships, insolvency proceedings or any similar proceedings have been opened against any of the members of the Board of Directors within the past five years. To the knowledge of the Company, no member of the Board of Directors was subject to official public incriminations and/or sanctions by statutory or regulatory authorities (including designated professional bodies) nor has any member of the Board of Directors been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of the affairs of any issuer for the previous five years.

#### **Other Mandates of the Members of the Board of Directors**

Within the previous five years the members of the Board of Directors have been members of the administrative, management or supervisory bodies or partners of entities not relating to Aroundtown as follows:

- |                               |   |
|-------------------------------|---|
| <b>Mr. Andrew Wallis</b>      | Mr. Andrew Wallis has not been a member of administrative, management or supervisory bodies or partner of entities outside the Group in the previous five years.      |
| <b>Mr. Oschrie Massatschi</b> | Mr. Oschrie Massatschi has not been a member of administrative, management or supervisory bodies or partner of entities outside the Group in the previous five years. |
| <b>Mr. Reshef Ish-Gur</b>     | Mr. Reshef Ish-Gur has not been a member of administrative,   |

management or supervisory bodies or partner of entities outside the Group in the previous five years.

**Ms. Jelena Afxentiou** Ms. Jelena Afxentiou has not been a member of administrative, management or supervisory bodies or partner of entities outside the Group in the previous five years.

	<b>Position</b>	<b>Entity</b>	<b>Until</b>
<b>Ms. Elena Koushos</b>	Partner	Koushos Korfiotis Papacharalambous LLC	ongoing
	Member of the Board of Directors	A.R.U. Cyprus Equities and Investments Ltd.	ongoing
	Member of the Board of Directors	KKPLAW Ltd.	ongoing
	Member of the Board of Directors	Louthan Secreterial Ltd.	ongoing
<b>Mr. Markus Leininger</b>	Managing Director	Della S.á r.l.	ongoing
	Managing Director	OVG Hamburg 1 S.á r.l.	ongoing
	Member of the Board of Directors	Falcon Fund SICAV	ongoing
	Member of the Board of Directors	SWISS World Invest SICAV	ongoing
	Member of the Board of Directors	Falcon Invest SICAV	ongoing
	Managing Director	Revetas GP S.á r.l. <sup>(1)</sup>	ongoing
	Member of the Board of Directors	Pradera Management S.á r.l.	ongoing
	Member of the Board of	Pradera European Retail	ongoing

Directors	Parks GP S.á r.l. <sup>(1)</sup>	
Member of the Board of Directors	Sistema Finance S.A.	April 2017
Member of the Board of Directors	Falcon Multilable SICAV	December 2016
Chairman of the Supervisory Board	Baufinanzwerk AG	June 2016
Managing Director	Wolfgang S.á r.l.	September 2016
Director	CP Holding Luxembourg S.á r.l.	July 2015

<sup>(1)</sup> Mr. Leininger holds various positions in management bodies of direct or indirect subsidiaries of the respective holding entity.

There are no arrangements or understandings with major shareholders, customers or others with respect to which any member of the board of directors was selected.

### **Conflict of Interests of the Members of the Board of Directors**

Ms. Elena Koushos is a partner in the law firm Koushos Korfiotis Papacharalambous LLC which provides legal services for Aroundtown. The respective agreements between members of the Group and Koushos Korfiotis Papacharalambous LLC are entered into and conducted at arm's length and thus, do not lead to a conflict of interest.

Apart from the aforementioned agreement and their ongoing mandates outside Aroundtown listed above, the members of the Board of Directors have no further potential conflicts of interest between any duties to the Company and their private interest or other duties.

## Remuneration and benefits of the Members of the Board of Directors

In the financial year 2016, the members of the Board of Directors were compensated as follows:

	Fixed Remuneration <sup>(1)</sup>	Fix and variable share incentive	Total Remuneration
Mr. Andrew Wallis	€ 252,045	-	€ 252,045
Mr. Oschrie Massatschi	€ 151,132	-	€ 151,132
Mr. Reshef Ish-Gur	€ 105,142	€ 112,500	€ 217,642
Ms. Jelena Afxentiou	€ 82,905	€ 112,500	€ 195,405
Ms. Elena Koushos	€ 60,000	-	€ 60,000
Mr. Markus Leininger <sup>(2)</sup>	-	-	-

<sup>(1)</sup> Comprising of salary, director fee and supplementary payments based on employers' cost.

<sup>(2)</sup> Mr. Markus Leininger joined the Board of Directors in 2017 and did not receive any remuneration in the financial year 2016.

There are no service contracts between members of the Board of Directors on the one side and the Company or any of its subsidiaries on the other side providing for benefits upon termination of employment.

No amounts were set aside to provide pension retirement or similar benefits to the members of the Board of Directors.

## Shareholdings of the Members of Board of Directors

As of the date of this Prospectus the members of the Board of Directors directly or indirectly hold Shares of the Company as follows:

Mr. Reshef Ish-Gur: 600,000 Shares

Mr. Oschrie Massatschie: 5,569 Shares

As of the date of this Prospectus, the members of the Board of Directors hold options relating to shares in the Company as follows:

Mr. Reshef Ish-Gur and Ms. Jelena Afxentiou are each entitled to up to 100,000 shares and Mr. Oschrie Massatschie is entitled to up to 150,000 shares under the MIP which are subject to vesting provisions as well as - partly - the achievement of certain financial parameters in the

Company's annual financial statements (see "*Description of Share Capital - Employee Stock Option Plan*").

### **Senior Management**

The following table sets out information with respect to each of the members of the senior management of the Company, including their positions within the Company as of the date of the Prospectus:

<b>Name</b>	<b>Position</b>	<b>First Appointment</b>	<b>Latest Appointment / Term of Office</b>
Mr. Shmuel Mayo	Chief Executive Officer (CEO)	10 November 2014	Indefinite term
Mr. Eyal Ben David	Chief Financial Officer (CFO)	10 November 2014	Indefinite term

The business address of the members of the senior management is at Haus F, Wittestraße 30, D-13509 Berlin, Germany.

#### **Mr. Shmuel Mayo**

Mr. Mayo was born in 1961 in Israel. Since 2006 Mr. Mayo has occupied various management positions in the Company. In November 2014 Mr. Mayo was appointed the Company's CEO. Mr. Mayo is a certified public accountant (CPA). He received a BA in Economics and Accountancy in 1986 and a BA in law in 1992 both from Bar Ilan University. He was an accountant manager with KPMG from 1984 to 1987. From 1987 to 1991 he was the CFO of Electra Group, a large industrial and commercial group. From 1991 to 1995 he was the CFO of Ford Israel. From 1995 to 1998 he was the CEO of Yazil Financing, a subsidiary of Poalim Investment Group, operating in the credit cards business. From 1998 to 2001 Mr. Mayo was the business development manager and then the CEO of the Dankner Group, which under his management was then a leading international investment conglomerate. From 2002 to 2004 he was the CFO and Business Development Manager at Galor System & Software Development Ltd.

#### **Mr. Eyal Ben David**

Mr. Ben David was born in 1974 in Israel. He has occupied various management positions in the Company since 2008 and became the CFO of the Company in 2014. He received a BA with honours in accounting and risk management in 1999. Mr. Ben David is a certified public accountant (CPA) since 2000 and holds an MBA with specialization in finance and banking since

2008. From 2002 to 2008 Mr. Ben David was a partner of Caspi, Ben David & Co. - Certified Public Accountants, a private practice of Certified Public Accountants focused on infrastructure and real estate industries.

There are no family relationships between any of the members of the Senior Management and/or members of the Board of Directors.

To the knowledge of the Company, the members of the senior management have not been convicted of a fraudulent offence in the past five years, nor have they been prohibited by a court ruling or by an enforceable ruling of an administrative authority from exercising an occupation, a profession, a trade or a line of trade. To the knowledge of the Company, no bankruptcies, receiverships, insolvency proceedings or any similar proceedings have been opened against any of the members of the senior management within the past five years. To the knowledge of the Company, no member of the senior management was subject to official public incriminations and/or sanctions by statutory or regulatory authorities (including designated professional bodies) nor has any member of the senior management been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of the affairs of any issuer for the previous five years.

**Other Mandates**

Within the previous five years the members of the senior management have been members of the administrative, management or supervisory bodies or partners of entities not relating to Aroundtown as follows:

**Mr. Shmuel Mayo** Mr. Shmuel Mayo has not been a member of administrative, management or supervisory bodies or partner of entities outside the Group in the previous five years.

	<b>Position</b>	<b>Entity</b>	<b>Until</b>
<b>Mr. Eyal Ben David</b>	Managing Director	Grand City Hotels GmbH	January 2014
	Managing Director	Grand City Property GmbH	January 2014
	Managing Director	Roudwass 1 GmbH	September 2015
	Managing Director	Roudwass 2 GmbH	September 2015



There are no arrangements or understandings with major shareholders, customers, suppliers or others with respect to which any member of the board of directors was selected.

### **Conflicts of Interests**

The members of the senior management have no potential conflicts of interest between any duties to the Company and their private interest or other duties.

### **Remuneration and Benefits**

In the financial year 2016, the members of the senior management received a total of € 156,000 in fixed remuneration (including benefits in kind). As for the fiscal year 2017 remunerations and benefits for the senior management will amount to € 900,000 per annum (out of which € 250,000 under the MIP).

There are no service contracts between members of Senior Management on the one side and the Company or any of its subsidiaries on the other side providing for benefits upon termination of employment.

No amounts were set aside to provide pension retirement or similar benefits to the members of the senior management.

### **Shareholdings of the members of the Senior Management**

As of the date of this Prospectus the members of the Senior Management directly or indirectly hold Shares of the Company as follows:

Mr. Shmuel Mayo: 23,409,100 Shares

Mr. Eyal Ben David: 9,110,000 Shares

As of the date of this Prospectus, the members of the senior management hold options relating to shares in the Company as follows:

Mr. Eyal Ben David is entitled to up to 222,000 option rights under the MIP which are subject to vesting provisions (see "*Description of Share Capital - Employee Stock Option Plan*").

### **Advisory Board**

The Board of Directors of the Company has established an advisory board. The task of the advisory board is to provide expert advice and assistance to the Board of Directors. The Board of

Directors decides on the composition, tasks and term of the advisory board as well as the appointment and dismissal of its members. The advisory board has no statutory powers under the Cyprus Companies Law or the Articles of Association of the Company, but applies rules which have been adopted by the Board of Directors. However, the Company considers the advisory board to be an important source of guidance for the Board of Directors when making strategic decisions. The current members of the advisory board are Mr. Yakir Gabay (Chairman), Mr. Dr. Axel Froese and Mr. Frank Roseen.

### **Audit Committee**

The Board of Directors has established an Audit Committee. The Board of Directors decides on the composition, tasks and term of the Audit Committee as well as the appointment and dismissal of its members. The responsibilities of the Audit Committee relate to the integrity of the financial statements, including reporting to the Board of Directors on its activities and the adequacy of internal systems controlling the financial reporting processes and monitoring the accounting processes. The Audit Committee provides guidance to the Board of Directors on the auditing of the annual financial statements of the Company and, in particular, shall monitor the independence of the approved independent auditor, the additional services rendered by such auditor, the issuing of the audit mandate to the auditor, the determination of auditing focal points and the fee agreement with the auditor. The current members of the Audit Committee are the independent directors of the Company Ms. Elena Koushos and Mr. Markus Leininger (Chairman).

### **Risk Committee**

The Board of Directors has established a Risk Committee for assisting and providing expert advice to the Board of Directors in fulfilling its oversight responsibilities, relating to the different types of risks, recommend a risk management structure including its organization and its process as well as assess and monitor effectiveness of the risk management. The Board of Directors decides on the composition, tasks and term of the Risk Committee and the appointment and dismissal of its members. The Risk Committee provides advice on actions of compliance, in particular by reviewing Aroundtown's procedures for detecting risk, the effectiveness of Aroundtown's risk management and internal control system and by assessing the scope and effectiveness of the systems established by the management to identify, assess and monitor risks. The current members of the Risk Committee are Mr. Andrew Wallis, Ms. Jelena Afxentiou, Mr. Markus Leininger, Ms. Elena Koushos and Mr. Eyal Ben David.

### **Remuneration Committee**

The Company has not established a remuneration committee.

### **Corporate Governance**

As of the date of this Prospectus the Company is not subject to any compulsory corporate governance code of conduct or respective statutory legal provisions. The Code of Corporate Governance released by the Cyprus stock exchange does not apply because the Shares of the Company are not listed on a regulated market of the Cyprus stock exchange. Also following the Admission, the Company will not become subject to a compulsory corporate governance regime, as the German corporate governance code only refers to domestic issuers.

Nevertheless, the Company intends to voluntarily comply with the “Ten Principles of Corporate Governance of the Luxembourg Stock Exchange” in the future and is currently evaluating the necessary measures to implement the principles and recommendations of the Ten Principles of Corporate Governance of the Luxembourg Stock Exchange.

## **TRANSFER OF THE REGISTERED SEAT OF THE COMPANY TO THE GRAND DUCHY OF LUXEMBOURG**

### **Overview**

On 7 April 2017 the shareholders of the Company have adopted in an extraordinary general meeting a resolution regarding the transfer of the seat of the Company from the Republic of Cyprus to the Grand Duchy of Luxembourg (the “**Re-Domiciliation**”). Upon the effectiveness of the Re-Domiciliation the legal form of the Company will change from its current form as a public limited company (plc) governed by the laws of the Republic of Cyprus into a *société anonyme* (S.A.) under the laws of the Grand Duchy of Luxembourg. The transfer of the seat of the Company to the Grand Duchy of Luxembourg will not impact the legal personality of Aaroundtown.

The Board of Directors considers the Re-Domiciliation to be in the best interests of the Company and the shareholders of the Company, as a whole, as it is believed that the transfer of seat will enhance the visibility and tradability of the Company’s shares and will further support the entry into various stock indices in conjunction with the proposed admission to trading of the shares in the regulated market of the Frankfurt Stock Exchange with simultaneous admission to the sub-segment of the regulated market with additional post-admission requirements (*Prime Standard*).

### **Legal requirements**

The Re-Domiciliation is based on regulation 3 (34) of the Company’s Memorandum which allows the Company, amongst others, to procure the registration or recognition of the Company in any country or place. In addition, the statutory provisions of articles 354J to 354O of the Cyprus Companies Law apply which set out the procedure and requirements that shall be in effect for the transfer of the Company’s to another country or jurisdiction to be permitted.

According to article 2 of the Luxembourg law dated 10 August 1915 on commercial companies, as amended (the “**Luxembourg Companies Law**”) the domicile of a commercial company is located at the place of its central administration, which is presumed to be situated at its registered office. Hence, any company, whose central administration is transferred to Luxembourg, will be considered to be as of Luxembourg nationality and is subject to Luxembourg law even if the incorporation deed has been executed in a foreign jurisdiction.

Pursuant to article 354K of the Cyprus Companies Law a formal application to the Cyprus registrar for consent is required. Such application must include, amongst others, the new name of the company after registration in the new jurisdiction, the place of the proposed registration and the name and address of the competent authority for such registration as well as the proposed date of the establishment of the head office of the company in the new jurisdiction. The

application further requires a special resolution of the general meeting of the shareholders of the Company as well as interim financial statements of the Company, article 354L of the Cyprus Companies Law. A duly completed and signed Declaration by at least two directors, confirming the solvency of the Company must also be submitted to the Registrar, as well as a Consent/Certificate of the public authorities con-firming the payment of tax and duties due or that will become due until the date of submission of the Application. Consent from CySEC is not required. In addition and pursuant to article 354M of the Cyprus Companies Law, Re-Domiciliation requires the lapse of a three month period following publication of a notice regarding the Re-Domiciliation in at least two newspapers with a wide circulation in the Republic of Cyprus. During such period, any creditor of the Company may object the Re-Domiciliation before a court giving sufficient reasons. A court may hold that the Company may only apply for a change of its seat if sufficient guarantees are provided in favour of the respective creditor.

Provided that the requirements of the Cyprus Companies Law are fulfilled and the three months period has expired without an objection to the continuation of the Company, or in the case that there were any objections, provided that the continuation of the Company under the legal regime of the Grand Duchy of Luxembourg was approved with or without any sufficient guarantees (as the case may be) the Cyprus registrar will issue the consent to the Re-Domiciliation.

Upon obtaining the consent, a second extraordinary general meeting of the shareholders of the Company will be convened. Such second extraordinary general meeting will be held in accordance with applicable Luxembourg law in front of a Luxembourg notary. In such second general meeting the shareholders shall vote, among other things, on the following items:

- transfer of the registered office of the Company to the Grand-Duchy of Luxembourg;
- submission of the Company to the laws of Luxembourg;
- amendment of the articles of association of the Company and adoption of the new corporate legal form (public limited liability company, *société anonyme*);
- appointment of the new members of the board of directors and the approved independent auditor (*réviseur d'entreprises agréé*); and
- fixing of the address of the registered office of the Company.

Pursuant to article 67-1 of the Luxembourg Companies Law such resolutions may only be validly adopted if at least half of the shares issued by the Company are represented and if the decision is approved by a majority of two-thirds of the shareholders being present or represented.

After the general meeting of the shareholders has been held in accordance with Luxembourg law and the respective resolutions have been adopted the Company will file for registration with the

Luxembourg Trade and Companies' Register (*Registre de Commerce et des Sociétés Luxembourg*, "RCSL"). Following the registration in the RCSL the Company's name will be deleted from the Cyprus registrar's registry in the Republic of Cyprus.

### **Further steps of implementation and proposed timetable**

It is anticipated that the Re-Domiciliation will only become legally effective after the approval of this Prospectus and after the Admission.

As of the date of this Prospectus the resolution pursuant to article 354K (1) (a) (i) of the Cyprus Companies Law has been adopted by the general meeting of the shareholders of the Company on 7 April 2017. Subsequently, the notice regarding the Re-Domiciliation has been published in an appropriate manner on 12 April 2017. Thus, the three month period for creditors of the Company to object to the Re-Domiciliation commenced on such date and will lapse on or around 12 July 2017. As of the date of this Prospectus, no creditor of the Company has objected the Re-Domiciliation. The application to the Registrar along with all relevant documents was also submitted on 20 April 17. The process of the redomiciliation is not fully under the control of the Company and therefore the Company cannot predict a specific date for the redomiciliation to be completed. However, the Company expects that the Re-Domiciliation will become legally effective in the second half of the year 2017.

### **General Information on the Company in the new legal form**

The following section provides a description of the Company as well as the shares and the share capital of the Company under the Laws of the Grand Duchy of Luxembourg, applicable as from the adoption of the resolution regarding the Re-Domiciliation of the second extraordinary general meeting above. However, the information set forth below assumes that the further steps of the Re-Domiciliation are implemented as currently proposed. In particular, the below description is based on the assumption, that the general meeting of shareholders of the Company will adopt respective resolutions as to the content of the new articles of association, as will be proposed by the board of directors. The below description reflects the current intentions of the Board of Directors and may be amended or changed. Also, as the Company may not foresee if and to which extent such measures are implemented and resolutions are adopted, the provided information may be subject to additional changes.

### **Registered Office, Name, Financial Year**

The registered office of the Company will be in the city of Luxembourg.

The commercial name of the Company will remain Aroundtown; the legal name shall be Aroundtown Property Holdings SA. The duration of the Company will be unlimited.

The financial year of the Company will be the calendar year.

### **Corporate Purpose**

Pursuant to article 4 of the new articles of association to be proposed by the Board of Directors and adopted by the second general shareholders meeting (the “**New Articles**”) the Company’s object will be the acquisition, sale, administration, and renting of any real estate property, both in the Grand Duchy of Luxembourg and abroad as well as the ownership, administration, development and management of a portfolio of assets or interests. The Company may further acquire through contribution, firm purchases or any other manner and hold any interests, directly or indirectly, in any form whatsoever in any Luxembourg or foreign entities.

The Company may borrow in any form whatsoever. The Company may grant to the companies of Aroundtown or to its shareholders, any support, loans, advances or guarantees, within the limits of the Luxembourg Companies Law. Within the limits of its activity, the Company can grant mortgage, contract loans, with or without guarantee, and stand security for other persons or companies, within the limits of the concerning legal dispositions. The Company may take any measure to safeguard its rights and make any transactions whatsoever which are directly or indirectly connected with its purposes and which are liable to promote its development or extension.

In addition, the Company may also render any assistance, whether by means of financing, administration or marketing, to its subsidiaries or companies in which it has a direct or indirect interest , or has the option to acquire direct or indirect interest or any company being a direct or indirect shareholder of the Company or any company belonging to the same group as the Company.

### **Summary of the principal differences between the current articles and the New Articles**

Even though major differences between the current memorandum and articles of association of the Company (the “**Current Articles**”) and the New Articles are in general not intended, some changes will be inevitable due to the differing practices and laws in Luxembourg and Cyprus:

Under the New Articles, the Company will no longer be subject to Cyprus law; it will be organized as a *société anonyme* under Luxembourg law. The name of the Company will change from “Aroundtown Property Holdings plc” to “Aroundtown Property Holdings SA”. The corporate object clause under the New Articles will be condensed in comparison to the Current Articles. However,

there is no material change expected with regard to the scope of the corporate object of the Company.

As presently, the New Articles shall also include an authorized share capital (see “Description of the Share Capital and Shareholders’ rights under the Luxembourg jurisdiction”) which shall equally amount to € 15,000,000.00 including the then issued share capital.

Under the New Articles the board of directors will be authorized to issue shares under the authorized share capital until the fiscal year 2022. The exact date will depend on the date of the respective general shareholders’ meeting resolving on such authorisation.

Under the Current Articles, the convening notice period in relation to every extraordinary general meeting for sanctioning a special resolution (which requires a 75% majority) and every annual general meeting of the shareholders is twenty-one (21) days and all other general meetings shall, subject to section 127 of the Cyprus Companies Law, be convened by at least 14 clear days’ notice. According to Luxembourg law and the New Articles, the convening notice shall be sent by ordinary mail to registered shareholders and published in the RESA and two newspapers at least thirty (30) days before the general meeting as long as the Company’s shares are listed on a regulated market.

Under the Current Articles, no business shall be transacted at any general meeting unless a quorum is present, being at least three (3) shareholders present in person or by Proxy and who are entitled to vote upon the business to be transacted at the general meeting. Under the New Articles, the general meeting may validly deliberate without a quorum, unless a quorum is specifically required by Luxembourg law or the Articles. Any amendment of the New Articles will require a quorum of fifty percent (50 %) of the share capital to be present or represented and a majority of two-thirds of the votes validly cast. In case the first condition is not reached, a second meeting may be convened which may deliberate without a quorum and at which resolutions are taken with a majority of two-thirds of the votes validly cast.

Under the Current Articles, the minimum number of directors is, notwithstanding section 170 of the Cyprus Companies Law, two (2) directors and, unless otherwise determined by a general meeting with the sanction of an ordinary resolution, the maximum number of directors is not restricted. Under the New Articles, the minimum number of directors will be raised to three (3) members in accordance with Luxembourg law.

Under the Current Articles, no director or other officer of the Company nor any other person shall have any authority (whether express or implied or ostensible) to execute or sign any document or instrument on behalf of the Company, or act on its behalf or otherwise bind the Company in any way, unless expressly authorised by a resolution of the board of directors or of a Committee duly authorised by the board of directors.



Keeping in mind the aforesaid, the business and affairs of the Company shall be managed by the board of directors which may exercise all the powers of the Company. No alteration of the memorandum and articles of association and no direction of a general meeting shall invalidate any prior act of the directors which would have been valid if that alteration had not been made or that direction had not been given. The powers given shall not be limited by any special power given to the directors by the Current Articles and a board meeting may exercise all powers exercisable by the board of directors.

The board of directors may exercise all the powers of the Company to borrow, raise money, give guarantees and to mortgage, charge and encumber the undertaking, property, assets (fixed and current), rights, revenues and uncalled share capital, of the Company and to create or issue debentures and other securities, whether as primary or collateral security for any debt, liability or obligation of the Company, any Subsidiary or any other person, and to issue notes, bonds and other promises and obligations of the Company, either for cash or as consideration for the acquisition of property other than cash.

Under the New Articles, five percent (5 %) of the net profits will be allocated to the legal reserve of the Company. This deduction will cease to be compulsory when the reserve amounts to ten percent (10 %) of the corporate capital of the Company, but it must be resumed until the reserve is entirely reconstituted if, at any time, for any reason whatsoever, the reserve falls below ten percent (10 %) of the corporate capital of the Company. The balance is at the disposal of the general meeting of shareholders who will decide on the allocation of the profits and the payment of dividends. This allocation of net profits to the reserve is mandatory under Luxembourg law. Under the Current Articles there is no corresponding provision.

### **Description of the Share Capital and Shareholders' rights under the Luxembourg jurisdiction**

The following section sets out an overview of the shareholders' rights as well as certain provisions under Luxembourg law applicable to the Company as from the applicable as from the adoption of the resolution regarding the Re-Domiciliation of the second extraordinary general meeting.

#### **Information on the shares and the share capital in the new legal form**

Through the Re-Domiciliation, the stated share capital of the Company and the number of shares as well as their par-value will remain unchanged. Thus, based on the assumption that the share capital of the Company will remain unchanged until the date of the second general meeting, the stated share capital of the Company will amount to € 8,533,545.79 represented by 853,354,579 registered, dematerialised shares having a nominal value of € 0.01 each.

The Board of Directors intend to propose to the general meeting of shareholders the creation of an authorized capital € 15,000,000.00 (the “**New Authorized Capital**”) which shall include the then stated share capital. During a period of five years from the date of publication of the resolution of the general meeting of the Company’s shareholders to be held in 2017 approving the New Articles and the New Authorized Capital in the *Recueil Electronique des Sociétés et Associations* (the “**RESA**”), the Board of Directors is authorized to render effective an increase of capital as a whole at once, by successive portions or by continuous issues of new shares, options and any financial instruments granting the right to the holder to subscribe for shares, to be paid up in cash, by contribution in kind, by conversion of shareholder’s claims, or following approval of the annual general meeting of the Company’s shareholders, by incorporation of profits or reserves into capital and to determine the place and the date of the issue or of the successive issues, the terms and conditions of subscription and payment of these additional shares and to suppress or limit the preferential subscription right of the shareholders with respect to the issue of supplementary shares against payment in cash or by contribution in kind. Such authorization may be renewed one or several times, each time for a period not exceeding five years and the amount of the New Authorized Capital of the Company may be increased or reduced by a resolution of the general meeting of the Company’s shareholders adopted in the manner required for an amendment of the articles of association.

Unless such rights are limited or suppressed by a general meeting of the Company’s shareholders or the Board of Directors, existing shareholders will have preferential subscription rights, within the limits of the New Authorized Capital, to subscribe for any new shares to be paid for in cash in proportion to the number of shares held by them in the Company’s share capital.

### **Shareholders’ Rights**

Holders of the shares of the Company have the right to vote for the election of Directors and on all other matters requiring shareholder action pursuant to Luxembourg Law. Holders of the shares are entitled to one vote per share and to receive dividends, if any, as may be declared from time to time by the Board of Directors and decided by the general meeting of the Company’s shareholders in its discretion out of funds legally available therefore. Upon liquidation of the Company, shares are entitled to receive pro rata all or substantially all assets remaining available for distribution to shareholders after payment of all liabilities.

The articles of association of the Company will provide for a single class of shares with equal rights. All or any of the rights attached to the shares may from time to time be varied by resolution of an extraordinary general meeting of the Company’s shareholders adopted in the manner required for the amendment of the articles of association, as described below in the section “*Amendment of the Company’s Articles of Association*”. Any provisions of the New Articles may

be amended by resolution of the shareholders at an extraordinary general meeting of the shareholders.

### **Repurchase of the shares**

The Company may repurchase its own shares subject to the following conditions:

- (i) the respect of the principle of equal treatment of all shareholders which are in the same position and the Luxembourg Market Abuse Law. In this context, the acquisition offer must be made on the same terms and conditions to all the shareholders who are in the same position, except for acquisitions which were unanimously decided by a general meeting of the Company's shareholders at which all the shareholders were present or represented. Also, listed companies such as the Company may repurchase their own shares on the stock exchange without an acquisition offer having to be made to the shareholders;
- (ii) the prior authorization of the general meeting of the Company's shareholders is obtained. This authorization must set forth the terms and conditions of the proposed repurchase, including the maximum number of shares to be repurchased, the duration of the period for which the authorization is given which may not exceed five years and, in the case of repurchase for consideration, the minimum and maximum consideration per share. The Board of Directors supervises the repurchases to ensure that these conditions are respected;
- (iii) such share repurchase, including any shares previously acquired and held by the Company and shares held by a person acting for the Company's account, may not reduce the net assets of the Company to a level below the aggregate of the issued share capital and the reserves that the Company must maintain pursuant to Luxembourg law and the Company's articles of association; and
- (iv) only fully paid up shares may be repurchased by the Company.

The condition in paragraph (ii) does not apply if:

- the acquisition of its own shares is required to prevent imminent and severe danger to the Company. In such case, the Board of Directors must inform the next following general meeting of the Company's shareholders of the reasons and aim of such acquisitions, the number and nominal value of the shares acquired, the fraction of the share capital represented by the shares repurchased and the consideration for such shares; or
- the shares are acquired by the Company or by a person acting for the Company's account in view of a distribution of shares to the employees of the Company or a company with which the Company is in a relationship of control pursuant to article 309 of the Luxembourg

Company Law (if any). The distribution of any such shares must take place within twelve months from the date of their acquisition.

The conditions set out above in paragraph (i), (ii) and (iv) do not apply to:

- (a) shares acquired pursuant to a decision to reduce the share capital of the Company or in the case of redemption of redeemable shares of the Company;
- (b) shares acquired as a result of a universal transfer of assets;
- (c) fully paid-up shares acquired free of charge or acquired by banks and other financial institutions pursuant to a purchase commission contract;
- (d) shares acquired by reason of a legal obligation or a court order for the protection of minority shareholders;
- (e) shares acquired from a shareholder in the event of failure to pay them up; and
- (f) fully paid-up shares acquired pursuant an allotment by court order for the payment of a debt owed to the Company by the owner of shares.

The Company must dispose of or cancel any shares qualified under (b) through (f) above within a maximum period of three years after their acquisition, unless the nominal value of such shares including shares which the Company may have acquired through a person acting in its own name, but on behalf of the Company's name, does not exceed 10 % of the subscribed share capital.

Any shares acquired in contravention of the conditions set out above must be disposed or cancelled within a period of one year after the acquisition.

The Company currently does not hold any of its own shares directly or through a person acting in its own name but on the Company's behalf. The Company does not intend to repurchase any shares as of the date of this Prospectus.

### **Reduction of Capital**

The Company may reduce its capital subject to Luxembourg law and the following conditions:

- (i) the general shareholders' meeting resolving under the conditions necessary for an amendment of the articles of association decides to reduce the capital; and
- (ii) if the reduction of capital results in the capital being reduced below the legally prescribed minimum, the general meeting of the Company's shareholders must at the same time resolve to increase the capital up to the required level.

The general shareholders' meeting of the Company may also resolve to cancel shares repurchased and held by the Company or held by a person acting for the Company's account.

### **Form and Transfer of the shares**

The shares will be in dematerialised registered form. The Company recognizes only one holder per share. If a share is owned by several persons they must name a unique proxy to present the share in relation to the Company. The Company is entitled to suspend the exercise of all rights attached to a share held by several owners until one person has been designated as the sole owner of the share.

The shares of the Company may be transferred in accordance with customary procedures for the transfer of securities in dematerialised registered form.

### **General Meetings of the Company's Shareholders**

The holding of a general meeting of the Company's shareholders is subject to the provisions of the Luxembourg Company Law, the Company's articles of association and, once the shares are admitted to trading on the regulated market of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*), the provisions of the Luxembourg Law of 24 May 2011 on the exercise of certain rights of shareholders in general meetings of listed companies (the "**Shareholder Rights Law**"). Below is a summary of the applicable provisions.

Any properly constituted general meeting of the Company's shareholders represents all of the shareholders of the Company. The record date ("**Record Date**") for each general meeting of the Company's shareholders is the fourteenth day prior to the date of that general meeting of the Company's shareholders at midnight. Any shareholder who holds one or more share(s) of the Company on the Record Date shall be admitted to the relevant general meeting of the Company's shareholders.

In case of Shares held in dematerialised form through the operator of a securities settlement system or a professional depository or sub-depository designated by such depository, a holder of such shares wishing to attend a general meeting of the Company's shareholders should receive from such operator or depository or sub-depository a certificate certifying the number of shares recorded in the relevant account on the Record Date.

A general meeting of the Company's shareholders may be convened by the Board of Directors at any time, to be held at such place and on such date as specified in the notice of such meeting. The Board of Directors must convene a general meeting of the Company's shareholders upon written request of one or several shareholders representing at least 10 % of the Company's subscribed share capital with an indication of the agenda. The general meeting of the Company's

shareholders must be convened and shall be held within a period of one month from receipt of such request. If a general meeting of the Company's shareholders is not held in due time, the competent Luxembourg court may order that a general meeting of the Company's shareholders be convened within a given period, or authorize either the shareholders who have requested it or their representatives to convene such meeting.

The convening notice for any general meeting of the Company's shareholders must contain the agenda of the meeting, the place, the date and the time of the meeting, the description of the procedures that shareholders must comply with in order to be able to participate and cast their votes in the meeting, which includes, the rights available to shareholders to put items on the agenda and to table draft resolutions and, where applicable, the deadline by which those rights are to be exercised and the mail or electronic address to which shareholders may address their requests, the procedure for voting by proxy and, where applicable, the procedures for participating in the meeting from a remote location and to cast votes by correspondence or electronic means. The convening notice must further include the Record Date, the manner in which shareholders must register to be admitted and the homepage and the mail and electronic address at which the complete text of any documents to be made available to shareholders and any draft resolutions to be adopted can be obtained. Subject to stricter requirements of applicable law, such notice shall take the form of an announcement published thirty days before the meeting, at least in the RESA, in one Luxembourg newspaper and in any other media which can easily and on a non-discriminatory basis be accessed within the European Economic Area ("EEA").

If all shareholders are present or represented at a general meeting of the Company's shareholders and state that they have been informed of the agenda of the meeting, the general meeting of the Company's shareholders may be held without prior notice.

The Board of Directors may adjourn any general meeting of the Company's shareholders already commenced, including any general meeting of the Company's shareholders convened in order to resolve on an amendment of the Company's articles of association, for a period of four weeks. The Board of Directors must adjourn any general meeting of the Company's shareholders already commenced if so required by one or several shareholders representing in the aggregate at least 10 % of the Company's issued Share capital. For the avoidance of doubt, once a meeting has been adjourned as set forth above, the Board of Directors shall not be required to adjourn such meeting a second time provided that, in the case of an amendment of the articles of association, the required quorum is fulfilled. No such shareholder or group of shareholders may request more than one adjournment of a particular general meeting of the Company's shareholders. Upon an adjournment of a general meeting of the Company's shareholders that has already commenced, any resolution already adopted in such meeting will be cancelled.

One or several shareholders, representing in the aggregate at least 5 % of the Company's issued share capital, may request the addition of one or several items to the agenda of any general meeting of the Company's shareholders and table draft resolution(s) in this respect. Such request and draft resolution(s) must be in writing and sent to the Company by letter or electronic mail to the address indicated in the convening notice and received by the Company not later than twenty-two days prior to the date of the general meeting of the Company's shareholders. In case such request entails a modification of the agenda of the relevant meeting, the Company will make available a revised agenda at least fifteen days prior to the general meeting of the Company's shareholders.

The annual general meeting of the Company's shareholders shall be held in Luxembourg, at the registered office of the Company or at such other place as may be specified in the notice of such meeting. If such day is a legal holiday, the annual general meeting of the Company's shareholders must be held on the next following business day. The Board of Directors shall convene the annual general meeting of the Company's shareholders within a period of six months after the end of the Company's financial year.

Other general meetings of the Company's shareholders are held at such places and times as may be specified in the respective notices of the meeting.

#### **Voting at Shareholders' Meetings**

Each share is entitled to one vote at all general meetings of the Company's shareholders. The rights of a shareholder to participate in a general meeting of the Company's shareholders and to vote in respect of any of his Shares are not subject to any requirement that his Shares be deposited with, or transferred to, or registered in the name of, another natural or legal person before the general meeting of the Company's shareholders. The rights of a shareholder to sell or otherwise transfer his Shares during the period between the Record Date and the general meeting of the Company's shareholders are not subject to any restriction to which they are not subject at other times.

The rights of a shareholder to participate in a general meeting of the Company's shareholders and to vote in respect of his Shares shall be determined with respect to the shares held by that shareholder on the Record Date.

A shareholder must indicate to the Company, not later than on the Record Date, his intention to participate in the general meeting of the Company's shareholders. The Company then records the name or corporate denomination of the shareholder and address or registered office, the number of shares held by him on the Record Date and a description of the documents showing proof of shareholding on that date.

Every shareholder has the right to appoint any other natural or legal person as a proxy holder to attend and vote at a general meeting of the Company's shareholders in his name. Such proxy holder shall have the same right to speak and ask questions in the general meeting of the Company's shareholders as the shareholder thus represented would be entitled. The appointment of a proxy holder by a shareholder shall be made in writing. A shareholder may only appoint one person to act for him as a proxy holder in relation to any general meeting. However, if a shareholder has shares held in more than one securities account, he may appoint a separate proxy holder in respect of the Shares held in each securities account in relation to any general meeting of the Company's shareholders. A proxy holder shall cast votes in accordance with the instructions issued by the shareholder. The proxy holder shall keep a record of the voting instructions for a minimum of one year from the date of the last carried out voting instructions. A person acting as a proxy holder may hold a proxy from more than one shareholder and can cast votes for a certain shareholder differently from votes cast for another shareholder.

The Company shall establish for each resolution at least the number of shares for which votes have been validly cast, the proportion of share capital represented by those votes, the total number of votes validly cast as well as the number of votes cast in favour of and against each resolution and, where applicable, the number of abstentions. Within fifteen days following the general meeting of the Company's shareholders, the Company will publish on its website the voting results.

Unless a higher majority is required by the Luxembourg Company Law or the Company's articles of association (including in particular an amendment of the Company's articles of association in which case the resolution will be passed as described below in the section "*Amendment of the Company's articles of association*"), resolutions at a general meeting of the Company's shareholders duly convened will be passed by simple majority of the votes validly cast, and no quorum shall be required.

#### **Amendment of the Company's Articles of Association**

An amendment of the Company's articles of association will be passed by a majority of two thirds of the votes validly cast in an extraordinary general meeting of the Company's shareholders in front of a Luxembourg notary, attended by a quorum of at least 50 % of the issued share capital and subject to the conditions of the Luxembourg Company Law. In case such quorum is not reached, a second meeting may be convened, in which case no quorum is required, but which must still approve the amendment with a majority of two thirds of the votes validly cast. Abstentions and nil votes will not be taken into account for the calculation of the majority. The convening notice for a second meeting shall be published, subject to stricter requirements of applicable law, seventeen days before the meeting. Such convening notice shall reproduce the agenda and indicate the date and the results of the previous meeting.



### **Shareholder Actions in relation to the Company**

According to article 154 of the Luxembourg Company Law, one or several shareholders of the Company representing at least 10 % of the share capital of the Company or 10 % of the votes attached to all existing securities may, either individually or jointly, ask the Board of Directors questions in writing in relation to one or more acts of management of the Company and of any company controlled by the Company according to article 309 of the Luxembourg Company Law. A copy of the answer must be provided to the person in charge of the statutory audit of the annual accounts of the Company. In the absence of an answer within a period of one month, such shareholder(s) may apply to the judge presiding the chamber of the district court (*Tribunal d'Arrondissement*) dealing with commercial matters and sitting as in urgency matters to appoint one or more experts instructed to submit a report on the act(s) of management targeted in the written question(s). In addition, every shareholder of the Company has the right to ask questions related to items on the agenda of the general meeting of the Company's shareholders in accordance with article 7 of the Shareholder Rights Law.

Each shareholder, regardless of the number of shares held by him or her, may appeal a resolution of the general meeting of shareholders in accordance with Luxembourg law, if the resolution is, among others:

- (i) in conflict with the statutory law, provisions of the articles of association or the proceedings for taking resolutions; or
- (ii) made to the sole benefit of the majority shareholder and not in the Company's best interest (*abus de majorité*).

The appeal shall be filed with the competent district court (*Tribunal d'Arrondissement*). The statute of limitation to file an appeal is five years or thirty years as of the day of passing of the resolution, the duration of such period depending on, among others, the nature of the rule that has been breached. The plaintiff should show a legal interest in appealing against the resolution. If the court finds in favour of the appealing shareholder, then the resolution will be nullified.

As regards the Company, the competent courts are the courts of Luxembourg, Grand-Duchy of Luxembourg. An appeal may be made in French, Luxembourgish or German and can be made by an attorney qualified to practice in the Grand-Duchy of Luxembourg. An appeal may be subject to court fees.

### **Issuance of Additional Shares and Preferential Subscription Rights**

The Company may issue additional shares pursuant to a resolution of the general meeting of the Company's shareholders adopted in the manner provided for amendments of articles (see "*Amendment of the Company's articles of association*") or pursuant to a resolution of the Board of

Directors increasing the share capital of the Company within the limits and under the conditions of the Authorized Capital. In the resolution of the general meeting of the Company's shareholders or of the Board of Directors, the price and the further conditions of the issuance of such additional Shares will be specified, subject to applicable law and the Company's articles of association. Shares issued for cash shall be offered on a pre-emptive basis to, each existing shareholder in proportion to the aggregate nominal amount of its shares, save as mentioned below. The right of each shareholder to subscribe is transferable throughout the subscription period.

Preferential subscription rights of the shareholders of the Company may at any time be limited or excluded either by a resolution passed by the general meeting of the Company's shareholders or by the Board of Directors in case of a capital increase under the authorized share capital of the Company, or by the Board of Directors if the board was previously authorized by a general meeting of the Company's shareholders adopting such resolution under the conditions for an amendment of the Company's articles of association.

### **Dividends and Distributions**

Dividends and interim dividends may be paid out in accordance with the general provisions of Luxembourg law and the Company's articles of association. Distributions that have not been claimed within ten years as from the date on which they have become available shall lapse in favour of the Company. In the event of the dissolution of the Company, the net liquidation proceeds shall be distributed by the liquidator(s).

Other than the right to dividends or in the event of dissolution of the Company, the shares do not carry any other right to share in the Company's profits. The Company has not issued any other securities which would carry the right to a share in the Company's profits.

### **Winding-up of the Company**

A general meeting of the Company's shareholders may at any time resolve to liquidate the Company according to the following process:

First, an extraordinary general meeting of the Company's shareholders is convened by the Board of Directors to be held in front of a Luxembourg notary, at which at least half of the share capital must be present or represented. The decision to dissolve the Company and to appoint one or more liquidator(s) is approved if adopted by at least two thirds of the votes validly cast. In case the quorum is not reached, a second meeting may be convened in which no quorum is required, but which must still approve the resolution with two thirds of the votes validly cast; abstention and nil votes will not be taken into account for the calculation of the majority. The liquidator(s), appointed by the general meeting of shareholders in the absence of any agreement to the contrary, will assume control of the affairs of the Company and all powers of the Board of

Directors will cease. The duty of the liquidator(s) will be to realize the assets of the Company in order to settle or make provision for its outstanding liabilities and distribute the surplus to the shareholders in accordance with the Company's articles of association.

As soon as the Company's affairs are fully wound up, the liquidator(s) will prepare a report on the liquidation, which will provide details of the conduct of the liquidation and the employment of the corporate assets and call a general meeting of the Company's shareholders at which the report shall be presented and an explanation given of it. Such second general meeting of the Company's shareholders will review the liquidators report and the accounts and supporting documents, appoint one or more auditor(s) to the liquidation who shall examine such documents and determine the date of a further and final general meeting of the Company's shareholders which, after the auditor(s) has/have issued its/their report, shall in particular decide on the termination of the liquidation.

Finally, a third general meeting of the Company's shareholders will be held to resolve in particular upon the approval of the reports of the liquidator and the auditor to the liquidation, the place where the corporate books shall be kept for five years and closure of the liquidation proceedings. The notice on the closure of the liquidation (published in the RESA) also contains information concerning the place where the corporate books are deposited and kept during a period of five years and an indication of the measures taken for the deposit in escrow of the sums and assets due to creditors or to shareholders which it has not been possible to deliver to them, if any.

### **Takeover Bids**

Any voluntary bid for the takeover of the Company and any mandatory bid will be subject to regulation by the CSSF pursuant to the Luxembourg law dated 19 May 2006 on public takeovers, as amended (the "**Luxembourg Takeover Law**"), which has implemented the Directive 2004/25/EC of the European Parliament and of the Council of 21 April 2004 concerning takeover bids (the "**Takeover Directive**") into Luxembourg law.

A natural or legal person acquiring, alone or with persons acting in concert with it, control over the Company by holding 33 1/3 % of the voting rights is required to make a mandatory takeover bid to all the holders of shares in the Company.

As far as the competent authority is concerned, the Luxembourg Takeover Law states that if the target company's securities are not admitted to trading on a regulated market in the Member State in which the company has its registered office, the competent authority to supervise the bid shall be the authority of the Member State responsible for the regulated market on which the company's securities are admitted to trading. As the Shares are anticipated to be admitted to trading on the regulated market of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) and not on a regulated market in Luxembourg, it is anticipated that BaFin, the authority in

Germany, will be the competent authority if the Company is the target. Matters relating to the consideration offered in the case of a bid, in particular the price, and matters relating to the bid procedure, in particular the information on the bidder's decision to make a bid, the content of the offer document and the disclosure of the bid shall be governed by the law of the Member State responsible for the regulated market on which the company's securities are admitted to trading. Therefore, if the Company is the target, the German Securities Acquisition and Takeover Act (*Wertpapiererwerbs- und Übernahmegesetz, WpÜG*) would be applicable.

In matters relating to the information to be provided to the employees of the target company and in matters relating to company law and any derogation from the obligation to launch a bid, as well as the conditions under which the board of the target company may undertake any action which might result in the frustration of the bid, the applicable rules and the competent authority shall be those of the Member State where the target company has its registered office therefore if the Company is the target the Luxembourg rules would be applicable and the competent authority would be the CSSF.

#### **Squeeze-Out Rights in Connection with Takeover Bids**

If a mandatory or voluntary offer is made to all of the holders of securities carrying voting rights in a company and if, after such offer, the offeror holds 95 % of the securities carrying voting rights of the respective company and 95 % of the voting rights, the offeror is entitled to squeeze-out the minority shareholders, if any, according to the provisions of the Luxembourg Takeover Law. The price offered for such securities must be a "fair price". It shall take the same form as the consideration offered in the bid or shall be in cash, whereas cash shall be offered at least as an alternative. Following a voluntary bid, the consideration offered in the bid would be considered a "fair price" for the purpose of the squeeze-out proceedings, if 90 % of the shares of a company carrying voting rights have been acquired for the offered consideration. Following a mandatory bid, the consideration offered in the bid is deemed to be fair. The CSSF will ensure that a fair price is guaranteed. The squeeze-out must be exercised by the bidder no later than three months following the expiration of the offer.

#### **Sell-Out Rights in Connection with Takeover Bids**

Under the Luxembourg Takeover Law, when a mandatory or voluntary offer is made to all of the holders of securities carrying voting rights in a company and if, after such offer, the offeror holds more than 90 % of the securities carrying voting rights and more than 90 % of the voting rights, the minority shareholders may require that the offeror purchase the remaining securities of the same class. Such right must be exercised no later than three months following the expiration of the offer. The price shall be determined in the same manner as described above in respect to the squeeze-out procedure.

### **Luxembourg Squeeze-Out and Sell-Out Law**

The law of 21 July 2012 on mandatory squeeze-out and sell-out of securities of companies currently admitted or previously admitted to trading on a regulated market or having been offered to the public (the “**Luxembourg Squeeze-Out and Sell-Out Law**”) governs the squeeze-out and sell-out of minority shareholders of a company that has its registered seat in Luxembourg by a majority shareholder. The Luxembourg Squeeze-Out and Sell-Out Law applies if all or part of a company’s securities (i) are currently admitted to trading on a regulated market in one or more EU Member States, (ii) are no longer traded, but were admitted to trading on a regulated market and the delisting became effective earlier than five years ago or (iii) were the subject of a public offer which triggered the obligation to publish a prospectus in accordance with the Prospectus Directive or, if there is no obligation to publish according to the Prospectus Directive, where the offer started during the previous five years. The Luxembourg Squeeze-Out and Sell-Out Law does not apply during and for a certain grace period after a public takeover, which is or has been carried out pursuant to the Takeover Directive.

A majority shareholder, *i.e.*, any natural or legal person holding alone or together with other persons acting in concert, directly or indirectly, securities representing not less than 95 % of the capital carrying voting rights and 95 % of the voting rights of a company may require all the holders of the remaining securities to sell him their securities. The squeeze-out must be exercised at a fair price. The majority shareholder is obligated to appoint a qualified independent expert who will draw up a report in order to determine the fair price per security to be paid to the minority shareholders. If the minority shareholders oppose the proposed fair price within one month of its publication, the CSSF can ask the respective company to propose five other experts and will appoint one amongst them to draw up a second report. In this case, the CSSF will take the final decision on the fair price as set out in the second report delivered to it. As long as a squeeze-out procedure is taking place, no sell-out procedure may be carried out.

Each minority shareholder may request the majority shareholder to buy its securities at a fair price within three months after the public announcement of a company that it has obtained a notification of a majority shareholder pursuant to article 3 (4) of Luxembourg Squeeze-Out and Sell-Out Law. A minority shareholder, that wants to be bought-out, must inform the majority shareholder by way of registered letter about its decision with a copy of the letter to be sent to the CSSF and to the respective company. The majority shareholder will have to appoint a qualified independent expert, who will draw up a report in order to determine the fair price per security to be paid to the minority shareholder. Within one month of the notification of the exercise of the right of mandatory sell-out by the minority shareholder(s), the majority shareholder must communicate the proposed price together with the report to the CSSF and effect a publication and communication to the respective company. The minority shareholder(s) that exercised the right of mandatory sell-out, as well as any other minority shareholder that wishes to represent

his/her securities to the mandatory sell-out of the given company may oppose within one month of the publication of the proposed fair price. In this case, the CSSF can ask the respective company to propose five other experts and will appoint one amongst them to draw up a second report. The CSSF will take the final decision on the fair price as set out in the second report delivered to it. The majority shareholder can exercise the squeeze-out right until the publication by the CSSF of its final decision on the fair price. Should the majority shareholder choose to do so, the sell-out procedure is rendered baseless.

### **Market Abuse**

The new European legal regime under the Market Abuse Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April, 2014 on market abuse, repealing Directive 2003/6/EC on insider dealing and market manipulation, entered into force on 3 July 2016 (the “**MAR**”) and is directly applicable in Germany and Luxembourg. On 30 June 2016 certain provisions of the WpHG were revised or amended to align German market abuse rules with the MAR and to transpose the Market Abuse Directive 2014/57/EU (the “**MAD**”) and the Commission Implementing Directive (EU) 2015/2392 into national law. On 31 December 2016, the Luxembourg law of 23 December 2016 on market abuse (the “**Market Abuse Law**”) entered into force and aligned the Luxembourg market abuse rules with the MAR, transposed the MAD and the Commission Implementing Directive (EU) 2015/2392 into national law.

The MAR applies to financial instruments admitted to trading on a regulated market, MTF or OTF, or for which a request for admission to trading on a regulated market or MTF has been made, derivatives (including CDS and CFDs) based on such financial instruments and behaviour or transactions relating to the auctioning of emission allowances or other products based thereon. Spot commodity contracts in general, related derivatives and behaviour in relation to benchmarks fall only into the scope in connection with market manipulation. Permitted trading of an entity’s own shares under buy-back programmes and the trading for the stabilization of securities fall outside the scope. The prohibitions and requirements under the MAR apply also to actions and omissions committed in a third country outside the EU.

BaFin is mainly competent to investigate market abuse actions carried out both within the territory of Germany and abroad, if these actions relate to instruments admitted to trading on a regulated market, MTF or OTF in Germany, which are auctioned on an auction platform or for which a request for admission to trading on a German regulated market or MTF has been made thus in general BaFin will be the competent authority in relation to the Company and the Shares which are traded on the regulated market of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) and the sub-segment of the regulated market with additional post-admission obligations (*Prime Standard*). However, the CSSF is competent in relation to managers’ transactions according to article 19(2) of the MAR.

### **Notification of the Acquisition or Disposal of Major Shareholdings**

Upon admission of the Shares to trading on the regulated market of Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) and the sub-segment of the regulated market with additional post-admission obligations (*Prime Standard*), the Company and the shareholders of the Company will become subject to the Luxembourg law of 11 January 2008 on transparency requirements for issuers of securities, as amended (the “**Luxembourg Transparency Law**”) which implemented Directive 2004/109/EC of the European Parliament and of the Council of 15 December 2004, as amended (the “**Transparency Directive**”) into Luxembourg law. In addition, for as long as the Company has securities admitted to trading on a regulated market only in Germany certain provisions of the WpHG will apply.

Where a shareholder acquires or disposes of Shares, such shareholder shall notify the Company in accordance with the Luxembourg Transparency Law of the proportion of voting rights he holds in the Company as a result of the acquisition or disposal where that proportion reaches, exceeds or falls below the thresholds of 5%, 10%, 15%, 20%, 25%, 33<sup>1</sup>/<sub>3</sub>%, 50% and 66<sup>2</sup>/<sub>3</sub>%. A person must also notify the Company of the proportion of his or her voting rights if that proportion reaches, exceeds or falls below the above-mentioned thresholds as a result of events changing the breakdown of voting rights. The notification to the Company shall be effected as soon as possible, but no later than six trading days following an acquisition or disposal or four trading days following an information that an even changing the breakdown of voting rights has occurred.

The voting rights shall be calculated on the basis of all the Shares to which voting rights are attached even if the exercise thereof is suspended.

For the purposes of calculating the percentage of a shareholder’s voting rights in the Company, the following will have to be taken into account:

- voting rights held by a third party with whom that person or entity has concluded an agreement and which obliges them to adopt, by concerted exercise of the voting rights they hold, a lasting common policy towards the management of the Company;
- voting rights held by a third party under an agreement concluded with that person or entity providing for the temporary transfer for consideration of the voting rights in question;
- voting rights attaching to Shares which are lodged as collateral with that person or entity, provided the person or entity controls the voting rights and declares its intention to exercise them;
- voting rights attaching to Shares in which a person or entity holds an interest for the duration of the life of such person or entity;

- voting rights which are held, or may be exercised within the meaning of the four foregoing points, by an undertaking controlled by that person or entity;
- voting rights attaching to Shares deposited with that person or entity which the person or entity can exercise at its discretion in the absence of specific instructions from the shareholders;
- voting rights held by a third party in its own name on behalf of that person or entity; and
- voting rights which that person or entity may exercise as a proxy where the person or entity can exercise the voting rights in its sole discretion.

The shareholder will have to file the aforementioned notification also with the CSSF at the same time. In case such shareholder does not provide the notice on time, the voting rights attaching to the fraction of Shares exceeding the relevant threshold are suspended until such notification is made.

When receiving a shareholder ownership notification, the Company will also have to publish such notification without undue delay and at the latest within three trading days from receipt of the notification. Such shareholder ownership notification shall also be filed with the OAM operated by the Luxembourg Stock Exchange and filed with the CSSF. The same publication and filing requirements (OAM and CSSF) apply in Luxembourg whenever the Company acquires or disposes of its own Shares, either through itself or through a person acting in its own name but on the Company's behalf and such acquisition or disposal reaches, exceeds or falls below the thresholds of 5% or 10% of the voting rights, respectively. The publication in such context must occur as soon as possible but not later than four trading days after reaching, exceeding or falling below the mentioned thresholds. Additionally, the Company is obliged to publish the total number of voting rights and capital at the end of each calendar month during which an increase or decrease of such total number has occurred. Such publication shall also be filed with the OAM and the CSSF.

In addition, if the Company receives a shareholder ownership notification, the Company must publish such notification via media outlets, where it can be assumed that the notification will be disseminated in the European Union as well as in the non-European Union parties to the Treaty on the European Economic Area. The Company must also transmit the notification to the BaFin and to the German Company Register (*Unternehmensregister*) for storage. The Company may publish the notification solely in the English language.

For further details, shareholders shall refer to the provisions of the Luxembourg Transparency Law and the Grand Ducal regulation of 11 January 2009 relating to the transparency requirements for issuers of securities as well as the WpHG.



## **Management Structure**

The management of the Company will be administered and managed by a board of directors (“**Board of Directors**”; each member of the Board of Directors, a “**Director**”). The Board of Directors is vested with the broadest powers to perform all acts of administration and disposition in the Company’s interest. All powers not expressly reserved by the Luxembourg Company Law or by the articles of association to the general meeting of the Company’s shareholders fall within the competence of the Board of Directors.

The Board of Directors shall choose amongst the Directors a chairperson and may choose one vice-chairperson. It may also choose a secretary who need not be a member of the Board of Directors. The chairperson of the Board of Directors shall have a casting vote.

The shareholders shall determine the number and remuneration of the Directors and the term of their office.

The Directors of the Company shall be elected by the general meeting of the Company’s shareholders for a term not exceeding six years and shall be eligible for re-election upon the expiry of that term. The Directors may be dismissed with or without any cause at any time and at the sole discretion of the general meeting of the Company’s shareholders.

In the event of a vacancy in the office of a Director because of death, retirement or otherwise, the remaining Directors may co-opt, by a majority vote, a Director to fill such vacancy until the next general meeting of the Company’s shareholders (co-optation).

## **Members of the Board of Directors and Senior Management**

The majority of the current members of the Board of Directors of the Company (see “*Management, Bodies and Senior Management - Members of the Board of Directors*”) will be appointed as members of the Board of Directors of the Company in the legal form of a Société Anonyme under the laws of Luxembourg.

The employment relationship of members of the Senior Management (see “*Management, Bodies and Senior Management - Senior Management*”) with the Company will not be affected from the Re-Domiciliation.

## SHAREHOLDER STRUCTURE

The table below sets out the information known to the Company with respect to the shareholding structure of the Company as at the date of this Prospectus.

<u>Shareholder</u>	<u>Direct ownership of the Company in%</u>
Avisco Group Plc*	45
Free float	55
<b>Total</b>	<b>100</b>

\* Avisco Group plc holds the shares in the Company indirectly through its subsidiaries Xasterolia Ltd. and Gabrilet Ltd. Avisco Group plc is controlled by Mr. Yakir Gabay.

Avisco Group Plc (the “**Principal Shareholder**”) holds or controls 45 % of the voting rights of the Company. Depending on the level of shareholder attendance at the general meeting or extraordinary meetings of the Company’s shareholders, Avisco Group plc may be able to adopt and implement or prevent the adoption of resolutions which require a simple majority or even higher majorities solely through the exercise of its own votes in the Company. Furthermore, the Principal Shareholder may prevent a general meeting of the Company’s shareholders from adopting resolutions which require a qualified majority of the votes cast (see “*Risk Factors - Risks relating to the Shares, the Admission and the Shareholder Structure - Following the admission to trading on the regulated market, the Company’s largest shareholder Avisco Group plc will continue to be in a position to exert substantial influence on the Company. The interest pursued by this shareholder could differ from the interests of the other shareholders.*”).

To the best knowledge of the Company, as at the date of this Prospectus, there are no arrangements, in particular not with Avisco Group Plc, the operation of which may at a subsequent date result in a change of control in the Company.

All shares of the Company provide for the same voting rights.

## RELATED PARTY TRANSACTIONS

### Overview

Discussed below are the material transactions and legal relationships that have existed between companies of Aroundtown, on the one hand, and related parties and companies, on the other hand, in the financial years 2016, 2015, and 2014, as well as in 2017 until the date of this Prospectus. Parties are related if one party has the ability to affect the financing and operating policies of the other party (definition in accordance with IAS 24). Business relations among companies of Aroundtown are not discussed here.

Companies and persons deemed to be related to the Company under the revised accounting standard IAS 24 are:

- companies of Aroundtown that are controlled by the Company, in which the Company holds an investment interest that provides the Company with significance influence, or in whose joint management the Company participates;
- companies associated with the Company for purposes of IAS 28 that are not consolidated by the Company, and joint ventures in which the Company is a partner company;
- members of the board of directors of the Company and their direct family members, as well as companies controlled by members of the board of directors of the Company or their direct family members, or in which such persons exert material influence, or in which they directly or indirectly hold a substantial share of voting rights; and
- the shareholders of the Company whose shareholdings grant them a significant influencing power over the Company, and all companies and enterprises in which such shareholders can exert a controlling influence and/or in which these shareholders hold more than 50.0 % of the voting rights.

**Business Relationships and transactions between the Company and Shareholders of the Company**

**Loan Agreements**

	<b>Balances as of 31 December (in thousands of €)</b>		
	<b>2016</b>	<b>2015</b>	<b>2014</b>
Loans from related parties	-	-	451
Interest Expense on loans from related parties during the year	-	(26)	(456)

No security was provided in respect of the loans received.

Apart from these agreements there have been no loan agreements between members of the Group on the one hand and shareholders of the Company on the other hand in the financial years 2016, 2015, and 2014, as well as in 2017 until the date of this Prospectus.

**Dividends**

The Company paid dividends to its existing shareholders in the financial years 2016, 2015, and 2014 as follows:

For the financial years ended 31 December 2013 and 2014 no dividends were declared or distributed. For the financial year ended 31 December 2015, the Company paid in 23 December 2016 a cash dividend of € 0.051 per share, resulting in a gross payment of € 34.5 million. For 2016 no dividends have been paid so far.

**Business Relationships and transactions between the Company and Companies of Arountown and subsidiaries of GCP**

	<b>Income and Expenses (in thousands of €)</b>		
	<b>2016</b>	<b>2015</b>	<b>2014</b>
Rental and operating expenses to related parties during the year	(179)	-	-

From 1 January 2017 until the date of this Prospectus the lease expenses between the Group and the respective entities is € 177 thousands. As of the date of this Prospectus all payments relating to the lease agreements have been effected.

There are various business relationships between the Company and companies of Aroundtown. Such business relationships refer to a broad variety of services, in particular with regard to property management services conducted by CMLB Management GmbH, GNI Consulting GmbH and Primecity Management GmbH for and on behalf of the respective property companies.

Any of the business relationships and transactions between the Company and companies of Aroundtown and/or subsidiaries of GCP in the ordinary course of business are conducted at arms' length and within market standards which would apply to transactions with third parties *vice versa*.

### **Business Relationships and transactions between the Company and members of the Board of Directors**

The members of the Board of Directors received from the Company for their services as board members remuneration as indicated in section "*Management, Bodies - Members of the Board of Directors - Remuneration and benefits of the Members of the Board of Directors*".

The members of the senior management received from the respective member of Aroundtown for their services as employees of the respective member of Aroundtown remuneration as indicated in section "*Management, Bodies - Senior Management - Remuneration and benefits of the Senior Management*".

Besides the aforementioned there have been no material transactions or relationships between Aroundtown on the one hand and related parties on the other hand.

## RECENT DEVELOPMENT, TRENDS AND OUTLOOK

### *Trends and Outlook*

The Company has completed a successful financial year 2016 and was able to increase its commercial property portfolio substantially with now over € 5 billion in fair value. The overall goal of Aroundtown is to continue its growth with its focus on properties with a value-add potential. The Company believes that its portfolio provides sufficient opportunity to increase rents, occupancy and WALT's, which subsequently lead to stronger value creation. In addition, the Company in accordance with its financial strategy will pursue further steps to increase its corporate investment grade rating of S&P to an "A-" in the long-term.

By the end of February, the Company announced its decision to apply for an admission of the Company's shares for trading on an EU-regulated market within the course of the year 2017. In March 2017, the board of directors of the Company has decided to recommend to the shareholders of the Company that the Company migrate from Cyprus to Luxembourg and continue as a Luxembourg company. On 7 April 2017 the shareholders' general meeting adopted the respective resolutions to transfer the Company's registered seat from Cyprus to Luxembourg. In the meantime the Company has filed with the Cyprus courts the required application to implement the resolutions of the shareholders' general meeting. The change of the registered seat of the Company is expected to become effective after the Admission in the second half of the year 2017.

The further development of the German and the Dutch real estate market as a whole and, in particular, the development in the regional sub-markets where Aroundtown's properties are located, may have a significant impact on Aroundtown's business and the future prospects. By fair value, 19 % of the Commercial Portfolio is located in Berlin, 12 % in NRW, 11 % in Munich, 9 % in Frankfurt, 8 % in Hamburg, 6 % in Amsterdam, 5 % in Hannover, 4 % in Dresden, Leipzig and Halle with the remainder in other locations (all percentages given according to the fair value assessment of the Company as of 15 February 2017).

The market for commercial real estate depends on factors such as changes in disposable income or industrial activity, the availability of credit financing, interest rates, taxation policies, economic growth, population growth, unemployment rates and consumer confidence. A decline in population levels, particularly among younger segments of the working population, or a decline in purchasing power or higher unemployment rates could reduce the demand for office, hotel, retail and other commercial properties. Decreased demand for commercial property may adversely affect Aroundtown's ability to achieve or maintain its desired occupancy rates, rent levels and WALT. Aroundtown's ability to attract and retain solvent and reliable tenants for its commercial properties depends on the broader development of the respective markets and on the demand for the relevant type of commercial properties. The market for residential real estate, and

consequently the performance of the residential properties held by GCP, depends on demographic and other economic developments in Germany.

The Group generates two types of income: rental and operating income and income from property sales. Both income types are generally affected by market prices for properties in the regional submarkets the Group operates in, which in turn reflect rent levels, vacancy rates and other factors. In the past three years the German real estate industry and the results of the Group were positively affected by positive developments in the real estate market. In particular, low interest rates, positive employment and wage prospects, the influx of immigrants and increasing household purchasing power continue to drive demand for both commercial and residential property in Germany and the Netherlands. These recent trends have continued since 31 December 2016 until the date of this Prospectus. There has been no material adverse change in the prospects of the Company since 31 December 2016.

#### *Changes in the financial or trading position*

Since 1 January 2017 until the date of this Prospectus, Aroundtown acquired through various separate transactions additional properties at the amount of € 1.2 billion (see: “*Management Discussion and Analysis of Net Assets, Financial Position, and Results of Operations – Investments*”).

In 2017 the Company has already been active on the capital markets and raised new funds in various transactions. In January 2017, the Company through its finance subsidiary ATF Netherlands B.V. successfully tapped its Series F Bonds by additional € 50 million to the aggregate principal amount of € 550 million and also tapped the perpetual notes by € 100 million, which now have an aggregate principal amount of € 600 million. Further, in March 2017 the Company's subsidiary PCI redeemed outstanding convertible bonds in the amount of € 22 million. Also in March 2017 the Company together with ATF Netherlands B.V. announced the establishment of its € 1.5 billion EMTN Programme, which will facilitate the issuance by ATF Netherlands B.V. of senior notes over time in various currencies and maturities as a continuing element of the Company's financing strategy. The base prospectus for the EMTN Programme is dated 10 March 2017, and has been approved by the Central Bank of Ireland. Also in March 2017, the Company through ATF Netherlands B.V. successfully placed USD 400 million fixed rate notes due 2032 as a first placement under the EMTN Programme. Also in March 2017, the Company announced its resolution to exercise its right to fully redeem the remaining amount of its outstanding Series A Bonds in accordance with the bond's terms and conditions. The redemption took place on 4 May 2017. On 10 May 2017 the Company completed a capital increase through the issuance of 93 million new shares for cash with an issue volume of around € 426 million. At the same time the Company issued a tender offer to the holders of certain outstanding convertible bonds in the course of which the Company has accepted tenders of convertible bonds for purchase for cash or exchange into shares of the Company in an aggregate principal amount of €

55.3 million. Through this transaction and through further conversions since then, the outstanding aggregate principal amount of the convertible bonds subject to the tender offer was reduced to € 127.4 million (of which the Company holds € 55.3 million).

In March 2017 the board of directors decided to increase the dividend policy to a payout ratio of 65 % of FFO I per share with effect for the financial year 2016.

Besides the developments mentioned above, there has been no significant change in the financial or trading position of the Company or Aroundtown since 31 December 2016.



## **TAXATION IN THE REPUBLIC OF CYPRUS**

The following section contains a short summary of certain important Cyprus tax principles in relation to the Company. The summary is based on laws, regulations and practice in force and applied in Cyprus at the date of this Prospectus. Provisions may change at short-term notice, possibly with retroactive effect.

This section does not purport to be a complete summary of tax law and practice currently applicable in Cyprus and does not contain any statement with respect to the tax treatment of an investment in the Company in any other jurisdiction. Furthermore, this clause does not address the taxation of the Company in any other jurisdiction or the taxation of any Investment Holding Entity in which the Company holds an interest in any jurisdiction.

Prospective shareholders are advised to consult their own professional tax advisers in respect of the possible tax consequences of subscribing for, buying, holding, redeeming, converting or selling Shares in the Company under the laws of their country of citizenship, residence, domicile or incorporation.

The following provisions apply for the time, the Company has its registered seat within the Republic of Cyprus.

### **Taxation of the Company**

#### **Tax Residency of the Company**

The Company is subject to taxation in the Republic of Cyprus. A company is considered to be tax resident in Cyprus if its control and management is located in Cyprus.

In order to achieve tax residency, several factors are taken into consideration by the tax authorities, amongst others the place where major decisions are taken and major contracts are signed. These factors should be adhered to, in order to ensure that the Company will be taxed under the Cyprus tax laws and also for taking advantage of all European directives as well as the double tax treaty network of Cyprus.

#### **Corporate Tax**

Corporate tax for Cyprus tax resident corporate entities is currently imposed at the rate of 12.5% for each year of assessment on the taxable income derived from sources both within and outside Cyprus; the same will apply in the case of the Company. In arriving at the taxable income, deductions on such income and exemptions must be taken into account. All relevant expenses

incurred wholly and exclusively for the production of that income, such as management fees, performance fees, custodian fees, are deductible expenses whereas dividends, capital gains or profit from the sale of titles (including shares and units/certificates, as described in more detail below) constitute tax exempt income. Expenses that directly or indirectly relate to the production of tax exempt income are not tax deductible with the exemption of any interest expense accrued on a loan incurred for the acquisition of a 100% subsidiary.

A notional interest deduction (“**NID**”) will be provided to the Company in relation to any new investments in equity in the Company as of 1 January 2015 onwards. In essence the NID will equal the multiple of a reference interest rate and the new equity held; both are defined in the Cyprus income tax law. The NID is not available in the case of losses nor can it exceed 80% of the Company’s profit. Further, a number of anti-avoidance provisions also regulate the application of the NID so as to prevent abuse.

Any tax loss arising during a year which, if it was a gain or profit would have been chargeable to tax, it can be set off against current year profits and any excess can be carried forward for a period of five years from the tax year in which the loss has incurred.

### **Income arising in the Company**

Income arising from investments that do not represent titles as well as interest income derived from debt securities (e.g. bonds), will be subject to taxation at the corporate tax rate of 12.5%.

#### **Profits from the sale of titles**

According to the Cyprus Income Tax Law, profits from the sale of “titles” are exempt from taxation in Cyprus. For these purposes, “titles” means shares, bonds, debentures, founder's shares and other securities of companies or other legal persons, and options thereon as currently defined under Article 2 of the Cyprus Income Tax Law N118(I)/2002.

#### **Interest income**

The tax treatment of interest income arising in a Cyprus company depends on whether interest income is closely related to the company’s ordinary course of business.

If the interest income is considered to be related to the ordinary course of business, it will be included in the taxable base of the company and, after deducting all expenses incurred in its production, it will be subject to corporation tax at a rate of 12.5%.

If the interest income is considered not to be related to the ordinary course of business, the gross amount will be subject to Special Contribution tax at a rate of 30%, with no expenses allowable as a deduction against this income.

### **Foreign Exchange Differences**

FOREX gains or losses are completely tax neutral without taking into account whether these are realized or unrealized provided that such FOREX gains/losses did not result from trading in currencies and related derivatives. Trading FOREX gains/losses should be taxable/deductible accordingly. Therefore, any Foreign Exchange gain or loss incurred by the Company will not be tax/allowed accordingly.

### **Taxation of the Shareholders**

Shareholders are advised to consult their own professional advisors concerning possible taxation or other consequences of purchasing, holding, selling or otherwise disposing of the interests under the laws of their country of incorporation, citizenship, residence or domicile.

#### **Tax residency**

A company is considered to be tax resident in Cyprus if its management and control is exercised in Cyprus.

An individual is considered to be tax resident in Cyprus if s/he stays in Cyprus for a period or periods exceeding in aggregate 183 days in the year of assessment.

#### **Domicile**

Domicile applies only in respect of individual shareholders and only in respect of tax arising under Special Contribution for Defence (“**SDC**”). An individual who is resident in Cyprus for a period of at least 17 years out of the last 20 years prior to the tax year in question shall be deemed as domiciled in Cyprus for SDC purposes regardless of whether or not (s)he has his/her domicile of origin in Cyprus. A person who has domicile of origin in Cyprus will be treated as “domiciled in Cyprus” for SDC purposes (and hence subject to SDC) with the exception of:

- An individual who has obtained and maintained a domicile of choice outside Cyprus under the provisions of the Wills and Succession Law, provided that this individual was not a Cyprus tax resident for any period of at least 20 consecutive years prior to the tax year in question; or

- An individual who was not a Cyprus tax resident for a period of at least 20 consecutive years immediately prior to the tax year in question.

Corporate or personal income tax rules apply solely based on tax residency and are not affected by the application of the domicile principle.

## **Dividend income**

### **Corporate Shareholders**

#### **Inter-company Dividends**

Dividends paid from one Cyprus Company to another are free from any withholding tax in Cyprus.

#### **Dividends received from abroad**

Dividends received from abroad by a Cyprus tax resident company are exempt from corporate income tax, provided that they are not allowed as a tax deduction in the jurisdiction of the foreign paying company.

Further dividends distributed to a Cyprus tax resident company from a company abroad, are also exempt from SDC, if one of the following two conditions are satisfied:

- The company paying the dividend must not engage more than fifty percent directly or indirectly in activities which lead to passive income (non-trading income), or
- The foreign tax burden on the income of the company paying the dividend is not substantially lower than the tax burden in Cyprus.

If the above conditions are not satisfied, then dividends will be taxed at the rate of seventeen percent (17%).

In the event of dividends being subject to tax, credit shall be provided in respect of the same income. The credit shall not be available in the case of an arrangement, which having been put into place for the main purpose of obtaining a tax advantage, is not genuine, having regard to all relevant facts and circumstances. An arrangement shall be regarded as not genuine to the extent that it is not put into place for valid commercial reasons which reflect economic reality.

### **Individual Shareholders**

Dividend income arising for a shareholder who is both a Cyprus tax resident and Cyprus domiciled individual (from both resident and non-resident companies) is subject to special contribution tax at the rate of 17%.

## **Deemed dividend distribution rules**

In relation to dividend distributions from Cyprus tax resident companies, any profits attributable to Cyprus tax resident shareholders (companies or Cyprus domiciled individuals) are subject to the deemed dividend distribution rules.

In accordance with the provisions of the SDC legislation, Cyprus companies which do not distribute 70% of their profits after tax, as defined by the SDC legislation, within two years after the end of the year of assessment to which the profits refer, will be deemed to have distributed this amount as a dividend.

In this respect, SDC will be payable, at the relevant rate prevailing at that point in time (currently at the rate of 17%), on such deemed dividends to the extent that the shareholders at the end of the period of the two years from the end of the year of assessment to which the profits relate, remain Cyprus tax residents (individual shareholders will have to remain Cyprus tax residents and Cyprus domiciled).

## **Interest income**

### **Corporate Shareholders**

The tax treatment of interest income arising for a shareholder who is a Cyprus tax resident company depends on whether interest income is closely related to the shareholders' ordinary course of business.

If the interest income is considered to be related to the ordinary course of business, it will be included in the taxable base of a Cyprus company and, after deducting all expenses incurred in its production, it will be subject to corporation tax at a rate of 12.5%.

If the interest income is considered not to be related to the ordinary course of business, the gross amount will be subject to Special Contribution tax at a rate of 30%, with no expenses allowable as a deduction against this income.

### **Individual Shareholders**

Interest income arising for a shareholder who is both a Cyprus tax resident and Cyprus domiciled individual will be subject to Special Contribution tax at a rate of 30%.

## **Capital gains**

According to the Cyprus tax laws, profits from the sale of titles are exempt from taxation in Cyprus. The redemption of shareholder shares shall be considered as a disposal of a title and as such are exempted from taxation in Cyprus both for corporate and individual shareholders.

As per 2008/13 of 17 December 2008 interpreting the definition of the term “titles”, as currently defined under Article 2 of the Income Tax Law N118(I)/2002. Under the circular, titles include units in open-ended or closed-ended collective investment schemes (provided that they are registered and operate in accordance with the provisions of the laws in the country of their registration). Examples of units in open-ended and closed-ended collective schemes include the following:

- (a) investment and mutual Companies (investment trusts, investment Companies, mutual Companies, U-unit trusts, and real estate investment trusts)
- (b) International Collective Investment Schemes;
- (c) UCITS; and
- (d) other similar investment schemes.

## **Withholding Taxes**

No Cyprus withholding taxes will apply in respect to the distribution of dividends or interest to shareholders that are non-tax residents of Cyprus (companies or individuals) and Cyprus tax resident companies.

## **Other tax issues**

### **Capital Gains Tax**

Under the capital gains tax legislation, capital gains tax is imposed only on gains arising from the disposal of immovable property situated in Cyprus and shares in companies owning immovable property situated in Cyprus (with the exception of shares in listed companies) at the flat rate of 20%.

### **Stamp Duty**

Cyprus stamp duty is levied on ‘documents’ (i.e. written agreements/contracts and other documentation specified in Annex 1 of the relevant law) relating to assets located in Cyprus

and/or matters or things taking place in Cyprus. In terms of agreements, stamp duty is calculated on the value of the agreement at 0.15 % for amounts exceeding € 5.000 but do not exceed € 170.000 and at 0.2 % thereafter with a maximum cap of € 20.000 per stampable agreement. The person legally liable to pay such stamp duty (unless otherwise stated on the agreement) is the purchaser.

Whether or not the transactions of the Company (and hence documents concluded) will attract stamp duty, is a matter to be assessed on a case-by-case basis and after taking into consideration the facts of such transaction.

### **Estate Duty**

There is currently no estate duty payable in Cyprus

### **Double Tax Relief**

Cyprus has set up a network of double taxation treaties affording double taxation relief to qualifying companies, including treaties with Germany. Notwithstanding the aforementioned, the Cyprus tax legislation allows for unilateral relief against tax payable in Cyprus for foreign tax paid on the same income.

## TAXATION IN THE FEDERAL REPUBLIC OF GERMANY

The following sections describe a number of key German taxation principles that may be relevant to purchasing, holding or transferring the Shares. The information provided does not constitute a comprehensive or definitive explanation of all possible aspects of taxation in this area. This summary is based on applicable German tax law as of the date of the Prospectus, including the double taxation treaties that Germany has concluded with other countries. It should be noted that the legal situation may change, including, in certain cases, with retroactive effect.

Persons interested in purchasing Shares should seek advice from their own tax counsel regarding the tax implications of purchasing, holding, disposing, donating and bequeathing Shares, and the regulations on reclaiming previously withheld withholding tax (*Kapitalertragsteuer*). Due consideration to a shareholder's specific tax-related circumstances can only be given within the scope of an individual tax consultation.

Shareholders of the Company are subject to taxation in connection with the holding of Shares (see "*Taxation of Dividends*"), the disposal of Shares (see "*Taxation of Capital Gains*") and the gratuitous transfer of Shares (see "*Inheritance and Gift Tax*").

### Taxation of Dividends

In the case of dividends paid by a non-German corporation, German withholding tax is generally withheld regardless of whether and to what extent the dividend is exempt from tax at the level of a German tax resident shareholder if the shares are kept in custody with a German Disbursing Agent (as defined herein). However, no German withholding tax should be imposed on such dividends that are paid to German tax resident corporations, non-German shareholders or, subject to certain prerequisites, if the dividends are business income of a domestic business. The withholding tax amounts to 25 % on the amount of the distribution. A solidarity surcharge of 5.5 % is also levied on the withholding tax amount, resulting in a total withholding of 26.375 % (plus church tax, if any). If shares - as it is the case with the Shares - are held in collective safe custody (*Sammelverwahrung*) with a central securities depository (*Wertpapiersammelbank*) pursuant to § 5 German Act on Securities Accounts (*Depotgesetz*) and are entrusted to such central securities depository for collective safe custody in Germany, which is tax resident in Germany, the withholding tax is withheld and discharged for the account of the German tax resident shareholders by the domestic branch of the domestic or foreign credit or financial services institution (*inländisches Kredit- oder Finanzdienstleistungsinstitut*), by the domestic securities trading company (*inländisches Wertpapierhandelsunternehmen*) or the domestic securities trading bank (*inländische Wertpapierhandelsbank*) which keeps and administers the shares and disburses or credits the dividends (hereinafter referred to jointly or separately as "**German**



**Disbursing Agent**”). The Company assumes no responsibility for the withholding of German taxes at the source.

If and to the extent funds from the tax contribution account (*steuerliches Einlagekonto*) are declared to be used for the distribution, the dividend payment is generally not taxable and, therefore, not subject to withholding tax, however provided that the Company applies for a special assessment procedure with the German tax authorities and subject to further prerequisites. Such dividends from the tax contribution account accordingly reduce the acquisition costs of the Shares, which may result in a greater amount of taxable capital gain upon the respective shareholder’s sale of the Shares. To the extent that dividends from the tax contribution account exceed the acquisition costs of the Shares, a capital gain is recognized by the shareholder, which may be subject to tax in accordance with the provisions outlined below.

## **Shareholders Tax Resident in Germany**

### **Shares Held as Private Assets**

In principle, the tax liability applicable to dividend payments to individual shareholders who are German tax residents and who hold shares as part of their private assets is generally satisfied by withholding a flat tax (*Abgeltungsteuer*) of 25 % plus a solidarity surcharge of 5.5 % thereon, resulting in a total tax rate of 26.375 % (plus church tax, if any) as described above (see “*Taxation of Dividends*”). Income-related expenses incurred in connection with private investment income are not tax deductible. The only deduction that may be made is an annual lump sum deduction amount of € 801 (€ 1,602 for jointly assessed married couples and registered partners) on all private capital income (*Einkünfte aus Kapitalvermögen*). Shareholders may apply for the whole amount of their capital income, including dividends, to be taxed at the income tax rate based on their personal circumstances instead of the flat-rate withholding tax if this results in a lower tax liability. In such cases, it is also impossible to deduct any income-related expenses other than the lump sum deduction amount. Furthermore, dividend income may generally be offset by losses from other income. Shareholders may be liable for church tax, which is generally deducted by way of withholding by the German Disbursing Agent for dividends received after 31 December 2014, unless the shareholder has filed a blocking notice (*Sperrvermerk*) with the German Federal Central Tax Office. Where church tax is not levied by way of withholding, it is determined by means of an income tax assessment.

Individual shareholders who privately hold, directly or indirectly, an interest of at least 25 % in the Company, and shareholders who privately hold, directly or indirectly, at least 1 % in the Company and work for the Company, and thereby is able to exert a significant influence on the companies economic activity, may in principle request an exemption from the flat-rate withholding tax. In this case, 60 % of the dividends paid to the shareholder are subject to income tax according to the

applicable rate plus solidarity surcharge (plus church tax, if any) thereon. Expenses incurred in connection with dividend income are then generally 60 % tax-deductible. The levied withholding tax is offset against the income tax and any excess withholding tax is refunded. Dividend payments that are made using funds from the tax contribution account (*steuerliches Einlagekonto*) are generally, subject to certain prerequisites, not taxable.

### **Shares Held as Business Assets of Corporations**

In principle, dividends paid to corporations that are German tax residents are generally subject to corporate tax (and solidarity surcharge thereon) at a rate of 15.825 %. However, dividends received are effectively 95 % exempt from corporate tax (and solidarity surcharge thereon), if the corporation holds a direct participation of at least 10 % in the share capital of the Company at the beginning of the calendar year in which the dividends are paid. The acquisition of a participation of at least 10 % in the course of a calendar year is deemed to have occurred at the beginning of such calendar year for the purpose of this rule. Participations in the share capital of the Company which a corporate shareholder holds through a partnership, including co-entrepreneurships (*Mitunternehmenschaften*), are attributable to such corporate shareholder only on a pro rata basis at the ratio of the interest share of the corporate shareholder in the assets of relevant partnership. However, 5 % of the tax-exempt dividends are treated as non-deductible business expenses and are subject to tax. Business expenses actually incurred in connection with dividend income from a tax perspective are generally tax-deductible. For trade tax purposes, dividends are only exempt as described above if the entity that is receiving the dividends held a stake of at least 10 % in the share capital of the Company at the beginning of the assessment period. Otherwise, the dividends will be fully subject to trade tax. No withholding tax should be imposed on dividends to corporations that are German tax residents by the German Disbursing Agent, subject to certain prerequisites. The same applies to the solidarity surcharge, which is levied in addition to the corporate income tax. Dividend payments that are made using funds from the tax contribution account (*steuerliches Einlagekonto*) are generally, subject to certain prerequisites, not taxable.

### **Shares Held as Business Assets of Sole Proprietors**

In principle, only 60 % of the dividends paid to individuals who are German tax residents and who hold shares as part of their business assets are subject to income tax according to the applicable rate. A solidarity surcharge of 5.5 % of this amount also applies as well as church tax, if any. Subject to certain prerequisites, no withholding tax should be imposed on to sole proprietors that are German tax residents by the German Disbursing Agent. To the extent withholding tax is levied, such withholding tax is offset against the personal income tax due and any excess amount is refunded. The same applies to the solidarity surcharge and church tax, if any. Business expenses incurred in connection with dividend income from a tax perspective are generally only 60 % tax-deductible. The dividends are also subject to trade tax, which is fully or partly credited

towards the individual's income tax by a lump-sum method. The dividends are exempt from trade tax, provided that the shareholder held at least 10 % of the Company's share capital at the beginning of the relevant assessment period. Dividend payments that are made using funds from the tax contribution account (*steuerliches Einlagekonto*) are generally, subject to certain prerequisites, not taxable.

### **Shares Held as Business Assets of a Commercial Partnership**

Income tax or corporate income tax (in each case including solidarity surcharge and church tax, if any) is not levied at the level of the partnership (*Mitunternehmerschaft*) but rather at the level of the respective partner. The level of taxation for each partner depends on whether the partner is a corporation or an individual. If the partner is a corporation, the dividends contained in its profit share are taxed in accordance with the principles applicable to corporations (see "*Shares Held as Business Assets of Corporations*"). If the partner is an individual and the shares are held as business assets of the partnership, dividends contained in their profit share are taxed in accordance with the principles applicable to sole proprietors (see "*Shares Held as Business Assets of Sole Proprietors*"). Subject to certain conditions, an individual partner may request that its personal income tax may be lowered for earnings not withdrawn from the partnership.

If the partnership is liable for trade tax, it is levied at the level of the partnership. If an individual holds an interest in the partnership, the proportionate trade tax may be credited fully or partly towards the individual's income tax by means of a lump-sum method. The dividends are exempt from trade tax, provided that the partnership held at least 10 % of the Company's share capital at the beginning of the relevant assessment period. Dividend payments that are made using funds from the tax contribution account (*steuerliches Einlagekonto*) are generally, subject to certain prerequisites, not taxable.

### **Shares Held as Part of the Assets of Certain Companies in the Financial and Insurance Sector**

The tax exemption applicable to dividends does not apply to dividends paid to certain companies in the financial and insurance sector.

Dividends from shares that are part of the trading books of banks and financial services institutions in the meaning of the German Banking Act (*Kreditwesengesetz*), as well as dividends from shares that are acquired by certain financial enterprises with the aim of generating a short-term proprietary trading profit, are fully liable for corporate income tax (plus solidarity surcharge). If the stake held at the beginning of the relevant assessment period is 10 % or higher, subject to certain conditions, the dividends can be fully exempted from trade tax. Dividends from shares that are classified as investments in the case of life insurers, health insurers and pension funds are fully subject to corporate income tax and trade tax.

Tax withheld in Luxembourg (15 % of the dividends, see "*Taxation in the Grand Duchy of Luxembourg - Taxation of Investors - Withholding Tax*"), if any, can generally be credited against the German tax liability on the Luxembourg dividends received by the German tax resident Corporation.

### **Shareholders Tax Resident outside Germany**

Dividends paid to shareholders who are not German tax residents (individuals and corporations) should, absent a German limited tax liability, in principle not be subject to German taxation. However, if the Shares are held as part of business assets in Germany (that is, via a permanent establishment or as part of business assets for which a permanent representative in Germany has been appointed), the provisions outlined above with respect to the taxation of shareholders that are German tax residents holding the Shares as business assets principally apply accordingly. No withholding tax should be imposed on to corporations that are German tax residents by a German Disbursing Agent. If the imposition of withholding tax was not refrained from by a German Disbursing Agent, the withholding tax amounts should be credited towards the shareholder's income tax or corporate income tax liability or refunded in the amount of any excess paid.

### **Taxation of Capital Gains**

#### **Shareholders Tax Resident in Germany**

##### **Shares Held as Private Assets**

Capital gains are classified as income from capital investments and are subject to income tax (plus solidarity surcharge and church tax, if any) irrespective of how long the shares have been held.

If the shares are held in custody or administered by a German Disbursing Agent, the tax on the capital gains will in general be discharged for the account of the seller by the German Disbursing Agent imposing the withholding tax on investment income at the rate of 25 % (plus 5.5 % solidarity surcharge, resulting in a total withholding of 26.375 %, and church tax, if any). The taxable capital gain is calculated by deducting the acquisition costs of the Shares and the expenses directly related to the disposal from the proceeds of the disposal.

A shareholder's income tax and solidarity surcharge liability is generally satisfied through the withholding of the withholding tax. Shareholders may, however, request that a tax assessment be carried out on their income from capital investments if this results in a lower tax liability.

Investment income may be reduced only by a lump sum deduction amount of € 801 (€ 1,602 for jointly assessed married couples and registered partners); it is not possible to further deduct income related expenses actually incurred except for expenses incurred directly in connection with the disposal for the purposes of calculating a capital gain or loss from the disposal of shares. Capital gains generated by the disposal of shares can be offset against any type of losses while capital losses incurred from the disposal of shares can only be offset against capital gains from the disposal of shares. Shareholders may be liable for church tax, which is generally deducted by way of withholding by the German Disbursing Agent for capital gains received after 31 December 2014, unless the shareholder has filed a blocking notice (*Sperrvermerk*) with the Federal Central Tax Office. Where church tax is not levied by way of withholding, it is determined by means of an income tax assessment.

If the shareholder making the disposal - or, in the event of a sale of shares acquired without consideration, its legal predecessor - held a direct or indirect stake of at least 1 % in the Company's share capital at any time in the five years preceding the disposal, any capital gains realized are deemed to be trading income such that any withholding tax levied on the capital gains does not satisfy the tax liability. The capital gains are 60 % taxable at the individual income tax rate of the shareholder (plus 5.5 % solidarity surcharge thereon, and church tax, if any), and, correspondingly, 60 % of any capital loss is recognized for income tax purposes. The withholding tax and solidarity and church tax, if any, surcharge withheld are credited towards the shareholders' tax liability or refunded in the amount of any excess paid on their tax assessment.

### **Shares Held as Business Assets of Corporations**

Gains from the disposal of shares held by incorporated entities that are German tax residents are generally not subject to withholding tax and are in principle exempt from corporate income tax and trade tax. However, 5 % of the capital gains are deemed non-deductible business expenses and are thus subject to corporate income tax (plus solidarity surcharge thereon) and to trade tax. Consequently, capital gains are generally 95 % exempt from tax. As a rule, losses on disposals and other profit reductions in connection with the shares sold may not be deducted as business expenses.

### **Shares Held as Business Assets of a Sole Proprietor**

Gains from the disposal of shares held by individuals are not subject to withholding tax if the disposal proceeds are part of the business income of a business based in Germany and the shareholder declares this fact to the German Disbursing Agent on the designated official form. If withholding tax including solidarity surcharge was levied, this does not satisfy the tax liability. Instead, the amounts withheld are credited towards the seller's income tax (plus solidarity surcharge) liability or refunded in the amount of any excess paid. 60 % of the gains from the

disposal of the shares are subject to income tax (plus solidarity surcharge and church tax, if any) at the individual tax rate of the shareholder and - if the shares are held as part of commercial business assets in Germany - to trade tax. The trade tax is (partially) credited to the shareholder's personal income tax by means of a lump-sum method. Generally, only 60 % of the losses on disposals and business expenses commercially linked to the shares sold may be deducted.

### **Shares Held as Business Assets of a Commercial Partnership**

Income tax or corporate income tax is not levied at the level of the partnership (*Mitunternehmerschaft*) but at the level of the respective partner. If shares are held as business assets of the partnership, taxation is determined as if the partner held a direct interest in the Company, according to the rules outlined above depending on whether the partner is a corporation (see "*Taxation of Shareholders - Taxation of Capital Gains-Shareholders Tax Resident in Germany - Shares Held as Business Assets of Corporations*") or an individual (see "*Taxation of Shareholders - Taxation of Capital Gains - Shareholders Tax Resident in Germany - Shares Held as Business Assets of a Sole Proprietor*"). Upon request and subject to further conditions, a partner that is an individual may, subject to certain conditions, have its personal income tax lowered for earnings not withdrawn from the partnership.

Trade tax, however, is assessed and levied at the level of the partnership considering the trade tax rules applicable to the partners holding the interest in the relevant partnership. In case the partner is an individual, the trade tax paid by the partnership is generally credited on a pro-rata basis as a lump-sum against the individual partners' personal income tax liability.

### **Shares Held as Part of Assets of Certain Companies in the Financial and Insurance Sector**

Capital gains realized by certain companies in the financial and insurance sector are, as an exception to the aforementioned rules, fully taxable. This applies to gains from the disposal of shares in the trading books of banks and financial services companies in the meaning of the German Banking Act (*Kreditwesengesetz*), to gains from the disposal of shares that were acquired by financial enterprises with the aim of generating a short-term proprietary trading profit, as well as to gains from the disposal of shares held as investments by life insurers, health insurers and pension funds. In turn, capital losses are generally fully tax deductible.

### **Shareholders Tax Resident outside Germany**

Gains from the disposal of shares held by shareholders that are not German tax residents (individuals and corporations) should generally not be subject to German taxation.

Gains from the disposal of shares held as part of German business assets (that is, via a permanent establishment or as part of business assets for which a permanent representative in

Germany has been appointed) by non-resident shareholders are taxed in Germany principally according to the same provisions that apply to the taxation of shareholders that are German tax residents holding the shares as business assets (see “*Taxation of Capital Gains*” above).

### **If the Company Qualified as a Corporate Investment Company**

The above mentioned income tax treatment assumes that the Company does not qualify as a corporate investment company (*Kapital-Investitions-gesellschaft*) within the meaning of the German Investment Tax Act (*Investmentsteuergesetz*). However, if the Company qualified as a corporate investment company, any distributions on the Shares received by German resident shareholders would generally be taxed as income in the form of dividends (see “*Taxation of Dividends*” above) provided that, in the case of Shares held as business assets, potential benefits under the German dividend and capital gains exemption rules (see “*Taxation of Dividends - Shares Held as Business Assets of Corporations/Shares Held as Business Assets of Sole Proprietors/Shares Held as Business Assets of a Commercial Partnership*” and “*Taxation of Capital Gains - Shares Held as Business Assets of Corporations/Shares Held as Business Assets of Sole Proprietors/Shares Held as Business Assets of a Commercial Partnership*”) would only be available if the relevant shareholder is able to evidence that the Company is tax resident in a member state of the European Economic Area where it is subject to the income taxation of corporations without benefitting from a personal tax exemption.

As of 1 January 2018 changes to the German Investment Tax Act become effective introducing a new taxation regime for (retail) investment funds, whereas the semi-transparent taxation regime for special investment funds basically continues to apply (general treatment of the unit holder, as if he would hold the fund’s assets directly with certain exemptions), if the relevant requirements are fulfilled. If the company would not qualify as special investment fund the unit holders would be subject to taxation on (i) distributions, (ii) pre-determined tax bases (*Vorabpauschalen*) and (iii) capital gains from the sale of investment fund units. Special partial tax exemptions would be available on such income received from the fund depending on the investment strategy of the fund and the individual tax status of the unit holder (e.g. private, business or corporate investor).

### **German CFC Rules**

German resident investors (individuals or corporate shareholders) collectively holding 50 % or more of the shares or voting rights in the Company may become subject to the German CFC rules (*Hinzurechnungsbesteuerung*) pursuant to the German Foreign Tax Act (*Außensteuergesetz*) to the extent that the income of the Company qualifies as (low taxed) passive income (*Zwischeneinkünfte*) for German CFC rules purposes.

Irrespective of the 50 % threshold each German resident shareholder that holds at least 1 % of the shares or voting rights in the Company may become subject to the German CFC rules to the extent that the income of the Company qualifies as passive capital investment income (*Zwischeneinkünfte mit Kapitalanlagecharakter*) provided that gross earnings, on which the passive capital investment income are based on, make up more than 10 % of the entire gross earnings of all passive income of the Company in the respective fiscal year.

However, in either of the above situations German CFC rules may not result in an income attribution for German tax purposes to the extent that the German resident investor is able to evidence to the German tax authorities that the Company carries out an actual business in Cyprus.

The publication of the Anti Tax Avoidance Directive (“**ATAD**”) by the EU in 2016 will lead to a revision of the CFC Rules also in Germany. The new provisions need to become effective in the beginning of 2019. Specific proposals for the new CFC Rules cannot be determined at this time.

### **Inheritance and Gift Tax**

The transfer of shares to another person upon death or as a gift is generally subject to German inheritance or gift tax in the following circumstances:

- (i) the place of residence, customary place of abode, place of management or registered office of the testator, the donor, the heir, the donee or another acquirer is, at the time of the asset transfer, in Germany, or such person, as a German national, has not spent more than five consecutive years outside Germany without having a place of residence in Germany (this term is extended to ten years for German expatriates with U.S. residence); or
- (ii) the testator’s or donor’s shares were part of business assets for which there was a place of business in Germany or for which a permanent representative was appointed.

The small number of double taxation treaties regarding inheritance and gift tax that Germany has concluded to date generally provide for German inheritance or gift tax only to be levied in the cases under (i) and, subject to certain restrictions, in the cases under (ii). Special arrangements apply to certain German nationals and former German nationals living outside Germany.

### **Other Taxes**

No German capital transfer tax, value added tax, stamp duty or similar taxes are levied on the purchase or disposal of shares or other forms of share transfer. However, an entrepreneur can opt to pay VAT on the sale of shares, despite being generally exempt from value-added tax, if the



shares are sold to another entrepreneur for the entrepreneur's business. Wealth tax is currently not levied in Germany.

### **The Proposed Financial Transaction Tax**

The European Commission has published a proposal for a Directive for a common Financial Transaction Tax ("**FTT**") in certain participating Member States.

The proposed FTT has very broad scope and could apply to certain dealings in financial instruments (including secondary market transactions).

The FTT could apply to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in financial instruments where at least one party is a financial institution, and either (i) at least one party is established or deemed to be established in a participating Member State or (ii) the financial instruments are issued in a participating Member State.

According to a press announcement of the EU Council, ten participating Member States, including Germany, currently intend to work on the introduction of an FTT based on a progressive implementation of such tax. The progressive implementation shall first focus on the taxation of shares and certain derivatives only. As to the further implementation of any FTT there is currently no detailed plan or timetable available.

Nevertheless, the proposed Directive remains subject to negotiation between the participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear.

## TAXATION IN THE FRENCH REPUBLIC

The following sections describe a number of key French taxation principles that may be relevant to purchasing, holding or transferring the Shares. The information provided does not constitute a comprehensive or definitive explanation of all possible aspects of taxation in this area. This summary is based on applicable French tax law as of the date of the Prospectus, including its interpretation in the French tax authorities' official guidelines. It takes into account the double taxation treaty entered into between Cyprus and France on December 18, 1981 (the "France – Cyprus Treaty") in case of such treaty is applicable. It should be noted that the legal situation may change, including, in certain cases, with retroactive effect.

Persons interested in purchasing Shares should seek advice from their own tax counsel regarding the tax implications of purchasing, holding, disposing, donating and bequeathing Shares. Due consideration to a shareholder's specific tax-related circumstances can only be given within the scope of an individual tax consultation.

Shareholders of the company which issues the shares (the "Company") are subject to taxation in connection with the holding of Shares (see: "*Taxation of Dividends*"), the disposal of Shares (see: "*Taxation of Capital Gains*") and the gratuitous transfer of Shares (see: "*Inheritance and Gift Tax*").

Please note that the comments bellow deal only with the French tax regime that could apply to the holding and disposal of the shares by shareholders who are French tax residents.

Please also note that the shareholder subject to a tax regime other than those referred in this summary must contact their own tax counsel to find out which tax regime applies to their case. In particular the tax regime applicable to individual shareholders who deal in securities on a basis that goes beyond simple portfolio management or who have recorded their shares as assets on their commercial balance sheet is not summarized below.

## Taxation of Dividends

### *Shares held by individual shareholders (other than shareholders holding their shares through a PEA or who conduct stock market transactions under conditions similar to those which define an activity carried out by a person conducting such operations on a professional basis)*

#### *Personal income tax and additional contributions*

The dividends paid by the Company to shareholders who are French tax residents are subject to personal income tax in France under the condition described below.

The gross amount of the dividends is taken into account to calculate the taxpayer's total income in the category of tax income from investment in securities, subject to personal income tax at the progressive scale, after deduction of an allowance equal to 40% of the amount of the dividends.

Pursuant to article 25 of the France –Cyprus Treaty, the withholding tax levied in Cyprus in accordance with article 10 of the treaty on dividends paid by a company qualified as a Cyprus tax resident to a shareholder qualified as a French tax resident, will not be deductible from the French taxable income of the shareholders. However, the shareholders may claim a tax credit in respect of such withholding tax. The amount of this tax credit shall correspond to the amount of Cyprus withholding tax levied on these dividends capped at the amount of the French tax applicable on such income.

The gross amount of the dividends received will also be included (before application of the 40% rebate) in the taxpayer's reference income, which may be subject to the 3% or 4% exceptional contribution on high income earners (*contribution exceptionnelle sur les hauts revenus*).

#### *The 21% levy (prélèvement forfaitaire libératoire)*

Subject to a limited number of exceptions, the gross amounts of the distributed income are taxable at 21% by application of article 117 quarter of the French Tax Code.

Pursuant to paragraph 10 of the French Tax Authorities' official guidelines (BOI-RPPM-RCM-30-20-30-20160711), where the dividends are paid by a non-French tax resident company and are subject to a withholding tax in the source state, the 21% levy is calculated on the gross amount of the dividends received (after deduction of the withholding tax levied and increased of the tax credit as provided under the France – Cyprus Treaty).

This 21% levy does not discharge the tax payer from the payment of personal income tax on such amounts nor from the payment of the exceptional contribution on high income earners, where applicable. It however constitutes an advance payment on account of the taxpayer's final income tax and is creditable against the final personal income tax due by the tax payer with respect to the year during which it is withheld, the surplus, if any, being refunded to the tax payer.

#### Social contributions

In addition, the gross amounts of the dividends received by the French tax resident are subject to social contributions at an overall rate of 15.5%.

Apart from the CSG applicable at a 8.2% rate of which a portion of 5.1% is tax deductible from the taxable income for the year of its payment, the contributions which are part of the social contributions are not tax deductible.

#### **Shares held by individual shareholders holding their shares through an equity saving plan ("PEA") or an equity saving plan dedicated to small and medium-sized enterprises ("PEA-PME")**

The dividends paid by the Company to individual shareholders holding their shares in a listed company through a PEA are tax exempt from the personal income tax and the social contributions provided that no withdrawal is made during a certain period of time.

Dividends paid to individual shareholders holding their shares in a listed company through a PEA dedicated to small and medium-sized enterprises are subject to the same tax regime as described above, keeping in mind that only shares issued by companies with less than 5.000 employees with an annual turnover lower than € 1.5 billion or a balance-sheet total lower than € 2 billion are eligible to the investment through a PEA dedicated to small and medium-sized enterprises.

#### **Legal entities subject to corporate income tax under standard conditions**

The dividends paid by the Company to holders who are legal entities subject to corporate income tax in France are subject to corporate income tax in France under the conditions described below.

Where a legal entities owned less than 5% of the share capital and voting rights of the Company, the gross amount of the dividends the entity received is included in its taxable income subject to corporate income tax at the 33.1/3% standard tax rate, increased by the

social contribution of 3.3% (article 235 ter ZC of the French Tax Code) which is based on the amount of corporate tax reduced by discount that cannot exceed € 763,000 per twelve-months period. Lower rates apply under condition to small companies.

Pursuant to article 25 of the France –Cyprus Treaty, the withholding tax levied in Cyprus in accordance with article 10 of the treaty on dividends paid by a company qualified as a Cyprus tax resident to a shareholder qualified as a French tax resident, will not be deductible from the French taxable income of the shareholders. However, the shareholders may claim a tax credit in respect of such withholding tax. The amount of this tax credit shall correspond to the amount of Cyprus withholding tax levied on these dividends capped at the amount of the French tax applicable on such income.

Where a legal entity owned 5% or more of the capital and voting rights of the Company for at least two years, the entity can opt for the participation - exemption tax regime. Under such regime, a qualifying parent company subject to corporate income tax at the full standard rate can elect for a 95% exemption on dividends received from its subsidiaries either French tax residents or foreign tax residents, the 5% are deemed to correspond to a management charge. This 5% amount is fixed. Where the company which receive the dividends opts for such tax regime, the tax credits that could be claimed under a tax treaty are not tax deductible from the French corporate income tax.

### **Taxation of Capital Gains**

#### ***Shares held by individual shareholders (other than shareholders holding their shares through a PEA or who conduct stock market transactions under conditions similar to those which define an activity carried out by a person conducting such operations on a professional basis)***

Net capital gains realized upon the sale of shares of the Company during a given year will be subject to personal income tax at the progressive scale (and will also be included, without deduction, in the tax payer's reference income (*revenue de référence*), which may be subject to the 3% or 4% exceptional contribution on high income earners), after application, as the case may be, of a rebate the amount of which depends on the period during which the tax payer has held such shares, as provided by article 150-0 D of the French Tax Code , it being provided that such rebate does not apply for the purposes of the calculation of the reference income and the basis of the exceptional contribution on high income earners.

Such rebate currently amount to (i) 50% of the net capital gains when the shares have been held for at least two years and less than eight years at the date of the sale, and (ii) 65% of

the net capital gains when the shares have been held for at least 8 years at the date of the sale.

In addition, and with no rebate applicable, capital gains arising on the sale of the shares will also be subject to social contributions to an overall rate of 15.5%.

Under article 150-0 D 11° of the French Tax Code, the capital losses incurred by individual shareholders for a given year can be deducted from capital gains of the same nature in the same year or carried forward and set off against future gains for up to ten years.

Please note that pursuant to article 14 of the French – Cyprus Treaty, the capital gains derived from the transfer of shares of the Company by legal entities tax residents in France are taxable in France, subject to the capital gains not being attributable to a permanent establishment or a fixed place of business in Cyprus.

**Shares held by individual shareholders holding their shares through an equity saving plan (PEA) or an equity saving plan dedicated to small and medium-sized enterprises (“PEA-PME”)**

Subject to conditions, the capital gains earned from the investments made through a PEA are tax exempt until the closure of the PEA, subject to, in particular, their reinvestment through the PEA.

At the closure of the PEA (if it occurs more than five years after the opening date of the PEA), or at the time of a partial withdrawals (if it occurs more than eight years after the opening date of the PEA), the net capital gain earned since the opening of the PEA is tax exempt from the French personal income tax. However, social contributions remain applicable.

In principle, the capital losses realized through the PEA can be set off only against the capital gains realized through the PEA. However, in case of (i) an early closure of the PEA before the expiration of the fifth year or (ii) subject to certain conditions, the closure of the PEA after the expiration of the fifth year, the capital losses realized at the closure, if any, can be set off against the capital gains of the same nature realized the same year or the following ten years.

Capital gains earned through a PEA dedicated to small and medium-sized enterprises are subject to the same tax regime as described above, keeping in mind that only shares issued by companies with less than 5.000 employees with an annual turnover lower than € 1.5

billion or a balance-sheet total lower than € 2 billion are eligible to the investment through a PEA dedicated to small and medium-sized enterprises.

### **Legal entities subject to corporate income tax under standard conditions**

Net capital gains realized upon the sale of shares of the Company shall be included in the taxable income subject to corporate income tax at the 33.1/3% standard rate, increased, at the case may be, by the 3.3% social contribution provided under article 235 ter ZC of the French Tax Code. In principle, the capital losses incurred by legal entities can be deducted from their income subject to the taxable corporate income tax at a standard rate.

Under article 219 I-a quinquies of the French Tax Code, Capital gains arising from the sale of shares qualified as equity investment (*titres de participation*) if the shares have been held for at least two years are tax exempt subject to the taxation of 12% of the gross amount of the capital gain realized at the 33.1/3% corporate income tax rate. The condition for offsetting and carry forward the capital losses under this tax regime are specifics and the shareholders are urged to consult with their own tax adviser in this respect.

Please note that pursuant to article 14 of the French – Cyprus Treaty, the capital gains derived from the transfer of shares of the Company by legal entities tax residents in France are taxable in France, subject to the capital gains not being attributable to a permanent establishment or a fixed place of business in Cyprus.

### **Inheritance and Gift Tax**

Subject to the provisions of most of the international tax treaties:

- Shares acquired from individuals fiscally domiciled in France by way of inheritance gift will generally be subject to inheritance or gift taxes in France ;
- Shares acquired by individuals fiscally domiciled in France by way of inheritance or gift will generally be subject to inheritance or gift taxes in France, where the beneficiary has been tax resident in France for at least six years during the ten-year period preceding that in which the inheritance or the gift occurs ;
- Under article 784 A of the French Tax Code, double taxation will be avoided by setting off against the French tax liability any inheritance or gift tax paid abroad in respect of the shares.

As France has concluded inheritance tax treaties and gift tax treaties, the shareholders, their heirs or their beneficiaries are urged to consult their own tax advisers on the applicability of such tax treaties to their own situation.

### **Other taxes**

#### **Wealth tax (*impôt de solidarité sur la fortune*)**

Shares held by individuals who are French tax residents will be included, if applicable, in their taxable assets subject to the French wealth tax.

#### **Financial transaction tax**

The Company's shares will not fall within the scope of the French financial transactions tax provided under article 235 ZD ter of the French Tax Code.

#### **Registration tax (*droits d'enregistrement*)**

No registration tax will be payable by a shareholder upon the issue, subscription or acquisition or upon the disposal of the Company's shares unless the sale is recorded in a deed signed in France. In the latter case, the sale of shares is subject to a transfer tax at a 0.1% rate based on the higher of sale price or fair market value of the shares, subject to certain exceptions provided for by II of article 726 of the French Tax Code. Pursuant to article 1712 of the French Tax Code, the registration taxes that would be due will be borne by the transferee, unless otherwise contractually stipulated. However, pursuant to article 1705 of the French Tax Code, all parties will be jointly and severally liable to the tax authorities for the payment of the taxes.



## **TAXATION IN THE GRAND DUCHY OF LUXEMBOURG**

The following is an overview discussion of certain material Luxembourg tax consequences that may be relevant to purchasing, holding or transferring the Shares. This overview does not purport to be a comprehensive description of all of the tax considerations that may be relevant to any particular holder of Shares, and does not purport to include tax considerations that arise from rules of general application or that are generally assumed to be known to holders of Shares. It is not intended to be, nor should it be construed to be, legal or tax advice. This discussion is based on Luxembourg laws and regulations as they stand on the date of this Prospectus and is subject to any change in law or regulations or changes in interpretation or application thereof that may take effect after such date. Prospective investors in the Shares should therefore consult their own professional advisers as to the effects of state, local or foreign laws and regulations, including Luxembourg tax law and regulations, to which they may be subject.

Please be aware that the residence concept used under the respective headings below applies for Luxembourg income tax assessment purposes only. Any reference in the present section to a tax, duty, levy impost or other charge or withholding of a similar nature refers to Luxembourg tax law and/or concepts only. Also, please note that a reference to Luxembourg income tax encompasses corporate income tax (*impôt sur le revenu des collectivités*), municipal business tax (*impôt commercial communal*), a solidarity surcharge (*contribution au fonds pour l'emploi*), as well as personal income tax (*impôt sur le revenu*) generally. Investors may further be subject to net wealth tax (*impôt sur la fortune*) as well as other duties, levies or taxes. Corporate income tax, municipal business tax as well as the solidarity surcharge (which are collectively referred to as Luxembourg corporation taxes) invariably apply to most corporate taxpayers resident of Luxembourg for tax purposes. Individual tax payers are generally subject to personal income tax and the solidarity surcharge. Under certain circumstances, where an individual taxpayer acts in the course of the management of a professional or business undertaking, municipal business tax may apply as well.

### **Shareholders taxation**

This tax disclosure is limited to the tax consequences to investors owning Shares. This discussion therefore is limited to taxation issues in respect of the holding and selling of these Shares.

#### **Non-resident Shareholders**

Capital gains realized by a shareholder of the Company who is not a resident of Luxembourg for tax purposes and who has no permanent establishment or permanent representative to which the Shares are attributable are not taxable in Luxembourg, except if the Shares are part of a

substantial participation of more than 10% in the Company and provided these Shares are sold within six months of their acquisition or, under certain conditions, the individual shareholder has been a Luxembourg resident for more than 15 years and has become a non-resident less than 5 years after the sale disposal or redemption of the Shares and provided that no double taxation treaty denies Luxembourg the right to tax.

Non-resident corporate shareholders which have a permanent establishment or a permanent representative in Luxembourg, to which the Shares are attributable, must include any income received, as well as any gain realized on the sale, disposal or redemption of Shares, in their taxable income for Luxembourg assessment purposes. The same inclusion applies to individuals, acting in the course of the management of a professional or business undertaking, who have a permanent establishment or a permanent representative in Luxembourg, to which the Shares are attributable.

## **Luxembourg-resident Shareholders**

### **Luxembourg-resident Individuals**

Any dividends and other payments derived from the Shares received by resident individuals who act in the course of either their private wealth or their professional/business activity, are subject to income tax at the progressive ordinary rates on half of the amounts received, the other half being tax exempt pursuant to the provisions of Article 115 paragraph 15a of the Luxembourg income tax law. For the year 2017 the top marginal rate including solidarity surcharge is at 45.78 %.

A gain realized upon the sale, disposal or redemption of Shares by Luxembourg resident individual shareholders acting in the course of the management of their private wealth is not subject to Luxembourg income tax, provided this sale, disposal or redemption took place more than 6 months after the Shares were acquired or the disposal of the Shares did not precede the acquisition and provided the Shares do not represent a substantial participation.

A participation is deemed to be substantial where a resident individual shareholder holds or has held, either alone or together with his/her spouse or partner and/or minor children, directly or indirectly at any time within the 5 years preceding the disposal, more than 10 % of the share capital of the company whose shares are being disposed of. A shareholder is also deemed to alienate a substantial participation if he acquired free of charge, within the 5 years preceding the transfer, a participation that constituted a substantial participation in the hands of the alienator (or the alienators in case of successive transfers free of charge within the same 5-year period). Capital gains realized on a substantial participation more than 6 months after the acquisition thereof are taxed according to the half-global rate method (i.e. the average rate applicable to the total income is calculated according to progressive income tax rates and half of the average rate is applied to the capital gains realized on the substantial participation). A disposal may include a sale, an exchange, a contribution or any other kind of alienation of the participation.

Capital gains realized on the disposal of the Shares by resident individual shareholders, who act in the course of their professional/business activity, are subject to income tax at ordinary rates. Taxable gains are defined as being the difference between the price for which the Offer Shares have been disposed of and the lower of their cost or book value.

### **Luxembourg-resident Companies**

Luxembourg resident corporate shareholders will be subject to corporation taxes at the rate of 27.08 % for entities having their registered office in Luxembourg-City on dividend distributions made by the Company and the gains received upon disposal of the Shares unless a tax exemption pursuant to the provisions of the Article 166 of the Luxembourg income tax law or the Grand-ducal decree dated 21 December 2001 applies or unless the shareholders benefit from a special tax regime such as undertakings for collective investment subject to the law of 17 December 2010, as amended, specialized investment funds subject to the law of 13 February 2007, as amended, investment companies in risk capital subject to the law of 15 June 2004, as amended, or family wealth management companies subject to the law of 11 May 2007, as amended, or reserved alternative investment funds subject to the law of 23 July 2016.

### **Net Wealth Tax**

Non-resident and resident individual shareholders are exempt from net wealth tax on the Shares in Luxembourg.

### **Non-resident Shareholders**

Non-resident shareholders who have a permanent establishment or a permanent representative in Luxembourg to which the Shares are attributable are subject to Luxembourg net wealth tax on the Shares, unless the conditions provided for by paragraph 60 of the valuation law of 16 October 1934, as amended (*BewG*) are met.

### **Luxembourg-resident Shareholders**

Shares held by Luxembourg resident corporate shareholders, will be subject to an annual net wealth tax charge (*impôt sur la fortune*) of 0.5 % (of 0.05 % applicable to the net wealth exceeding € 500,000,000) except if:

- i. the conditions provided for by the valuation law of 16 October 1934, as amended (*BewG*) are met; or
- ii. the Luxembourg resident company benefits from a special tax regime such as undertakings for collective investment subject to the law of 17 December 2010, as amended, specialized investment funds subject to the law of 13 February 2007, as

amended, investment companies in risk capital subject to the law of 15 June 2004, as amended, or family wealth management companies subject to the law of 11 May 2007, as amended, a professional pension institution governed by the amended law of 13 July 2005 or a reserved alternative investment fund vehicle governed by the law of 23 July 2016.

Luxembourg resident corporate shareholders are subject to the fixed minimum net wealth tax of € 4,815 if the sum of fixed financial assets, receivables on related entities, transferable securities and cash at bank exceeds 90 % of their balance sheet and € 350,000. If the Luxembourg resident corporate shareholders should not fall within the scope of the € 4,815 minimum net wealth tax, a progressive minimum net wealth tax will be applicable ranging from € 535 to € 32,100, depending on their total gross assets.

### **Other Tax Consequences**

#### **Stamp Taxes and Transfer Taxes**

There is no Luxembourg registration tax, stamp duty or any other similar tax or duty payable in Luxembourg by the holders of Shares as a consequence of the issuance of the Shares, nor will any of these taxes be payable as a consequence of a subsequent transfer, repurchase or redemption of the Shares.

#### **Gift Taxes**

No estate or inheritance tax is levied on the transfer of Shares upon death of a holder of Shares in cases where the deceased was not a resident of Luxembourg for inheritance tax purposes and no gift tax is levied upon a gift of Shares if the gift is not passed before a Luxembourg notary or recorded in a deed registered in Luxembourg. Where a holder of Shares is a resident for tax purposes of Luxembourg at the time of his death, the Shares are included in its taxable estate for inheritance tax or estate tax purposes.

### **Taxation of the Company in case the registered seat is transferred to Luxembourg**

The company is examining the possibility to transfer its registered office from Cyprus to the Grand-Duchy of Luxembourg.

The Company will be considered as a Luxembourg taxpayer as from the transfer of its statutory seat or central administration to Luxembourg.

## **Corporate Income Tax**

The Company is liable for Luxembourg corporation taxes. The aggregate maximum applicable rate, including corporate income tax (*impôt sur le revenu des collectivités*), municipal business tax (*impôt commercial communal*) and a contribution to the employment fund, is 27.08 % for a company established in Luxembourg City. Liability for such corporation taxes extends to the Company's worldwide profits including capital gains, subject to the provisions of any relevant double taxation treaty and the tax exemptions for qualifying participations provided by the Article 166 of the Luxembourg income tax law or the Grand-ducal decree dated 21 December 2001. The taxable income of the Company is computed by application of the Luxembourg income tax law of 4 December 1967, as amended (*loi concernant l'impôt sur le revenu*), as commented and currently applied by the Luxembourg tax authorities. The Company is a fully taxable Luxembourg resident and should therefore, from a Luxembourg tax perspective, be able to benefit from double taxation treaties and European directives on income tax matters.

## **Net Wealth Tax**

The Company is fully subject to the annual net wealth tax charge (*impôt sur la fortune*) which amounts to 0.5 % of the net asset value of the Company on a net asset value up and including € 500,000,000. In case the net asset value of the Company exceeds € 500,000,000, any amount in excess of said threshold will be subject to net wealth tax at a rate of 0.05 %. Certain assets (such as qualifying participations) might be excluded from the net asset value for the purposes of the net wealth tax computation, provided that the provisions of paragraph 60 of the valuation law of 16 October 1934, as amended (*BewG*) are met.

The Company is subject to the fixed minimum net wealth tax of € 4,815 if the sum of fixed financial assets, receivables on related entities, transferable securities and cash at bank exceeds 90 % of its balance sheet and € 350,000. If the Company should not fall within the scope of the € 4,815 minimum net wealth tax, a progressive minimum net wealth tax will be applicable ranging from € 535 to € 32,100, depending on the Company's total gross assets.

## CONSENTS

(i) The reporting auditors KPMG Limited, Certified Accountants and Registered Auditors, Millenium Lion House, P.O. Box 40075, 6300 Larnaca, Cyprus have given and have not withdrawn their written consent presented below relating to the references to their name in the form and context in which they appear in the Prospectus.

30 May 2017

Board of Directors

Aroundtown Property Holdings plc

### **Prospectus dated 30 May 2017**

Dear Sirs

We, KPMG, acting as independent auditors have audited the consolidated financial statements for the years ended 31 December 2016, 31 December 2015 and 31 December 2014 of Aroundtown Property Holdings plc ("**Aroundtown**") which have been prepared in accordance to International Financial Reporting Standards and the requirements of the Cyprus Companies Law.

We have conducted our audit on the consolidated financial statements of Aroundtown for the years ended 31 December 2016, 31 December 2015 and 31 December 2014 in accordance with International Standards on Auditing, and have issued audit reports dated 31 March 2017, 29 March 2016 and 8 April 2015, respectively.

In accordance with paragraph 23 of Annex I of Regulation 809/2004 of the Commission of the European Union, we give and do not withdraw our written consent for:

- a) the inclusion of our reports dated 31 March 2017, 29 March 2016 and 8 April 2015 and in the form and context in which they appear for the three years ended 31 December 2016, 31 December 2015 and 31 December 2014 within the Prospectus dated 30 May 2017; and
- b) the references made to our name in the form and context in which they appear in the Prospectus dated 30 May 2017, for which you as Directors are solely responsible.

KPMG Limited

(ii) The appraiser Jones Lang LaSalle SE, Rahel-Hirsch-Straße 10, 10557 Berlin, Germany, has given and has not withdrawn its written consent presented below relating to the references to its name in the form and context in which it appears in the Prospectus.

30 May 2017

Board of Directors

Aroundtown Property Holdings plc

**Prospectus dated 30 May 2017**

Dear Sirs

In accordance with paragraph 23 of Annex I of Regulation 809/2004 of the Commission of the European Union, we give and do not withdraw our written consent for:

- a) the inclusion of the JLL Property Appraisal Report in the Prospectus dated 30 May 2017 in the form and format those are presented; and
- b) for the references in our name in the form and context in which they appear in the Prospectus dated 30 May 2017, for which you as Directors are solely responsible.

Jones Lang LaSalle SE

(iib) The appraisers Knight Frank Valuation & Advisory GmbH & Co. KG, Bockenheimer Anlage 46, 60322 Frankfurt, Germany, and Knight Frank SA/NV, Avenue Louise 143 Louizalaan, 1050 Brussels, Belgium, have given and have not withdrawn their written consent presented below relating to the references to their names in the form and context in which they appear in the Prospectus.

30 May 2017

Board of Directors

Aroundtown Property Holdings plc

**Prospectus dated 30 May 2017**

Dear Sirs

In accordance with paragraph 23 of Annex I of Regulation 809/2004 of the Commission of the European Union, we give and do not withdraw our written consent for:

- a) the inclusion of the Knight Frank Property Appraisal Report in the Prospectus dated 30 May 2017 in the form and format those are presented; and
- b) for the references in our name in the form and context in which they appear in the Prospectus dated 30 May 2017, for which you as Directors are solely responsible.

Knight Frank Valuation & Advisory GmbH & Co. KG

Knight Frank SA/NV



(iic) The appraiser Cushman & Wakefield LLP, Rathenauplatz 1, 60313 Frankfurt am Main, Germany, has given and has not withdrawn its written consent presented below relating to the references to its name in the form and context in which it appears in the Prospectus.

30 May 2017

Board of Directors

Aroundtown Property Holdings plc

**Prospectus dated 30 May 2017**

Dear Sirs

In accordance with paragraph 23 of Annex I of Regulation 809/2004 of the Commission of the European Union, we give and do not withdraw our written consent for:

- a) the inclusion of the Cushman and Wakefield Property Appraisal Report in the Prospectus dated 30 May 2017 in the form and format those are presented; and
- b) for the references in our name in the form and context in which they appear in the Prospectus dated 30 May 2017, for which you as Directors are solely responsible.

Cushman & Wakefield LLP

(iid) The appraisers apollo valuation & research GmbH, Große Eschenheimer Str. 13, 60313 Frankfurt am Main, Germany, and R&B Real Estate B.V., Concertgebouwplein 15, 1071 LL Amsterdam, Netherlands, have given and have not withdrawn their written consent presented below relating to the references to their names in the form and context in which they appear in the Prospectus.

30 May 2017

Board of Directors

Aroundtown Property Holdings plc

**Prospectus dated 30 May 2017**

Dear Sirs

In accordance with paragraph 23 of Annex I of Regulation 809/2004 of the Commission of the European Union, we give and do not withdraw our written consent for:

- a) the inclusion of the NAI Property Appraisal Report in the Prospectus dated 30 May 2017 in the form and format those are presented; and
- b) for the references in our name in the form and context in which they appear in the Prospectus dated 30 May 2017, for which you as Directors are solely responsible.

apollo valuation & research GmbH

R&B Real Estate B.V.

(iii) The Lead Manager-Investment Firm responsible for the drawing up of the Prospectus in accordance with article 23 of The Public Offer and Prospectus Law of the Republic of Cyprus of 2005, as amended, The Cyprus Investment and Securities Corporation Limited (CISCO), has given and has not withdrawn its written consent to the references to its name in the form and context in which it appears.

30 May 2017

Board of Directors

Aroundtown Property Holdings plc

Dear Sirs,

With this letter, we give and do not withdraw our consent for the references to our name in the form and context in which it appears in the Prospectus of Aroundtown Property Holdings plc dated 30 May 2017.

The Cyprus Investment and Securities Corporation Limited (CISCO)

(iv) Members of the Board of Directors

The Prospectus has been presented to the members of the Board of Directors and has been approved. The members of the Board of Directors, who have taken all reasonable care to ensure that such is the case, accept responsibility for the accuracy, correctness and completeness of the information contained in the Prospectus. To the best of the knowledge and belief of the members of the Board of Directors (who have taken all reasonable care), the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

## GLOSSARY

<b>\$, USD, US Dollars</b>	Means the currency of the United States of America.
<b>€, EUR, Euro</b>	Means the currency introduced at the start of the third stage of the European economic and monetary union, and as defined in article 2 of Council Regulation (EC) No 974/98 of 3 May 1998 on the introduction of the Euro, as amended.
<b>2014 Consolidated Financial Statements</b>	Means the audited consolidated financial statements prepared in accordance with IFRS of the Company for the fiscal year ended 31 December 2014.
<b>2015 Consolidated Financial Statements</b>	Means the audited consolidated financial statements prepared in accordance with IFRS of the Company for the fiscal year ended 31 December 2015.
<b>2016 Consolidated Financial Statements</b>	Means the audited consolidated financial statements prepared in accordance with IFRS of the Company for the fiscal year ended 31 December 2016.
<b>Adjusted EBITDA</b>	Adjusted EBITDA is adjusting the EBITDA by deducting non-operational and non-recurring items, such as capitals gains, revaluations and profit from disposals and adding back the non-cash effect of the management's share incentive plan. Additionally, the share of profit from investment in equity-accounted investees is subtracted as these profits include the Company's share also in non-operational profits generated by the equity-accounted investees and not only their operational results. The Company includes in its Adjusted EBITDA the relative share in the operational performance generated by GCP, according to its holding rate over the period.
<b>Admission</b>	Means the admission to trading on the regulated market of the Frankfurt Stock Exchange with simultaneous admission to the sub-segment of the

	regulated market with additional post-admission requirements ( <i>Prime Standard</i> ).
<b>AFEP-MEDEF Corporate governance code of listed corporations</b>	The Corporate governance code of listed corporations of the <i>Association Française des Entreprises Privées</i> (AfeP) and the <i>Mouvement des Entreprises de France</i> (Medef).
<b>AHFS</b>	Means assets held for sale.
<b>APM</b>	APM is an abbreviation for alternative performance measures.
<b>Aroundtown</b>	Means the Company together with its consolidated subsidiaries.
<b>Articles of Association</b>	Means the memorandum and articles of association of the Company.
<b>ATAD</b>	ATAD is an abbreviation for Anti Tax Avoidance Directive.
<b>Authorized Capital</b>	Means the authorised capital of the Company, which amounts (including the subscribed capital) to € 15,000,000.00.
<b>BaFin</b>	Means German Federal Financial Supervisory Authority ( <i>Bundesanstalt für Finanzdienstleistungsaufsicht</i> ).
<b>BNP</b>	Means BNP Paribas Securities Services, Luxembourg Branch, 60 avenue J.F. Kennedy, L-1855 Luxembourg, Luxembourg.
<b>Board of Directors</b>	Means the board of directors of the Company.
<b>CE</b>	Means the Cyprus Pound (CYP). The Cyprus Pound was the official currency of Cyprus before it was replaced by the Euro as the official currency of the Republic of Cyprus on 1 January 2008.

<b>capex</b>	Means capital expenditure.
<b>CBS</b>	CBS is an abbreviation for <i>Centraal Bureau voor de Statistiek</i> , Netherlands, the central statistical office of the Netherlands.
<b>CET</b>	CET is an abbreviation for Central European Time.
<b>CFC</b>	CFC is an abbreviation for controlled foreign corporation.
<b>CISCO</b>	Means The Cyprus Investment and Securities Corporation Limited, 154 Lemesou Avenue, 2025 Strovolos, Nicosia, Cyprus, P.O. Box 20597.
<b>Commercial Portfolio</b>	Means the commercial real estate properties with a fair market value of approximately € 5.6 billion, consisting primarily of office, hotel, retail and other types of commercial real estate, directly or indirectly held by the Company as of 28 February 2017.
<b>Company</b>	Means Aroundtown Property Holdings plc.
<b>Consolidated Financial Statements</b>	Means the audited consolidated financial statements of Aroundtown Properties Holdings plc for the fiscal years ended 31 December 2014, 2015 and 2016.
<b>Convertible Bonds</b>	Means the Series B Bonds and the Series C Bonds.
<b>CRA Regulation</b>	Means the Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies, as amended by Regulation (EC) No 513/2011 of the European Parliament and of the Council of 11 May 2011.
<b>CSG</b>	CSG is an abbreviation for <i>contribution sociale généralisée</i> (general social contribution).
<b>CSSF</b>	Means <i>Commission de Surveillance du Secteur</i>

	<i>Financier.</i> The CSSF is a public institution which supervises the professionals and products of the Luxembourg financial sector.
<b>Current Articles</b>	Means the articles of association of the Company.
<b>Cushman &amp; Wakefield</b>	Means Cushman & Wakefield LLP, Rathenauplatz 1, 60313 Frankfurt am Main, Germany.
<b>Cushman &amp; Wakefield Property Appraisal Report</b>	Means the report on the fair value of properties held by Aroundtown pursuant to IAS 40 prepared by the independent external appraisers of Cushman & Wakefield.
<b>Cyprus</b>	Means the Republic of Cyprus.
<b>Cyprus Companies Law</b>	Means the Companies Law, Cap. 113, of the Republic of Cyprus as amended.
<b>Cyprus Transparency Law</b>	Means the Cyprus Transparency Law of 31 December 2007 as amended.
<b>Cyprus Prospectus Law</b>	Means the Public Offer and Prospectus Law of the Republic of Cyprus of 2005, as amended.
<b>Cyprus Takeover Law</b>	Means the Cyprus Law to Make Provisions for Public Takeover Bids for the Acquisition of Securities of Companies and Related Matters L.41(I)/2007.
<b>CySEC</b>	CySEC is an abbreviation for Cyprus Securities and Exchange Commission.
<b>D &amp; O Insurance</b>	Means the Directors and Officers insurance policies.
<b>DCF</b>	DCF is an abbreviation for Discounted Cash Flow.
<b>DDT</b>	DDT is an abbreviation for Dichlorodiphenyltrichloroethane.
<b>Director</b>	Means a member of the board of directors of the



	Company.
<b>EBITDA</b>	EBITDA is defined as earnings before interest, tax depreciation and amortization. The figure is calculated by adding to the operating profit depreciation and amortization items.
<b>EEA</b>	EEA is an abbreviation for European Economic Area.
<b>Elements</b>	Means the disclosure requirements of the Summary of the Prospectus.
<b>EMTN Programme</b>	Means the Euro Medium Term Note Programme, established on 10 March 2017 by ATF Netherlands B.V., a subsidiary of the Company.
<b>EnEV</b>	Means German Ordinance on Energy Saving ( <i>Energieeinsparverordnung</i> ) revised with effect from 1 May 2014.
<b>EPRA</b>	EPRA is an abbreviation for European Public Real Estate Association.
<b>EPRA NAV</b>	EPRA NAV is defined by EPRA (European Public Real Estate Association) as the net asset value adjusted by including the properties and other investment interests at fair value and to exclude certain items not expected to crystallize in a long-term investment property business model. The purpose of EPRA NAV is to adjust the IFRS NAV in order to provide stakeholders with the most relevant information on the fair value of the Group's assets and liabilities within a true real estate investment company with a long-term investment strategy. The EPRA NAV is calculated by adding to the shareholder profit the effect of conversion of in-the-money convertible bonds, fair value measurements of derivative financial instruments and deferred tax liabilities.

<b>EPRA NAV per share</b>	The EPRA NAV per share is calculated by dividing the EPRA NAV by the basic amount of shares, including in-the-money dilution effects.
<b>EPRA NNNAV</b>	EPRA NNNAV is defined as EPRA NAV adjusted to include the spot values of the financial instruments, debt and deferred taxes. The purpose of the EPRA NNNAV is to make adjustments to EPRA NAV and provide stakeholders with the most relevant information on the spot value of the Company's assets and liabilities of a real estate company. The EPRA NNNAV per share is calculated by dividing the EPRA NNNAV by the basic amount of shares, including in-the-money dilution effects.
<b>EPRA Vacancy Rate</b>	Means the estimated net rent of vacant area divided by the sum of net rent of occupied area and estimated net rent of vacant area.
<b>EPS</b>	EPS is an abbreviation for earnings per share.
<b>ESMA</b>	ESMA is an abbreviation for European Securities and Market Authority.
<b>EU Treaty</b>	Means the Treaty on European Union.
<b>EURIBOR</b>	EURIBOR is an abbreviation for Euro Interbank Offered Rate, a daily reference rate based on the averaged interest rates at which banks offer to lend unsecured funds to other banks in the Euro wholesale money market.
<b>Euronext</b>	Euronext is a pan-European exchange, spanning Belgium, France, the Netherlands, Portugal and the UK.
<b>FFO I</b>	FFO I is an indicator for the recurring profit from operations, after deducting from the adjusted EBITDA the finance expenses, the current tax and respective

	minorities contribution to this item.
<b>FFO I per share</b>	FFO I per share is calculated by dividing the FFO I by the weighted basic amount of share in the respective period.
<b>FOREX</b>	FOREX is an abbreviation for Foreign Exchange.
<b>FTT</b>	FTT is an abbreviation for Financial Transaction Tax.
<b>GCP</b>	Means Grand City Properties S.A.
<b>GDP</b>	GDP is the abbreviation for gross domestic product. The gross domestic product is the value of all goods and services produced in a country (or region or a city etc.) in a certain period.
<b>GDR</b>	GDR means the former German Democratic Republic.
<b>German Disbursing Agent</b>	Means the domestic branch of the domestic or foreign credit or financial services institution ( <i>inländisches Kredit- oder Finanzdienstleistungsinstitut</i> ), the domestic securities trading company ( <i>inländisches Wertpapierhandelsunternehmen</i> ) or the domestic securities trading bank ( <i>inländische Wertpapierhandelsbank</i> ) which keeps and administers the shares and disburses or credits the dividends.
<b>GrEstG</b>	GrEstG is an abbreviation for German Real Estate Transfer Tax Act ( <i>Grunderwerbsteuergesetz</i> ).
<b>Group</b>	Group means Aroundtown together with its investees, including associates over which the Company has significant influence as defined in IAS 28 and that are not subsidiaries, in particular GCP.
<b>IAS</b>	IAS is an abbreviation for International Accounting Standards.

<b>ICSDs</b>	Means Euroclear and Clearstream.
<b>IFRS</b>	IFRS is an abbreviation for International Financial Reporting Standards, as adopted by the European Union.
<b>Incentive Agreement</b>	Means a framework incentive agreement the Board of Directors of the Company resolved to set up on 8 July 2016 the object of which is to incentivise key management personnel and directors of certain subsidiaries of the Company as well as key management personnel of the Company in order to contribute to the success of the Company and Aroundtown.
<b>ISIN</b>	Means International Securities Identification Number.
<b>JLL Property Appraisal Report</b>	Means the condensed valuation reports prepared by the independent, external appraisers of Jones Lang LaSalle pursuant to IAS 40 comprising valuations of the real estate portfolio of Aroundtown included in this Prospectus.
<b>Jones Lang LaSalle</b>	Means Jones Lang LaSalle SE, Rahel-Hirsch-Straße 10, 10557 Berlin, Germany.
<b>Knight Frank</b>	Means Knight Frank Valuation & Advisory GmbH & Co. KG, Bockenheimer Anlage 46, 60322 Frankfurt, Germany and Knight Frank SA/NV, Avenue Louise 143 Louizalaan, 1050 Brussels, Belgium together.
<b>Knight Frank Property Appraisal Report</b>	Means the report on the fair value of properties held by Aroundtown pursuant to IAS 40 prepared by the independent external appraisers of Knight Frank.
<b>KPMG</b>	Means KPMG Limited, Certified Accountants and Registered Auditors, Millenium Lion House, P.O. Box 40075, 6300 Larnaca, Cyprus.

<b>Listing Agent</b>	See “quirin”.
<b>LTV</b>	LTV means Loan-To-Value, the ratio of financial debt, net of cash and liquid assets, to the value of investment property, including advanced payments, investment properties held for sale and investment in equity accounted investees.
<b>Luxembourg Companies Law</b>	Means the Luxembourg law dated 10 August 1915 on commercial companies, as amended.
<b>Luxembourg Squeeze-Out and Sell-Out Law</b>	Means the Luxembourg law of 21 July 2012 on mandatory squeeze-out and sell-out of securities of companies currently admitted or previously admitted to trading on a regulated market or having been offered to the public.
<b>Luxembourg Takeover Law</b>	Means the Luxembourg law dated 19 May 2006 on public takeovers, as amended.
<b>Luxembourg Transparency Law</b>	Means the Luxembourg law of 11 January 2008 on transparency requirements for issuers of securities, as amended.
<b>MAD</b>	Means the Market Abuse Directive 2014/57/EU.
<b>MAR</b>	MAR means regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse.
<b>Market Abuse Law</b>	Means the Luxembourg law of 23 December 2016 on market abuse.
<b>Memorandum of Association</b>	Means the memorandum of association of the Company.
<b>MiFID</b>	Means the Directive 2004/39/EC of 21 April 2004 on markets in financial instruments.

<b>MIP</b>	MIP is an abbreviation for the management incentive program of the Company.
<b>MTF</b>	MTF is an abbreviation for multi-trading facility.
<b>NAI</b>	Means apollo valuation & research GmbH, Große Eschenheimer Str. 13, 60313 Frankfurt am Main, Germany and R&B Real Estate B.V., Concertgebouwplein 15, 1071 LL Amsterdam, Netherlands together.
<b>NAI Property Appraisal Report</b>	Means the report on the fair value of additional properties held by Aroundtown pursuant to IAS 40 prepared by the independent external appraisers of NAI.
<b>New Articles</b>	Means the new articles of association to be adopted by the second general shareholders meeting of the Company in the course of the Re-Domiciliation.
<b>New Authorized Capital</b>	Means the Company's authorized capital upon change of the legal form into a <i>société anonyme</i> (S.A.) under the laws of the Grand Duchy of Luxembourg (including the subscribed capital of € 8.533.545.79) of € 15,000,000.
<b>NFC</b>	NFC is an abbreviation for near field communication.
<b>NID</b>	NID is an abbreviation for notional interest deduction.
<b>NPL</b>	NPL is an abbreviation for non-performing loans.
<b>NRW</b>	NRW is an abbreviation for North Rhine-Westphalia.
<b>Outstanding Bonds</b>	Means the Series B Bonds, Series C Bonds, Series D Bonds, Series E Bonds, Series F Bonds, Series G Bonds and the Series H Bonds.
<b>PCB</b>	PCB is an abbreviation for polychlorinated biphenyl.

<b>PCI</b>	Means Primecity Investment plc.
<b>PCI Convertible Bonds</b>	Means the secured € 150 million convertible bonds PCI issued in November 2014 and February 2015.
<b>PCP</b>	PCP is an abbreviation for Pentachlorophenol.
<b>PEA</b>	Means an equity saving plan.
<b>PEA-PME</b>	Means an equity saving plan dedicated to small and medium-sized enterprises.
<b>Perpetual Notes</b>	Means the subordinated, guaranteed, perpetual hybrid notes with a total nominal amount of € 600 million issued by AT Netherlands B.V., a member of Aroundtown, in tranches on 17 October 2016 and 17 January 2017.
<b>Prime Standard</b>	The Prime Standard is a sub-segment of the regulated market of the Frankfurt Stock Exchange with additional post-admission requirements.
<b>Principal Shareholder</b>	Means Avisco Group plc.
<b>Property Appraisal Reports</b>	The JLL Property Appraisal Report, the Cushman & Wakefield Property Appraisal Report, the Knight Frank Property Appraisal Report and the NAI Property Appraisal Report.
<b>Prospectus</b>	Means this document.
<b>Prospectus Directive</b>	Means Directive 2003/71/EC of the European Parliament, as amended.
<b>Prospectus Regulation</b>	Means European Commission Regulation 809/2004, as amended.
<b>quirin</b>	Means quirin bank AG, Kurfürstendamm 119, 10711 Berlin, Germany.

<b>RCSL</b>	RCSL is an abbreviation for <i>Registre de Commerce et des Sociétés Luxembourg</i> (Luxembourg Trade and Companies' Register).
<b>Record Date</b>	Means record date for a general meeting of the Company's shareholders.
<b>Re-Domiciliation</b>	Means the transfer of the seat of the Company from the Republic of Cyprus to the Grand Duchy of Luxembourg adopted by the shareholders of the Company in an extraordinary general meeting on 7 April 2017.
<b>Regional 12</b>	Regional 12 is an index used by Aroundtown, which refers to the regional centres Augsburg, Bremen, Darmstadt, Dresden, Essen, Hanover, Karlsruhe, Leipzig, Mainz, Mannheim, Münster and Nuremberg.
<b>RESA</b>	RESA is an abbreviation for <i>Recueil Electronique des Sociétés et Associations</i> (Electronic collection of companies and associations).
<b>RETT</b>	RETT is an abbreviation for Real Estate Transfer Tax.
<b>RevPar</b>	Means revenue per available room.
<b>RICS</b>	RICS is an abbreviation for Royal Institution of Chartered Surveyors.
<b>ROZ</b>	ROZ is an abbreviation for Real Estate Council of the Netherlands.
<b>S&amp;P</b>	S&P is an abbreviation for Standard & Poor's Credit Market Services Europe Limited.
<b>SDC</b>	SDC is an abbreviation for Special Contribution for Defence.
<b>Securities Act</b>	Means the United States Securities Act of 1933, as



	amended.
<b>Series A Bonds</b>	Means the unsecured bonds with a fixed coupon of 3.00 % with an initial aggregate nominal amount of € 200 million issued by the Company in December 2014.
<b>Series B Bonds</b>	Means the unsecured convertible bonds issued by the Company due on 5 May 2020 with an initial aggregate nominal amount of € 450 million.
<b>Series C Bonds</b>	Means the unsecured € 300 million convertible bonds issued by the Company due on 18 January 2021.
<b>Series D Bonds</b>	Means the € 600 million bonds issued by the Company due on 3 May 2022.
<b>Series E Bonds</b>	Means the € 650 million bonds issued by the Company due on 15 July 2024.
<b>Series F Bonds</b>	Means the € 550 million bonds issued by the Company due on 13 March 2023.
<b>Series G Bonds</b>	Means the € 30 million bonds issued by the Company due on 22 December 2017.
<b>Series H Bonds</b>	Means USD 400 million bonds issued by the Company due on 27 March 2032.
<b>Shareholder Rights Law</b>	Means the Luxembourg law of 24 May 2011 on the exercise of certain rights of shareholders in general meetings of listed companies.
<b>Shares</b>	Means the 853,354,579 shares in the Company which represent all shares in the Company and are subject to admission to trading and are ordinary shares each with a par-value of € 0.01.
<b>Takeover Directive</b>	Means the Directive 2004/25/EC of 21 April 2004 on takeover bids.

<b>TEGoVA</b>	TEGoVA is an abbreviation for The European Group of Valuers' Associations.
<b>Top Seven Cities</b>	Top Seven Cities is an index used by Aroundtown which refers to the cities of Berlin, Düsseldorf, Frankfurt am Main, Hamburg, Cologne, Munich and Stuttgart.
<b>Transparency Directive</b>	Means the Directive 2004/109/EC of the European Parliament and of the Council of 15 December 2004, as amended.
<b>UCITS</b>	UCITS is an abbreviation for Undertakings for Collective Investments in Transferable Securities.
<b>VAT</b>	VAT is an abbreviation for value added tax.
<b>WALT</b>	WALT is an abbreviation for weighted average lease term.
<b>WOZ</b>	WOZ is an abbreviation for <i>Wet Waardering Onroerende Zaken</i> (the Dutch Law on Valuation of Real Estate).
<b>WpHG</b>	WpHG is an abbreviation for <i>Wertpapierhandelsgesetz</i> (the German Securities Trading Act).
<b>WpÜG</b>	WpÜG is an abbreviation for <i>Wertpapiererwerbs- und Übernahmegesetz</i> (the German Securities Acquisition and Takeover Act).

# Condensed Valuation Report

The valuation of the subject portfolio as specified below has been prepared by Jones Lang LaSalle SE (“JLL”) in accordance with the International Standards for the Valuation of Real Estate for Investment Purposes (International Valuation Standards), the Valuation Standards of the Royal Institution of Chartered Surveyors (as per the Red Book) and the International Financial Reporting Standards (IFRS). The calculation of the fair value as at valuation dates has been carried out by JLL for properties of **Aroundtown Property Holdings PLC** (“client”).

The subject portfolio consists of a total of 246 properties. The total lettable area amounts to approx. 2,486,896 sqm. Thereof, approx. 94% are located in Germany and approx. 5% are located in the Netherlands.

## Client

Aroundtown Property Holdings PLC  
Artemidos & Nikou Dimitrou, 54B  
6027, Larnaca, Cyprus



## Valuer

Jones Lang LaSalle SE  
Rahel-Hirsch-Straße 10  
10557 Berlin



## Dates of Valuation

30.09.2016, 31.12.2016 and 15.02.2017

## Date of Valuation Report

29 May 2017

Jones Lang LaSalle SE  
International Real Estate Consultants  
Frankfurt/Main  
Local Court Frankfurt/Main, HRB no. 10805  
Certified according to ISO 9001  
CEO Germany: Timo Tschammler

## Summary of Valuation Results

JLL is of the opinion that the aggregate of the individual Market Values, based on the information provided by the client and subject to the assumptions and comments detailed in section 3, of the freehold and leasehold properties in the **Aroundtown Property Holdings PLC** portfolio as at the effective dates of valuation, 30.09.2016, 31.12.2016 and 15.02.2017, is as follows:

**€ 3,847,880,000**

**(THREE BILLION, EIGHT HUNDRED FORTY-SEVEN MILLION, EIGHT HUNDRED AND EIGHTY THOUSAND EUROS)**

Market value of properties as of 30.09.2016:	€ 74,720,000
Market value of properties as of 31.12.2016:	€ 2,674,210,000
Market value of properties as of 15.02.2017:	€ 1,098,950,000

The above figure represents the aggregate of the individual property market values and is understood as the value without regard to auxiliary purchase costs (legal costs, agent's fees and where applicable land transfer tax) normally incurred by the purchaser. No allowance has been made for any expenses of realisation or for taxation and it does not reflect any addition or reduction on the sale of the portfolio as a whole which may arise in the event of a disposal.

The following table shows aggregated key property data for the portfolio (including undeveloped sites and leasehold properties):

Total lettable area:	2,486,896 sqm
Average market value per lettable area:	€ 1,547/sqm
Current net rental income per annum:	€ 239,720,942

No asset of the subject portfolio has a negative Market Value.

The following table shows the distribution of the Market Value between freehold and leasehold assets as of the dates of valuation:

Typ	Market Value	Properties
Freehold	€ 3,505,010,000	230
Leasehold	€ 342,870,000	16
<b>Total</b>	<b>€ 3,847,880,000</b>	<b>246</b>

The valuation figures contained in this condensed valuation report differ by approx. € 10,780,000 (equal to approx. 0.3%) higher to the equivalent figures contained in the client's consolidated financial statements for the fiscal year ended 31 December 2016 mainly due to revaluation and minor differences refer to accounting policies (fair value versus cost method) and/or rounding differences.

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# 1. Brief and Scope of Instruction

## 1.1 Instruction & Purpose of Valuation Report

In accordance with the engagement letter by the client, JLL has examined the properties of the client and carried out a valuation to determine the Market Value at valuation date of freehold and leasehold interests (as appropriate) in each of the properties.

We understand that this condensed valuation report is required, to confirm the Market Value of the real estate assets at valuation dates for **Aroundtown Property Holdings PLC**.

This condensed valuation report covers all material assumptions of all relevant valuations.

## 1.2 Addressees

The valuation letter is addressed to and may be relied upon only by:

- Aroundtown Property Holdings PLC, Artemidos & Nikou Dimitrou, 54B, 6027, Larnaca
- KPMG Limited, 1 G. Aradippioti Str., 6016 Larnaca, Cyprus

The valuation report is intended solely for the addressees and may be used only for the purpose specified here.

## 1.3 Purpose & Publication

The Valuation Report will be part of the Prospectus of Aroundtown Property Holdings PLC (the “Company”) for the admission to trading on the regulated market of Frankfurt Stock Exchange with simultaneous admission to the sub-segment of the regulated market with additional post-admission requirements (Prime Standard) of all outstanding shares of the Company. A public offering will not take place. The Prospectus will be prepared by the Company in accordance with Part IV of The Public Offer and Prospectus Law of the Republic of Cyprus of 2005, as amended, incorporating the provisions of European Commission Regulation (EC) 809/2004 of 29 April 2004, as amended. The Prospectus will be approved by the Cyprus Securities and Exchange Commission (“CySEC”) in its capacity as the competent authority in Cyprus as the Company’s home member state within the meaning of Directive 2003/71/EC of the European Parliament, as amended and approval of the Prospectus will be notified to the German Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht, BaFin).

The Valuation Report complies with the European Commission Regulation (EC) No 809/2004 of 29 April 2004 (as amended) and paragraphs 128 to 130 of the European Securities and Market Authority (ESMA) update of the Committee of European Securities Regulators’ (CESR) recommendations for the consistent implication of (EC) no. 809/2004 dated 20 March 2013.

JLL acknowledges and agrees that this report will appear in unchanged and signed form in the securities prospectus as well as in the offering circular. Before this report, or any part thereof, is reproduced or referred to in any other document, circular or statement and before its contents (other than as contemplated in this prospectus), or any part thereof, are otherwise disclosed

verbally or otherwise to a third party, JLL's prior written approval as to the form and context of such publication or disclosure must be obtained. For the avoidance of doubt, such an approval is required whether or not JLL is referred to by name and whether or not the contents of our report are combined with other additional information. Such approval shall not be unreasonably withheld. Notwithstanding the foregoing, the contents and data contained in the report may be cited and summarised elsewhere in the prospectus and the offering circular.

#### **1.4 Assignment of Rights to Third Parties**

The addressees of the valuation report are not entitled to assign their rights – either in whole or in part – to third parties.

#### **1.5 Status of Valuer and Conflicts of Interest**

We confirm that JLL has undertaken the valuation acting as external valuer, as defined by the RICS Red Book, qualified for the purpose of the valuation.

Furthermore, we confirm that JLL has acted as an independent valuer according to the definition of ESMA guidelines (ESMA - European Securities and Markets Authority) update of the CESR recommendations - The consistent Implementation of Commission Regulation (EC) No 809/2004 Implementing the Prospectus Directive, dated 20 March 2013).

Finally, we confirm that JLL is not aware of any actual or potential conflict of interest that may have influenced its status as external or independent valuer.

#### **1.6 Scope of Work**

The scope of work has been carried out for the market valuation, including the following processes:

- Analysis and evaluation of the provided property information (e.g. rent roll, land register extracts, leasehold agreements, etc.)
- Inspection (interior/exterior) of all properties
- Market and locational analysis of all the properties
- Determination of the Market Value.

#### **1.7 Subject of Valuation**

In accordance with the engagement letter, the subject of the valuation is part of the Aroundtown Property Holdings PLC portfolio. The subject portfolio consists of a total of 246 properties. The total lettable area amounts to approx. 2,486,896 sqm. Thereof, 94% are located in Germany and 5% are located in the Netherlands. According to the information provided by the client, the subject properties are owned (majority fully, minor partially) by the client or its entitled subsidiaries.



## 1.8 Valuation Definitions

### Market Value

Our valuation has been prepared in accordance with the RICS Valuation – Professional Standards (current edition) published by the Royal Institution of Chartered Surveyors (RICS) as well as the standards contained within the TEGoVA European Valuation Standards, and in accordance with IVSC International Valuation Standard 1 (IVS 1), the International Accounting Standards (IAS), International Financing Reporting Standards (IFRS) as well as the current guidelines of the European Securities and Markets Authority (ESMA) on the basis of Market Value. This is included in the General Principles Adopted in the Preparation of Valuations and Reports of JLL. This is an internationally accepted basis of valuation. The Market Value is defined as:

*‘The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.’*

The above definition concurs with that of Market Value defined by the RICS Valuation – Professional Standards (current Edition) published by the Royal Institution of Chartered Surveyors and is also generally consistent with the definition of Market Value as adopted by the International Accounting Standards Board (IASB).

### 1.9 Plausibility Check

The database provided to us was checked to identify obvious errors and logical inconsistencies in order to avoid using incorrect or incomplete data in the valuation. This involves a review of the accuracy and completeness of the database, in particular addresses, the number of economic units, building parts and administrative units, property types and average space per property type and similar. The client was notified of the inconsistencies identified, which were subsequently removed.

Further verification of the data supplied to us was performed after the property inspections. In the case of missing or implausible information, JLL implements a Q&A process with the client.

### 1.10 Socioeconomic Factors and Location Quality

For the estimate of the property values as well as the sustainability of the property investment, particular importance was placed on the micro location, the current condition of the properties and the discernable tenant satisfaction.

Key factors taken into account by JLL in the calculation of value and stability of value were the acceptance of the location within the municipality (attractiveness of micro location) as well the quality of the property. Socioeconomic factors such as purchasing power, unemployment and population growth were also recognised in the calculation of value.

### 1.11 DCF Calculation

The calculation of the Market Value for the majority of the properties has been based on the Discounted Cash Flow (DCF) method. This is an internationally recognised method, based on transparent, dynamic and explicit valuation parameters to determine the Market Value. Initially all future cash flows (both revenues and costs) for properties are explicitly determined for a ten to thirty-year detailed planning period. At the end of this period, a terminal value is calculated, by effectively capitalising all future projected net cash flows generated by the property. The assumptions made for the model reflect comparable analysis and decisions that would have been made by investors active in the market as at the effective date of valuation.

The cash flows for the relevant year of the detailed planning period are calculated as follows:

The potential rental income at full occupancy is reduced by the loss of rent due to vacancy free rent periods. The resulting amount reflects the current rental income. The rental development is in accordance to the regulations of the lease contracts (e.g. steps, indexations). After deduction of the property specific non-transferable costs (e.g. maintenance costs, management costs, other costs, ground rents and non-recoverable operating costs), the net cash flow is determined before taxes and debt service. The respective cash flows of the individual periods are then discounted to the date of valuation by the pre-determined discount rate.

The calculation of the terminal value after detailed planning period is carried out as follows:

In general, a stabilised cash flow (stabilised rental income less stabilised expenses) can normally be achieved by the end of the detailed planning period. As no period-overlapping changes are expected in the cash flow after this point, the net operating income at the end of the detailed planning period serves as the basis for the forecasted future cash flows.

By means of the property-specific capitalisation rate, the net operating income (NOI) is capitalised into perpetuity. The capitalised terminal value, like the cash flows of the detailed planning period, is likewise discounted to the date of valuation.

The result of the DCF method mirrors the economic view that would be taken by the majority of active market participants as at the effective date of valuation and reflects the Market Value.

### 1.12 Database

JLL was provided with several rent rolls by the client, for each valuation date, containing information on the individual properties such as address, number of units, lettable area, vacancy and rental income.

Furthermore, JLL was fully/partially provided with the following documents by the client:

- Land register extracts
- Cadastral information/ site plans
- Commercial lease agreements

- Information related to monument protection
- Condominium declaration and its partition plan
- Leasehold agreements
- Information related to public land charges
- Floor plans and technical information
- Information related to contaminated land.

We have not been provided with further information. If we receive additional or updated information, we reserve the right to adjust the valuation accordingly.

Property specific information, which is required for the valuation process but could not be provided, was derived where possible by JLL based on research results, our own data collection as well as our experience with comparable properties, and considered in the subject valuation.

JLL assumed that the information the client has provided in respect to the subject portfolio and its valuation dates is correct and comprehensive and that the accuracy of all such documents has been confirmed by the client.

### **1.13 Dates of Valuation**

The dates of valuation are 30.09.2016, 31.12.2016 and 15.02.2017.

JLL has not been engaged to update the JLL valuations for the purpose of the Prospectus, has no obligation so to do and has not updated the JLL valuations after these valuation dates.

The client confirmed to JLL that no material changes to the physical attributes of the properties, or the nature of their location, that might have occurred between the valuation dates and the publication of this valuation report have been occurred.

### **1.14 Site Inspections**

The properties of the subject portfolio have been fully inspected together with an authorised representative of the client in an appropriate period as part of the previous valuation instructions.

A full inspection of the property comprises an adequate sample of internal units and/or any specific components of the building. The external inspection comprises an adequate assessment of the exterior and the micro location. For update valuation purposes, the properties will be generally inspected once during a period of two years after the last inspection has taken place or if necessary in individual coordination with the client.

The following table shows the breakdown of the inspections/ re-inspections per year:

Year of Inspection	Area m <sup>2</sup>	Area (Share)	Current Rental Income € (CRI)	CRI (Share)
2015	351,292	14.1%	33,332,196	13.9%
2016	1,123,518	45.2%	107,187,616	44.7%
2017	1,012,086	40.7%	99,201,130	41.4%
<b>Total</b>	<b>2,486,896</b>	<b>100.0%</b>	<b>239,720,941</b>	<b>100.0%</b>

All properties have been inspected since 2015.

In respect of those properties that were not re-inspected within the last 24 months, the client confirmed that it is not aware of any material changes to the physical attributes of the properties, or the nature of their location, that might have occurred since the last inspection.

### 1.15 Taxation and Costs

We have not made any adjustments to reflect any taxation liability that may arise on disposal (e.g. valuation gains) nor for any costs associated with disposals incurred by the owner. No allowance has been made to reflect any liability to repay any government or other grants, or taxation allowance that may arise upon disposals.

### 1.16 Value Added Tax

The Market Values and market rents listed in this valuation report do not include the relevant value added tax at the prevailing rate.

### 1.17 Currency

The currency referred to in the valuation report is Euros (€).

### 1.18 Rounding

Due to the calculation basis, marginal differences can occur in the rounding of the numbers (€, %, etc.).

### 1.19 Legal Terms

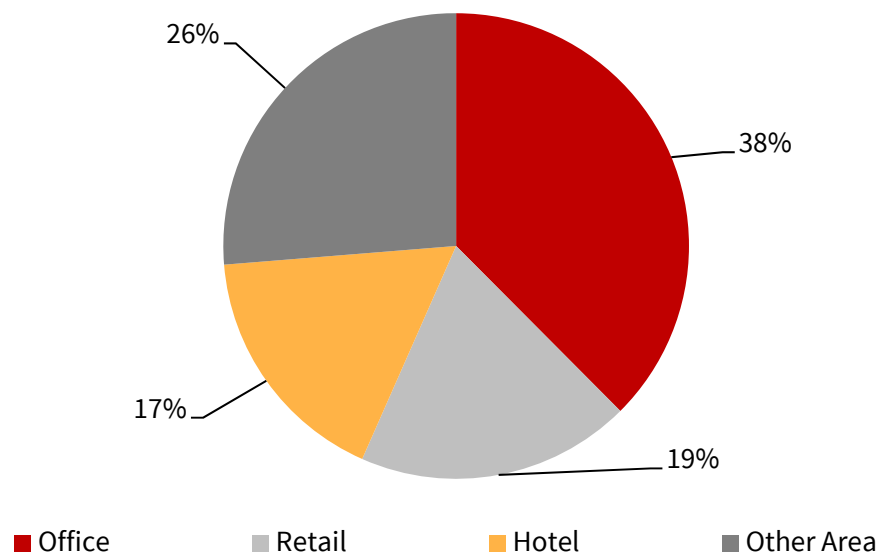
German law applies. The place of performance and jurisdiction is Frankfurt/Main.

## 2. Portfolio Overview

### 2.1 General Overview

The subject portfolio consists of a total of 246 properties. The portfolio contains approx. 2,486,896 sqm lettable area\*, approx. 16,186 internal parking spaces, approx. 18,377 external parking spaces and approx. 117 miscellaneous units (e.g. antennas, ATMs, advertisement panels).

Please find below a breakdown of the area for the respective uses:



#### \*Total lettable area

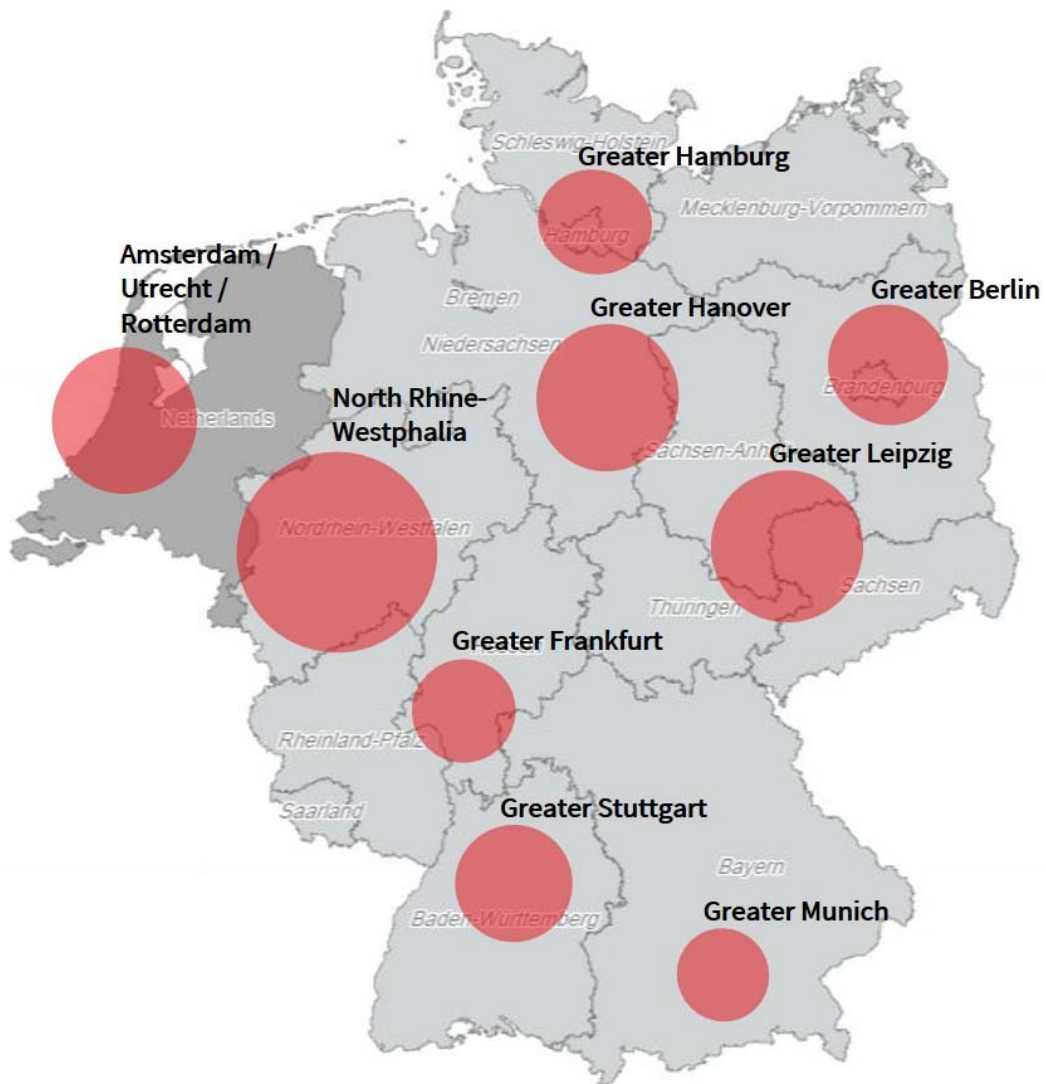
The client provided JLL with an overview of “ancillary areas” for some commercial properties of the portfolio, which JLL took into account without a separate verification at this point. Total lettable area shall only refer to areas of the main use, which constitute the core of the subject assets’ operations. According to the clients explanation the total lettable area should not include areas of parking units, garages, internal or external parking units, ancillary storage units, basements, other miscellaneous units and open spaces. JLL has not verified this assessment and therefore excludes any and all forms of responsibility and liability for this depiction. The total lettable area in the report does not include ancillary areas in the total amount of approx. 60,375 sqm, whereof approx. 16,455 sqm are vacant. However, this has no impact on the market value.

#### Other area

Other areas include for example (light) industrial, logistics, laboratory, storage, leisure, residential and cinema areas.

## 2.2 Regional Distribution

The properties within the subject portfolio are mainly located in Germany and the Netherlands. The distribution of the core areas of the properties are depicted in red in the following map:



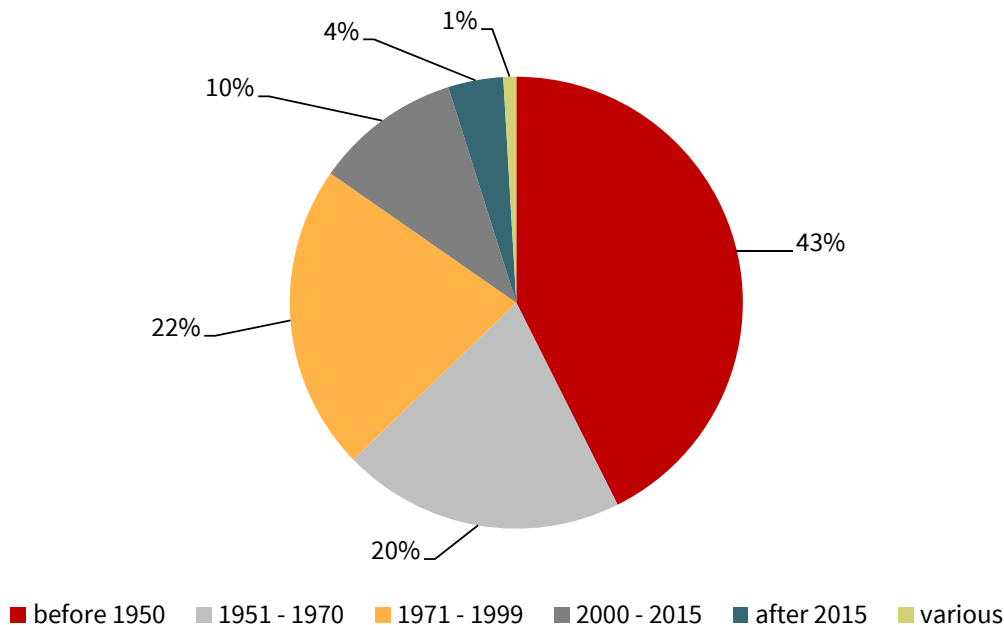
## 2.3 Net Rental Income

The current net rental income for the portfolio at the dates of valuation amounts to approx. € 239,720,942 p.a. The majority of the rental income originates from office units with a total annual amount of approx. € 102,126,874. Retail units with a total annual amount of approx. € 48,346,262, hotels with a total annual amount of approx. € 52,481,401 and other areas with a total annual amount of approx. € 25,129,828 follow up.

Parking spaces generate a net rental income of approx. € 9,415,167 p.a. and miscellaneous units generate a net rental income of approx. € 2,221,409 p.a.

## 2.4 Analysis Areas by Building Age

Based on the information gained during the property inspection, the units within the portfolio have been classified in different construction year categories.



## 2.5 Public Subsidies

Within the portfolio no properties are subject to public subsidies and thereby, rent-controlled.

## 2.6 Vacancy Rate

Based on the total lettable area, the average vacancy rate for the entire portfolio is approx. 8.1%

## 2.7 Leasehold Properties

In the portfolio, 16 properties of the portfolio are (partly) held in leasehold. The annual leasehold-related contractual ground rent is in the amount of approx. € 285,421. Please note, that some ground rents have been fully paid ahead or are fully borne by the tenant and therefore not included. The leasehold agreements expire between 2031 and 2098. Furthermore, two leasehold properties in the Netherlands are based on perpetual term.

## 3. Assumptions

### 3.1 (Special) Assumptions and Sources of Information

An assumption is defined in the Glossary to the Red Book to be a ‘supposition taken to be true’ (‘assumption’). Assumptions are:

*‘Facts, conditions or situations affecting the subject of, or approach to, a valuation that, by agreement, needs not be verified by a valuer as part of the valuation process.’*

In undertaking our valuation, we have made a number of assumptions and have relied on certain sources of information. Where appropriate, we have let the client confirm that our assumptions are correct to the best of their knowledge. In the event that any of these assumptions prove to be incorrect, then our valuation would require to be reviewed.

Furthermore, a ‘special assumption’ is defined in the Glossary to the Red Book as follows:

*‘An assumption that either assumes facts that differ from the actual facts existing at the valuation date or that would not be made by a typical market participant in a transaction on the valuation date.’*

Furthermore, VPS 4, section 3.3 states:

*‘Special assumptions may only be made if they can reasonably be regarded as realistic, relevant and valid for the particular circumstances of the valuation.’*

We have not made any special assumptions for the portfolio except for the following properties:

#### Property Munich I

*(Market Value under special assumption: € 190,000,000)*

- The lease contract with the main tenant covers additional office space which will have to be constructed by adding 8,293 sqm, which have already been granted in a pre-permit on top of parts of the existing property. The valuation is carried out under the special assumption that building permissions for all required refurbishments and developments will be granted according to the pre-permit and that the tenant takes over the space covered by the lease contract.

#### Property Munich II

*(Market Value under special assumption: € 114,000,000)*

- The lease contract with the main tenant covers additional office space which will have to be constructed by adding 4,527 sqm, which have already been granted in a pre-permit on top of parts of the existing property. The valuation is carried out under the special assumption that building permissions for all required refurbishments and developments will be granted



according to the pre-permit and that the tenant takes over the space covered by the lease contract.

#### Property Hamburg

*(Market Value under special assumption: € 169,000,000)*

- The property comprises mainly office use and is a listed monument. It has been valued under the assumption of comprising as priority a residential development after expiry of the existing lease. The development includes refurbishment and conversion of the existing building as well as the erection of a new residential building. Currently, the site is designated for commercial use according to a development plan dated 1963. However, the surrounding sites are dominated by residential use and the city agreed to similar conversions/developments in the past. The special assumption is that planning consent and building permission for the development will be granted.

All special assumptions have been consulted with the client.

### **3.2 Title / Legal Restrictions / Building and Other Encumbrances**

The available information regarding title, legal restrictions, building and other encumbrances has been mainly made available to JLL by the client. A random sampling of the information based on the documents provided by the client was carried out. No discrepancies or points of concern were identified. Title entries registered in Section II of the sampled land registers were considered to have either no or only a minimal influence on value, if at all. Furthermore, any potential encumbrances and restrictions from Section II of the valued properties are duly registered in the land registers.

We have made the assumption that copies of all relevant documents for the properties have been made available to us and that they are complete, correct and up to date - and that such documents have been verified by the client.

Moreover, based on the above assumption and a random sampling of the available information, we have not identified any points of concern and have made the assumption that the properties have good and marketable freehold or leasehold titles in each case and that the properties are free from any depreciating rights of way or easements, restrictive covenants, disputes or onerous or unusual outgoing.

As is normal valuation practise, we have also assumed that the properties are free from mortgages, charges or other financially relevant encumbrances. Furthermore, no account has been taken in our valuation of any goodwill that may arise from the present occupation of the properties.

### **3.3 Contamination and Soil Conditions**

We have not undertaken nor been instructed to conduct a formal environmental assessment; therefore, we have not carried out any investigation into past uses, either of the properties or any adjacent land to establish whether there is any potential for contamination from such uses or sites.

We have assumed that there are no abnormal ground conditions or contamination, which are sufficient to affect value or adversely affect the present or future occupation or development of the properties. Should suspicion regarding contamination arise in the future, environmental assessment reports need to be acquired and in the case where contamination is detected, the valuation would have to be appropriately adjusted.

We have also made the assumption that there are no archaeological remains present, which might adversely affect the present or future occupation, development or value of any of the properties.

### **3.4 Condition and Structural Inspections, Deleterious Materials**

We have not undertaken nor been instructed to conduct a formal condition or structural survey; however, where building deficiencies were identified during the internal or external inspections, they were subsequently reflected in the valuation.

The results of the inspections are based exclusively on visual examinations, with no guarantee as to the completeness of the information presented. We have made the assumption that the properties are free from any mildew, infestation, adverse toxic chemical treatments and structural or design defects.

We have not investigated whether high-alumina cement, calcium-chloride additive or any other deleterious materials have been used in the construction or in any alterations of any of the properties. For the purposes of this valuation, we have made the assumption that any such investigation would not reveal the presence of such materials.

No mining, geological or other investigations have been undertaken to certify that the foundations of the properties are free from any defects. We have made the assumption that the load-bearing qualities of the sites of the properties are sufficient to support the buildings constructed thereon.

### **3.5 Building Law**

We have made the assumption that the buildings have been constructed in full compliance with valid local planning and building regulations, that all necessary certifications have been obtained and that there are no outstanding statutory notices as to their construction, use or occupation. Furthermore, we have made the assumption that the existing uses of the properties are duly authorised or established, and that no adverse planning conditions or restrictions apply.

### **3.6 Town and Traffic Planning**

We have made the assumption that the existing uses of the properties are duly authorised or established, and that no adverse planning conditions or restrictions apply. According to the client, no information is available regarding the relevant impact of public planning projects (town or traffic planning) on the value of the properties.

### **3.7 Protection of Historic Structures**

JLL was partially provided with information by the client, if buildings of the portfolio are listed buildings. Public accessible information regarding possible monument protection of the properties

have been verified, as far as available. Furthermore, no obvious reference to monument protection could be ascertained during inspection.

### **3.8 Technical Equipment, Plant & Machinery**

During our inspections, no tests have been carried out pertaining to the electrical, electronic, heating, plant and machinery equipment or any other services, nor have the drains been tested. We have made the assumption that all services to the properties are in good functioning condition.

No allowance has been made in this valuation for any items of plant or machinery that do not form part of the service installations of the properties. We have specifically excluded all items of plant, machinery and equipment installed wholly or primarily in connection with the businesses of the occupants.

The technical equipment of the properties such as passenger and goods lifts and other means of transportation, heating systems and further technical installations have been considered as integral components of the properties. We have excluded furniture and furnishings, fixtures, fittings, vehicles, stock and loose tools.

### **3.9 Areas**

We have not measured the properties, but have applied floor areas provided by the company. We have assumed that these areas have been measured and calculated in accordance with the current market practice where the properties are located.

### **3.10 Leases and Tenancy Information**

Information regarding rental units, contractual rents and lease terms was made available to JLL by the client. A random sampling of the information was verified based on documents provided by the client. No abnormalities were detected.

We have made the assumption that copies of all relevant documents for the properties have been made available to us and that they are complete, correct and up to date and that such documents have been verified by the client.

For the purpose of the valuation, we have not undertaken investigations into the financial strength of the tenants. Unless we have become aware by general knowledge or we have been specifically advised to the contrary, we have made the assumption that the tenants are financially in a position to meet their current obligations. We have also made the assumption that there are no material arrears of rent or service charges, breaches of covenants or current or anticipated tenant disputes.

### **3.11 Taxes, Fees and Charges**

No information has been made available to JLL regarding taxes, fees and charges. We have made the assumption that all public taxes, fees, charges, etc. which could have an influence on the value, have been levied and if applicable, had been paid at the time of this valuation.

### **3.12 Insurance Policies**

At the date of the valuation, JLL was not aware of whether or to what extent insurance policies existed to limit the risks resulting from business activities (e.g. property insurance, liability insurance and construction insurance). As neither supporting nor contrary information was made available by the client or known by JLL, we have made the assumption that potential claims are covered with regard to the insurance level and type by valid insurance policies.

### **3.13 Information**

We have based our valuation assumptions on reliable sources of information (random analysis of the available property documents). Should our assumptions prove to be incorrect, the property values could be influenced and the valuation would have to be adjusted accordingly by JLL.

## 4. Valuation Parameters

### 4.1 Market Rents

JLL has used the following main sources for obtaining information on market rents:

- New letting rents (based on provided rent roll by the client)
- Internal JLL database
- Offered rents e.g. from the online real estate portal IDN Immodaten on street level

In the scope of the valuations, achievable market rents were derived for each type of usage. The estimate of market rents is made on the basis of comprehensive research, using internal and external resources. We have focused on rental evidence within the same submarkets (if available). In arriving at our opinion of the estimated market rental value, we included facts such as the location, the size, the condition and the fit-out of the respective units.

The market rents for hotels have been derived by assumed business related figures and therefore represent a sustainable rent assumption. For this purpose we have undertaken a performance orientated calculation ("Pachtwertableitung").

### 4.2 Rent Adjustment

The rent escalation analysis is based on the individual clauses agreed within the lease contracts, whereby the rental income is most commonly linked to growth in the Consumer Price Index [CPI].

### 4.3 Non Recoverable costs

#### General

We have analysed the provided lease contracts regarding cost regulations.

#### Maintenance

On-going maintenance costs are costs that are incurred during the expected useful life of a property for the preservation of the defined use of the buildings and structures (with the exception of commercial tenants), in order to remove damage caused by wear & tear, age, weather and environmental influences and to comply with legal requirements, to maintain the quality and yield capacity of the property.

Most of the lease contracts are based on "double net rental contracts". In this context, the tenant is responsible for basic repairs and maintenance as well as the reinstatement of the interior of the rented spaces, i.e. facilities, installations and fittings. The landlord is commonly responsible for the maintenance and repairs as well as the reinstatement of the structural elements of the building (structural/perimeter, walls, roof, etc.)

The on-going maintenance costs have been calculated as a € per sqm-figure relating to the total lettable area.

In the valuations, the maintenance costs range mainly from € 2.00/sqm to € 15.00/sqm p.a. and have been calculated depending on the use, age and condition of the respective property.

### Management

Management costs, encompassing all necessary labour and equipment are mostly transferable for commercial leases.

JLL has considered management costs in the valuation depending on location, tenancy as well as property type and condition. Management costs were applied up to 5% of the rental income.

### Land tax & Insurance

Based on the analysis of the lease contract land tax payments and insurance costs we have applied land tax & insurance costs if necessary.

### Vacancy Costs

Vacancy costs are usually recoverable expenses that cannot be recovered in case of a vacancy of parts of the building or the whole property (ground tax, insurance costs, technical maintenance, minimum heating costs, etc.) The assumed vacancy costs are based on JLL assumptions and range between € 7.00 €/sqm and € 40.00/sqm p.a.

### Other Costs

In our valuation, we have assumed other costs, such as non-recoverable ground tax, insurance costs or any other non-recoverable costs, which could arise with operation of the building and which have not been covered within the explicit cost assumptions.

## 4.4 Market Leasing Assumptions after Lease Expiry

### General

According to our experience, in the case of lease expiry, tenants are more likely to extend their existing lease agreements than to relocate, as the related costs are usually higher than the expected benefits of relocations. In order to incorporate this in our valuation, we have generally assumed that the leases will be extended with a renewal probability of 75% (on market rental level) and leases will be agreed with new tenants with a corresponding probability of 25% (also on market rental level).

In the cash flow, the costs related to re-letting (leasing commissions, tenant improvements) as well as the assumed voids are weighted with the abovementioned likelihood.

### Costs associated with Tenant Turnover

Tenant improvements for commercial properties are incurred when a new rental contract is signed. These costs are assumed by the landlord in the process of contractual negotiations. We have taken tenant improvements depending on the condition, use and type of property into account in our valuation.

We have also assessed rent-free periods and leasing commissions, if it is common in the local market and considering the building's condition.

#### **4.5 Capital Expenditures**

No in-depth technical review (Technical Due Diligence) of the properties was instructed nor carried out for this valuation. For some properties, JLL considered adequate capital expenditure within the next years, based on the information provided by the client as at the date of valuation and with reference to the results from the on-site inspections.

#### **4.6 Inflation**

General inflation is based on the forecast of Oxford Economics. Inflation was added to all costs and incomes included within the cash flow. The average long-term inflation forecast is approx. 2%.

#### **4.7 Discount Rate and Capitalisation Rate (Cap Rate)**

##### **Discount Rate**

The Discount Rate reflects the opportunity and risk aspects of the market yield demanded by investors, and consists of an interest rate for a risk-free investment as well as a premium to account for specific investment risks associated with real estate investments. Theoretically, the discount rate is composed of a Risk-Free Interest Rate, a Market Specific Risk and a Property Related Risk. Overall, the Discount Rate is equivalent to a yield that will be expected by potential investors to compensate for the capital lockup in consideration of the specific investment risk. The predominant factors affecting the discount rate are focused on the security of the cash flow, i.e. conditions of lease contracts, strength of tenant covenants, weighted average lease term (WALT), letting risk of the vacant areas, re-letting risk of terminated lease contracts, property market, quality and type of the building, alternative usability, location quality and the potential of the rental growth, etc.

##### **Capitalisation Rate**

The Capitalisation Rate (the 'Cap Rate') is used to capitalise the stabilised Net Operating Income at Year 10 into perpetuity, as it is assumed that properties are kept in stock after the detailed planning period. The cap rate, which is a growth implicit yield, is an appropriate market yield for the specific property, predominately reflecting the sustainability of the property, the location, use and quality of the buildings, depreciation due to wear-and-tear as well as the investment market environment. As it is assumed in the valuation that the net operating income will be capitalised after the detailed planning period, expectations for the development of the real estate market as well as for the development of the cash flow after the end of this detailed planning period must also be reflected in the cap rate; hence, the use of equivalent yields. The weighted capitalisation rate for the subject portfolio stands at 6%, which based on our experience is comparable to similar transactions on the market.

#### **4.8 Transaction Costs**

The valuation considers auxiliary purchase costs as a percentage of the Market Value. These costs include the legal fees for sale, the tax and land register fees and the broker's commission, if

applicable. The following assumptions regarding purchaser's costs were considered for the purchase in the valuation:

- Legal Fees for Sale / Broker's Commission 1.5% - 3.5%

In the portfolio the tax on acquisition varies between 3.5% and 6.5% depending on Federal State. The current tax on acquisitions are depicted in the following table:

<b>Federal State</b>	<b>Tax on acquisition</b>
Baden-Wuerttemberg	5.0%
Bavaria	3.5%
Berlin	6.0%
Brandenburg	6.5%
Bremen	5.0%
Hamburg	4.5%
Hesse	6.0%
Lower - Saxony	5.0%
Mecklenburg-Western Pomerania	5.0%
North Rhine-Westphalia	6.5%
Rhineland-Palatinate	5.0%
Saarland	6.5%
Saxony	3.5%
Saxony-Anhalt	5.0%
Schleswig-Holstein	6.5%
Thuringia	6.5%



## 5. Valuation Results

### 5.1 Market Value

JLL is of the opinion that the aggregate of the individual Market Values, based on the information provided by the client and subject to the (special) assumptions and comments detailed in section 3, of the freehold and leasehold properties in the **Aroundtown Property Holdings PLC** portfolio as at the effective dates of valuation, 30.09.2016, 31.12.2016 and 15.02.2017, is as follows:

**€ 3,847,880,000**

**(THREE BILLION, EIGHT HUNDRED FORTY-SEVEN MILLION, EIGHT HUNDRED AND EIGHTY THOUSAND EUROS)**

Market value of properties as of 30.09.2016:	€ 74,720,000
Market value of properties as of 31.12.2016:	€ 2,674,210,000
Market value of properties as of 15.02.2017:	€ 1,098,950,000

The above figure represents the aggregate of the individual property market values and is understood as the value without regard to auxiliary purchase costs (legal costs, agent's fees and where applicable land transfer tax) normally incurred by the purchaser. No allowance has been made for any expenses of realisation or for taxation and it does not reflect any addition or reduction on the sale of the portfolio as a whole which may arise in the event of a disposal.

The following table shows aggregated key property data for the portfolio (including undeveloped sites and leasehold properties):

Total lettable area:	2,486,896 sqm
Average market value per lettable area:	€ 1,547/sqm
Current net rental income per annum:	€ 239,720,942

No asset of the subject portfolio has a negative Market Value.

The following table shows the distribution of the Market Value between freehold and leasehold assets as of the dates of valuation:

Typ	Market Value	Properties
Freehold	€ 3,505,010,000	230
Leasehold	€ 342,870,000	16
<b>Total</b>	<b>€ 3,847,880,000</b>	<b>246</b>

The valuation figures contained in this condensed valuation report differ by approx. € 10,780,000 (equal to approx. 0.3%) higher to the equivalent figures contained in the client's consolidated financial statements for the fiscal year ended 31 December 2016 mainly due to revaluation and minor differences refer to accounting policies (fair value versus cost method) and/or rounding differences.

## **5.2 Assets Held for Sale (not part of the portfolio analysis)**

According to the information provided by the client, the portfolio consists of 22 assets held for sale (including three properties in the Netherlands). The total lettable area amounts to approx. 300,749 sqm.

The aggregated Market Value of the assets held for sale is **€ 375,900,000**.

## **5.3 Auxiliary Purchase Costs**

The Net Capital Value (=Market Value) is determined by deducting auxiliary purchase costs of approx. € 300,000,000 (approx. 7%) from the Gross Capital Value. The above figures in 4.1 and 4.2 represents the aggregate of the individual property Market Values and is understood as the value without regard to purchase costs, such as legal costs and agent's fees and where applicable, land transfer tax, normally incurred by the purchaser. No allowance has been made for any expenses of realisation or for taxation and it does not reflect any addition or reduction on the sale of the portfolio as a whole, which may arise in the event of a disposal.

## 6. Glossary

### **Net Rental Income**

The Net Rental Income is the income a property effectively generates as at the valuation date, taking into account the existing vacancies.

### **Gross Capital Value**

The sum of the remaining cash flows for the detailed planning period years and the Net Proceeds from Sale after detailed planning period discounted to the valuation date will produce the gross capital value.

### **Net Capital Value**

The gross capital value reduced by the auxiliary purchase costs will produce the Net Capital Value (Market Value).

### **Net Operating Income**

The net operating income is calculated by subtracting all non-recoverable operating expenses from the net rental income.

## 7. Conclusion

Finally, and in accordance with our standard practice, we must state that this valuation report was prepared by JLL, Berlin, dated 29 May 2017 and has been authorised only for use by the addressees listed under Section 1.2 of this valuation report.

The client guarantees that all valuations, reports, plans, drafts, renderings, tables and calculations arising within the scope of each valuation instruction will only be used for those purposes specified in the contract and will not be published without the express prior consent of the advisor in each individual case. Neither the total report nor any reference to the report may be published in any document, circular letter or paper, without our previous written consent regarding the form as well as the connection in which it will be published.

Berlin, 29 May 2017  
Jones Lang LaSalle SE

ppa. Ralf Kemper MRICS  
Regional Director, Head of  
Valuation & Transaction Advisory

ppa. Roman Heidrich MRICS  
National Director  
Team Leader Residential Valuation Berlin

ppa. Ulrich Wilms MRICS, CIS HypZert  
National Director  
Team Leader Commercial Valuation Berlin

i. A. Marian Hoffmann  
Principal Consultant  
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i. A. Tobias Jessen MRICS  
Principal Consultant  
Commercial Valuation Berlin

## Condensed Valuation Report

Prepared on behalf of  
Aroundtown Property Holdings PLC

Date of Valuation: June 2016/  
Dec. 2016/  
Feb. 2017

Date of Issue: 29 May 2017

### Contact Details

Aroundtown Property Holdings PLC, Cyprus

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Persönlich haftende Gesellschafterin: Knight Frank Valuation & Advisory Management GmbH • Amtsgericht Frankfurt am Main HRB 97706  
Geschäftsführer der persönlich haftenden Gesellschafterin: Klaus Dallafina

Knight Frank SA/NV is a société anonyme registered in Belgium with registered number RCB 456568  
Our registered office is Avenue Louise 143 Louizalaan, 1050 Brussels, Belgium.

## Condensed Valuation Report

### 1 Engagement of Knight Frank

<b>Principal</b>	1.1	Aroundtown Property Holdings Plc. or one of its subsidiaries Artemidos & Nikou Dimitriou, 54B, 6027 Larnaca, Cyprus (hereafter: 'the Principal')	
<b>Valuer</b>	1.2	The principal instructed the following national affiliates of the Knight Frank network with the valuation of the properties mentioned in this report:	
		<u>for properties located in Germany:</u>	<u>for properties located in the Netherlands</u>
		Knight Frank Valuation & Advisory GmbH & Co. KG Bockenheimer Anlage 46 60322 Frankfurt am Main Germany (‘Knight Frank Germany’)	Knight Frank SA/NV  Avenue Louise 143 Louizalaan 1050 Brussels Belgium (‘Knight Frank Belgium’)
		(together: ‘the Valuer’)	
<b>Valuation standards</b>	1.3	The Valuer was appointed as an independent valuer by the Principal to estimate the Market Value in accordance with RICS Valuation - Professional Standards global January 2014, including the International Valuations Standards, and RICS Professional Standards UK January 2014 (revised April 2015). References to “the Red Book” refer to either or both of these documents, as applicable.	
		Market Value is defined within RICS Valuation – Professional Standards as: “The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.”	
<b>Subject of valuation</b>	1.4	Information on the subject of valuation is available in the following appendices attached to this valuation report:	
		<ul style="list-style-type: none"> <li>• Appendix A – Valuation Report – Germany</li> <li>• Appendix B – Valuation Report – Netherlands</li> </ul>	
<b>Purpose of valuation</b>	1.5	The Valuation Report will be part of the Prospectus of Aroundtown Property Holdings PLC (the “Company”) for the admission to trading on the regulated market of Frankfurt Stock Exchange with simultaneous admission to the sub-segment of the regulated market with additional post-admission requirements (Prime Standard) of all outstanding shares of the Company. A public offering will not take place. The Prospectus will be prepared by the Company in accordance with Part IV of The Public Offer and Prospectus Law of the Republic of Cyprus of 2005, as amended, incorporating the provisions of European Commission Regulation (EC) 809/2004 of 29 April 2004, as amended. The Prospectus will be approved by the Cyprus Securities and Exchange Commission (“CySEC”) in its capacity as the competent	

authority in Cyprus as the Company's home member state within the meaning of Directive 2003/71/EC of the European Parliament, as amended and approval of the Prospectus will be notified to the German Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht, BaFin).

The Valuation Report complies with the legal requirements, in particular the European Commission Regulation (EC) No 809/2004 of 29 April 2004 (as amended) and paragraphs 128 to 130 of the European Securities and Market Authority (ESMA) update of the Committee of European Securities Regulators' (CESR) recommendations for the consistent implication of (EC) no. 809/2004, dated 20 March 2013.

<b>Date and Extent of Inspection</b>	1.6	External and internal inspections of all properties were carried out in the course of the respective initial valuations in order to gather information about and get a first-hand impression of the properties and their micro locations and markets.  For more detailed information we refer to Appendix A (1.13) and Appendix B (1.13).
<b>Valuation Date</b>	1.7	The valuation date is defined in the RICS Red Book 2014 as follows:  The date on which the opinion of value applies. The valuation date shall also include the time at which it applies if the value of the type of asset can change materially in the course of a single day.  The properties were valued as per June 2016, Dec. 2016 or Feb. 2017 respectively. We have not been instructed to carry out update valuations for the purpose of the Prospectus. In this regard the client has confirmed that no material changes to the letting situation, physical condition and layout of the properties have been occurred since the respective valuation dates and issuance of this condensed valuation report.
<b>Date of Report</b>	1.8	This report was issued and signed on 29 May 2017.
<b>Expertise</b>	1.9	We confirm that the Valuers meet the requirements of RICS Valuation – Professional Standards VS 1.6, having sufficient current knowledge of the particular market and the skills and understanding to undertake the valuation competently.
<b>Independence and Objectivity</b>	1.10	We confirm that we do not have any material connection or involvement giving rise to a conflict and are providing an objective and unbiased valuation. We are acting as external and independent valuer, as defined in the Red Book and according to the definition of the ESMA guidelines (ESMA – European Securities and Market Authority) update of the CESR recommendations – The consistent Implementation of Commission Regulation (EC) No 809/2004 implementing the Prospectus Directive, dated 20 March 2013.
<b>Value-added Tax</b>	1.11	All figures relating to Market Values and rents are stated as net figures and therefore do not include VAT.
<b>Currency</b>	1.12	All prices and values in this report are displayed in Euro (€).
<b>Limitations on</b>	1.13	No claim arising out of or in connection with these valuation reports may be brought

**liability** against any member, employee, partner or consultant of Knight Frank. Those individuals will not have a personal duty of care to any party and any claim for losses must be brought against Knight Frank.

**Applicable Law and Place of Jurisdiction** 1.14 For the instruction, its execution and any claims arising thereunder the law of the respective country of the Valuer applies.

## 2 Assumptions

- Assumption** 2.1 Definition according to the RICS Professional Valuation Standards:  
A supposition taken to be true. It involves facts, conditions or situations affecting the subject of, or approach to, a valuation that, by agreement, do not need to be verified by the valuer as part of the valuation process. Typically, an assumption is made where specific investigation by the valuer is not required in order to prove that something is true.
- Special Assumption** 2.2 Definition according to the RICS Professional Valuation Standards:  
An assumption that either assumes facts that differ from the actual facts existing at the valuation date or that would not be made by a typical market participant in a transaction on the valuation date.
- Tenure** 2.3 We assume that the client provided us with comprehensive documentation regarding the tenure. We have assumed that the properties are not subject to any unusual or onerous covenants, restrictions, encumbrances or outgoings.
- Contamination** 2.4 Investigations into environmental matters would usually be commissioned from suitably qualified environmental specialists. Knight Frank is not qualified to undertake scientific investigations of sites or buildings to establish the existence or otherwise of any environmental contamination, nor do we undertake searches of public archives to seek evidence of past activities which might identify potential for contamination. We have reviewed and reflected documentation as far as it has been provided to us. In case no documentation has been provided, we have assumed that the property is not affected by any adverse environmental issue that would give cause for concern as to possible environmental contamination.
- Building condition** 2.5 We have not undertaken a building or site survey of the property. Apart from any matters specifically referred to in the valuation report, we have assumed that the properties are in sound order and free from structural faults, rot, infestation or other defects, and that the building services are in a satisfactory condition. We have reflected information regarding capital expenditure as far as provided by the client. In the absence of those we have undertaken reasonable assumptions.
- Ground Conditions** 2.6 We have assumed that there are no adverse ground or soil conditions and that the load bearing qualities of the site are sufficient to support the constructed buildings thereon.



<b>Planning</b>	2.7 We assumed that the properties have been constructed in accordance with the provisions of local planning law and the building consents.
<b>Services</b>	2.8 As instructed, no tests have been undertaken on any of the services. We have assumed for the purposes of this valuation that main gas, water, electricity, drainage and telecommunications are all available to the subject properties.
<b>Areas</b>	2.9 As agreed with the client, we have relied upon floor areas provided to us by the client. As it is local market practice, we have not measured the buildings by ourselves. We have assumed that the areas have been measured according to locally accepted standards. No verification of the lettable areas has been undertaken.
<b>Rental information and covenant strength</b>	2.10 We assume that we have been provided with accurate and comprehensive information regarding tenancies. Further, we have assumed that the tenants are in a financial position to meet their contractual obligations.  We furthermore have assumed that there is no unusual level of payment arrears regarding rents or service charges.

### 3 Valuation Results

- 3.1 The valuation has been prepared in accordance with RICS Valuation - Professional Standards global January 2014, including the International Valuations Standards, and RICS Professional Standards UK January 2014 (revised April 2015). References to “the Red Book” refer to either or both of these documents, as applicable.

Knight Frank is of the opinion that the cumulated Market Values of the properties, subject to the respective caveats, risks, assumptions and special assumptions contained within the respective full valuation reports, as per their respective date of valuation was:

- Market Value of the portfolio** 3.2 **€556,215,000**  
**(in words: Five Hundred and Fifty Six Million Two Hundred and Fifteen Thousand Euro)**

The aggregated Market Value of the portfolio is a net figure, without consideration of purchaser’s on costs (legal fee, agent fees and potential real estate transfer tax) that are normally borne by the purchaser.

No asset of the subject portfolio has a negative Market Value.

The portfolios aggregated main lettable area amounts to 247,668 sq m; the aggregated gross contractual rent is €38,096,115 pa.

- Market Value per valuation date** 3.3 The above aggregated Market Value of the portfolio can be separated according to the respective date of valuation as follows:
- Market Value of the respective properties as of June 2016: €21,930,000
  - Market Value of the respective properties as of Dec. 2016: €390,015,000
  - Market Value of the respective properties as of Feb. 2017: €144,270,000

- Market Value per tenure**
- 3.4 The above aggregated Market Value of the portfolio can be separated according to the respective tenure:
- Market Value of the respective seventeen freehold properties: €518,595,000
  - Market Value of the respective three leasehold properties: €37,620,000
- The illustrated Market Values for freehold and leasehold properties above is in total approx. €1,155,000 higher (or approx. +0.2%) than the equivalent figures in the client's financial statements for the fiscal year ended 31 Dec. 2016. This might be driven due to revaluation and minor differences refer to accounting policies (fair value vs. cost method) and/ or rounding.
- Germany - Assets for sale**
- 3.5 **€6,020,000 (in words: Six Million and Twenty Thousand Euro)**
- Netherlands – Assets for sale**
- 3.6 **€2,390,000 (in words: Two Million and Three Hundred Ninety Thousand Euro)**
- 3.7 The valuation results are rounded and represent a net figure, i.e. a deduction has been made of the purchaser's on-costs noted above including land transfer tax, legal costs, and broker's commission normally incurred by the purchaser.
- 3.8 The above aggregated Market Values equal the sum of the Market Values of all individual assets. No portfolio premium or discount was applied.

## 4 Confidentiality and Publication

- 4.1 We confirm that the subject report may be published in full and unaltered form as part of a prospectus in the context of an up-listing of Aroundtown Property Holdings PLC. Should the report become published in a different form or in a different context than mentioned above, then this requires prior, written approval by Knight Frank.

### Signature

Frankfurt, 29 May 2017

Reviewed but not undertaken by:

Christoph Gerlinger MRICS  
Director Valuations

Klaus Dallafina MRICS  
Managing Director

**For and on behalf of Knight Frank Valuation & Advisory GmbH & Co. KG**

Brussels, 29 May 2017

Reviewed but not undertaken by:

Filip Derijck MRICS  
Managing Director

Jean-Philippe Charon

**For and on behalf of Knight Frank SA/NV**

## **Appendix A – Valuation Report – Germany**

### **Contents**

**1 Instruction**

**2 Property Overview**

**3 Main valuation parameters**

**4 Market Value**

## Valuation Report – Germany

Prepared on behalf of  
Aroundtown Property Holdings PLC

Date of Valuation: 31 Dec. 2016

Date of Issue: 29 May 2017

### Contact Details

Aroundtown Property Holdings PLC, Cyprus

Knight Frank Valuation & Advisory GmbH & Co. KG, Bockenheimer Anlage 46, 60322 Frankfurt  
Christoph Gerlinger, +49 (0) 69 55 66 33 71, [christoph.gerlinger@de.knightfrank.com](mailto:christoph.gerlinger@de.knightfrank.com)

# 1 Instructions

## Engagement of Knight Frank

<b>Instructions</b>	1.1	<p>We refer to our Terms of Engagement letters to provide valuation reports on properties located in Germany.</p> <p>In addition we have been instructed to value an asset in Dusseldorf, which is held for sale and not part of the analysis below.</p> <p>Knight Frank was instructed to provide a summary valuation report with the structure as indicated below.</p> <p>This subject summary report is an abstract of the full valuation reports, so that not all aspects relevant to the valuation can be addressed in the subject summary valuation report.</p>
<b>Client</b>	1.2	Our client for this instruction is Aroundtown Property Holdings PLC.
<b>Addressees</b>	1.3	<p>This letter is addressed to:</p> <ul style="list-style-type: none"> <li>• Aroundtown Property Holdings PLC, Artemidos &amp; Nikou Dimitriou, 54B, 6027 Larnaca, Cyprus</li> <li>• KPMG Limited, 1 G. Aradippioti Str., 6016 Larnaca, Cyprus</li> <li>• Shareholders of Aroundtown Property Holdings PLC</li> </ul>
<b>Valuation standards</b>	1.4	<p>The Valuer was appointed as an independent valuer by the Principal to estimate the Market Value in accordance with RICS Valuation - Professional Standards global January 2014, including the International Valuations Standards, and RICS Professional Standards UK January 2014 (revised April 2015). References to “the Red Book” refer to either or both of these documents, as applicable.</p> <p>Market Value is defined within RICS Valuation – Professional Standards as: “The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.”</p>
<b>Purpose of valuation</b>	1.5	Please see our Condensed Valuation report for the Dutch and German properties further above.
<b>Conflict of interest</b>	1.6	We confirm that we have had no connections or involvement with the properties other than valuations for the subject client. We confirm that we are in a position to provide an objective and unbiased valuation.
<b>Status of the valuer</b>	1.7	We are acting as External Valuers, as defined in the Red Book.
<b>Responsibility to third parties</b>	1.8	Our valuation report is only for the use of the addressees and no liability is accepted to any third party for the whole or any part of its contents.

- Disclosure & publication** 1.9 We confirm that the subject report may be published in full and unaltered form as part of a prospectus in the context of an up-listing of Aroundtown Property Holdings PLC. Should the report become published in a different form or in a different context than mentioned above, then this requires prior, written approval by Knight Frank Valuation & Advisory GmbH & Co KG.
- Limitations on liability** 1.10 No claim arising out of or in connection with these valuation reports may be brought against any member, employee, partner or consultant of Knight Frank Valuation & Advisory GmbH & Co KG. Those individuals will not have a personal duty of care to any party and any claim for losses must be brought against Knight Frank.
- Scope of Work** 1.11 We have carried out the following tasks in order to assess the Market Value of the properties:
- Analysis of the Documentation provided by the client and its advisors
  - Internal and External inspection of the properties
  - Assessment of the location and the relevant property market situation
  - Assessment of the Market Value of each property.
- Information provided** 1.12 We have been provided with documentation by the client and its advisors. This includes the following:
- Rent Rolls
  - Main commercial lease contracts
  - Land registry excerpts
  - Cadastral maps
  - Information on building condition
  - Selection of floor plans
  - Building restrictions (partly)
  - Contamination Information (partly)
  - Capital Expenditures (partly)
  - Other relevant information
- We assume that the documentation is up-to-date, accurate and comprehensive. Further information has not been provided. If we receive additional or updated information, we reserve the right to adjust the valuation.
- Inspections** 1.13 We have carried out internal and external inspections of the properties in an appropriate period.
- The table below illustrates a breakdown of the inspections or re-inspections per year in terms of gross contractual income:
- | <i>Inspection Year</i> | <i>Proportion on Portfolio Gross Contractual Income</i> |
|------------------------|---|
| 2016                   | 77,5%   |
| 2017                   | 22,5%   |
| <b>TOTAL</b>           | <b>100,0%</b>   |
- As indicated above, all properties have been inspected within the last 16 months.
- Currency** 1.14 All values are defined in Euro (€).
- Valuation Date** 1.15 The date of Valuation of all reports is 31 Dec. 2016.

## Valuation Bases

- Market Value** 1.16 Market Value is defined within RICS Valuation – Professional Standards as:
- “The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.”
- Market Rent** 1.17 The basis of valuation for our opinion of rental value is Market Rent. This is defined in RICS Valuation – Professional Standards as:
- “The estimated amount for which a property would be leased on the valuation date between a willing lessor and a willing lessee on appropriate lease terms in an arm’s length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.”

## Methodology

- 1.18 Our valuations have been undertaken using appropriate valuation methodology and our professional judgement.
- Investment method** 1.19 An approach that provides an indication of value by converting future cash flows to a single current capital value.
- Our approach** 1.20 Our valuations have been carried out using the comparative and investment methods. In undertaking our valuation of the property, we have made our assessment on the basis of a collation and analysis of appropriate comparable investment and rental transactions, together with evidence of demand within the vicinity of the subject property. With the benefit of such transactions we have then applied these to the property, taking into account size, location, terms, covenant and other material factors.



## 2 Property Overview

### Property Locations

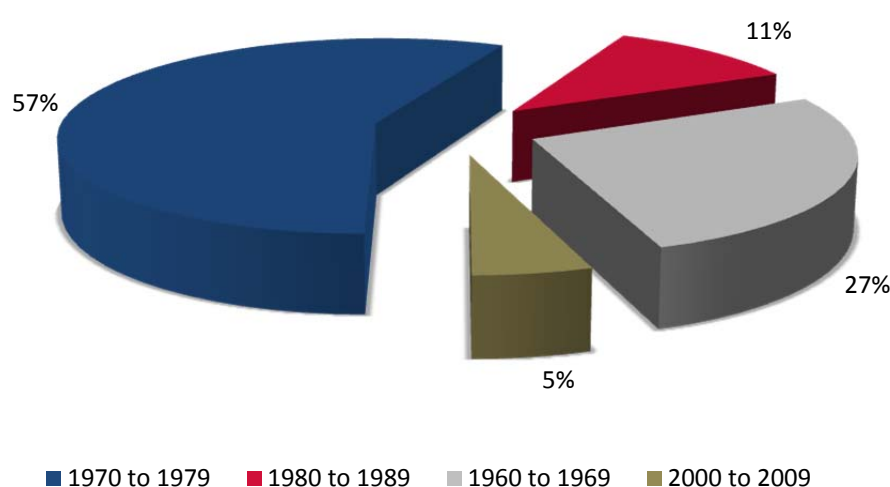
The portfolio comprises an office skyscraper in Frankfurt, an office building in Hamm, a mixed-used commercial building in Dortmund and an office building in Gelsenkirchen. The properties are located in different parts of Germany as indicated below:





## Property description

- Tenure** 2.1 We understand that all properties are held freehold, whereof one property is part ownership.
- Main Lettable Area** 2.2 The office buildings comprise a total main lettable area of 55,914 sq m.  
The mixed-used buildings comprise a total main lettable area of 20,377 sq m.  
In terms of construction year, the main lettable area of the portfolio can be illustrated as below:



In addition to the main lettable area above, the properties comprise ancillary areas.

- Vacancy** 2.3 The portfolios vacancy based on main lettable area is 13%.
- Gross Contractual Rent** 2.4 The gross contractual rent for the office properties is € 14,648,207 pa.  
The gross contractual rent for the mixed-used property is € 2,845,254 pa.  
The combined gross contractual rent for the portfolio is € 17,493,461 pa.  
(Gross contractual rent is defined as rent agreed within the contract and does include incentives [e.g. rent-free periods], but does not include services charges and VAT.)
- Passing Rent** 2.5 The initial rent passing differs to the gross contractual rent due to the temporarily agreed rent-free periods:  
The combined rent passing for the portfolio is € 9,138,728 pa.
- Leasehold** 2.6 Within the portfolio, no property is held in leasehold.

### 3 Main valuation parameters

<b>Market Rent</b>	3.1	The applied Market Rents were derived from comparable lettings as well as from recent lettings within the respective property. In general rental growth has not been considered explicitly, but, where appropriate, implicitly within the applied yield.
<b>Revenue Costs</b>	3.2	Revenue costs have been applied considering the specific agreed lease terms and/or according to standard assumptions which are typical for the respective kind of property. The applied costs are within the following range: management fee (1.00 – 2.00%); repair & maintenance (8.00 – 14.00 €/ sq m p.a.); other non-recoverable costs (1.00 – 2.50%); vacancy costs (1.00 – 3.00 €/ sq m per month).
<b>CapEx and Tenant Improvements</b>	3.3	Capital Expenditures have been considered as provided by the client or its advisors. Tenant improvements have been considered where required to ensure a proper letting/ re-letting of the respective units.
<b>Inflation</b>	3.4	Inflation has been considered implicit in the applied yield as well as explicit with a rate of 1.50% pa., depending on the respective methodology of the assessment.
<b>Yields</b>	3.5	<p>The applied yields, such as discount and capitalisation rate as well as term and reversion yield have been derived from comparable market transactions and reflect the current and foreseeable future risks of the respective property.</p> <p>The weighted average capitalisation rate is 5.6% and the weighted average equivalent yield is 7.3%.</p>
<b>Transaction costs</b>	3.6	The valuation considers transaction costs which normally are borne by the purchaser. The considered purchaser's on costs can be summarized as follows: land transfer tax (6.00 – 6.50% depending on the federal state), legal fees (0.125% - 1.00%) and agent fees (0.50% - 1.50%). We have deducted purchaser's on cost from the total investment to evaluate the Market Value.

## 4 Market Value

### 4.1 Market Value of the portfolio (without asset held for sale)

The aggregated Market Value of the four freehold properties, as at 31 Dec. 2016, is as follows:

**€303,810,000**

**(in words: Three Hundred Three Million Eight Hundred and Ten Thousand Euro)  
[excluding purchaser's on-costs of around €21,100,000]**

## 4.2 Market Value (asset held for sale, not part of the above analysis)

The portfolio includes one out of repair office building held for sale, located in Dusseldorf. The asset held for sale is not part of the above analysis. The property is not occupied as at the date of valuation; the lettable area is 15,248 sq m. The Market Value of the asset held for sale, as at 31 Dec. 2016, is as follows:

**€6,020,000**

**(in words: Six Million and Twenty Thousand Euro)  
[excluding purchaser's on-costs of around €520,000]**

### Signature

The subject summary report has been drafted by Knight Frank Valuation & Advisory GmbH and is addressed to the addressees as defined in section 1.3.

Reviewed but not undertaken by:

Christoph Gerlinger MRICS

Director Valuations

**For and on behalf of Knight Frank  
Valuation & Advisory GmbH & Co. KG**

Klaus Dallafina MRICS

Managing Director

**For and on behalf of Knight Frank  
Valuation & Advisory GmbH & Co. KG**

## Appendix B – Valuation Report – Netherlands

### Contents

**1 Instruction**

**2 Property Overview**

**3 Main valuation parameters**

**4 Market Value**

## Valuation Report – Netherlands

Prepared on behalf of  
Aroundtown Property Holdings PLC

Date of Valuation: 30 June 2016/  
31 Dec. 2016/  
15 Feb. 2017

Date of Issue: 29 May 2017

### Contact Details

Aroundtown Property Holdings PLC, Cyprus

Knight Frank SA/NV - Avenue Louise 143 Louizalaan, 1050 Brussels, Belgium.  
Filip Derijck MRICS, +32 (2) 548 05 48, [filip.derijck@be.knightfrank.com](mailto:filip.derijck@be.knightfrank.com)

# 1 Instructions

## Engagement of Knight Frank

<b>Instructions</b>	1.1	<p>We refer to our Terms of Engagement letters to provide valuation reports on properties located in the Netherlands.</p> <p>In addition we have been instructed to value an asset in Zwolle, which is held for sale and not part of the analysis below.</p> <p>Knight Frank was instructed to provide a summary valuation report with the structure as indicated below.</p> <p>This subject summary report is an abstract of the full valuation reports, so that not all aspects relevant to the valuation can be addressed in the subject summary valuation report.</p>
<b>Client</b>	1.2	Our client for this instruction is Aroundtown Property Holdings PLC.
<b>Addressees</b>	1.3	<p>This letter is addressed to:</p> <ul style="list-style-type: none"> <li>• Aroundtown Property Holdings PLC, Artemidos &amp; Nikou Dimitriou, 54B, 6027 Larnaca, Cyprus</li> <li>• KPMG Limited, 1 G. Aradippioti Str., 6016 Larnaca, Cyprus</li> <li>• Shareholders of Aroundtown Property Holdings PLC</li> </ul>
<b>Valuation standards</b>	1.4	<p>This valuation has been undertaken in accordance with RICS Valuation - Professional Standards global January 2014, including the International Valuations Standards, and RICS Professional Standards UK January 2014 (revised April 2015). References to “the Red Book” refer to either or both of these documents, as applicable.</p>
<b>Purpose of valuation</b>	1.5	Please see our Condensed Valuation report for the Dutch and German properties further above.
<b>Conflict of interest</b>	1.6	We confirm that we have had no connections or involvement with the properties other than valuations for the subject client. We confirm that we are in a position to provide an objective and unbiased valuation.
<b>Status of the valuer</b>	1.7	We are acting as External Valuers, as defined in the Red Book.
<b>Responsibility to third parties</b>	1.8	Our valuation report is only for the use of the addressees and no liability is accepted to any third party for the whole or any part of its contents.
<b>Disclosure &amp; publication</b>	1.9	We confirm that the subject report may be published in full and unaltered form as part of a prospectus in the context of an up-listing of Aroundtown Property Holdings PLC. Should the report become published in a different form or in a different context than mentioned above, then this requires prior, written approval by Knight Frank SA/NV.

**Limitations on Liability** 1.10 No claim arising out of or in connection with these valuation reports may be brought against any member, employee, partner or consultant of Knight Frank SA/NV. Those individuals will not have a personal duty of care to any party and any claim for losses must be brought against Knight Frank.

**Scope of Work** 1.11 We have carried out the following tasks in order to assess the Market Value of the properties:

- Analysis of the Documentation provided by the client and its advisors
- Internal and External inspection of the properties
- Assessment of the location and the relevant property market situation
- Assessment of the Market Value of each property.

**Information provided** 1.12 We have been provided with documentation by the client and its advisors. This includes the following:

- Rent Rolls
- Selected lease contracts
- Land registry excerpts
- Cadastral maps
- Floor plans
- Information on the building condition (some technical due diligences and some Measurement Certificates)
- Other relevant information

We assume that the documentation is up-to-date, accurate and comprehensive. Further information has not been provided. If we receive additional or updated information, we reserve the right to adjust the valuation.

**Inspections** 1.13 We have carried out internal and external inspections of the properties in an appropriate period.

The table below illustrates a breakdown of the inspections or re-inspections per year in terms of gross contractual income:

<i>Inspection Year</i>	<i>Proportion on Portfolio Gross Contractual Income</i>
2016	57%
2017	43%
<b>TOTAL</b>	<b>100,0%</b>

As indicated above, all properties have been inspected within the last 12 months.

**Currency** 1.14 All values are defined in Euro (€).

**Valuation Date** 1.15 The date of Valuation is 30 June 2016 for one property, 31 Dec. 2016 for 5 properties and 15 Feb. 2017 for 10 properties.

## Valuation Bases

- Fair Value** 1.16 Fair Value is defined within RICS Valuation – Professional Standards as:
- “The price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date.”
- Market Rent** 1.17 The basis of valuation for our opinion of rental value is Market Rent. This is defined in RICS Valuation – Professional Standards as:
- “The estimated amount for which a property would be leased on the valuation date between a willing lessor and a willing lessee on appropriate lease terms in an arm’s length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.”

## Methodology

- 1.18 Our valuations have been undertaken using appropriate valuation methodology and our professional judgement.
- Investment method** 1.19 An approach that provides an indication of value by converting future cash flows to a single current capital value.
- Our approach** 1.20 Our valuations have been carried out using the comparative and investment methods. In undertaking our valuation of the property, we have made our assessment on the basis of a collation and analysis of appropriate comparable investment and rental transactions, together with evidence of demand within the vicinity of the subject property. With the benefit of such transactions we have then applied these to the property, taking into account size, location, terms, covenant and other material factors.



## 2 Property Overview

### Property Locations

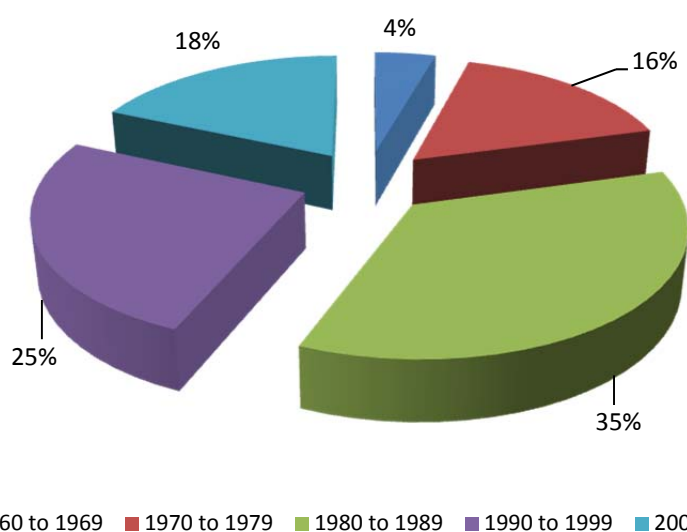
The portfolio comprises office buildings of different ages and quality. The properties are mainly located in the metropolitan areas Amsterdam, The Hague, Rotterdam, Utrecht and Maastricht, more precisely in Rotterdam (5 properties), Amsterdam (3 properties), Heerlen (2 properties), The Hague, Maastricht, Hilversum, Rijswijk, Nieuwegein and Hoofddorp.

The metropolitan regions are indicated as below:



## Property description

- Tenure** 2.1 We understand that the majority of the properties are held freehold, but four properties are held leasehold.
- Lettable Area** 2.2 The office buildings comprise a total lettable area of 171,377 sq m.  
In terms of construction year, the lettable area of the portfolio can be illustrated as below:



- Vacancy** 2.3 Total vacancy based on main lettable area is 17.2%.
- Gross Contractual Rent** 2.4 Total contractual rent amounts to €20,602,654 per year.  
(Gross contractual rent is defined as rent agreed within the contract and does include incentives [e.g. rent-free periods], but does not include services charges and VAT.)
- Passing Rent** 2.5 The initial rent passing differs from the gross contractual rent due to the temporarily agreed rent-free periods:  
Total passing rent amounts to €19,969,829 per year.
- Leasehold Properties** 2.6 As mentioned above, three properties of the portfolio are held leasehold. There is no annual leasehold related contractual ground rent because the ground rents have been fully paid ahead. The leasehold contracts expire between 2040 and 2049.  
The total Market Value of the properties held leasehold amounts to €37,620,000.

### 3 Main valuation parameters

<b>Market Rent</b>	3.1	The applied Market Rents were derived from comparable lettings as well as from recent lettings within the respective property. In general rental growths have not been considered explicit, but, were appropriate, implicit within the applied yield.
<b>Revenue Costs</b>	3.2	Revenue costs have been applied considering the specific agreed lease terms and/or according to standard assumptions which are typical for the respective kind of property. The applied costs are within the following range: management fee (1.00 – 2.00%); repair & maintenance (8.00 – 14.00 €/ sq m p.a.); other non-recoverable costs (1.00 – 2.50%); vacancy costs (3.00 – 4.00 €/ sq m per month).
<b>CapEx and Tenant Improvements</b>	3.3	Capital Expenditures have been considered as provided by the client or its advisors. Tenant improvements have been considered where required to ensure a proper letting/ re-letting of the respective units.
<b>Inflation</b>	3.4	Inflation has been considered implicit in the applied yield as well as explicit with a rate of 1.50% pa., depending on the respective methodology of the assessment.
<b>Yields</b>	3.5	The applied yields, such as discount and capitalisation rate as well as term and reversion yield have been derived from comparable market transactions and reflect the current and foreseeable future risks of the respective property.  The weighted average equivalent yield is 8.1%.
<b>Transaction costs</b>	3.6	The valuation considers transaction costs which normally are borne by the purchaser. The considered purchaser's on costs can be summarized as follows: land transfer tax (6.00%). We have deducted purchaser's on cost from the total investment to evaluate the Market Value.

## 4 Market Value

### 4.1 Market Value of the portfolio (without asset held for sale)

The aggregated Market Value of the 16 properties, as at the valuation dates above, is as follows:

**€252,405,000**

**(in words: Two Hundred Fifty Two Million Four Hundred Five Thousand Euros)  
[excluding purchaser's on-costs of around €15,100,000]**

## 4.2 Market Value (asset held for sale, not part of the above analysis)

The portfolio includes one asset held for sale, located in Zwolle. The asset held for sale is not part of the above analysis. The property is 100% vacant; the lettable area is 2,675 sq m. The Market Value of the asset held for sale, as at 15 Feb. 2017, is as follows:

**€2,390,000**

**(in words: Two Million Three Hundred Ninety Thousand Euro)  
[excluding purchaser's on-costs of around €145,000]**

### Signature

The subject summary report has been drafted by Knight Frank SA/NV and is addressed to the addressees as defined in section 1.3.

Reviewed but not undertaken by:

Filip Derijck MRICS  
Managing Director

**For and on behalf of Knight Frank  
SA/NV**

Jean-Philippe Charon

**For and on behalf of Knight Frank  
SA/NV**



## Appraisal Report

Estimate of Market Values in accordance with the definition as settled by the International Valuation Standards Committee and the Royal Institution of Chartered Surveyors

**for a portfolio of 28 mixed-use properties located throughout Germany, the Netherlands and one other**

## Effective Dates of Appraisal

**Valuation date:** December 31, 2016  
**Assumed dates for state of property:** December 31, 2016 and February 15, 2017

## Client

Aroundtown Property Holdings Plc.  
Artemidos & Nikou Dimitriou, 54 B  
6027, Larnaca  
Cyprus

## Addresses

Aroundtown Property Holdings Plc.  
Artemidos & Nikou Dimitriou, 54 B  
6027, Larnaca  
Cyprus

KPMG Limited  
1 G. Aradippioti Str.  
6016 Larnaca  
Cyprus

Shareholders of Aroundtown Property Holdings Plc.

## Prepared by (Contractor)

Cushman & Wakefield LLP  
Rathenauplatz 1  
60313 Frankfurt am Main  
Germany

**Date of Report issue:**  
**May 29, 2017**



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## 1. BASIS

### 1.1 Scope of Instructions

On behalf of the client Aroundtown Property Holdings Plc., Artemidos & Nikou Dimitriou, 54 B, 6027, Larnaca; Cyprus, ("the Client"), Cushman & Wakefield LLP ("C&W") has prepared a Condensed Valuation Report ("the Report") to assess the Market Values (in accordance with the International Valuation Standards) of 28 mixed-use properties mainly located throughout Germany and the Netherlands. The subject properties have been valued in Euro.

### 1.2 Purpose of Valuation

According to our Job Arrangement Letter with the client, Aroundtown Property Holdings Plc., the Report is for the purpose of an up-listing. The subject properties have been valued in Euro. The Client shall be permitted to rely on our advice and the Report for the purposes of the Transaction only. This condensed Valuation Report is an abstract of the full Valuation Reports.

The Valuation Report will be part of the Prospectus of Aroundtown Property Holdings PLC (the "Company") for the admission to trading on the regulated market of Frankfurt Stock Exchange with simultaneous admission to the sub-segment of the regulated market with additional post-admission requirements (Prime Standard) of all outstanding shares of the Company. A public offering will not take place. The Prospectus will be prepared by the Company in accordance with Part IV of The Public Offer and Prospectus Law of the Republic of Cyprus of 2005, as amended, incorporating the provisions of European Commission Regulation (EC) 809/2004 of 29 April 2004, as amended. The Prospectus will be approved by the Cyprus Securities and Exchange Commission ("CySEC") in its capacity as the competent authority in Cyprus as the Company's home member state within the meaning of Directive 2003/71/EC of the European Parliament, as amended and approval of the Prospectus will be notified to the German Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht, BaFin).

The Valuation Report complies with the legal requirements, in particular the European Commission Regulation (EC) No 809/2004 of 29 April 2004 (as amended) and paragraphs 128 to 130 of the European Securities and Market Authority (ESMA) update of the Committee of European Securities Regulators' (CESR) recommendations for the consistent implication of (EC) no. 809/2004, dated March 20, 2013.

### 1.3 Basis of valuation

The value of the individual properties have been assessed in accordance with the Market Value definition relevant to international property valuations.

The definition of Market Value (MV) used in this Report is that settled by the International Valuation Standards Committee (IVSC International Valuation Standards (IVS) 2013) as well as the Royal Institution of Chartered Surveyors, London. Accordingly:

*"The Market Value is the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion."*

The Market Value does not directly reflect incidental acquisition costs, tax liabilities (including any VAT) or capital costs (including interest payments). A current market value ('Verkehrswert') in accordance with §194 BauGB has not been calculated.



The Market Value of the portfolio is the sum of the individual values of the properties subject to appraisal, regardless of the fact that the portfolio consists of a number of valuation objects. Accordingly, no portfolio discounts or premiums, if any, have been taken into account (i.e. the Market Value of the portfolios represents the sum of the individual market values of individual valuation objects and on different dates of valuation).

We have carried out inspections of all properties within the last 12 months. Approx. 17% of the properties have been inspected in 2016 and 83% in 2017. The valuation of the subject properties has been completed as at December 31, 2016 and as at February 15, 2017. The valuation date is relevant to the general value ratios of the property market and to the nature and condition of the subject properties. The client confirmed that there are no changes between the date of inspection and the date of valuation which could have an impact on the Market Value.

The client confirmed that there are no material changes in circumstances between the date of the valuation and the date of this Report that would affect the valuation and we are not aware, as a result of our role as External Valuer of the properties, of any matter which is not disclosed in the Prospectus or which has not been disclosed to Aroundtown Property Holdings Plc. in writing and which is required to be brought to their attention.

#### **1.4 Compliance with professional standards**

The Report has been prepared in accordance with the International Valuation Standards and the Valuation Standards of the Royal Institution of Chartered Surveyors. In the context of the valuation Cushman & Wakefield acted as an external valuer working in a service provider capacity for the named Client. The valuers do not have any direct or indirect personal or business relationships with the property that is the subject of this appraisal or company and that might lead to a potential conflict of interest. Furthermore, the agreed compensation for provision of expert services is not contingent upon the valuation result in any respect. This engagement has been performed independently and without bias toward the Client or others. We have complied with the code of conduct and adhered to the ethical standards set out in the International Valuation Standards.

#### **1.5 Performance of Instruction**

The valuation has been performed by a number of valuers under the supervision of Dipl.-Ing. Martin Belik MRICS. We confirm that all valuers involved have the knowledge, skills and understanding to undertake this valuation competently and have acted in the capacity of External Valuer. We confirm that we have acted as an independent valuer according to the definition of ESMA guidelines (ESMA – European Securities and Markets Authority) updated of the CESR recommendations – The consistent Implementation of Commission Regulation (EC) No 809/2004 Implementing the Prospectus Directive, dated 20 March 2013.

#### **1.6 Disclosure**

Cushman & Wakefield LLP has no other material relationship with the Client.





## 1.7 Limiting Conditions

Our assessment is based on information which has been supplied to us by the Client or which we have obtained from our enquiries and inspections. We have relied in our assessment on the provided documents being correct and complete, and on there being no undisclosed matters which would affect the nature of our advice.

We have not carried out a measurement survey of the properties and relied upon the information supplied to us in respect of floor areas. We have not tested any technical or other installations. Observations made by the valuers during the property inspections were made on the basis of a visual inspection only.

We have not made any investigations into the structural integrity of the buildings involving the removal or destruction of construction elements. Any remarks relating to covered building elements or building materials are based solely on information or documents provided to us or are the result of intuitive analysis. We have not carried out a structural survey and have not inspected woodwork or other such parts of the properties which are covered, unexposed or inaccessible. We have assumed, that such parts are in a good state of repair and utilisable condition. All statements regarding the characteristics and actual state of the buildings are solely based on documentation provided by the Client and adopted as the basis of this appraisal without further investigation. No specialist technical investigation of building defects or damage was undertaken.

We have assumed without further investigation that the properties do not contain any building materials and the ground and soil do not have any characteristics that would affect the long term use of the properties or negatively affect or endanger the health of residents and/or users.

We have assumed that there are no regulations under public law (including permits, approvals, burdens, etc.) or any private regulations relating to the existing building or to the use of the ground and soil.

We have assumed that all public charges and other such financial liabilities have been met in full as at the valuation date.

This valuation was carried out on the unverified assumption that there are no potential VAT losses to be considered resulting from letting to tenants who are not entitled to deduct input tax.

We have assumed without further investigation that the subject properties have been appropriately insured both in terms of the type of potential damage and of the sum of likely damages.

For the assessment of the Market Values we have assumed that the existing predominant use of the subject properties remains unchanged in substance and dimension for the full term of the economic useful life of the buildings implied by the choice of capitalisation rates applied or that comparable firms are available as users. It is assumed that the existing type and scope of use of the subject properties as at the valuation date reflects the Highest & Best Use in accordance with the International Valuation Standards (IVS Concepts Fundamental to Generally Accepted Valuation Principles (GAVP) No. 6.0).

Comments made and information provided to us by civil servants and civil representatives may not be considered as being legally binding in accordance with German legal precedents. The valuers therefore assume no liability for the use of such statements in their assessment.



Rights, encumbrances and limitations have been reflected in our calculations only in so far as a recognisable effect which needs to be particularly considered on the income of the subject properties can be identified.

Usual landlord's fixtures such as central heating have been treated as an integral part of the building and are included as part of the assets valued. Tenant's trade fixtures and fittings were excluded from our valuation.

No allowances have been made for tax liabilities or any expenses arising from a sale of the properties.

Our valuation has not made allowance either for the cost of transferring sale proceeds outside of Germany or for any restrictions on doing so.

We have not undertaken investigations into the financial strength of any tenants. Unless we become aware by general knowledge or we are specifically advised to the contrary, it will be assumed that the tenants are financially in a position to meet their obligations and that there are no rent arrears or other breaches of contract.

It has been assumed without investigation as of the valuation date that all relevant requirements under planning law, building law and other public or private law requirements with respect to the nature and extent of construction of any planned projects, as well as any public or private law requirements regarding intended use, unrestricted planned usage and management of all building structures have been fulfilled. It has been assumed without investigation as of the valuation date that all building structures to be constructed have been planned, constructed and completed to the highest quality and without any defects. In this context the planning and execution of construction work is particularly assumed to be completed to a level that is capable of being let at a sustainable rental level.

## **1.8 Assumptions and Reservations**

As instructed by the client we have made Special Assumptions for the valuation of one property with the ID 8 regarding the runtime of the lease agreement.

We have made no departures from the Red Book with the exception that the properties were inspected prior to the date of valuation. The valuation is not subject to any reservation.

## **1.9 Sources of Information**

For the completion of our instruction we have been provided with information by the Client which comprised for example tenancy schedule, leases, land registry extracts, cadastral maps, contamination register, public easements, etc.

For the purposes of this appraisal it is assumed that the information provided to us is correct, relevant and complete in accordance with the date of valuation. We have not analysed the information provided for completeness and accuracy.

## **1.10 General**

Our opinion of value is based on an analysis of recent market transactions, supported by market knowledge derived from our agency experience. Our valuation is supported by this market evidence.

Where there are outstanding or forthcoming reviews, rental value has been assessed in accordance with the terms of the occupational lease review provisions. Otherwise, rental value has been assessed on the basis of Market Rent, assuming a new lease drawn on terms appropriate to current practice in the relevant market.



All valuations are professional opinions on a stated basis, coupled with any appropriate assumptions or special assumptions. A valuation is not a fact, it is an estimate. The degree of subjectivity involved will inevitably vary from case to case, as will the degree of certainty, or probability, that the valuer's opinion of market value would exactly coincide with the price achieved were there an actual sale at the valuation date.

The purpose of the valuation does not alter the approach to the valuation.

You should not rely on this Report unless any reference to tenure, tenancies and legal title has been verified as correct by your legal advisers.



## 2. METHODOLOGY AND APPRAISAL PARAMETERS

The subject portfolio consists of 28 predominantly commercial-use properties, which are held as commercial real estate investment and the portfolio is priced in its market context accordingly. In accordance with our instruction, we have therefore applied an income-based approach to value in form of the Discounted Cash Flow Method.

The cash flow has been modelled and discounted using a market proofed MS Excel-based DCF model.

The application of the Discounted Cash Flow method is in accordance with the requirements of the International Valuation Standards, Concepts/Principles No. 9.2.1.2 for the use of an income based approach to value. Tax liabilities and other such capital costs are not reflected.

In the Discounted Cash Flow method a 10 to 14 -year cash flow period has generally been adopted, depending on the stability of the property's terminal value, with the assumption that all payments are made annually in arrears. The terminal value of each subject property at the end of the holding period is based on the estimated net operating income (NOI) of the year following the final cash flow year and calculated using an income capitalisation approach at an assumed exit yield. The NOI is hereby also capitalised annually in arrears.

### 2.1 General Assumptions

The application of the Discounted Cash Flow model is based on the following basic calculation assumptions:

- The valuation has been performed on the basis of parameters determined as at the date of valuation.
- The average annual rate of inflation has been explicitly reflected in our assessments of rents and costs.

### 2.2 Inflation Rate

The average annual rate of inflation is assumed to be 1.20% for the next four years and 2.00% from year 5 onwards. The inflation rate affects all regular as well as irregular expenses and is the basis for any rent adjustment clauses for current and market based lease contracts.

### 2.3 Current Rental Income

We have reflected the tenancies in our calculation in accordance with the information provided by the client.

In case where no specific information was available we have applied a renewal probability of 50% following term expiry of the existing leases. This assumption results in the reflection of 50% of all assumed tenant improvements, letting fees, void periods and rent abatements in our calculations.

### 2.4 Market Rental Value

The market rental value for the subject properties were determined in consideration of the current market environment and also considering comparable letting activities, the current rental payments of the subject properties, the location of each unit within the properties as well as the business environment.



The assessed rental value reflects the quality of the rental space, the property's location and the size of the respective areas. Over the cash flow period we have applied an annual rental growth rate similar to the inflation rate to reflect our opinion of the development of market rents.

## **2.5 Property Related Expenses**

For the purpose of this valuation we have calculated typical costs under consideration of user structure and comparable retail properties as follows:

## **2.6 Running Expenses**

We have not reflected any non-recoverable costs over the remaining lease terms, since the ancillary and running cost positions which normally comprise non-recoverable costs are fully recoverable in all cases according to the lease provisions. Thereafter, we made a regular deduction from passing rents of between 1.00% and 2.00% of the gross annual rental income to account such expenses.

We have reflected a service charge shortfall for all areas which temporarily fall vacant in the course of the assumed holding period due to tenant turnover by applying extra costs amounting to an additional amount of € 30.00/ sqm of vacant lettable area per year.

## **2.7 Landlords' Repair and Maintenance Costs**

The property owner is responsible for structural repairs and maintenance for the building with no formal legal definition available for the dividing line between measures that would fall into the tenants' sphere of responsibility and measures where the costs would minimise the owner's cash flow. For the purposes of the calculation and in keeping with the assumption of a regular cash flow in perpetuity it is therefore prudent to allow for a regular deduction to cash flow to account for such measures that will occur from time to time.

Our allowance for repairs and maintenance reflects a basic assumption of a stabilised income flow in perpetuity and refurbishment costs of between € 5.25/sqm and € 8.50/sqm p.a. for the lettable areas.

## **2.8 Property Management Expenses**

We have assumed that there will be no management expenses over the remaining lease terms, as these are fully recoverable according to the leases. Thereafter, we made a regular deduction from passing rents of between 1.00% and 3.00% of the gross annual rental income.

## **2.9 Heritable Building Right Payments**

Two properties are held under leasehold ownership until 2023 and 2104. In total the valuation reflects for the properties € 46,004 p.a as a ground rent.

## **2.10 Other Costs**

We have made no further adjustments in preparing our valuation figures.

## **2.11 Capital Expenditure**

We have been provided with Capital Expenditure figures by the client. We have reflected the amounts for each property provided and relied on the provided CapEx without further investigation within the valuation.



## 2.12 Discount Rate

The discount rate for the subject properties has been applied under consideration of the overall risk profile of each subject property on a case-by-case basis. Please note that the applied discount rate also reflects our attempt to actively avoid double counting of real estate specific risks – the cash flows have already been adjusted for parameters such as collection loss, structural vacancy, property related expenses and letting fees.

## 2.13 Capitalisation Rate

The choice of the capitalisation rate (exit yield) is based on an appropriate capitalisation rate reflecting the long term expected market environment, the structure of the subject property, re-letting probability, the building quality, its location and the future market uncertainty as at the end of the cash flow period, as well as with reference to the resulting multiple (Market Value divided by the annual contractual rental payment). This has been assessed for each property on a case-by-case basis. The weighted Net Initial Yield of the portfolio as of 31.12.2016 amounts to 4.7 % and as of 15.02.2017 to 6.2 %.

## 2.14 Costs of Purchase and Taxation

In respect of the conducted valuations we have not deducted an allowance for the costs of hypothetical sale to the vendor but have allowed in the normal way for purchaser's costs in arriving at our opinion of value in the aggregate amount of :

Purchasers' Costs as of 15.02.2017: € 542,852

Purchasers' Costs as of 31.12.2016: € 25,892,140

Purchasers' Costs (under Special Assumptions) as of 31.12.2016: € 2,925,704

The purchasers' costs have been deducted at a rate between 4.50% and 7.50% of the sales proceeds. The costs allowance comprises such costs as land transfer tax, broker's and notary fees as well as other transaction costs.

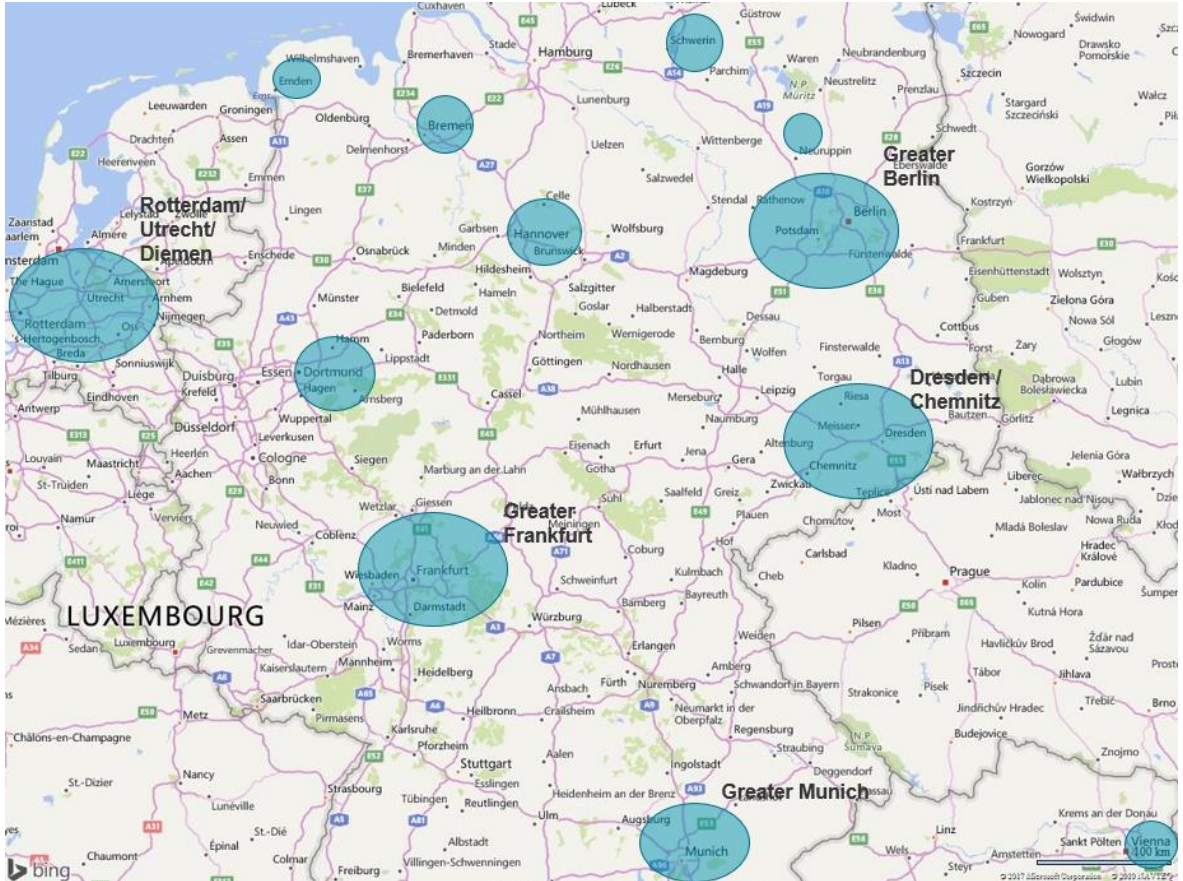




## 3. PORTFOLIO INFORMATION

The portfolio consists of 28 mixed-use properties as shown in the map below:

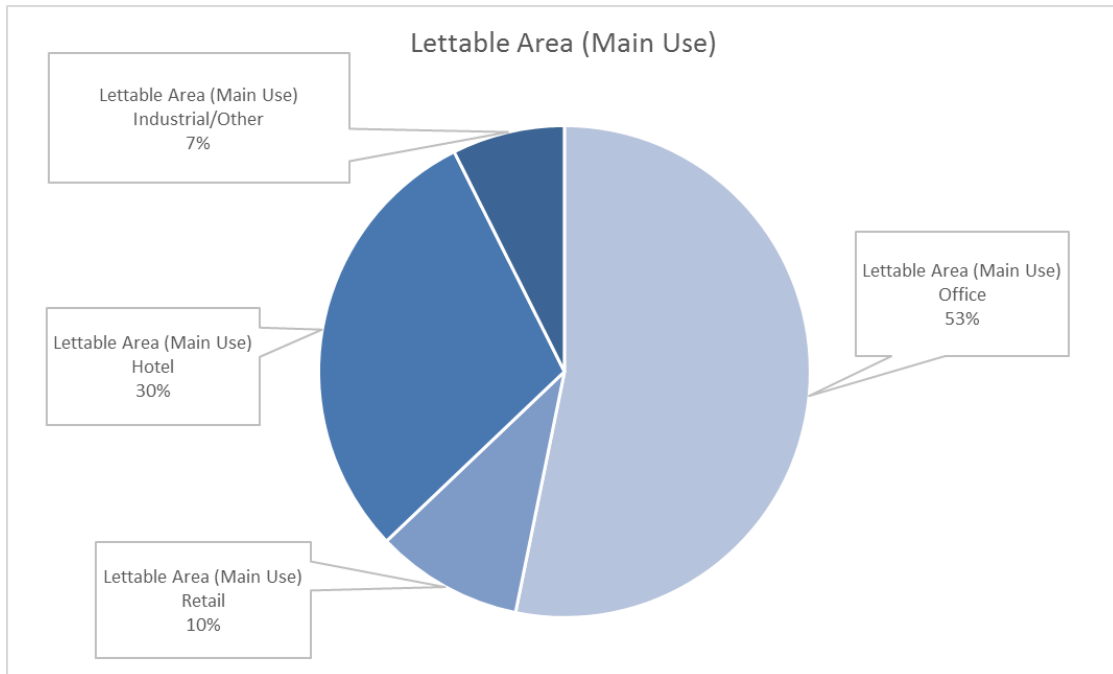
**Figure I:** Location of the Subject Properties





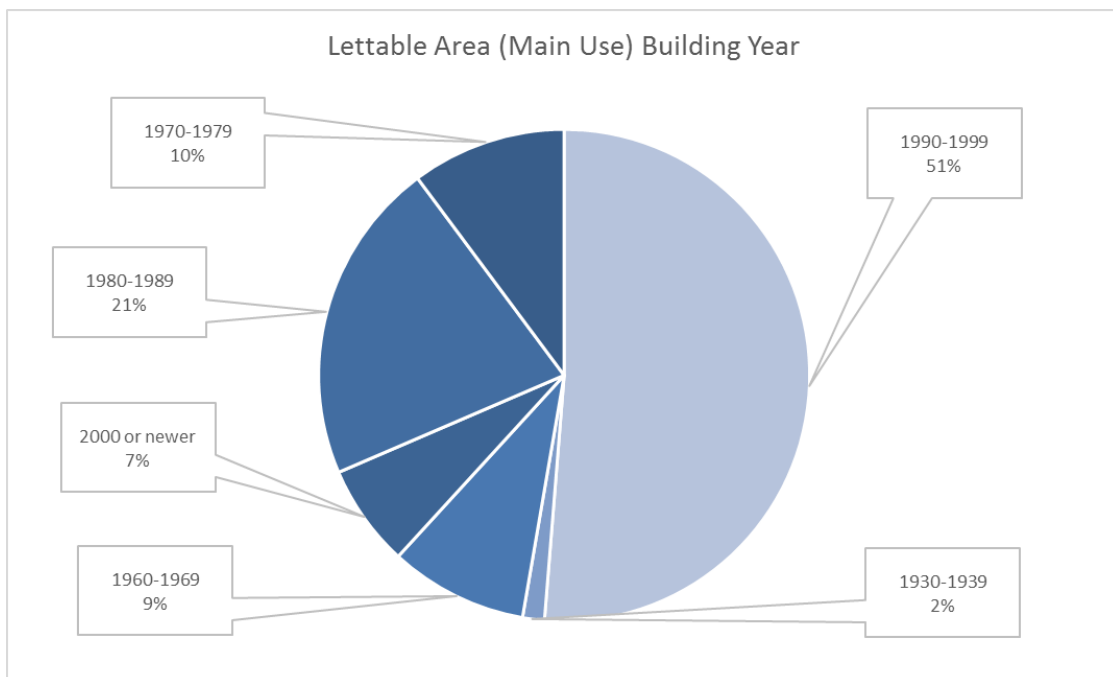
The portfolio comprises a total lettable area of 270,618 m<sup>2</sup> for its main use. Some 11.10% or a total of approx. 31,200 m<sup>2</sup> of the current lettable area (main use) is vacant. The allocation of the lettable areas is shown in the table below:

**Chart I: Portfolio Overview of Lettable Areas**



The current annual income of the portfolio is € 28,070,233. The current annual income of portfolio's main use amounts to € 26,473,804, which includes approx. € 12,400,000 for office, € 2,600,000 for retail, € 10,600,000 hotel as well as € 900,000 for industrial and other uses.

**Chart II: Portfolio Overview of Lettable Areas by assumed Building Year**







## 4. VALUATION RESULTS

### 4.1 Definition

As described in section 1.2 of this Valuation Report the Market Value is the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.

### 4.2 Market Value

We are of the opinion that the aggregate sum of Market Values for the properties is (please refer to section 1.2 and 1.3):

#### **Market Value as of 15.02.2017:**

**Freehold (2 Properties): € 8,350,000**

(Eight million three hundred fifty thousand Euro)

**Leasehold (0 Properties): -**

(Nil Euro)

The aggregate sum of total lettable area amounts to 5,970 m<sup>2</sup> with a current net rental income of € 657,306 p.a. The average Market Value per lettable area is € 1,398 per m<sup>2</sup>.

No property of the portfolio has a negative Market Value.

According to information provided by the Addressee, the valuation results stated in this report deviate by approx. € 50,000 (+0.6 %) from the equivalent figures of the Addressee's consolidated financial statements for the fiscal year ending 31.12.2016. CW has no insight into the Addressee's financial statements and into the reasons behind these deviations. The Addressee confirms that this difference mainly results from re-valuations and minor differences referring to accounting policies (fair value versus cost method) and/or rounding differences.

#### **Market Value as of 31.12.2016:**

**Freehold (23 Properties): € 394,170,000**

(Three hundred ninety four million one hundred seventy thousand Euro)

**Leasehold (2 Properties): € 8,970,000**

(Eight million nine hundred seventy thousand Euro)

The aggregate sum of total lettable area amounts to 239,888 m<sup>2</sup> with a current net rental income of € 23,821,072 p.a. The average Market Value per lettable area is € 1,810 per m<sup>2</sup> (incl. leasehold properties).

No property of the portfolio has a negative Market Value.

According to information provided by the Addressee, the valuation results stated in this report don't deviate from the equivalent figures of the Addressee's consolidated financial statements for the fiscal year ending 31.12.2016. CW has no insight into the Addressee's financial statements and could not verify the figures.



## **Market Value under Special Assumption**

We are of the opinion that Market Value under Special Assumptions for the properties is (please refer to section 1.2 and 1.3):

### **Market Value under Special Assumptions as of 31.12.2016:**

**Freehold (1 Property): € 48,800,000**

(Forty eight million eight hundred thousand Euro)

**Leasehold (0 Properties): -**

(Nil Euro)

The aggregate sum of total lettable area amounts to 24,760 m<sup>2</sup> with a current net rental income of € 3,562,856 p.a. The average Market Value per lettable area is € 1,971 per m<sup>2</sup>.

No property of the portfolio has a negative Market Value.

According to information provided by the Addressee, the valuation results stated in this report don't deviate from the equivalent figures of the Addressee's consolidated financial statements for the fiscal year ending 31.12.2016. CW has no insight into the Addressee's financial statements and could not verify the figures.



## 5. VALUATION FOR A REGULATED PURPOSE

Frankfurt am Main, May 29, 2017

This report is 15 pages long.

The contents of this report are intended to be confidential to the addressees. Consequently, and in accordance with current practice, no responsibility is accepted to any other party in respect of the whole or any part of its contents.

This valuation is classified by the Red Book as a Regulated Purpose Valuation and we are therefore required to disclose the following information:

## 6. DISCLOSURE AND PUBLICATION

You must not disclose the contents of this Report to a third party in any way without first obtaining our written approval to the form and context of the proposed disclosure. You must obtain our consent, even if we are not referred to by name or our Report is to be combined with others. We will not approve any disclosure that does not refer sufficiently to any Special Assumptions or Departures that we have made.

You must not modify, alter (including altering the context in which the Report is displayed) or reproduce the contents of this Report (or any part) without first obtaining our written approval. Any person who contravenes this provision shall be responsible for all of the consequences of the same. Cushman & Wakefield LLP accepts no liability for any use of the Report that is in contravention of this section.

**Cushman & Wakefield LLP**  
**Chartered Surveyors**

**Dipl.-Ing. Martin Belik MRICS**  
**International Partner**

**i.A. Dipl.-Kfm. Peter Fleischmann**  
**Associate**



# Condensed Valuation Report

**NAI** apollo group

**NAI** Netherlands



# 1 Terms of Engagement

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## 1.1 Principal

Aroundtown Property Holdings Plc.  
Artemidos & Nikou Dimitrou, 54B  
6027, Larnaca  
Cyprus

(hereafter: "the Principal")

## 1.2 Other Intended Users

In addition to the Principal, this report may also be relied upon by the following parties:

KPMG Limited  
1 G. Aradippioti Str.  
6016 Larnaca  
Cyprus

the shareholders of Aroundtown Property Holdings Plc.

## 1.3 Valuer

The Principal instructed the following national affiliates of the NAI Global network with the valuation of the properties mentioned in this report:

for properties located in Germany:  
**apollo valuation & research GmbH**  
Chartered Surveyors  
Regulated by RICS

Große Eschenheimer Str. 13  
60313 Frankfurt am Main  
Germany

("NAI apollo")

for properties located in the Netherlands:  
**R&B Real Estate B.V.**  
Chartered Surveyors  
Regulated by RICS

Concertgebouwplein 15  
1071 LL Amsterdam  
Netherlands

("NAI Netherlands")

(together: "the Valuer"; "NAI")

## 1.4 Scope of Instruction

NAI was appointed as an independent valuer by the Principal to estimate the Market Value in accordance with the RICS Valuation – Professional Standards 2014 (9<sup>th</sup> edition) published by the Royal Institution of Chartered Surveyors as well as the TEGoVA European Valuation Standards (EVS 2016 – 8<sup>th</sup> edition) and the IVSC International Valuation Standards 2013 (10<sup>th</sup> edition).

In VPS 4, section 1.2, the RICS Red Book 2014 adopts the following definition of the Market Value set by the International Valuation Standards Council (IVSC):

*The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.*

# CONDENSED VALUATION REPORT

As per instruction, the valuations were conducted using the Discounted Cash Flow method. This condensed valuation report covers all material assumptions of all relevant valuations.

## 1.5 Subject of Valuation

Information on the subject of valuation is available in the following letters attached to this valuation report:

- Appendix A – Germany
- Appendix B – Netherlands

## 1.6 Purpose of Valuation

The Valuation Report will be part of the Prospectus of Aroundtown Property Holdings PLC (the "Company") for the admission to trading on the regulated market of Frankfurt Stock Exchange with simultaneous admission to the sub-segment of the regulated market with additional post-admission requirements (Prime Standard) of all outstanding shares of the Company. A public offering will not take place. The Prospectus will be prepared by the Company in accordance with Part IV of The Public Offer and Prospectus Law of the Republic of Cyprus of 2005, as amended, incorporating the provisions of European Commission Regulation (EC) 809/2004 of 29 April 2004, as amended. The Prospectus will be approved by the Cyprus Securities and Exchange Commission ("CySEC") in its capacity as the competent authority in Cyprus as the Company's home member state within the meaning of Directive 2003/71/EC of the European Parliament, as amended and approval of the Prospectus will be notified to the German Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht, BaFin).

The Valuation Report complies with the European Commission Regulation (EC) No 809/2004 of 29 April 2004 (as amended) and paragraphs 128 to 130 of the European Securities and Market Authority (ESMA) update of the Committee of European Securities Regulators' (CESR) recommendations for the consistent implication of (EC) no. 809/2004 dated 20 March 2013.

## 1.7 Date and Extent of Inspection

All properties were inspected internally and externally within a reasonable period.

The site inspections comprised an adequate sample of internal units and were deemed sufficient in order to enable the valuer to get a sound understanding of the physical attributes of the properties and the respective micro locations. Due to the size of the assets, not all rooms could be inspected. It is assumed that the spaces that were not inspected are in a similar condition to those that were inspected, if no contrary information was provided to NAI.

For detailed information we refer to Appendix A and B.

## 1.8 Valuation Date

The valuation date is defined in the RICS Red Book 2014 as follows:

*The date on which the opinion of value applies. The valuation date shall also include the time at which it applies if the value of the type of asset can change materially in the course of a single day.*

The properties' values are stated as per 15.02.2017.

NAI has not been engaged to update the valuations for the purpose of this Prospectus, has no obligation to do so and has not updated the valuations after these valuation dates.

The client confirmed to NAI that no material changes to the physical attributes of the properties, or the nature of their location that might have occurred between the valuation dates and the publication of this valuation report have been occurred.

## 1.9 Date of the Report

This report was issued on 29.05.2017.

## 1.10 Qualifications

In compliance with VPS 3, section 7 of the RICS Red Book 2014, we hereby certify that the project teams had sufficient current local and national knowledge of the German and Dutch real estate markets, and the skills and understanding necessary, to undertake the valuation competently.

## 1.11 Independence and Objectivity

We herewith confirm that we are not aware of any potential conflicts of interest regarding this valuation assignment. We act independently and with objective scrutiny. We further confirm that we do not benefit from this valuation instruction in any other way than by receiving the agreed valuation fee.

Furthermore, we confirm that NAI has acted as an independent valuer according to the definition of ESMA guidelines (ESMA – European Securities and Markets Authority) update of the CESR recommendations – The consistent Implementation of Commission Regulation (EC) No 809/2004 Implementing the Prospectus Directive, dated 20 March 2013.

## 1.12 Value-added Tax

All figures relating to Market Values and market rents are stated as net figures and therefore do not include VAT.

## 1.13 Currency

All prices and values in this report are displayed in Euro (€).

## 1.14 Liability

NAI apollo and NAI Netherlands are both part of the NAI Global network, but are separate legal entities. Their liability shall be limited exclusively to the properties respectively valued by both companies (NAI apollo: Germany; NAI Netherlands: Netherlands). Both entities' liability is further limited to the amount covered by the respective professional indemnity insurance policies. Any claim on compensation expires after one year from the respective date of valuation.

## 1.15 Applicable Law and Place of Jurisdiction

For the instruction, its execution and any claims arising thereunder the law of the respective country of the valuer applies.

## 1.16 Subjects of Valuation

The 27 properties are located in Germany (mainly in North Rhine-Westphalia and the Rhine-Main Region) and in The Netherlands (mainly in Amsterdam), thereof 16 in Germany and 11 in The Netherlands. The predominant types of use are retail, office and hotel. The total lettable area amounts to 374,669 sqm, 275,971 sqm thereof in Germany and 98,698 sqm in The Netherlands.

## 2 Valuation Results

The valuations has been prepared in accordance with the RICS Valuation – Professional Standards 2014 (9<sup>th</sup> edition) published by the Royal Institution of Chartered Surveyors as well as the TEGoVA European Valuation Standards (EVS 2016 – 8<sup>th</sup> edition) and in accordance with IVSC International Valuation Standards 2013 (10<sup>th</sup> edition) on the basis of Market Value.

NAI is of the opinion that the cumulated Market Values of the properties (the sum of the Market Values of all individual assets), subject to the assumptions, special assumptions, caveats and comments contained within this valuation report, as per 15.02.2017 was:

€ 599,085,000

(five hundred ninety-nine million eighty-five thousand Euro)

No portfolio premium or discount was applied.

No asset of the subject portfolio has a negative Market Value.

The following overview shows aggregated key property data for the portfolio (including undeveloped sites and leasehold properties):

Total lettable area:	374,669 sqm
Average market value per lettable area:	€ 1,599 per sqm
Current net rental income per annum:	€ 40,516,129

The following table shows the distribution of the Market Value between freehold and leasehold assets as of 15.02.2017.

Tenure	Number of properties	Market Value
Freehold	15	€ 342,810,000
Leasehold	11	€ 223,375,000
Partly leasehold	1	€ 32,900,000
<b>Total</b>	<b>27</b>	<b>€ 599,085,000</b>

According to information provided by the Addressee, the valuation results stated in this condensed valuation report deviate by approx. € 8,550,000 (approx. +2.6 %) from the equivalent figures of the Addressee's consolidated financial statements for the fiscal year ending 31 December 2016. NAI has no insight into the Addressee's financial statements and into the reasons behind these deviations. The Addressee confirms that this difference mainly results from re-valuations and minor differences referring to accounting policies (fair value versus cost method) and/or rounding differences.

For further information please refer to the sub reports attached as Appendices A (Germany) and B (The Netherlands) to this report.



# CONDENSED VALUATION REPORT

## 2.1 Assets Held for Sale

### 2.1.1 Germany

According to information provided by the Principal, another 12 assets (only included in 2.1 of this condensed valuation report) are held for sale. As per the date of valuation (15.02.2017), these assets have an aggregated Market Value of:

€ 188,520,000

(one hundred eighty-eight million five hundred and twenty thousand Euro)

### 2.1.2 Netherlands

According to information provided by the Principal, another 3 assets (only included in 2.1 of this condensed valuation report) are held for sale. As per their respective dates of valuation (31.12.2016 or 15.02.2017 respectively), these assets have an aggregated Market Value of:

€ 42,425,000

(forty-two million four hundred and twenty-five thousand Euro)

## 2.2 Transaction Costs

The above valuation results are rounded and represent a net figure, i.e. a deduction has been made for transaction costs normally incurred by the purchaser. For all properties (without consideration of the assets held for sale), NAI accounted for transaction costs of € 38,406,642 (6.4 %).

## 3 Confidentiality and Publication

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NAI acknowledges and agrees that this valuation report and its appendices will be published in an unabridged form in a prospectus in the context of an up-listing to prime standard at a European stock exchange ("the Prospectus"). Neither the total whole nor parts thereof or any reference to the valuation report may be published in any document, circular letter, paper, or prospectus without NAI's previous written consent regarding the form as well as the connection in which it will be published.

Frankfurt, 29.05.2017

Stefan Mergen  
Managing Partner  
apollo valuation & research GmbH

Nico Schultz MRICS | CIS HypZert (F)  
Director - Valuation  
apollo valuation & research GmbH

Amsterdam, 29.05.2017

H.C. van Wamel LL.M. | MRCS | CIS HypZert (MLV)  
Director - Valuation  
R&B Real Estate B.V.

C. Schekkerman MSRE | MRICS  
Director - Valuation  
R&B Real Estate B.V.

### Appendices

- Appendix A – Germany
- Appendix B – Netherlands

# Appendix A

## Germany

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## Germany

apollo valuation & research GmbH (hereafter "NAI apollo") was appointed as an independent valuer by Aroundtown Property Holdings Plc. or one of its subsidiaries to estimate the Market Value of the properties listed in section 2 of this report (hereafter: "the properties") in accordance with the RICS Valuation – Professional Standards 2014 (9<sup>th</sup> edition) published by the Royal Institution of Chartered Surveyors as well as the TEGoVA European Valuation Standards (EVS 2016 – 8<sup>th</sup> edition) and the IVSC International Valuation Standards 2013 (10<sup>th</sup> edition).

This valuation report shall summarize the terms of engagement, the applied methodology, relevant assumptions as well as the valuation results.

### 1 Terms of Engagement

#### 1.1 Addressee

Aroundtown Property Holdings Plc.  
Artemidos & Nikou Dimitriou, 54 B  
6027, Larnaca, Cyprus

as well as its subsidiaries.

(hereafter: "the Addressee")

#### 1.2 Valuer

apollo valuation & research GmbH  
Große Eschenheimer Str. 13  
60313 Frankfurt am Main  
Germany

(hereafter "NAI apollo")

#### 1.3 Scope of Instruction

NAI apollo was appointed as an independent valuer by the Addressee or one of its subsidiaries (together referred to as "the Addressee" in this report) to estimate the Market Value of the properties listed in section 2 of this Appendix in accordance with the RICS Valuation – Professional Standards 2014 (9<sup>th</sup> edition) published by the Royal Institution of Chartered Surveyors as well as the TEGoVA European Valuation Standards (EVS 2016 – 8<sup>th</sup> edition) and the IVSC International Valuation Standards 2013 (10<sup>th</sup> edition).

In VPS 4, section 1.2, the RICS Red Book 2014 adopts the following definition of the Market Value set by the International Valuation Standards Council (IVSC):

*The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.*

## 1.4 Purpose of Valuation

As per the valuation instructions signed by the Addressee, the valuation of the subject properties was carried out to estimate the Market Value of the assets for the purposes mentioned in 1.6 of the condensed summary report.

## 1.5 Date and Extent of Inspection

All properties were inspected internally and externally within a reasonable period.

The site inspections comprised an adequate sample of internal units and were deemed sufficient in order to enable the valuer to get a sound understanding of the physical attributes of the properties and the respective micro locations. Due to the size of the assets, not all rooms could be inspected. It is assumed that the spaces that were not inspected are in a similar condition to those that were inspected, if no contrary information was provided to NAI apollo.

The following table shows the breakdown of the inspections/ re-inspections per year:

Year of inspection	Net Rental Income (share)
2016	26.0%
2017	74.0%
<b>Total</b>	<b>100.0%</b>

100.0 % of the property units have been inspected within the last 24 months.

## 1.6 Valuation Date

The properties' values in this Appendix are stated as per 15.02.2017.

NAI apollo has not been engaged to update the valuations for the purpose of this Prospectus, has no obligation to do so and has not updated the valuations after these valuation dates.

The client confirmed to NAI apollo that no material changes to the physical attributes of the properties, or the nature of their location that might have occurred between the valuation dates and the publication of this valuation report have been occurred.

## 1.7 Date of the Report

This report was issued on 29.05.2017.

## 1.8 Qualifications

In compliance with VPS 3, section 7 of the RICS Red Book 2014, we hereby certify that the project team has sufficient current local and national knowledge of the German real estate market, and the skills and understanding necessary, to undertake the valuation competently.

## 1.9 Independence and Objectivity

We herewith confirm that we are not aware of any potential conflicts of interest regarding this valuation assignment. We act independently and with objective scrutiny. We further confirm that we do not benefit from this valuation instruction in any other way than by receiving the agreed valuation fee.

Furthermore, we confirm that NAI apollo has acted as an independent valuer according to the definition of ESMA guidelines (ESMA – European Securities and Markets Authority) update of the CESR recommendations – The consistent Implementation of Commission Regulation (EC) No 809/2004 Implementing the Prospectus Directive, dated 20 March 2013.

## 1.10 Sources of Information

NAI apollo was mainly provided with the following information:

- lease agreements for all properties
- land register excerpts for all properties
- cadastral information for all properties
- leasehold contract for one leasehold property, summary provided for all other leasehold properties
- excerpts from the public easement register
- excerpts from the register of contaminated sites
- portfolio asset list
- rent rolls
- technical due diligence report
- environmental due diligence report
- heritable building right report
- floor plans

Further information was not available as at the date of valuation. In case updated information is provided to us, we reserve the right to revise the valuation.

## 1.11 Value-added Tax

All figures relating to Market Values and market rents are stated as net figures and therefore do not include VAT.

## 1.12 Currency

All prices and values in this report are displayed in Euro (€).

## 1.13 Applicable Law and Place of Jurisdiction

For the instruction, its execution and any claims arising thereunder the law of the Federal Republic of Germany applies. The place of jurisdiction is Frankfurt am Main.

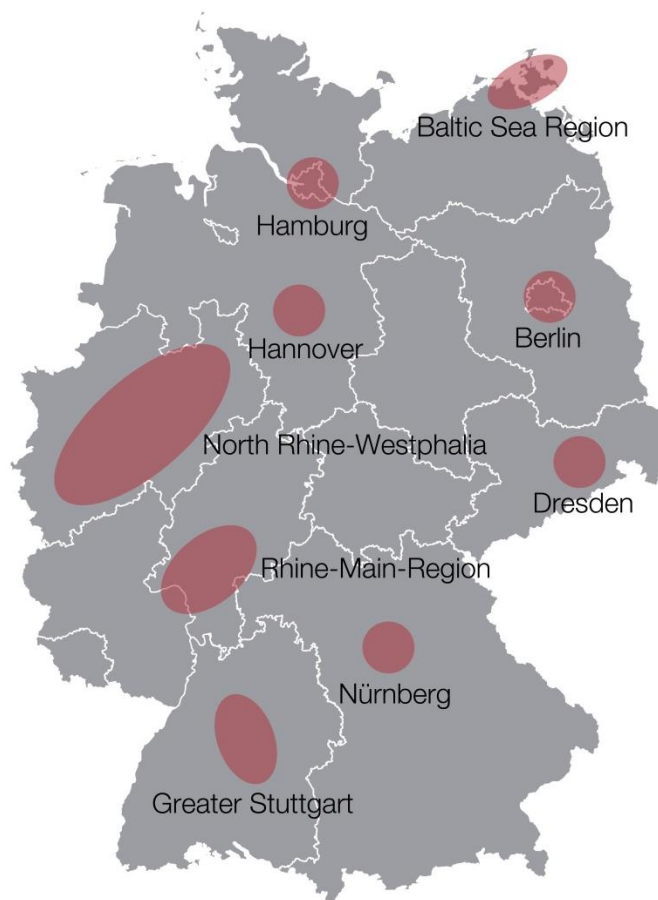
## 2 Subject of Valuation

### 2.1 Ownership Structure

According to the information provided by the Addressee, the subject properties are owned by the client or its entitled subsidiaries (majority in full ownership, minority in part-ownership).

### 2.2 Geographical Distribution

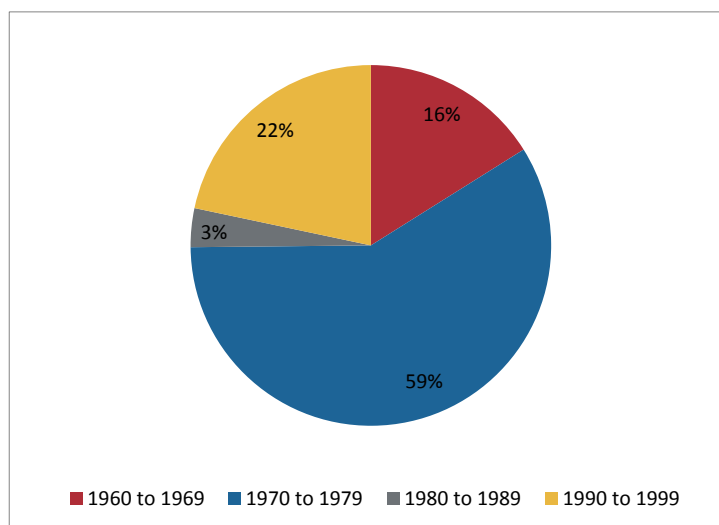
The properties are mainly located in North Rhine-Westphalia, the Rhine-Main Region, and Hamburg.



### 2.3 Lettable Areas and Vacancies

The properties combined for a lettable area of 275,971 sqm, whereof 208,171 sqm (75 %) were attributable to retail spaces and 67,800 sqm (25 %) were classified as hotel spaces. The properties were fully let at the respective dates of valuation.

Analysis Areas by Building Age:



## 2.4 Income Analysis

At the respective date of valuation, the properties generated a current rent of € 23,377,843 p.a., whereof € 17,297,923 p.a. comes from retail properties and € 6,079,920 p.a. comes from hotel properties.

## 2.5 Leasehold Properties

The properties are mainly held in freehold and some properties with a total lettable area of 108,313 sqm are held in (partial) leasehold. In the portfolio, the annual leasehold payments amount to approx. € 1,474,296 p.a.. The expiry dates range from 2027 to 2072.

## 3 Methodology and Assumptions

### 3.1 Valuation Methodology

NAI apollo used a Discounted Cash Flow (DCF) model to estimate the Market Value of the subject portfolio, using the ARGUS Enterprise valuation software.

### 3.2 Assumptions

The RICS Red Book 2014 defines the term 'Assumption' in VPS4, section 2 as follows:

*An Assumption – as defined in the IVS – is made where it is reasonable for the valuer to accept that something is true without the need for specific investigation or verification.*

*It will almost always be necessary to couple a basis of value with appropriate Assumptions or Special Assumptions that describe the assumed status or condition of the property or asset at the Valuation Date.*

For the purpose of this valuation, NAI apollo made several plausible assumptions. In case any of these assumptions turns out to be incorrect, the valuation might need to be revised accordingly.



## 3.2.1 Legal Situation

NAI apollo assumed that all relevant documents regarding the legal situation of the properties were provided completely and correctly. The legal situation was analysed based on the provided documents and if value-influencing encumbrances were detected, their impact was reflected in the valuation. In case of missing information, we assumed the absence of value-affecting entries in the public registers.

## 3.2.2 Building Defects and Damages

The instruction did not include a structural survey or an examination of building defects or damages. No destructive examinations or functional tests of technical installations (especially sanitary, electrical, and heating installations) were conducted. If not explicitly stated otherwise, NAI apollo assumed their proper functionality. Therefore, defects and damages were accounted for insofar as they could be unequivocally identified as such in a non-destructive and purely visual inspection. The effects of potentially existing defects and damages on the value of a property were therefore only accounted for as a lump sum. NAI apollo makes no claim to completeness regarding its findings. Allowances made for detected building defects and damages therefore do not automatically exclude the existence of further defects and damages. Insofar, reports and analyses delivered by NAI apollo shall not be construed as technical due diligence.

## 3.2.3 Measurement

NAI apollo was not instructed to perform a measurement of spaces. Information regarding spaces and units provided by the Addressee was roughly verified for plausibility during the inspection.

## 3.2.4 Pests, Pollutants and Contamination

No examinations were carried out regarding contaminations as laid down in the German Federal Soil Protection Act (BBodSchG) as well as regarding the infestation by animal and plant pests as well as deleterious materials which might limit the permanent usability of a property or which might potentially pose a threat to third parties or the environment. Unless information to the contrary was brought to NAI apollo's attention, it was assumed that no contaminations or pests exist.

## 3.2.5 Ground Condition

NAI apollo did not conduct archaeological or geotechnical ground examinations. The valuer assumed ground conditions as typical to the location as far as these were reflected in comparison prices and standard land values. In case a soil survey produces results that vary from NAI apollo's assumptions, their effect needs to be accounted for separately. If not explicitly stated otherwise, NAI apollo assumed regular soil with normal load-bearing capacity.

## 3.2.6 Building Regulations

NAI apollo was not instructed to evaluate the compliance with fire prevention regulations. The instruction did further not include an examination of the conformity of the existing or planned building structure with local construction law. All analyses and estimations were carried out based on the completed development. The existence of a building permit and the accordance of the completed development with the provided floor plans, the building permit, the building regulations, and the binding urban development planning were not checked. NAI apollo assumed material legality of the existing building structure and usages.

## 3.2.7 Covenant Strength of Tenants

NAI apollo did not obtain information on the covenant strength of tenants. The valuer assumed normal covenant strength as well as regular payment behaviour.

## 3.2.8 Pending Litigation and Legal Restrictions

It was assumed that the properties are free from any pending litigation and that no value-affecting public-law or private-law restrictions existed in regards to the properties.

## 3.2.9 Insurance

NAI apollo assumed that the subject of valuation was covered by a valid and adequate insurance policy.

## 3.2.10 Assumptions on the Future

NAI apollo assumed that the existing business will continue for the remainder of the property's useful life or period under analysis ('going concern') in regards to the type and the extent of the use).

## 4 Valuation Parameters

The market rent is based partly on recent lettings of comparable properties (if available). These transactions must be interpreted with care, however, as in the current market the incentives (such as rent-free periods, a contribution to the fitting-out costs and other financial concessions) are part of the rent actually agreed. Because these incentives are seldom if ever stated in most publications on transactions that have taken place, sufficient evidence on their effect on the published transactions is lacking.

For some types of properties such as hotels, for example, a market rent level can be estimated by usual operating parameters (for instance average occupancy rate, average room rate, other revenues and costs, a usual ratio of rent payments to turnover etc.). The estimated market rent is therefore a combination of (published) letting transactions as well as other sources of information and the valuer's feel for the market.

The rental growth in the valuation is estimated between 1.0 % and 1.5 % p.a..

The general maintenance indication is based on a visual inspection of the exterior and directly visible state of repair and must be seen in relation to the age of the property. It is not an indication of state of repair and is therefore explicitly not a building survey. Broadly speaking the age of the parts of the property not mentioned is reflected in the value assessment. The deficiencies as ascertained in the inspection have been taken into consideration in the valuation, but this does not guarantee that there are no further deficiencies to the property.

In the valuation of the subject properties maintenance costs range from € 8.00 per sqm of lettable area p.a. to € 12.25 per sqm p.a..

The valuation considers the annual ownership costs such as management fees, operating costs and others, are in line with those of similar buildings of similar locations. In the valuation generally known standard figures are used.

In the valuation of the subject properties management fees range from 1.00% of the Potential Gross Rent to 3.00%.

In the valuation of the subject properties ground tax payments and insurance costs are assumed as a percentage of the Potential Gross Rent (2.50% and 0.50% respectively).

Other Costs include all other non-recoverable costs in connection with the operation of the subject properties (and leasehold payments where applicable). In the valuation of the subject properties Other Costs ranging from 2.0% to 23.0% of the Potential Gross Rent are assumed.

The inflation estimation in the valuation is derived from a historical average. It amounts to 1.4% p.a..

The weighted average percentage of the cap rate in the valuation is 7.1%.

Assumed costs for tenant improvements depend on the several aspects such as, for instance, the nature and quality of the lettable spaces, other assumed lease clauses and terms and the negotiating power of tenants.

In the valuation of the subject properties Capex measures of € 2,681,000 are assumed.

The valuation considers auxiliary purchase costs as a percentage of the Market Value. These costs include the legal fees for sale and the tax and land register fees, if applicable. In Germany, the land transfer tax is set by the Federal States. The current rates vary between 3.50% and 6.50%:

Federal State	Tax on acquisition
Baden-Wurttemberg	5.00%
Bavaria	3.50%
Berlin	6.00%
Brandenburg	6.50%
Bremen	5.00%
Hamburg	4.50%
Hesse	6.00%
Lower Saxony	5.00%
Mecklenburg-Western Pomerania	5.00%
North Rhine-Westphalia	6.50%
Rhineland Palatinate	5.00%
Saarland	6.50%
Saxony	3.50%
Saxony-Anhalt	5.00%
Schleswig-Holstein	6.50%
Thuringia	6.50%

## 5 Valuation Results

The valuation has been prepared in accordance with the RICS Valuation – Professional Standards 2014 (9<sup>th</sup> edition) published by the Royal Institution of Chartered Surveyors as well as the TEGoVA European Valuation Standards (EVS 2012 – 7<sup>th</sup> edition) and in accordance with IVSC International Valuation Standards 2013 (10<sup>th</sup> edition) on the basis of Market Value.

The valuation result is rounded and represents a net figure, i.e. a deduction of € 23,836,482 (6.6 %) has been made for land transfer tax, legal costs, and broker's commission normally incurred by the purchaser.

NAI apollo is of the opinion that the Market Value of the property, subject to the assumptions, special assumptions, caveats and comments contained within the full valuation reports, as per the respective date of valuation was:

€ 360,360,000

(three hundred sixty million three hundred and sixty thousand Euro)

The above cumulated Market Value equals the sum of the Market Values of all individual assets. No portfolio premium or discount was applied.

Frankfurt, 29.05.2017

Stefan Mergen  
Managing Partner  
apollo valuation & research GmbH

Nico Schultz MRICS | CIS HypZert (F)  
Director - Valuation  
apollo valuation & research GmbH

## Appendix B

### The Netherlands

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# The Netherlands

R&B Real Estate B.V. (hereafter "NAI Netherlands") was appointed as an independent valuer by Camelbay Real Estate Ltd, a subsidiary of Aroundtown Property Holdings Plc., to estimate the Market Value of the property listed in section 2 of this report (hereafter: "the property") in accordance with the RICS Valuation – Professional Standards 2014 (9<sup>th</sup> edition) published by the Royal Institution of Chartered Surveyors as well as the TEGoVA European Valuation Standards (EVS 2016 – 8<sup>th</sup> edition) and the IVSC International Valuation Standards 2013 (10<sup>th</sup> edition).

This valuation report shall summarize the terms of engagement, the applied methodology, relevant (special) assumptions as well as the valuation results.

## 1 Terms of Engagement

### 1.1 Addressee

Aroundtown Property Holdings Plc.  
Artemidos & Nikou Dimitriou, 54 B  
6027, Larnaca, Cyprus

as well as its subsidiaries.

(hereafter: "the Addressee")

### 1.2 Valuer

R&B Real Estate B.V.  
Concertgebouwplein 15  
1071 LL Amsterdam  
The Netherlands

(hereafter "NAI Netherlands")

### 1.3 Scope of Instruction

NAI Netherlands was appointed as an independent valuer by the Addressee or one of its subsidiaries (together referred to as "the Addressee" in this report) to estimate the Market Value of the properties listed in section 2 of this report in accordance with the RICS Valuation – Professional Standards 2014 (9<sup>th</sup> edition) published by the Royal Institution of Chartered Surveyors as well as the TEGoVA European Valuation Standards (EVS 2016 – 8<sup>th</sup> edition) and the IVSC International Valuation Standards 2013 (10<sup>th</sup> edition).

In VPS 4, section 1.2, the RICS Red Book 2014 adopts the following definition of the Market Value set by the International Valuation Standards Council (IVSC):

*The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.*

#### 1.4 Purpose of Valuation

As per the valuation instructions signed by the Addressee, the valuation of the subject properties was carried out to estimate the Market Value of the assets for the purposes mentioned in 1.6 of the condensed summary report.

#### 1.5 Date and Extent of Inspection

All properties were inspected internally and externally within a reasonable period.

The site inspections were deemed adequate in order to enable the valuer to get a sound understanding of the physical attributes of the properties and the respective micro locations. Due to the size of the assets, not all rooms could be inspected. It is assumed that the spaces that were not inspected are in a similar condition to those that were inspected, if no contrary information was provided to NAI Netherlands.

The following table shows the breakdown of the inspections/re-inspections per year:

Year of inspection	Net Rental Income (share)
2016	84,5%
2017	15,5%
<b>Total</b>	<b>100,00%</b>

100.0 % of the property units have been inspected within the last 24 months.

#### 1.6 Valuation Date

The properties' values are stated as per 15.02.2017.

NAI Netherlands has not been engaged to update the valuations for the purpose of this Prospectus, has no obligation to do so and has not updated the valuations after these valuation dates.

The client confirmed to NAI Netherlands that no material changes to the physical attributes of the properties, or the nature of their location that might have occurred between the valuation dates and the publication of this valuation report have been occurred.

#### 1.7 Date of the Report

This report was issued on 29.05.2017.

## 1.8 Qualifications

In compliance with VPS 3, section 7 of the RICS Red Book 2014, we hereby certify that the project team has sufficient current local and national knowledge of the Dutch real estate market, and the skills and understanding necessary, to undertake the valuation competently.

## 1.9 Independence and Objectivity

We herewith confirm that we are not aware of any potential conflicts of interest regarding this valuation assignment. We act independently and with objective scrutiny. We further confirm that we do not benefit from this valuation instruction in any other way than by receiving the agreed valuation fee.

Furthermore, we confirm that NAI Netherlands has acted as an independent valuer according to the definition of ESMA guidelines (ESMA – European Securities and Market Authority) update of the CESR recommendations – The consistent Implementation of Commission Regulations (EC) No 809/2004 Implementing the prospective Directive, dated 20 March 2013.

## 1.10 Sources of Information

NAI Netherlands was mainly provided with the following information:

- lease agreements for all properties
- land register excerpt for all properties
- cadastral information for all properties
- summary provided for all leasehold properties
- portfolio asset list
- rent rolls
- technical due diligence report
- floor plans

Further information was not available as at the date of valuation. In case updated information is provided to us, we reserve the right to revise the valuation.

## 1.11 Value-added Tax

All figures relating to Market Values and market rents are stated as net figures and therefore do not include VAT.

## 1.12 Currency

All prices and values in this report are displayed in Euro (€).

## 1.13 Applicable Law and Place of Jurisdiction

For the instruction, its execution and any claims arising thereunder the Dutch law. The place of jurisdiction is Amsterdam.



## 2 Subject of Valuation

### 2.1 Ownership Structure

According to the information provided by the Addressee, the subject properties are owned by the client or its entitled subsidiaries (majority in full ownership, minority in part-ownership).

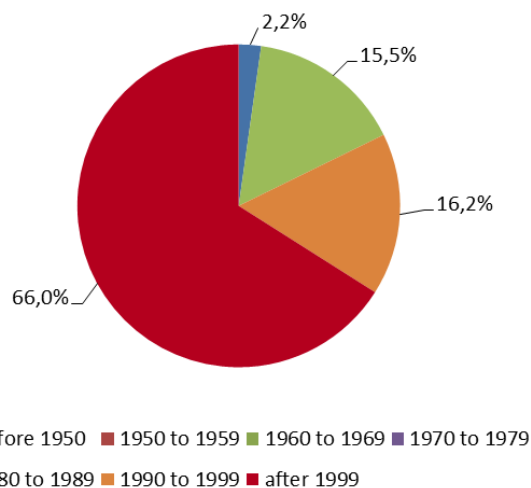
### 2.2 Geographical Distribution

The properties are over 75% of the market value related to properties located in Amsterdam.

### 2.3 Lettable Areas and Vacancies

The properties combined for a lettable area of 98,698 sqm, which were completely attributable to office spaces. At the date of valuation, the in-place vacancy rate amounted to 5.5%.

Analysis Areas by Building Age:



### 2.4 Income Analysis

At the initial date of valuation, the properties generated a current rent of € 17,138,286 p.a.

### 2.5 Leasehold Properties

In the portfolio, the annual leasehold payments of the properties held in leasehold are bought out until the applied review date (between 2040 and 2055) of the individual property. The share of leasehold spaces equalled approx. 45 % of the total lettable area of all properties.

## 3 Methodology and Assumptions

### 3.1 Valuation Methodology

NAI Netherlands used a Discounted Cash Flow (DCF) model to estimate the Market Value of the subject portfolio, using a standard NAI Netherlands valuation model in Excel.

### 3.2 Assumptions

The RICS Red Book 2014 defines the term 'Assumption' in VPS4, section 2 as follows:

*An Assumption – as defined in the IVS – is made where it is reasonable for the valuer to accept that something is true without the need for specific investigation or verification.*

*It will almost always be necessary to couple a basis of value with appropriate Assumptions or Special Assumptions that describe the assumed status or condition of the property or asset at the Valuation Date.*

For the purpose of this valuation, NAI Netherlands made several plausible assumptions. In case any of these assumptions turns out to be incorrect, the valuation might need to be revised accordingly.

#### 3.2.1 Legal Situation

NAI Netherlands assumed that all relevant documents regarding the legal situation of the properties were provided completely and correctly. The legal situation was analysed based on the provided documents and if value-influencing encumbrances were detected, their impact was reflected in the valuation. In case of missing information, we assumed the absence of value-affecting entries in the public registers.

#### 3.2.2 Building Defects and Damages

The instruction did not include a structural survey or an examination of building defects or damages. No destructive examinations or functional tests of technical installations (especially sanitary, electrical, and heating installations) were conducted. If not explicitly stated otherwise, NAI Netherlands assumed their proper functionality. Therefore, defects and damages were accounted for insofar as they could be unequivocally identified as such in a non-destructive and purely visual inspection. The effects of potentially existing defects and damages on the value of a property were therefore only accounted for as a lump sum. NAI Netherlands makes no claim to completeness regarding its findings. Allowances made for detected building defects and damages therefore do not automatically exclude the existence of further defects and damages. Insofar, reports and analyses delivered by NAI Netherlands shall not be construed as technical due diligence.

#### 3.2.3 Measurement

NAI Netherlands was not instructed to perform a measurement of spaces. Information regarding spaces and units provided by the Addressee was roughly verified for plausibility during the inspection.

#### 3.2.4 Pests, Pollutants and Contamination

No examinations were carried out regarding contaminations as well as regarding the infestation by animal and plant pests as well as deleterious materials which might limit the permanent usability of a property or which might potentially pose a threat to third parties or the environment. Unless information

to the contrary was brought to NAI Netherlands attention, it was be assumed that no contaminations or pests exist.

### 3.2.5 Ground Condition

NAI Netherlands did not conduct archaeological or geotechnical ground examinations. The valuer assumed ground conditions as typical to the location as far as these were reflected in comparison prices and standard land values. In case a soil survey produces results that vary from NAI Netherlands assumptions, their effect needs to be accounted for separately. If not explicitly stated otherwise, NAI Netherlands assumed regular soil with normal load-bearing capacity.

### 3.2.6 Building Regulations

NAI Netherlands was not instructed to evaluate the compliance with fire prevention regulations. The instruction did further not include an examination of the conformity of the existing or planned building structure with local construction law. All analyses and estimations were carried out based on the completed development. The existence of a building permit and the accordance of the completed development with the provided floor plans, the building permit, the building regulations, and the binding urban development planning were not checked. NAI Netherlands assumed material legality of the existing building structure and usages.

### 3.2.7 Covenant Strength of Tenants

NAI Netherlands did not obtain information on the covenant strength of tenants. The valuer assumed normal covenant strength as well as regular payment behaviour.

### 3.2.8 Pending Litigation and Legal Restrictions

It was assumed that the properties are free from any pending litigation and that no value-affecting public-law or private-law restrictions existed in regards to the properties.

### 3.2.9 Insurance

NAI Netherlands assumed that the subject of valuation was covered by a valid and adequate insurance policy.

### 3.2.10 Assumptions on the Future

NAI Netherlands assumed that the existing business will continue for the remainder of the property's useful life or period under analysis ('going concern') in regards to the type and the extent of the use).

## 4 Valuation Parameters

The market rent which has been determined is based partly on recent transactions at more or less comparable locations and concerning more or less comparable properties. These transactions must be interpreted with care, however, as in the current market the incentives (such as rent-free periods, a contribution to the fitting-out costs and other financial concessions) are part of the rent actually agreed. Because these incentives are seldom if ever stated in most publications on transactions that have taken place, sufficient evidence on their effect on the published transactions is lacking. The estimated market rent is therefore always a combination of (published) transactions that have taken place and the valuer's feel for the market.

The rental growth in the valuation is between 0.5 % and 0.9 % of inflation.

The general maintenance indication is based on a visual inspection of the exterior and directly visible state of repair and must be seen in relation to the age of the property. It is not an indication of state of repair and is therefore explicitly not a building survey. Broadly speaking the age of the parts of the property not mentioned is reflected in the value assessment. The deficiencies as ascertained in the inspection have been taken into consideration in the valuation, but this does not guarantee that there are no further deficiencies to the property.

The valuation considers the annual ownership costs such as management fees, operating costs and others, are in line with those of similar buildings of similar locations. In the valuation generally known standard figures is used.

The inflation in the valuation is derived from the consensus forecast (10 October 2016). The average inflation over a period of ten years in the valuation is 1.74%.

The weighted average percentage of the cap rate in the valuation is 7.7%.

The valuation considers auxiliary purchase costs as a percentage of the Market Value. These costs include the legal fees for sale and the tax and land register fees, if applicable. In the Netherlands the transfer tax is 6.0%

## 5 Valuation Results

The valuation has been prepared in accordance with the RICS Valuation – Professional Standards 2014 (9<sup>th</sup> edition) published by the Royal Institution of Chartered Surveyors as well as the TEGoVA European Valuation Standards (EVS 2016 – 8<sup>th</sup> edition) and in accordance with IVSC International Valuation Standards 2013 (10<sup>th</sup> edition) on the basis of Market Value.

The valuation result is rounded and represents a net figure, i.e. a deduction of € 14,570,160 (6.1%) has been made for land transfer tax, and legal costs normally incurred by the purchaser.

NAI Netherlands is of the opinion that the Market Value of the properties, subject to the assumptions, special assumptions, caveats and comments contained within this valuation report, as per the respective date of valuation was:

€ 238,725,000

(two hundred thirty-eight million seven hundred twenty-five thousand Euro)

The above cumulated Market Value equals the sum of the Market Values of all individual assets. No portfolio premium or discount was applied.

Amsterdam, 29.05.2017

H.C. van Wamel LL.M. MRCS CIS HypZert (MLV)  
Director - Valuation  
R&B Real Estate B.V.

C. Schekkerman MSRE MRICS  
Director - Valuation  
R&B Real Estate B.V.

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**Audited Consolidated Financial Statements of**  
**Aroundtown Property Holdings PLC**  
**for the fiscal year ended December 31, 2016 (IFRS)**

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	For the year ended December 31,	
		2016	2015
		In thousands of euro	
<b>REVENUE</b>		<b>273,699</b>	<b>125,162</b>
Capital gains, property revaluations and other income	5	719,517	814,511
Share in profit from investment in equity-accounted investees	13	197,064	134,138
Property operating expenses	6	(75,353)	(*) (28,529)
Administrative and other expenses	7	(7,921)	(*) (4,287)
<b>OPERATING PROFIT</b>		<b>1,107,006</b>	<b>1,040,995</b>
Finance expenses	8a	(47,408)	(20,466)
Other financial results	8b	(35,883)	7,869
<b>PROFIT BEFORE TAX</b>		<b>1,023,715</b>	<b>1,028,398</b>
Current tax expenses	9b	(19,910)	(9,264)
Deferred tax expenses	9c	(102,711)	(98,380)
Tax and deferred tax expenses		(122,621)	(107,644)
<b>PROFIT FOR THE YEAR</b>		<b>901,094</b>	<b>920,754</b>
Other comprehensive income for the year, net of tax		-	-
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>901,094</b>	<b>920,754</b>

(\*) Reclassified.



	For the year ended December 31,	
	2016	2015
	In thousands of euro	
Note		
<b>PROFIT ATTRIBUTABLE TO:</b>		
Owners of the Company	728,209	686,892
Perpetual notes investors	3,699	-
Non-controlling interests	169,186	233,862
<b>PROFIT FOR THE YEAR</b>	<b>901,094</b>	<b>920,754</b>

**NET EARNINGS PER SHARE ATTRIBUTABLE TO THE OWNERS OF THE COMPANY (IN EURO)**

Basic earnings per share	10	1.11	1.26
Diluted earnings per share	10	0.87	1.01

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at December 31,	
		2016	2015
	Note	In thousands of euro	
<b>ASSETS</b>			
Equipment and intangible assets	11	22,799	5,123
Investment property	12	5,016,235	2,430,595
Advanced payments for investment property		243,515	51,490
Investment in equity-accounted investees	13	1,557,044	1,183,148
Other non-current assets	14	133,809	335,741
Deferred tax assets	9c	15,503	1,505
<b>NON-CURRENT ASSETS</b>		<b>6,988,905</b>	<b>4,007,602</b>
Cash and cash equivalents		641,400	121,243
Short term deposits		11,225	4,213
Traded securities at fair value through profit or loss	24	180,810	261,527
Trade and other receivables	15	111,293	45,562
Assets held for sale	16	155,319	-
<b>CURRENT ASSETS</b>		<b>1,100,047</b>	<b>432,545</b>
<b>TOTAL ASSETS</b>		<b>8,088,952</b>	<b>4,440,147</b>

		As at December 31,	
		2016	2015
	Note	In thousands of euro	
<b>EQUITY</b>			
Share capital	17	6,763	6,001
Retained earnings and capital reserves		3,083,400	2,099,408
<b>EQUITY ATTRIBUTABLE TO THE OWNERS OF THE COMPANY</b>		<b>3,090,163</b>	<b>2,105,409</b>
Equity attributable to Perpetual notes investors	17	478,277	-
<b>EQUITY ATTRIBUTABLE TO THE OWNERS OF THE COMPANY AND PERPETUAL NOTES INVESTORS</b>		<b>3,568,440</b>	<b>2,105,409</b>
Non-controlling interests		372,640	320,103
<b>TOTAL EQUITY</b>		<b>3,941,080</b>	<b>2,425,512</b>
<b>LIABILITIES</b>			
Loans and borrowings	19	962,007	515,913
Convertible bonds	19	708,686	817,721
Straight Bonds	19	1,713,965	187,923
Derivative financial instruments	20	6,896	3,590
Other non-current liabilities	21	41,547	62,436
Deferred tax liabilities	9c	365,932	185,774
<b>NON-CURRENT LIABILITIES</b>		<b>3,799,033</b>	<b>1,773,357</b>
Credit from financial institutions		130,466	36,134
Loans and borrowings	19	29,499	(*) 15,142
Loan redemption and notes		-	(*) 78,150
Trade and other payables	23	107,721	95,971
Tax payable		6,741	2,674
Provisions for other liabilities and charges		27,875	13,207
Liabilities held for sale	16	46,537	-
<b>CURRENT LIABILITIES</b>		<b>348,839</b>	<b>241,278</b>
<b>TOTAL LIABILITIES</b>		<b>4,147,872</b>	<b>2,014,635</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>8,088,952</b>	<b>4,440,147</b>

(\*) Reclassified

On March 30, 2017 the Board of Directors of Aroundtown Property Holdings PLC authorised these consolidated financial statements for issuance.



Reshef Ish-Gur  
Director



Andrew Wallis  
Director



Jelena Afxentiou  
Director



Oschrie Massatschi  
Director  
- 357/F-5 -

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to the owners of the Company							Non-controlling interests	Total equity
	Share capital	Share Premium and other capital reserves	Retained earnings	Total	Equity attributable to Perpetual notes investors	Equity attributable to owners of the Company and Perpetual notes investors			
	In thousands of euro								
<b>BALANCE AS AT DECEMBER 31, 2015</b>	<b>6,001</b>	<b>332,750</b>	<b>1,766,658</b>	<b>2,105,409</b>	<b>-</b>	<b>2,105,409</b>	<b>320,103</b>	<b>2,425,512</b>	
Profit for the year	-	-	728,209	728,209	3,699	731,908	169,186	901,094	
Other comprehensive income for the year	-	-	-	-	-	-	-	-	
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>-</b>	<b>-</b>	<b>728,209</b>	<b>728,209</b>	<b>3,699</b>	<b>731,908</b>	<b>169,186</b>	<b>901,094</b>	
Issuance of ordinary shares related to capital increase	650	262,015	-	262,665	-	262,665	-	262,665	
Issuance of shares related to conversion of convertible bonds	112	36,339	-	36,451	-	36,451	-	36,451	
Issuance of Perpetual notes	-	-	-	-	478,277	478,277	-	478,277	
Amount attributed to Perpetual notes investors	-	-	-	-	(3,699)	(3,699)	-	(3,699)	
Equity settled share based payment	-	2,110	-	2,110	-	2,110	-	2,110	
Dividend distribution	-	-	(34,490)	(34,490)	-	(34,490)	-	(34,490)	
Non-controlling interests arising from initially consolidated companies and other transactions	-	-	(10,191)	(10,191)	-	(10,191)	(116,649)	(126,840)	
<b>BALANCE AS AT DECEMBER 31, 2016</b>	<b>6,763</b>	<b>633,214</b>	<b>2,450,186</b>	<b>3,090,163</b>	<b>478,277</b>	<b>3,568,440</b>	<b>372,640</b>	<b>3,941,080</b>	
<b>BALANCE AS AT DECEMBER 31, 2014</b>	<b>38</b>	<b>7,416</b>	<b>1,106,115</b>	<b>1,113,569</b>	<b>-</b>	<b>1,113,569</b>	<b>108,092</b>	<b>1,221,661</b>	
Profit for the year	-	-	686,892	686,892	-	686,892	233,862	920,754	
Other comprehensive income for the year	-	-	-	-	-	-	-	-	
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>-</b>	<b>-</b>	<b>686,892</b>	<b>686,892</b>	<b>-</b>	<b>686,892</b>	<b>233,862</b>	<b>920,754</b>	
Issuance of ordinary shares	4,962	-	-	4,962	-	4,962	-	4,962	
Issuance of ordinary shares related to capital increase	1,000	313,768	-	314,768	-	314,768	-	314,768	
Issuance of shares related to conversion of convertible bonds	1	461	-	462	-	462	-	462	
Equity component of convertible bonds issued	-	11,105	-	11,105	-	11,105	489	11,594	
Non-controlling interests arising from initially consolidated companies and other transactions	-	-	(26,349)	(26,349)	-	(26,349)	(*) (22,340)	(*) (48,689)	
<b>BALANCE AS AT DECEMBER 31, 2015</b>	<b>6,001</b>	<b>332,750</b>	<b>1,766,658</b>	<b>2,105,409</b>	<b>-</b>	<b>2,105,409</b>	<b>320,103</b>	<b>2,425,512</b>	

(\*) Reclassified

# CONSOLIDATED STATEMENT OF CASH FLOWS

		For the year ended December 31,	
		2016	2015
	Note	In thousands of euro	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit for the year		<b>901,094</b>	<b>920,754</b>
<i>Adjustments for the profit:</i>			
Depreciation and amortization	11	2,006	377
Capital gains, property revaluations and other income	5	(719,517)	(814,511)
Share in profit from investment in equity-accounted investees	13	(197,064)	(134,138)
Finance expenses, net	8	83,291	12,597
Tax and deferred tax expenses	9	122,621	107,644
Equity settled share-based payment	18	2,110	-
		194,541	92,723
<i>Change in:</i>			
Trade and other receivables		(19,093)	(27,359)
Trade and other payables		1,816	23,517
Provisions for other liabilities and charges		(871)	6,355
		176,393	95,236
Dividend received		17,948	7,445
Tax paid, net		(15,537)	(8,376)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		<b>178,804</b>	<b>94,305</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Acquisitions of equipment and intangible assets, net		(6,653)	(957)
Investments and acquisitions of investment property, capex and advances paid, net		(1,050,803)	(776,436)
Acquisition/disposals of investees, net of cash acquired/disposed		(994,129)	(386,297)
Proceeds (investment) from (in) traded securities and other financial assets, net		151,306	(255,035)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>		<b>(1,900,279)</b>	<b>(1,418,725)</b>

		For the year ended December 31,	
		2016	2015
	Note	In thousands of euro	
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issuance of ordinary shares		262,665	319,731
Proceeds from issuance of straight and convertible bonds, net	19	1,669,995	856,190
Proceeds from Perpetual notes investors, net		478,277	-
Proceeds from loans from financial institutions and others, net		301,086	383,898
Amortizations of loans from financial institutions		(18,503)	(9,812)
Acquisition of straight bond series A	19	(166,478)	-
Transactions with non-controlling interests		(203,936)	(112,578)
Dividend distributed to the shareholders		(34,490)	-
Interest and other financial expenses, net		(44,606)	(19,760)
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>		<b>2,244,010</b>	<b>1,417,669</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>		<b>522,535</b>	<b>93,249</b>
Assets held for sale – cash	16	(2,378)	-
Cash and cash equivalents as at January 1		121,243	27,994
<b>CASH AND CASH EQUIVALENTS AS AT DECEMBER 31</b>		<b>641,400</b>	<b>121,243</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

## 1. GENERAL

### (A) INCORPORATION AND PRINCIPAL ACTIVITIES

Aroundtown Property Holdings PLC (“the Company”) was incorporated on May 7, 2004 as a private limited liability company under the Cyprus Companies Law, Cap. 113. Its Registered Office is at Artemidos & Nikou Dimitriou, 54 B, 6027, Larnaca, Cyprus.

These consolidated financial statements for the year ended December 31, 2016 consist of the financial statements of the Company and its subsidiaries (“the Group” or “Aroundtown”).

The Group is a specialist real estate investment group, focusing primarily in the German and Netherlands real estate markets. The Group covers commercial and residential real estate assets which benefit from strong fundamentals and growth prospects. The commercial properties are held directly by the Company and its subsidiaries and the residential investments are carried out through its holdings in Grand City Properties S.A. The Group’s vision is to create significant value by buying, repositioning and optimizing real estate properties.

### (B) LISTING ON THE STOCK EXCHANGE

On July 13, 2015, the Company was initially listed on the Euronext Paris Stock Exchange (symbol: ALATP). During 2015 it was listed on the Frankfurt Stock Exchange (symbol: ATI). For further information please see note 27.

### (C) CAPITAL AND BONDS INCREASES

Since December 2014 the Company made several capital market transactions which include issuance of straight bonds, convertible bonds, perpetual notes and equity. For further information please see notes 17 and 19.

### (D) GROUP RATING

On June 16 2016, S&P revised its credit rating of the company to ‘BBB’ with stable outlook from its initial rating of ‘BBB-’ given in December 2015. The rating increase also applies to the company’s straight and convertible bonds. The perpetual notes have rating of BB+.

### (E) DEFINITIONS

Throughout these notes to the interim financial statements:

THE COMPANY	Aroundtown Property Holdings PLC
THE GROUP	The Company and its investees
SUBSIDIARIES	Companies that are controlled by the Company (as defined in IFRS 10) and whose financial statements are consolidated with those of the Company
ASSOCIATES	Companies over which the Company has significant influence (as defined in IAS 28) and that are not subsidiaries. The Company’s investment therein is included in the consolidated financial statements of the Company using equity method of accounting
INVESTEES	Subsidiaries, jointly controlled entities and associates
GCP S.A.	Grand City Properties S.A. (an associate of the Company)
PCI, CAMELBAY, ATF	Primecity Investment PLC, Camelbay Limited and ATF Netherlands BV (subsidiaries of the Company)
RELATED PARTIES	As defined in IAS 24
THE REPORTING PERIOD	The year ended on December 31, 2016



## 2. BASIS OF PREPARATION

### A. STATEMENT OF COMPLIANCE

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS).

Certain consolidated statement of comprehensive income, consolidated statement of financial position and consolidated statement of cash flows' items related to the year ended December 31, 2015 have been reclassified to enhance comparability with 2016 figures and are marked as "reclassified".

These consolidated financial statements were authorized for issuance by the Company's Board of Directors on March 30, 2016.

### B. BASIS OF MEASUREMENT

The consolidated financial statements have been prepared on a going concern basis, applying the historical cost convention, except for the measurement of the following:

- Traded securities at fair value through profit or loss;
- Investment properties are measured at fair value;
- Investments in equity accounted investees;
- Derivative financial instruments;
- Assets and liabilities classified as held for sale;
- Deferred tax assets and liabilities.

### C. USE OF ESTIMATES AND JUDGMENTS

The preparation of consolidated financial statements in accordance with IFRS requires from Management the exercise of judgment, to make estimates and assumptions that influence the application of accounting principles and the related amounts of assets and liabilities, income and expenses. The estimates and underlying assumptions are based on historical experience and various other factors that are deemed to be reasonable based on current knowledge available at that time. Actual results may deviate from such estimates.

The estimates and underlying assumptions are revised on a regular basis. Revisions in accounting estimates are recognized in the period during which the estimate is revised, if the estimate affects only that period, or in the period of the revision and future periods, if the revision affects the present as well as future periods.

In particular, information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amount recognized in the financial statements are described below:

#### FAIR VALUE OF INVESTMENT PROPERTY

The Group uses external valuation reports issued by independent professionally qualified valuers to determine the fair value of its investment properties. Changes in their fair value are recognized in consolidated statement of comprehensive income.

The fair value measurement of investment property requires valuation experts and the Company's management to use certain assumptions regarding rates of return on the Group's assets, future rent, occupancy rates, contract renewal terms, the probability of leasing vacant areas, asset operating expenses, the tenants' financial stability and the implications of any investments made for future development purposes in order to assess the future expected cash flows from the assets. Any change in the assumptions used to measure the investment property could affect its fair value.

#### IMPAIRMENT OF INVESTMENTS IN ASSOCIATES

The Group periodically evaluates the recoverability of investments in associates whenever indicators of impairment are present. Indicators of impairment include such items as declines in revenues, earnings or cash flows or material adverse changes in the economic or political stability of a particular country, which may indicate that the carrying amount of an asset is not recoverable. If facts and circumstances indicate that investment in associates may be impaired, the estimated future undiscounted cash flows associated with these subsidiaries/associates would be compared to their carrying amounts to determine if a write down to fair value is necessary.

#### TAX AND DEFERRED TAX EXPENSES

Significant judgment is required in determining the provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

#### IMPAIRMENT OF INTANGIBLE ASSET

Intangible assets are initially recorded at acquisition cost and are amortized on a straight line basis over their useful economic life. Intangible assets that are acquired through a business combination are initially recorded at fair value at the date of acquisition. Intangible assets with an indefinite useful life are reviewed for impairment at least once per year. The impairment test is performed using the discounted cash flows expected to be generated through the use of the intangible assets, using a discount rate that reflects the current market estimations and the risks associated with the asset. When it is impractical to estimate the recoverable amount of an asset, the Group estimates the recoverable amount of the cash generating unit in which the asset belongs to.

#### IMPAIRMENT OF GOODWILL

Determining whether goodwill is impaired requires an estimation of the value in use of the cash generating units of the Group on which the goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash generating units using a suitable discount rate in order to calculate present value.

#### LEGAL CLAIMS

In estimating the likelihood of outcome of legal claims filed against the Company and its investees, the Group relies on the opinion of their legal counsel. These estimates are based on the legal counsel's best professional judgment, taking into account the stage of proceedings and historical legal precedents in respect of the different issues. Since the outcome of the claims will be determined in courts, the results could differ from these estimates.

#### PROVISIONS

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain.

#### FAIR VALUE HIERARCHY

Please see note 12(b) and 24(iv).

#### D. FUNCTIONAL AND PRESENTATION CURRENCY

The consolidated financial statements are presented in euro which is also the functional currency of the Group, and rounded to the nearest thousand (euro '000), except when otherwise indicated.

### 3. SIGNIFICANT ACCOUNTING POLICIES

#### (A) BASIS OF CONSOLIDATION

The Group's consolidated financial statements comprise the financial statements of the parent company Aroundtown Property Holdings PLC and the financial statements of its subsidiaries. Subsidiaries are entities controlled by the Group. 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 the subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated. Unrealized gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

The Group has considered the impact of the amendment to IFRS 10 – Investment Entities, and has determined that it does not meet the definition of an "Investment entity".

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements and have been applied by all entities in the Group.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those of the Group.

#### CHANGES IN THE GROUP'S OWNERSHIP INTERESTS IN EXISTING SUBSIDIARIES

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognized in other comprehensive income and accumulated in equity, the amounts previously recognized in other comprehensive income and accumulated in equity are accounted for as if the Company had directly disposed of the relevant assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable IFRS). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 Financial Instruments: Recognition and Measurement.

Accounting for business combinations under IFRS 3 only applies if it is considered that a business has been acquired. The Group may invest in subsidiaries that hold properties but do not constitute a business. Those transactions are therefore treated as asset acquisitions rather than business combinations. The Group allocates the cost between the individual identifiable assets and liabilities in the Group based on their relative fair values at the date of acquisitions.

#### (B) BUSINESS COMBINATIONS

Acquisitions of businesses are accounted for using the acquisition method, i.e. when control is transferred to the Group. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognized and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively;
- liabilities or equity instruments related to share based payment arrangements of the acquiree or share based payment arrangements of the Group entered into to replace share based payment arrangements of the acquiree are measured in accordance with IFRS 2 Share based Payment at the acquisition date; and
- Assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard.

Goodwill is initially measured as the excess of the sum of the consideration transferred, the fair value of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognized immediately in the consolidated income statement as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction by transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39, or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in consolidated income statements.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognized in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

## (C) INVESTMENTS IN ASSOCIATES AND EQUITY - ACCOUNTED INVESTEEES

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. A jointly controlled entity is an entity in which two or more parties have interest.

The results and assets and liabilities of associates and equity accounted investees are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. Under the equity method, an investment in an associate is initially recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Group's share of the consolidated income statements and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognized at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

The requirements of IAS 36 are applied to determine whether it is necessary to recognize any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When an entity in the Group transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in the Group's consolidated financial statements, however only to the extent of interests in the associate that are not related to the Group.

## (D) REVENUE RECOGNITION

Revenue is recognized in the consolidated statement of comprehensive income when it can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the Group and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

### RENTAL AND OPERATING INCOME

Rental operating income from investment properties are recognized as revenue on a straight-line basis over the term of the lease. Lease incentives granted are recognized as an integral part of the total rental operating income, over the term of the lease.

Operating income also includes service charges to third parties and payments for utilities if the costs and the amount of the income can be reliably determined. The revenue is recognized once the service is provided.

### OTHER

Other income is used to represent income resulting in the release of provisions, tax repayments, cancellation of debts and others.

## (E) FINANCE INCOME AND EXPENSES

Finance income comprises interest income on funds invested.

Finance expenses comprise interest expense on loans and borrowings, bonds and loans from third parties.

## (F) OTHER FINANCIAL RESULTS

Other financial results represent changes in the time value of provisions, changes in the fair value of traded securities, profit or losses on derivative financial instruments, borrowing and redemption costs, loan arrangement fees and other one-time payments.

Financial expenses are recognized as they accrue in the statement of comprehensive income, using the effective interest method.

## (G) DEFERRED TAX, INCOME TAX AND PROPERTY TAXES

Tax expense comprises current and deferred tax. Current tax and deferred tax is recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

German property taxation includes taxes on the holding of real estate property and construction.

## (H) CURRENT TAX

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

## (I) DEFERRED TAX

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 is not recognized for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries, associates and jointly controlled entities to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and taxable temporary differences arising on the initial recognition of goodwill.

A deferred tax asset is recognized for unused tax losses, tax credits 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.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the assets are realized or the liabilities are settled (liabilities method), based on tax rates/laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

## (J) EQUIPMENT AND INTANGIBLE ASSETS

Equipment is measured at cost less accumulated depreciation and impairment losses.

Depreciation is recognized in profit or loss on the straight line method over the useful lives of each part of an item of equipment. The annual depreciation rates used for the current and comparative periods are as follows:

Furniture, fixtures and office equipment  $\frac{\%}{10-50}$

Depreciation methods, useful lives and residual values are reassessed at the reporting date.

Where the carrying amount of an asset is greater than its estimated recoverable amount, the asset is written down immediately to its recoverable amount.

Expenditure for repairs and maintenance of equipment is charged to profit or loss of the year in which it is incurred. The cost of major renovations and other subsequent expenditure are included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Group. Major renovations are depreciated over the remaining useful life of the related asset.

An item of equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in consolidated income statement.

The intangible assets of the Group consist of goodwill and software. Goodwill arising on the acquisition of subsidiaries is measured at cost less accumulated impairment losses.

Other intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortization, and any accumulated impairment losses.

## (K) DEFERRED INCOME

Deferred income represents income which relates to future periods.

### I. PREPAYMENTS

Payments received in advance on development contracts for which no revenue has been recognized yet, are recorded as prepayments for clients as at the reporting date and carried under liabilities.

### II. TENANCY DEPOSITS

Tenancy deposits are paid to ensure the apartment is returned in good condition. The tenancy deposits can also be used if a loss of rent occurs.

## (L) INVESTMENT PROPERTY

An investment property is property comprising buildings held by the owner to earn rentals or for capital appreciation or both rather than for use in the production or supply of goods or services, for administrative purposes or for sale in the ordinary course of business.

Investment property is measured initially at cost, including costs directly attributable to the acquisition. After initial recognition, investment property is measured at fair value which reflects market conditions at the end of the reporting period. Gains or losses arising from changes in the fair values of investment property are included in profit or loss when they arise.

Investment property is derecognized on disposal or when the investment property ceases to be used and no future economic benefits are expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss in the period of the disposal.

The Group determines the fair value of investment property on the basis of valuations by independent valuers who hold recognized and relevant professional qualifications and have the necessary knowledge and experience.

## (M) ASSETS HELD FOR SALE

Non-current assets or disposal groups, comprising assets and liabilities are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

## (N) FINANCIAL INSTRUMENTS

### 1. NON-DERIVATIVE FINANCIAL ASSETS:

The Group initially recognizes loans and receivables on the date that they are originated. All other financial assets (including assets designated as at fair value through profit or loss) are recognized initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in such transferred financial assets that is created or retained by the Group is recognized as a separate asset or liability.

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 them on a net basis or to realize the asset and settle the liability simultaneously.

The Group classifies non-derivative financial assets into the following categories: financial assets at fair value through profit or loss, loans and receivables.

#### a) Traded securities at fair value through profit or loss

Traded securities are classified as at fair value through profit or loss if it is classified as held-for trading or is designated as such on initial recognition. Traded securities are designated as at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group's documented risk management or investment strategy. Attributable transaction costs are recognized in profit or loss as incurred. Traded securities at fair value through profit or loss are measured at fair value and changes therein, which takes into account any dividend income, are recognized in profit or loss.

Traded securities designated as at fair value through profit or loss comprise equity securities that otherwise would have been classified as available-for-sale.

#### b) Loans and receivables

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, and trade and other receivables.

#### c) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments.

### 2. NON-DERIVATIVE FINANCIAL LIABILITIES

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

### 3. SHARE CAPITAL

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.

### 4. COMPOUND FINANCIAL INSTRUMENTS

Compound financial instruments issued by the Group comprise convertible notes denominated in euro that can be converted to share capital at the option of the holder, when the number of shares to be issued is fixed.

The liability component of a compound financial instrument is recognized initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognized initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts. Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition.

Interest related to the financial liability is recognized in profit or loss. On conversion, the financial liability is reclassified to equity and no gain or loss is recognized.

### 5. DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments are initially accounted for at cost and subsequently measured at fair value. Fair value is calculated using the current values, discounted cash flow analysis or option valuation methods. Derivatives are recorded as assets when their fair value is positive and as liabilities when their fair value is negative. The adjustments on the fair value of derivatives held at fair value are transferred to the consolidated comprehensive income statement.

### 6. BORROWINGS

Borrowings are recorded initially at the proceeds received, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognized in profit or loss over the period of the borrowings using the effective interest method.

### 7. TRADE PAYABLES

Trade payables are initially measured at fair value.

### 8. PERPETUAL NOTES

Perpetual notes are presented as equity attributable to its holders, which is part of the total equity of the Group. The coupon is deferrable based on the Company's discretion until payment resolution of a dividend to the shareholders, and shall be recognized directly in the equity attributable to the Perpetual notes holders. The deferred amounts shall not bear interest.



## (O) DE-RECOGNITION OF FINANCIAL ASSETS AND LIABILITIES

### (I) FINANCIAL ASSETS

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the rights to receive cash flows from the asset have expired;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or
- The Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the assets.

### (II) FINANCIAL LIABILITIES

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the consolidated income statement.

### (P) IMPAIRMENT OF ASSETS

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. Assets that are subject to depreciation or amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

### (Q) OFFSETTING FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the consolidated statement of financial position.

### (R) PROPERTY OPERATING EXPENSES

This item includes operating costs that can be recharged to the tenants and direct management costs of the properties. Maintenance expenses for the upkeep of the property in its current condition, as well as expenditure for repairs are charged to the income statement. Refurbishment that takes place subsequent to the property valuation, thus excluded in its additional value, will also be stated in this account, until the next property valuation.

### (S) OPERATING SEGMENTS

The Group meets the definition of operating in one operating segment. An operating segment is a component of the Group that meets the following three criteria:

- Is engaged in business activities from which it may earn revenues and incur expenses, including revenues and expenses relating to intragroup transactions;
- whose operating results are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance; and
- For which separate financial information is available.

### (T) COMPARATIVES

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current period.

### (U) EARNINGS PER SHARE

Earnings per share are calculated by dividing the net profit attributable to owners of the Company by the weighted number of Ordinary shares outstanding during the period. Basic earnings per share only include shares that were actually outstanding during the period. Potential Ordinary shares (convertible securities such as convertible debentures, warrants and employee options) are only included in the computation of diluted earnings per share when their conversion decreases earnings per share or increases loss per share from continuing operations. Further, potential Ordinary shares that are converted during the period are included in diluted earnings per share only until the conversion date and from that date in basic earnings per share. The Company's share of earnings of investees is included based on the earnings per share of the investees multiplied by the number of shares held by the Company.

### (V) SHARE-BASED PAYMENT TRANSACTIONS

The grant-date fair value of equity-settled share-based payment awards granted to employees is generally 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.

### (W) LEASED ASSETS

Assets held by the Group under leases which transfer to the Group substantially all of the risks and rewards of ownership are classified as finance leases. On initial recognition, the leased asset is measured at an amount equals to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Determining whether an arrangement contains a lease at inception of an arrangement, the Company determines whether such an arrangement is or contains a lease. This will be the case if the following two criteria are met:

- The fulfillment of the arrangement is dependent on the use of a specific asset or assets; and
- The arrangement contains a right to use the asset(s).

At inception or on reassessment of the arrangement, the Company separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Company concludes for a finance lease that it is impracticable to separate the payments reliably, then an asset and a liability are recognized at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance cost on the liability is recognized using the Company's incremental borrowing rate.



## (X) NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after January 1, 2017, and have not been applied in preparing these consolidated financial statements. Those which may be relevant to the Group are set out below. The Group does not plan to early adopt these standards.

### (I) IFRS 9 – FINANCIAL INSTRUMENTS (2009, 2010)

IFRS 9 (2009) introduces new requirements for the classification and measurement of financial assets. Under IFRS 9 (2009), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 (2010) introduces additional changes relating to financial liabilities. The IASB currently has an active project to make limited amendments to the classification and measurement requirements of IFRS 9 and to add new requirements to address the impairment of financial assets and hedge accounting. IFRS 9 is effective for annual reporting periods beginning on or after January 1, 2018, with early adoption permitted.

### (II) IFRS 15 – REVENUE FROM CONTRACTS WITH CUSTOMERS

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customers Loyalty Programs. IFRS 15 is effective for annual reporting periods beginning on or after January 1, 2018, with early adoption permitted.

The following new and revised standards and interpretations are in issue but have not yet been endorsed by the EU and are hence not yet effective for these financial statements.

### (III) IAS 7 – DISCLOSURE INITIATIVE – AMENDMENTS TO IAS 7

The amendment to IAS 7 Statement of Cash Flows are part of the IASB's Disclosure Initiative and require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

### (IV) IFRS 16 – LEASES

IFRS 16 introduces a single, on balance sheet approach to lease accounting for lessees with optional exemptions for short-term leases and leases of low value items.

### (V) IFRS 2 – CLASSIFICATIONS AND MEASUREMENT OF SHARE-BASED PAYMENT TRANSACTIONS

The Group has considered the above new standards, interpretations and amendments to published standards and will continue to evaluate the impact on the Group's consolidated financial statements. At this time, the impact of the above publications is not expected to be material to the Group's consolidated financial statements.

The Group has considered the above new standards and will continue to evaluate the impact on the Group's consolidated financial statements. At this time, the impact of the above publications is not expected to be material to the Group's consolidated financial statements.

## 4. ACQUISITIONS OF SUBSIDIARIES AND NON-CONTROLLING INTERESTS

### A. ACQUISITIONS

During the year the Group obtained control on several companies through business combinations. The significant net impacts on the consolidated statement of comprehensive income and consolidated statements of financial position of the group are as follows:

	H1 2016	H2 2016	Total
	In thousands of euro		
Investment property	830,039	622,557	1,452,596
Cash and Cash equivalents	5,527	1,537	7,064
Total identifiable assets	835,566	624,094	1,459,660
Working capital, net	(3,716)	6,519	2,803
Loans from banks	(124,549)	(120,000)	(244,549)
Other liabilities, net	(114,073)	(93,916)	(207,989)
Total identifiable liabilities	(242,338)	(207,397)	(449,735)
<b>TOTAL IDENTIFIABLE NET ASSETS</b>	<b>593,228</b>	<b>416,697</b>	<b>1,009,925</b>

Non-controlling interests arising from initial consolidation	(51,034)	(1,752)	(52,786)
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Consideration paid regarding acquisition of subsidiaries	(488,319)	(413,693)	(902,012)
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<b>PROFIT ARISING FROM BUSINESS COMBINATIONS</b>	<b>(53,875)</b>	<b>(10,848)</b>	<b>(64,723)</b>
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<b>GOODWILL RECOGNIZED</b>	<b>-</b>	<b>9,596</b>	<b>9,596</b>
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### B. DISPOSALS

During the year, the Group has sold few non-core properties (through share deals) for a total consideration of euro 18.5 million which reflected the book value of the properties.

## 5. CAPITAL GAINS, PROPERTY REVALUATION AND OTHER INCOME

	For the year ended December 31,	
	2016	2015
	In thousands of euro	
Change in fair value in investment property	654,794	605,421
Profit arising from business combinations (Bargain Purchase), capital gains and other income	64,723	209,090
	<b>719,517</b>	<b>814,511</b>

## 6. PROPERTY OPERATING EXPENSES

	For the year ended December 31,	
	2016	2015
	In thousands of euro	
Purchased services	(51,486)	(20,173)
Maintenance and refurbishment	(11,675)	(3,667)
Operational personnel expenses	(3,735)	(1,207)
Depreciation and amortization	(2,006)	(*) (377)
Other operating costs	(6,451)	(3,105)
	<b>(75,353)</b>	<b>(*) (28,529)</b>

(\*) Reclassified.

## 7. ADMINISTRATIVE AND OTHER EXPENSES

	For the year ended December 31,	
	2016	2015
	In thousands of euro	
Personnel expenses	(3,424)	(2,712)
Legal and professional fees	(1,810)	(616)
Year-end closing, accounting and audit expenses	(1,765)	(800)
Sales, marketing and administrative expenses	(922)	(159)
	<b>(7,921)</b>	<b>(*) (4,287)</b>

(\*) Reclassified.

## 8. NET FINANCE EXPENSES

	For the year ended December 31,	
	2016	2015
	In thousands of euro	
<b>A. FINANCE EXPENSES</b>		
Finance expenses from credit institutions and third parties, net	(12,562)	(1,168)
Finance expenses from straight and convertible bonds, net	(34,846)	(19,272)
Other finance expenses	-	(26)
	<b>(47,408)</b>	<b>(20,466)</b>
<b>B. OTHER FINANCIAL RESULTS</b>		
Changes in fair value of financial assets and liabilities, net	(29,951)	14,829
Finance-related costs	(5,932)	(6,960)
	<b>(35,883)</b>	<b>7,869</b>

## 9. TAXATION

### A. TAX RATE APPLICABLE TO THE GROUP

The Company and some of its subsidiaries are subject to taxation under the laws of Cyprus. The corporation tax rate for Cyprus companies in 2016 is 12.5% (2015: 12.5%).

Under certain conditions interest income of the Cyprus companies may be subject to defense contribution at the rate of 30% (2015: 30%). In such cases this interest will be exempt from corporation tax. In certain cases, dividends received from abroad may be subject to defense contribution at the rate of 17% for 2014 and thereafter.

The German subsidiaries are subject to taxation under the laws of Germany. Income taxes are calculated using a federal corporate tax of 15.0% for December 31, 2016, plus an annual solidarity surcharge of 5.5 % on the amount of federal corporate taxes payable (aggregated tax rate: 15.825%). German property taxation includes taxes on the holding of real estate property.

The Luxembourg investees are subject to taxation under the laws of Luxembourg. The corporation tax rate for Luxembourg companies is 29.22% (2015: 29.22%).

The Dutch subsidiaries are subject to taxation under the laws of the Netherlands. The corporation tax rate for Netherlands companies is 25% and 20% for profit before tax above euro 200 thousands and below euro 200 thousands, respectively (2015: the same).

Subsidiaries in other jurisdictions are subject to corporate tax rate of up to 25%.

### B. CURRENT TAXES INCLUDED IN CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended December 31,	
	2016	2015
	In thousands of euro	
Corporation tax	(11,149)	(5,693)
Property tax	(8,761)	(3,571)
<b>CHARGE FOR THE YEAR</b>	<b>(19,910)</b>	<b>(9,264)</b>

C. MOVEMENT ON THE DEFERRED TAXATION ACCOUNT IS AS FOLLOWS:

DEFERRED TAX LIABILITIES

	Other deferred tax liability	Fair value gains on investment property	Total
In thousands of euro			
<b>BALANCE AS AT DECEMBER 31, 2014</b>	<b>3,328</b>	<b>43,286</b>	<b>46,614</b>
Charged to:			
Consolidated statement of comprehensive income	73	98,772	98,845
Deferred tax arising from initial consolidation	-	40,315	40,315
Transfer to other deferred tax	(2,079)	2,079	-
<b>BALANCE AS AT DECEMBER 31, 2015</b>	<b>1,322</b>	<b>184,452</b>	<b>185,774</b>

Charged to:			
Consolidated statement of comprehensive income	26	112,641	112,667
Deferred tax arising from initial consolidation	-	101,536	101,536
Deferred tax disposed from deconsolidation	-	(20,492)	(20,492)
Transfer to Liabilities held for sale	(242)	(13,311)	(13,553)
<b>BALANCE AS AT DECEMBER 31, 2016</b>	<b>1,106</b>	<b>364,826</b>	<b>365,932</b>

DEFERRED TAX ASSETS

	Derivative financial instruments	Deferred taxes – loss carried forward, net	Total
In thousands of euro			
<b>BALANCE AS AT DECEMBER 31, 2014</b>	<b>902</b>	<b>-</b>	<b>902</b>
Charged to:			
Consolidated statement of comprehensive income	-	465	465
Deferred tax arising from initial consolidation	-	138	138
<b>BALANCE AS AT DECEMBER 31, 2015</b>	<b>902</b>	<b>603</b>	<b>1,505</b>

Charged to:			
Consolidated statement of comprehensive income	1,300	8,656	9,956
Deferred tax arising from initial consolidation	-	4,354	4,354
Transfer to Assets held for sale	(312)	-	(312)
<b>BALANCE AS AT DECEMBER 31, 2016</b>	<b>1,890</b>	<b>13,613</b>	<b>15,503</b>

## 10. NET EARNINGS PER SHARE ATTRIBUTABLE TO THE OWNERS OF THE COMPANY

### A. BASIC EARNINGS PER SHARE

The calculation of basic earnings per share as of December 31, 2016 is based on the profit attributable to ordinary shareholders of euro 728,209 thousand (2015: euro 686,892 thousand), and a weighted average number of ordinary shares outstanding of 653,155 thousand (2015: 547,049 thousand), calculated as follows:

#### 1. PROFIT ATTRIBUTED TO ORDINARY SHAREHOLDERS (BASIC)

	Year ended December 31,	
	2016	2015
	In thousands of euro	
Profit for the year, attributable to the owners of the Company	728,209	686,892

#### 2. WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES (BASIC)

	Year ended December 31,	
	2016	2015
	In thousands of euro	
Issued ordinary shares on January 1	600,141	500,000
Capital increase	46,835	46,978
Effect of exercise of convertible bond	6,179	71
<b>WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES AS AT DECEMBER 31,</b>	<b>653,155</b>	<b>547,049</b>

<b>BASIC EARNINGS PER SHARE (IN EURO)</b>	<b>1.11</b>	<b>1.26</b>
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### B. DILUTED EARNINGS PER SHARE

The calculation of diluted earnings per share at December 31, 2016 is based on profit attributable to ordinary shareholders of euro 717,931 thousand (2015: euro 640,071 thousand), and a weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares of 829,458 thousand (2015: 632,880 thousand), calculated as follows:

#### 1. PROFIT ATTRIBUTED TO ORDINARY SHAREHOLDERS (DILUTED)

	Year ended December 31,	
	2016	2015
	In thousands of euro	
Profit for the year, attributable to the owners of the Company (basic)	728,209	686,892
Interest expense on convertible bonds, net of tax	22,531	10,746
Effect of traded investees	(32,809)	(57,567)
<b>PROFIT FOR THE YEAR, ATTRIBUTABLE TO THE OWNERS OF THE COMPANY (DILUTED)</b>	<b>717,931</b>	<b>640,071</b>

#### 2. WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES (DILUTED)

	Year ended December 31,	
	2016	2015
	In thousands of euro	
As at the beginning of the year	600,141	500,000
Capital increase	46,836	46,978
Effect of exercise of convertible bond	182,481	85,902
<b>WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES AS AT DECEMBER 31,</b>	<b>829,458</b>	<b>632,880</b>

<b>DILUTED EARNINGS PER SHARE (IN EURO)</b>	<b>0.87</b>	<b>1.01</b>
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## 11. EQUIPMENT AND INTANGIBLE ASSETS

	Furniture, fixtures and office equipment	Goodwill	Computer software	Total
	In thousands of euro			
<b>COST</b>				
Balance as at December 31, 2014	827	4,524	490	5,841
Additions	916	-	41	957
Balance as at December 31, 2015	1,743	4,524	531	6,798
Additions	6,353	-	300	6,653
Equipment and intangible assets arising from initial consolidation, net	3,433	9,596	-	13,029
Balance as at December 31, 2016	11,529	14,120	831	26,480
<b>DEPRECIATION/AMORTIZATION</b>				
Balance as at December 31, 2014	758	64	476	1,298
Depreciation/Amortization for the year	368	-	9	377
Balance as at December 31, 2015	1,126	64	485	1,675
Depreciation/Amortization for the year	1,980	-	26	2,006
Balance as at December 31, 2016	3,106	64	511	3,681
<b>CARRYING AMOUNTS</b>				
Balance as at December 31, 2015	617	4,460	46	5,123
Balance as at December 31, 2016	8,423	14,056	320	22,799

## 12. INVESTMENT PROPERTY

### A. COMPOSITION

	Year ended December 31,	
	2016	2015
	In thousands of euro	
Balance at January 1	2,430,595	426,303
Acquisitions of investment property	822,096	(*) 751,286
Investment property arising from initial consolidation	1,452,596	647,585
Deconsolidations of investment property	(195,250)	-
Fair value adjustments	654,794	(*) 605,421
Transfer to Assets held for sale	(148,596)	-
<b>BALANCE AS AT DECEMBER 31</b>	<b>5,016,235</b>	<b>2,430,595</b>

(\*) Reclassified.

### B. MEASUREMENT OF FAIR VALUE

#### (I) FAIR VALUE HIERARCHY

The fair value of the properties of the Group is determined at least once a year by external, independent and certified valuers, mainly Jones Lang LaSalle GmbH (JLL) and additionally by Knight Frank and Cushman and Wakefield (CW), who are considered as leading appraisers in the European real estate market. The fair value of the properties was prepared in accordance with the RICS Valuation- Professional Standards (current edition) published by the Royal Institution of Chartered Surveyors (RICS) as well as the standards contained within the TEGoVA European Valuations Standards, and in accordance with IVSC International Valuation Standard (IVS), the International Accounting Standard (IAS), International Financial Reporting Standards (IFRS) as well as the current guidelines of the European Securities and Market Authority (ESMA) based on the Market Value. This is included in the General Principles and is adopted in the preparation of the valuations reports of the appraisers.

The Company and the valuers confirm that there is no actual or potential conflict of interest that may have influenced the valuers status as external and independent valuator. The valuation fee is determined on the scope of complexity of the valuation report.

The main range of the discount rates applied to the net annual rentals to determine the fair value of property is between 5.00%-8.90%.

All the investment property in the group in total fair value amount of euro 5,016 million (2015: euro 2,431 million) has been categorized as a Level 3 fair value based on the inputs to the valuation technique used.

#### (II) LEVEL 3 FAIR VALUE

The table in part A above shows reconciliation from the opening balances to the closing balances for Level 3 fair values.

### VALUATION TECHNIQUE AND SIGNIFICANT UNOBSERVABLE INPUTS

#### VALUATION TECHNIQUE

Discounted cash flows: 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 period 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.

#### SIGNIFICANT UNOBSERVABLE INPUTS

- Assumed market rental growth weighted average 1.96%;
- Void periods – mainly 4-15 months after the end of each lease;
- Risk adjusted discount rates in the range of 5.00%-8.90%. Weighted average 6.4%.

#### INTER-RELATIONSHIP BETWEEN KEY UNOBSERVABLE INPUTS AND FAIR VALUE MEASUREMENT

The estimated fair value would increase (decrease) if:

- Expected market rental growth is higher (lower);
- Void periods were shorter (longer);
- The occupancy rates were higher (lower);
- The risk-adjusted discount rate is lower (higher).



## 13. INVESTMENTS IN EQUITY-ACCOUNTED INVESTEEES

### COMPOSITION

	Year ended December 31,	
	2016	2015
	In thousands of euro	
Balance as at January 1	1,183,148	908,435
Additions, net	176,832	(*) 140,575
Share of profit from associates	197,064	(*) 134,138
<b>BALANCE AS AT DECEMBER 31</b>	<b>1,557,044</b>	<b>1,183,148</b>

(\*) Reclassified.

## 14. OTHER NON-CURRENT ASSETS

	As at December 31,	
	2016	2015
	In thousands of euro	
Tenancy deposit	3,737	2,593
Finance lease asset	1,140	1,381
Long term financial investments	128,932	331,767
	<b>133,809</b>	<b>335,741</b>

## 15. TRADE AND OTHER RECEIVABLES

	As at December 31,	
	2016	2015
	In thousands of euro	
Rent and other receivables	13,688	(*) 7,514
Operating costs receivables	69,544	(*) 30,025
Prepaid expenses	9,482	1,529
Current tax assets	4,306	3,470
Other short term financial assets	14,273	3,024
	<b>111,293</b>	<b>45,562</b>

(\*) Reclassified.

(a) The fair values of trade and other receivables due within one year approximate to their carrying amounts as presented above.

## 16. DISPOSAL GROUP HELD FOR SALE

In fourth quarter 2016, the Group management committed to a plan to sell few properties, some of them through sale of subsidiaries. Accordingly, assets and liabilities which are included in the disposal group are presented as a disposal group held for sale.

Efforts to sell the disposal group have started and a sale is expected within twelve months. No impairment loss was recognized on reclassification of the disposal group as held for sale.

The major classes of assets and liabilities comprising the disposal group classified as held for sale are as follows:

	As at December 31,	
	2016	2015
	In thousands of euro	
<b>ASSETS CLASSIFIED AS HELD FOR SALE</b>		
Investment property	148,596	-
Cash and cash equivalents	2,378	-
Other assets	4,345	-
<b>TOTAL ASSETS CLASSIFIED AS HELD FOR SALE</b>	<b>155,319</b>	-
<b>LIABILITIES CLASSIFIED AS HELD FOR SALE</b>		
Loans and borrowings	28,626	-
Deferred tax liabilities	13,553	-
Other liabilities	4,358	-
<b>TOTAL LIABILITIES CLASSIFIED AS HELD FOR SALE</b>	<b>46,537</b>	-

## 17. EQUITY

### A. SHARE CAPITAL

	2016		2015	
	Number of shares	In thousands of euro	Number of shares	In thousands of euro
<b>AUTHORIZED</b>				
Ordinary shares of EUR 0.01 each	1,500,000,000	15,000	1,500,000,000	15,000
<b>ISSUED AND FULLY PAID</b>				
Balance as of January 1	600,141,641	6,001	22,200	38
Subdivision of shares to nominal value of euro 0.01 per share	-	-	3,774,000	-
Issuance and payment on authorized shares	-	-	496,203,800	4,962
Capital increase in July 2015	-	-	100,000,000	1,000
Capital increase in April 2016	65,000,000	650	-	-
Exercise of Convertible bond series B into ordinary shares	11,126,832	112	141,641	1
<b>BALANCE ON DECEMBER 31</b>	<b>676,268,473</b>	<b>6,763</b>	<b>600,141,641</b>	<b>6,001</b>

### B. AUTHORIZED CAPITAL

Under its Memorandum of association the Shareholders set the authorized share capital at 50,000 ordinary shares of nominal value of euro 1.71 each.

In February 2015, as a part of capital restructuring process, the Company increased its authorized ordinary shares to 1,500,000,000, out of which the issued and fully paid was increased to 500,000,000, with an adjusted par value of euro 0.01 for each share.

### C. ISSUED CAPITAL

Upon incorporation on May 7, 2004 the Company issued 5,550 ordinary shares of euro 1.71 each, at par value, to the subscribers.

On November 28, 2014, the Company issued 16,650 ordinary shares of euro 1.71 each.

On July 13, 2015, the Company successfully issued additional 100,000,000 ordinary shares (of euro 0.01 nominal value each) for euro 3.2 each, by way of private placement to institutional investors. The gross proceeds from the issuance of these shares were euro 320 million.

On April 14, 2016, the Company successfully issued additional 65,000,000 ordinary shares (of euro 0.01 nominal value each) for euro 4.1 each, by way of private placement to institutional investors. The gross proceeds from the issuance of these shares were euro 266.5 million.

During the reporting period, a total amount of euro 38.2 million nominal values of the Convertible bond series B were converted into shares. According to the convertible bonds terms, 11.1 million shares were issued.

### D. ISSUANCE OF PERPETUAL NOTES

(1) On October 17, 2016, the ATF successfully placed euro 500 million in aggregate principal amounts of Perpetual notes. These notes were issued at a price of 96.392% of the principal amount. These Perpetual notes are of unlimited duration and can only be called back by the Company only on certain contractually fixed dates or occasions. Up until the first call date in January 2023, the Perpetual notes shall bear a coupon rate of 3.75% p.a. In case the Company does not exercise its call right at that point, the coupon rate applied until the next call date (January 2028) shall correspond to the five-year swap rate plus a margin of 437.5 basis points p.a. The mark-up will increase by 25 basis points (to 462.5 basis points p.a.) as of January 2029 and by another 75 basis points (to 537.5 basis points p.a.) commencing on January 2044.

(2) On January 17, 2017, ATF successfully placed a tap issue of additional euro 100 million in aggregate principal amounts of the Perpetual notes for an issuance price of 94.891% of the principal amount. See also note 27.

### E. SHARE PREMIUM AND OTHER CAPITAL RESERVES

The capital reserves include share premium derives directly from the capital increases occurred since the date of incorporation and from conversions of convertible bonds into ordinary shares, that can be distributed at any time. The account also consist the equity components of convertible bonds, and share-based payments reserves which temporarily cannot be distributed.

### F. RESOLUTION OF DIVIDEND DISTRIBUTION

On November 18, 2016, the shareholders' Annual General Meeting resolved upon the distribution of cash dividend in the amount of euro 0.051 per share (total gross amount of euro 34.5 million) in accordance with the proposal of the board of directors. Ex-date and payment date were set to be on November 22, 2016 and December 23, 2016, respectively.

## 18. SHARE BASED PAYMENT AGREEMENTS

### A. DESCRIPTION OF SHARE-BASED PAYMENT ARRANGEMENTS

On December 31, 2016 and 2015, the Group had the following share-based payment arrangements:

#### (I) INCENTIVE SHARE PLAN

The annual general meeting has approved to authorize the board of Directors to issue up to five million shares for an incentive plan for the board of directors, key management and senior employee's. The incentive plan has up to 4 years vesting period with specific milestones to enhance management long term commitment to Aroundtown strategic targets. Main strategic targets are long term improvement in operational and financial targets such as Like for Like vacancy reduction and like-for-like rent increase, operational efficiency, increase in adjusted EBIDTA per share, FFO per share and EPS. Management will be incentivized for keeping conservative financial ratios, with the strategic target to further improve the Group's rating.

The key terms and conditions related to program are as follows:

Incentive granted to Board of Directors, key management and senior employees	Number of instruments (in thousands)
during 2016	1,073

During the reporting period, the total amount recognized as share-based payment was euro 2,110 thousand. It was presented as administrative and other expenses in the consolidated statement of comprehensive income and as share-based payment reserve in the consolidated statement of changes in equity.

## 19. LOANS, BORROWINGS AND BONDS

### A. COMPOSITION

	Weighted average interest rate	Maturity date	As at December 31,	
			2016	2015
In thousands of euro				
<b>NON-CURRENT</b>				
Bank loans	2.3%	2017-2031	962,007	515,913
<b>TOTAL NON-CURRENT BANK LOANS</b>			<b>962,007</b>	<b>515,913</b>
Convertible bond series A in PCI	4%	2019	30,359	110,222
Straight bond series A	3%	2021	37,449	187,923
Convertible bond series B	3%	2020	394,048	425,914
Convertible bond series C	1.5%	2021	284,279	281,585
Straight bond series D	1.5%	2022	571,349	-
Straight bond series E	1.5%	2024	616,136	-
Straight bond series F	2.125%	2023	489,031	-
<b>TOTAL NON-CURRENT PORTION OF STRAIGHT AND CONVERTIBLE BONDS</b>			<b>2,422,651</b>	<b>1,005,644</b>
<b>CURRENT</b>				
Bank loans	2.3%	2017	29,499	15,142
Loan redemption and notes			-	78,150
<b>TOTAL CURRENT LOANS</b>			<b>29,499</b>	<b>93,292</b>

## B.

### 1. CONVERTIBLE BOND SERIES A OF PCI

On November 13, 2014, PCI successfully completed the placement of a euro 100 million convertible bond maturing in 2019, convertible into ordinary shares of PCI. The convertible bond bears a coupon of 4% p.a., payable semi-annually in arrears. The initial conversion price was fixed at euro 3.00. The bond was issued at 100% of its principle amount and will be redeemed at maturity at 110% of its principle amount. On February 13, 2015, PCI has successfully tapped up its convertible bond series with an additional principal amount of euro 50 million, resulting in a total principal amount of euro 150 million. The tap of the convertible bond series was issued at 105% of its principal amount and has the same characteristics of the previous tranche issued in November 2014 and described above.

Since the issuance of the convertible bond and until December 31, 2016, a total amount of euro 120.5 million nominal value of the convertible bond was converted into shares of PCI (out of which euro 80.7 million in the reporting period).

On March 13, 2017, PCI redeemed the outstanding convertible bond series A – see note 27 for further info.

	Year ended December 31,	
	2016	2015
	In thousands of euro	
Balance at the beginning of the year	112,442	97,254
Proceeds from tap issuance of PCI convertible bond (500 notes at euro 100,000 par value each) (a)	-	52,500
Transaction costs	-	(835)
Net proceeds during the year	-	51,665
Amount classified as non-controlling interests (a)	-	(489)
Expenses for the year	989	7,145
Expenses paid	(2,408)	(4,534)
Conversion to ordinary shares of PCI	(79,791)	(38,599)
Carrying amount of liability at the end of the year	31,232	112,442
Non-current portion of Convertible bond of PCI	30,359	110,222
Accrued interest	156	581
Total Convertible bond of PCI	30,515	110,803
Deferred income (a)	717	1,639

(a) This amount includes additional euro 2.5 million that were received as part of the bond placement (reflecting 5% of the par value), out of which euro 0.5 million were allocated as non-controlling interests pursuant to an external economic valuation. The residual amount of euro 2 million was allocated as deferred income and is presented in the other long term liabilities account balance.

### 2. STRAIGHT BOND SERIES A

On December 9, 2014, the Company successfully completed with placement of a euro 161 million (nominal value) unsubordinated, senior secured straight bond maturing in December 2021 with a coupon of 3% p.a., payable semi-annually in arrears, for a consideration that reflects 94% of its principal amount. In January 2015, the Company completed a tap up of the series A bonds in an additional principal amount of euro 39 million for a price of 94% of the principal amount, resulting in a total nominal amount of euro 200 million.

During the reporting period, the Group paid euro 166.5 million to acquire euro 160.4 million nominal value of straight bond series A, which were cancelled from trading thereafter. As a consequence, the Group recognized a loss of euro 12.3 million in its financial expenses.

On March 29, 2017, the Company announced the redemption of the outstanding straight bond series A – see note 27 for further info.

	Year ended December 31,	
	2016	2015
	In thousands of euro	
Balance at the beginning of the year	188,284	150,813
Proceeds from issuance of straight bond series A (390 notes at euro 100,000 par value)	-	36,660
Transaction costs	(302)	(868)
Net proceeds during the year	(302)	35,792
Expenses for the year	7,257	7,679
Expenses paid	(3,594)	(6,000)
Cancellation of nominal amounts	(154,124)	-
Carrying amount of liability at the end of the year	37,521	188,284
Non-current portion of straight bond series A	37,449	187,923
Accrued interest	72	361
Total straight bond series A	37,521	188,284

### 3. CONVERTIBLE BOND SERIES B

On May 5, 2015, the Company successfully completed with placement of a euro 450 million senior, unsecured convertible bond convertible into new ordinary shares of the Company and maturing in May 2020. The bond was placed by the Company to institutional investors, with a coupon of 3% p.a., payable semi-annually in arrears, at an issue price of 95.68% of its principal amount, and will be redeemed in maturity at par value. The initial conversion price was set at euro 3.53 per share. Due to capital increase in July 2015 as well as dividend distribution in December 2016, the conversion price has been adjusted to 3.4395 and then to 3.3763, respectively.

Since the issuance of the convertible bond and until December 31, 2016, a total amount of euro 38.7 million nominal value of the convertible bond was converted into ordinary shares of the Company (out of which euro 38.2 million in the reporting period).

	Year ended December 31,	
	2016	2015
	In thousands of euro	
Balance at the beginning of the year	427,988	-
Proceeds from issuance of convertible bond series B (4,500 notes at euro 100,000 par value each)	-	430,560
Transaction costs	(287)	(3,330)
Net proceeds during the year	(287)	427,230
Amount classified as equity	-	(4,029)
Expenses for the year	17,642	11,999
Expenses paid	(13,026)	(6,750)
Conversion to ordinary shares	(36,360)	(462)
Carrying amount of liability at the end of the year	395,957	427,988
Non-current portion of convertible bond series B	394,048	425,914
Accrued interest	1,909	2,074
Total convertible bond series B	395,957	427,988

### 4. CONVERTIBLE BOND SERIES C

On December 15, 2015, the Company successfully completed with placement of a euro 300 million senior, unsecured convertible bond convertible into new ordinary shares of the Company and maturing in January 2021. The bond was placed by the Company to institutional investors, with a coupon of 1.5% p.a., payable semi-annually in arrear, at an issue price of 97.05% of its principal amount, and will be redeemed in maturity at par value. The initial conversion price was set at euro 5.79 per share. Due to the dividend distribution occurred in December 2016, the conversion price was adjusted to euro 5.6862 per share.

	Year ended December 31,	
	2016	2015
	In thousands of euro	
Balance at the beginning of the year	281,745	-
Proceeds from issuance of convertible bond series C (3,000 notes at euro 100,000 par value each)	-	291,150
Transaction costs	(902)	(2,609)
Net proceeds during the year	(902)	288,541
Amount classified as equity	-	(7,076)
Expenses for the year	8,106	280
Expenses paid	(2,626)	-
Carrying amount of liability at the end of the year	286,323	281,745
Non-current portion of convertible bond series C	284,279	281,585
Accrued interest	2,044	160
Total convertible bond series C	286,323	281,745

## 5. STRAIGHT BOND SERIES D

On April 26, 2016, the Company successfully completed the placement of a euro 600 million (nominal value) senior, unsecured straight bond maturing in May 2022, which bears a coupon of 1.5% p.a., payable annually in arrears, for a consideration that reflects 95.542% of its principal amount.

On November 1, 2016, the Company's fully owned subsidiary ATF Netherlands BV was substituted for the Company as the primary obligor under the bond, and the Company granted an unconditional and irrevocable guarantee of all payments under the bond.

	Year ended December 31	
	2016	2015
	In thousands of euro	
Balance at the beginning of the year	-	-
Proceeds from issuance of straight bond series D (6,000 notes at euro 100,000 par value)	573,252	-
Transaction costs	(5,177)	-
Net proceeds during the year	568,075	-
Expenses for the year	9,241	-
Expenses paid	-	-
Carrying amount of liability at the end of the year	577,316	-
Non-current portion of straight bond series D	571,349	-
Accrued interest	5,967	-
Total straight bond series D	577,316	-

## 6. STRAIGHT BOND SERIES E

On July 11, 2016, the Company successfully completed the placement of a euro 500 million (nominal value) senior, unsecured straight bond maturing in July 2024, which bears a coupon of 1.5% p.a., payable annually in arrears, for a consideration that reflects 95.312% of its principal amount.

On November 1, 2016, the Company's wholly owned subsidiary ATF Netherlands BV was substituted for the Company as the primary obligor under the bond, and the Company granted an unconditional and irrevocable guarantee of all payments under the bond.

On November 2, 2016, ATF successfully completed the tap up placement of additional euro 150 million (nominal value) of straight bond series E, for a consideration that reflected 96.297% of its principal amount. As a result, the total aggregated principal amount of the straight bond series E increased to euro 650 million (nominal value).

	Year ended December 31	
	2016	2015
	In thousands of euro	
Balance at the beginning of the year	-	-
Proceeds from issuance of straight bond series E (5,000 notes at euro 100,000 par value)	476,560	-
Proceeds from issuance of straight bond series E (1,500 notes at euro 100,000 par value)	144,446	-
Transaction costs	(6,552)	-
Net proceeds during the year	614,454	-
Expenses for the year	5,475	-
Expenses paid	-	-
Carrying amount of liability at the end of the year	619,929	-
Non-current portion of straight bond series E	616,136	-
Accrued interest	3,793	-
Total straight bond series E	619,929	-

## 7. STRAIGHT BOND SERIES F

On December 6, 2016, ATF successfully completed the placement of a euro 500 million (nominal value) senior, unsecured straight bond maturing in March 2023, which bears a coupon of 2.125% p.a., payable annually in arrears, for a consideration that reflects 99.003% of its principal amount. The bond was issued by ATF and is unconditionally and irrevocably guaranteed by the Company.

For further information regarding an additional tap issue of the bond that occurred after the reporting period, please see note 27.

	Year ended December 31	
	2016	2015
	In thousands of euro	
Balance at the beginning of the year	-	-
Proceeds from issuance of straight bond series F (5,000 notes at euro 100,000 par value)	495,015	-
Transaction costs	(6,058)	-
Net proceeds during the year	488,957	-
Expenses for the year	598	-
Expenses paid	-	-
Carrying amount of liability at the end of the year	489,555	-
Non-current portion of straight bond series F	489,031	-
Accrued interest	524	-
Total straight bond series F	489,555	-

## 8. STRAIGHT BOND SERIES G

During December 2016, ATF successfully completed the placement of a euro 30 million (nominal value) senior, unsecured coupon-free short term note maturing in December 2017, for a consideration that reflects 99.98% of its principal amount. The bond was issued by ATF and is unconditionally and irrevocably guaranteed by the Company. The bond is presented under the Credit from financial institutions account in the consolidated statement of financial position.



## C.

This note provides an overview of certain of the covenants applicable to the Company under its outstanding series of bonds. The complete terms and conditions of each series of bonds are set forth in the relevant bond documentation. Capitalized terms used in this note have the meanings set forth in the terms and conditions of the relevant series of bond.

Under the terms of its outstanding series of bonds, the Company has undertaken that it will not, and will procure that none of its Restricted Subsidiaries will, incur any Indebtedness if, immediately after giving effect to the incurrence of such additional Indebtedness and the application of the net proceeds of such incurrence: the sum of:

(i) the Consolidated Indebtedness (less Cash and Cash Equivalents) as at the Last Reporting Date; and (ii) the Net Indebtedness (less Cash and Cash Equivalents) incurred since the Last Reporting Date would exceed 50 per cent or 60 per cent. (depending on the relevant series of bonds) of the sum of (without duplication): (i) the Total Assets (less Cash and Cash Equivalents) as at the Last Reporting Date; and (ii) the purchase price of any Real Estate Property acquired or contracted for acquisition by the Group since the Last Reporting Date; and (iii) the proceeds of any Indebtedness incurred since the Last Reporting Date (but only to the extent that such proceeds were not used to acquire Real Estate Property or to reduce Indebtedness); and

(i) the Consolidated Secured Indebtedness (less Cash and Cash Equivalents) as at the Last Reporting Date; and (ii) the Net Secured Indebtedness (less Cash and Cash Equivalents) incurred since the Last Reporting Date shall not exceed 45 per cent. of the sum of (without duplication): (i) the Total Assets (less Cash and Cash Equivalents) as at the Last Reporting Date; (ii) the purchase price of any Real Estate Property acquired or contracted for acquisition by the Group since the Last Reporting Date; and (iii) the proceeds of any Indebtedness incurred since the Last Reporting Date (but only to the extent that such proceeds were not used to acquire Real Estate Property or to reduce Indebtedness).

The Company has also undertaken that the sum of: (i) the Unencumbered Assets (less Cash and Cash Equivalents) as at the Last Reporting Date; and (ii) the Net Unencumbered Assets (less Cash and Cash Equivalents) newly recorded since the Last Reporting Date will at no time be less than 125 per cent. of the sum of: (i) the Unsecured Indebtedness (less Cash and Cash Equivalents) at the Last Reporting Date; and (ii) the Net Unsecured Indebtedness (less Cash and Cash Equivalents) incurred since the Last Reporting Date.

The Company has also undertaken that on each Reporting Date, the Interest Coverage Ratio will be at least 1.5, 1.8, 1.86 or 2.0 (depending on the relevant series of bond).

In addition, under the Series A Bonds, the Company has undertaken that it will, up to and including the Final Discharge Date, procure that Net Debt shall not exceed: (a) at any time, 55% of the Portfolio Value; and (b) 50% of the Portfolio Value for a period of more than six (6) months;

The Company's outstanding series of bonds also generally prohibit the Company from issuing additional bonds with the benefit of security interests unless the same security is granted to the Company's outstanding unsecured bonds equally and rateably.

Certain of the Company's bond series also limit the ability of Restricted Subsidiaries to encumber or restrict their ability to (i) pay dividends to the Company, (ii) make payments on indebtedness owed to the Company, (iii) make loans or advances to the Company or other Restricted Subsidiaries, or (iv) transfer their properties or assets to the Company or any other Restricted Subsidiaries, subject, in each case, to certain carve-outs without respect to, among other things, (a) Subsidiary Project Financing, (b) Project Financing Debt, (c) purchase money obligations for property acquired in the ordinary course of business, (d) customary provisions in joint venture, asset sale and other types of agreements, (e) security granted in connection with Relevant Indebtedness, and (f) the granting of guarantees or indemnities in connection with the issue of Further Bonds by other members of the Group.

## (3) OTHER PLEDGE

In addition to the pledge above, as of December 31, 2016, out of the Company's total holding in GCP S.A. 19.5 million of GCP S.A.'s shares are pledged due to a facility agreement.

## 20. DERIVATIVE FINANCIAL INSTRUMENTS

	As at December 31,	
	2016	2015
	In thousands of euro	
<b>LIABILITIES</b>		
Non-current portion	<b>6,896</b>	<b>3,590</b>

The Group uses interest rate swaps, collars, caps and floors ("hedging instruments") to manage its exposure to interest rate movements on its bank borrowings. All of the Group's derivatives financial instruments are linked to the bank loans maturity.

The calculation of the fair value of hedging instruments is based on discounted cash flows of future anticipated interest payments in place compared with the discounted cash flows of anticipated interest payments at market interest rates based on the hedging instrument agreement at the reporting date.

## 21. OTHER NON-CURRENT LIABILITIES

	As at December 31,	
	2016	2015
	In thousands of euro	
Tenancy deposits	4,156	741
Finance lease liability	1,139	1,381
Long term payables	35,535	58,675
Deferred income	717	1,639
	<b>41,547</b>	<b>62,436</b>

## 22. RELATED PARTY TRANSACTIONS

The transactions and balances with related parties are as follows:

	As at December 31,	
	2016	2015
	In thousands of euro	
Interest expenses on loans from shareholders and related parties	-	(26)

	As at December 31,	
	2016	2015
	In thousands of euro	
Rental and operating expenses to related party during the year	<b>(179)</b>	-

There were no transactions between the group and its key management during the year (except as described in note 18).

## 23. TRADE AND OTHER PAYABLES

	As at December 31,	
	2016	2015
	In thousands of euro	
Trade and other payables	39,554	43,528
Prepayments received on operating costs	57,000	18,978
Deferred income	6,258	657
Other short term liabilities	4,909	32,808
	<b>107,721</b>	<b>95,971</b>

The fair values of trade and other payables due within one year approximate to their carrying amounts as presented above.

## 24. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

### FINANCIAL RISK FACTORS

The Group is exposed to the following major risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Operating risk
- Market risk

The Group is not exposed to currency risk as all its investments and financing arrangements are in euro.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework.

The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and in the Group's activities.

#### (I) CREDIT RISK

Credit risk arises because a failure by counter parties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the reporting date. The Group has no significant concentration of credit risk. The Group has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history and monitors on a continuous basis the ageing profile of its receivables.

#### TRADE AND OTHER RECEIVABLES

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each tenant. The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified.

#### CASH AND CASH EQUIVALENTS

The Group held cash and cash equivalents of euro 641 million as at December 31, 2016 (December 31, 2015: euro 121 million), which represents its maximum credit exposure on these assets.

**(II) LIQUIDITY RISK**

Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match. An unmatched position potentially enhances profitability, but can also increase the risk of loss. The Group has procedures with the object of minimizing such losses such as maintaining sufficient cash and other highly liquid current assets and by having available an adequate amount of committed credit facilities.

The following are the remaining contractual maturities at the end of the reporting period and at the end of 2015 of financial liabilities, including estimated interest payments, the impact of derivatives and excluding the impact of netting agreements:

**AS AT DECEMBER 31, 2016**

			Contractual cash flows including interest				
	Carrying amount	Total	2 months or less	2-12 months	1-2 years	2-3 years	more than 3 years
In thousands of euro							
<b>NON-DERIVATIVE FINANCIAL LIABILITIES</b>							
Loans and notes	991,506	1,113,120	2,629	52,036	155,610	73,339	829,506
Straight bonds	1,724,321	1,993,910	-	22,558	30,563	30,563	1,910,226
Convertible bonds	713,512	810,727	2,250	15,769	18,019	50,469	724,220
Trade payables	39,554	39,554	6,592	32,962	-	-	-
<b>TOTAL</b>	<b>3,468,893</b>	<b>3,957,311</b>	<b>11,471</b>	<b>123,325</b>	<b>204,192</b>	<b>154,371</b>	<b>3,463,952</b>

**AS AT DECEMBER 31, 2015**

			Contractual cash flows including interest				
	Carrying amount	Total	2 months or less	2-12 months	1-2 years	2-3 years	more than 3 years
In thousands of euro							
<b>NON-DERIVATIVE FINANCIAL LIABILITIES</b>							
Loans and notes	609,205	778,205	65,034	47,144	131,278	108,217	426,532
Straight bonds	188,284	236,000	-	6,000	6,000	6,000	218,000
Convertible bonds	820,536	1,007,626	-	22,126	24,000	24,000	937,500
Trade payables	43,528	43,528	7,254	36,274	-	-	-
<b>TOTAL</b>	<b>1,661,553</b>	<b>2,065,359</b>	<b>72,288</b>	<b>111,544</b>	<b>161,278</b>	<b>138,217</b>	<b>1,582,032</b>

**(III) OPERATING RISK**

Operational risk is the risk that derives from the deficiencies relating to the Group's information technology and control systems as well as the risk of human error and natural disasters. The Group's systems are evaluated, maintained and upgraded continuously.

## (IV) ACCOUNTING CLASSIFICATIONS AND FAIR VALUES

### FAIR VALUE HIERARCHY

The table below analyzes financial instruments carried at fair value, by the levels in the fair value hierarchy. The different levels have been defined as follows:

**Level 1:** Quoted prices (unadjusted) in active markets for identical assets or liabilities.

**Level 2:** Inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

**Level 3:** Inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

	Level 1	Level 2	Level 3	Total
	In thousands of euro			
<b>DECEMBER 31, 2016</b>				
Traded securities at fair value through profit or loss	180,810	-	-	180,810
<b>TOTAL ASSETS</b>	<b>180,810</b>	<b>-</b>	<b>-</b>	<b>180,810</b>
Derivative financial instruments	-	6,896	-	6,896
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>6,896</b>	<b>-</b>	<b>6,896</b>
<b>DECEMBER 31, 2015</b>				
Traded securities at fair value through profit or loss	261,527	-	-	261,527
<b>TOTAL ASSETS</b>	<b>261,527</b>	<b>-</b>	<b>-</b>	<b>261,527</b>
Derivative financial instruments	-	3,590	-	3,590
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>3,590</b>	<b>-</b>	<b>3,590</b>

(a) The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at each reporting date.

(b) All of the Group's derivative financial instruments are linked to the bank loan maturities. The calculation of the fair value of hedging instruments is based on discounted cash flows of future anticipated interest payments in place compared with the discounted cash flows of anticipated interest payments at market interest rates based on the hedging instrument agreement at the reporting date.

### (V) OTHER RISKS

The general economic environment prevailing internationally may affect the Group's operations to a great extent. Economic conditions such as inflation, unemployment, and development of the gross domestic product are directly linked to the economic course of every country and any variation in these and the economic environment in general may create chain reactions in all areas hence affecting the Group.

### CAPITAL MANAGEMENT

The Group manages its capital to ensure that it will be able to continue as a going concern while increasing the return to owners through the striving to keep a low debt to equity ratio. The management closely monitors and keeps low the Loan to Value ratio (LTV) and self-preserve conservative financial profile in order to ensure that it remains within its quantitative covenants and to reach long term strong credit rating for the Company. As at December 31, 2016 and 2015 the Group did not breach any of its loan covenants, nor did it default on any other of its obligations under its loan agreements.

## 25. COMMITMENTS

The Group had no significant commitments as at December 31, 2016.

## 26. CONTINGENT ASSETS AND LIABILITIES

The Group had no significant contingent assets and liabilities as at December 31, 2016.

## 27. EVENTS AFTER THE REPORTING PERIOD

a) In January 2017, the Group completed the acquisition of a retail property portfolio located in Germany for a purchase price of approximately €780 million (the Portfolio). In parallel, the Group has received bids from third parties to acquire more than half of the properties belonging to the Portfolio (which properties are currently considered as assets held for sale). The effect of the acquisition after the potential on-sales to third parties would be a net acquisition amount of approximately €350 million (the Net Portfolio). The Net Portfolio is comprised of 20 properties across Germany mostly overlapping with the Group's strategic locations. As of the date of the acquisition, the Portfolio was fully let to an investment grade tenant (rated "BBB-" by S&P) with a WALT of approximately 10 years and generated approximately €59.5 million of annual net rent. As of the date of acquisition, the Net Portfolio generated €28 million of annual net rent. The potential on-sales to third parties are planned during the calendar year 2017.

b) On January 13, 2017, the Company through ATF successfully tapped its 2.125% coupon straight bond series F due 2023 by additional euro 50 million at a subscription price of 99.458% of its principal amount. The new tranche was placed as a private placement with a single investor who had not previously participated in ATF credit. Following settlement, the aggregate nominal amount of the straight bond series F was increased to euro 550 million.

c) On January 17, 2017, the Company through ATF successfully tapped its Perpetual notes by additional euro 100 million at a subscription price of 96.297% of its principal amount. Following settlement, the aggregate nominal amount of the Perpetual notes was increased to euro 600 million.

d) On February 9, 2017, PCI announced its resolution to exercise its rights to redeem the outstanding convertible bond. The outstanding Series A Bonds were redeemed at their accreted principal amount (as defined in the bond's Terms and Conditions) on March 13, 2017, together with accrued but unpaid interest to that date.

e) On February 28, 2017, the Company announced its decision to apply for an admission of the Company's shares for trading on an EU-regulated market within the course of 2017. The Company believes the upgrade will enhance the visibility and tradability of its shares and will enable the Company's shares to be included in various stock indices.

f) In March 2017, the Company announced that it intended to upgrade the listing of its shares to an EU regulated market and that the board of directors of the Company had decided to recommend to the shareholders of the Company that the Company migrate from Cyprus to Luxembourg and continue as a Luxembourg company.

g) On March 10, 2017, the Company together with ATF announced the establishment of a euro 1.5 billion Euro Medium Term Notes Programme ("the EMTN Programme"). The EMTN Programme will facilitate the issuance by ATF of senior notes over time in various currencies and maturities as a continuing element of Aroundtown's financing strategy. Notes issued under the EMTN Programme will be guaranteed by the Company and will rank pari passu with ATF's outstanding senior notes. The base prospectus for the EMTN Programme is dated March 10, 2017, and has been approved by the Central Bank of Ireland for admission to the regulated market of the Irish Stock Exchange.

h) On March 20, 2017, the Company through ATF successfully placed USD 400 million fixed rate notes due 2032. These notes are the first placement under the EMTN programme described above, and were issued as a private placement with a single investor in Asia who had not previously invested in the Company. The currency risk inherent in the notes has been hedged by swap resulting in an effective coupon of euro 2% until 2022.

i) On March 29, 2017, the Company announced on its resolution to exercise its right to fully redeem the outstanding straight bond series A in accordance with the bond's Terms and Conditions. The redemption shall take place on May 4, 2017, at the principal with accrued but unpaid interest.

## 28. GROUP SIGNIFICANT HOLDINGS

The details of the significant Group are as follows:

NAME	PLACE OF INCORPORATION	PRINCIPAL ACTIVITIES	As at December 31,	
			2016 Holding %	2015 Holding %
<b>SUBSIDIARIES HELD DIRECTLY BY THE COMPANY</b>				
Edolaxia Limited	Cyprus	Holdings	100%	100%
ATF Netherlands BV	Netherlands	Financing	100%	-
<b>SUBSIDIARIES HELD INDIRECTLY BY THE COMPANY</b>				
Camelbay Real Estate Limited	Cyprus	Holdings	100%	100%
Primecity Investment PLC	Cyprus	Holdings	95%	78%
<b>ASSOCIATES HELD INDIRECTLY BY THE COMPANY</b>				
Grand City Properties S.A.	Luxembourg	Holdings	35%	35%

# INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF  
AROUNDTOWN PROPERTY HOLDINGS PLC

## REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

### OPINION

We have audited the accompanying consolidated financial statements of Aroundtown Property Holdings Plc ("the Company"), and its subsidiaries ("the Group"), which are presented on pages 72 to 114 and comprise the consolidated statement of financial position as at December 31 2016, and the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the 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 Company as at December 31 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU) and the requirements of the Cyprus Companies Law, Cap. 113, as amended from time to time (the "Companies Law, Cap. 113").

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the "Auditors' responsibilities for the audit of the consolidated financial statements" section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants of the International Ethics Standards Board for Accountants (IESBA Code), and the ethical requirements in Cyprus that are relevant to our audit of the consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. 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 our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### INVESTMENT PROPERTIES

(2016: €5,016,235 thousand, 2015: €2,430,595 thousand)

See Note 12 to the financial statements.

#### The key audit matter

The Group has significant holding of investment properties as they represented 62% of total assets. We identified the valuation of investment properties as a key audit matter due to the significance of the balance to the financial statements as a whole, and the significant element of judgment and estimation associated with determining the fair value.

As disclosed in notes 3(L) and 12 to the financial statements, the fair value is based on the valuation performed by an independent qualified external valuer (the "Valuer"), engaged by the Group, using discounted cash flow valuation model which 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 period 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. This involves the making of certain assumptions and the use of estimates.

#### How the matter was addressed in our audit

Our audit procedures in this area included, among others:

- Assessing the competence, capabilities, qualifications and objectivity of the external independent valuers employed by the Group.
- Assessing the property valuations, prepared by independent valuers appointed by the Group, utilizing within this process our real estate specialists to challenge the appropriateness of the assumptions, the valuation methods and model used. During this process we compared the assumptions to external data and industry norms as well as our own assessment in relation to yield rates on a geographical basis as well as on a property type basis.
- Testing the integrity, accuracy and completeness of inputs used by appraiser (e.g. net rent and sqm).
- Considering the adequacy of the disclosures in the financial statements in relation to investment properties.
- Performing a sensitivity analysis on the significant assumptions to evaluate the extent of impact on the fair values and assessed the appropriateness of the Group's disclosures relating to these sensitivities.

## BUSINESS COMBINATIONS

(Total identifiable Assets acquired, 2016: €1,009,925 thousand, 2015: €525,330 thousand)

See Note 4 to the financial statements.

### The key audit matter

During the year the Group announced several acquisitions of businesses. The final purchase consideration was €902 million. Such transactions can be complex and judgment is involved in determining whether each transaction is a business combination or an acquisition of asset. The Group assessed that the acquisitions qualify as business combinations by applying the definition in IFRS 3.

The Group determined that the fair value of the net identifiable assets acquired was €1,010 million.

Accounting for the acquisition requires the Group to determine the preliminary fair value consideration transferred and the net assets acquired as part of the acquisition. This requires the Group to make a number of judgments which focus on, but not limited to the fair value of investment properties.

We focused on the investment properties acquired in the context of the business combination due to the inherent uncertainty in estimating their fair value.

The goodwill and negative goodwill arising from the several acquisitions was highly dependent on the fair value of the identifiable assets acquired and the liabilities acquired at the acquisition date.

### How the matter was addressed in our audit

Our audit procedures in this area included, among others:

- Assessing the Group's position that the acquisitions should be accounted for as a business combination and determined that it was appropriately accounted for in accordance with the definition set out in IFRS 3.
- Assessing the appropriateness of the identifiable assets acquired and the liabilities acquired at the acquisition date against market benchmark by inspecting the clauses laid out in the share purchase agreements.
- Reviewing and evaluating the Group's procedure for determining the fair value of the net identifiable assets acquired and liabilities assumed and challenging the Group's assessment of their fair values by reference to evidence provided by third parties (such as property valuers). Within this process property valuations prepared by the independent valuers, engaged by the Group, were obtained and evaluated by the audit team.
- Re-performing the calculation of the goodwill and negative goodwill arising from the acquisitions being the difference between the total purchase consideration and the fair value of the net identifiable assets was in line.
- Assessing whether the disclosures in the consolidated financial statements in respect of the acquisitions and related judgments, are consistent with IFRS requirements.

## CONVERTIBLE BONDS

(2016: €708,686 thousand, 2015: €817,721 thousand)

See Note 19 to the financial statements.

### The key audit matter

The Group has significant amount of outstanding convertible bonds. We have identified the valuation of and the accounting treatment for convertible bonds as key audit matters because both are complex areas. The separation of the debt element from the equity element of a convertible bond can involve a significant degree of judgment and is subject to an inherent risk of error.

### How the matter was addressed in our audit

Our audit procedures in this area included, among others:

- Inspecting Board minutes and other appropriate documentation of authorization to assess whether the transactions were appropriately authorized.
- Verifying amounts, interest rate and maturity date to the supporting documentation, debt agreement, prospectuses or to third party statements and examined terms and conditions of the bonds.
- Testing the calculations carried out to split the convertible bonds into equity and debt element. We examined the valuation report from external experts engaged by the Group to identify the value of equity used which was assessed by KPMG internal specialists.
- Assessing the accuracy of historical financial information, examined the mathematical accuracy of calculations, evaluated the valuation technique applied and approach used and evaluated the assumptions used to calculate discount rate.



**PERPETUAL NOTES**

(2016: €478,277 thousand, 2015: NIL)

See Note 17 to the financial statements.

The key audit matter	How the matter was addressed in our audit
<p>The Group has issued significant amount of perpetual notes. The classification of these perpetual notes requires significant judgment as to whether these should be treated as debt, equity or as a hybrid financial instrument.</p>	<p>Our audit procedures in this area included, among others:</p> <ul style="list-style-type: none"> <li>— Preparing an IFRS analysis regarding the accounting treatment of the Undated Subordinated Notes, classifying the perpetual notes as equity and involving KPMG Specialist in assessing the facts and determining correctness of the applied accounting treatment.</li> </ul>
<p>The notes have no maturity date; they carry a Call option for redemption exercisable at the Issuer's discretion, an optional Interest Deferral, which the Issuer has the ability to defer at any time.</p>	<ul style="list-style-type: none"> <li>— Assessing adequacy of disclosures in the Group financial statements.</li> </ul>

**OTHER INFORMATION**

The Board of Directors is responsible for the other information. The other information comprises the Board of Directors' report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon, except as required by the Companies Law, Cap. 113.

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 that fact. Our report in this regard is presented in the "Report on other legal requirements" section.

**Responsibilities of the Board of Directors for the consolidated financial statements**

The Board of Directors is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with IFRS-EU and the requirements of the Companies Law, Cap. 113, 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 there is an intention to either liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Group's financial reporting process.

## AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs 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 ISAs, 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 the 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 auditors' report 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 auditors' report. 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 a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or 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 the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings.

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

From the matters communicated with the Board of Directors, 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 auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### Report on other legal requirements

Pursuant to the additional requirements of the Auditors and Statutory Audits of Annual and Consolidated Accounts of Law 2009, L42(I)/2009, as amended from time to time ("Law 42(I)/2009"), we report the following:

- We have obtained all the information and explanations we considered necessary for the purposes of our audit.
- In our opinion, proper books of account have been kept by the Company, so far as it appears from our examination of these books.
- The consolidated financial statements are in agreement with the books of account.
- In our opinion and to the best of our information and according to the explanations given to us, the consolidated financial statements give the information required by the Companies Law, Cap. 113, in the manner so required.
- In our opinion, the Board of Directors' Report on pages 2 to 65, the preparation of which is the responsibility of the Board of Directors, has been prepared in accordance with the requirements of the Companies Law, Cap. 113, and the information given is consistent with the financial statements.
- In the light of the knowledge and understanding of the business and the Company's environment obtained in the course of our audit, we have not identified material misstatements in the Management Report.

### Other matter

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 34 of Law 42(I)/2009 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

The engagement partner on the audit resulting in this independent auditors' report is Panicos Antoniades.



Panicos Antoniades, FCCA  
Certified Public Accountant and Registered Auditor  
for and on behalf of  
KPMG Limited  
Certified Accountants and Registered Auditors

Larnaca  
March 31, 2017

**Audited Consolidated Financial Statements of**  
**Aroundtown Property Holdings PLC**  
**for the fiscal year ended December 31, 2015 (IFRS)**

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		For the year ended December 31,	
		2015	2014
	Note	In thousands of euro	
<b>Revenue</b>	5	<b>125,162</b>	<b>257,171</b>
Capital gains, property revaluations and other income	6	814,511	(*) 877,618
Share in profit from investment in equity-accounted investees	14	134,138	(*) 936
Property operating expenses	7	(28,152)	(102,031)
Cost of buildings sold	5a	-	(14,425)
Administrative & other expenses	8	(4,664)	(7,797)
<b>Operating profit</b>		<b>1,040,995</b>	<b>1,011,472</b>
Finance expenses	9a	(20,466)	(26,930)
Other financial results	9b	7,869	(32,877)
<b>Net finance expenses</b>		<b>(12,597)</b>	<b>(59,807)</b>
<b>Profit before tax</b>		<b>1,028,398</b>	<b>951,665</b>
Current tax expenses	10b	(9,264)	(16,760)
Deferred tax expenses	10c	(98,380)	(36,451)
Tax and deferred tax expenses		(107,644)	(53,211)
<b>Profit for the year</b>		<b>920,754</b>	<b>898,454</b>
Other comprehensive income for the year, net of tax		-	-
<b>Total comprehensive income for the year</b>		<b>920,754</b>	<b>898,454</b>

(\*) Reclassified

		For the year ended December 31,	
		2015	2014
		In thousands of euro	
	Note		
<b>Profit attributable to:</b>			
Owners of the Company		686,892	714,893
Non-controlling interests		233,862	183,561
<b>Profit for the year</b>		<b>920,754</b>	<b>898,454</b>
Net earnings per share attributable to the owners of the Company (in euro)			
Basic earnings per share	11	1.26	1.43
Diluted earnings per share	11	1.01	1.41

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at December 31,	
		2015	2014
		In thousands of euro	
<b>Assets</b>			
Equipment and intangible assets	12	5,123	4,543
Investment property	13	2,430,595	426,303
Advanced payments for investment property		51,490	25,183
Equity-accounted investees	14	1,183,148	908,435
Other long term investments	15	335,741	178,499
Deferred tax assets	10c	1,505	902
<b>Non-current assets</b>		<b>4,007,602</b>	<b>1,543,865</b>
Cash and cash equivalents		121,243	27,994
Short term deposits		4,213	1,718
Traded securities at fair value through profit and loss		261,527	146,038
Trade and other receivables	16	45,562	1,954
<b>Current assets</b>		<b>432,545</b>	<b>177,704</b>
<b>Total assets</b>		<b>4,440,147</b>	<b>1,721,569</b>

		As at December 31,	
		2015	2014
		In thousands of euro	
<b>Equity</b>	Note		
Share capital	17	6,001	38
Retained earnings and capital reserves		2,099,408	1,113,531
<b>Equity attributable to the owners of the Company</b>		<b>2,105,409</b>	<b>1,113,569</b>
Non-controlling interests		320,103	108,092
<b>Total equity</b>		<b>2,425,512</b>	<b>1,221,661</b>
<b>Liabilities</b>			
Loans and borrowings	18A	515,913	138,964
Straight bonds	18E	187,923	150,522
Convertible bonds	18B, C, D	817,721	96,728
Derivative financial instruments	19	3,590	4,995
Deferred tax liabilities	10c	185,774	46,614
Other long term liabilities	20	62,436	1,203
<b>Non-current liabilities</b>		<b>1,773,357</b>	<b>439,026</b>
Credit from financial institutions		36,134	42,390
Loans and borrowings	18A	93,292	6,855
Trade and other payables	22	95,971	8,725
Tax payable		2,674	1,756
Provisions for other liabilities and charges		13,207	1,156
<b>Current liabilities</b>		<b>241,278</b>	<b>60,882</b>
<b>Total liabilities</b>		<b>2,014,635</b>	<b>499,908</b>
<b>Total equity and liabilities</b>		<b>4,440,147</b>	<b>1,721,569</b>

On March 29, 2016 the Board of Directors of Aroundtown Property Holdings PLC authorised these consolidated financial statements for issuance.

  
 Jelena Afxentiou  
 Director

  
 Reshef Ish-Gur  
 Director

  
 Elena Koushos  
 Director

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Attributable to the owners of the Company

	Share capital	Capital reserves	Retained earnings	Total	Non-controlling interests	Total equity
In thousands of euro						
<b>Balance as at December 31, 2014</b>	<b>38</b>	<b>7,416</b>	<b>1,106,115</b>	<b>1,113,569</b>	<b>108,092</b>	<b>1,221,661</b>
Profit for the year	-	-	686,892	686,892	233,862	920,754
Other comprehensive income for the year	-	-	-	-	-	-
Total comprehensive income for the year	-	-	686,892	686,892	233,862	920,754
Issuance of ordinary shares	4,962	-	-	4,962	-	4,962
Issuance of ordinary shares related to capital increase	1,000	313,768	-	314,768	-	314,768
Equity component related to convertible bonds issued by the Group	-	11,105	-	11,105	489	11,594
Conversions of convertible bonds to ordinary shares	1	461	-	462	-	462
Non-controlling interests arising from initially consolidate companies	-	-	-	-	25,292	25,292
Transactions with non-controlling interests	-	-	(26,349)	(26,349)	(47,632)	(73,981)
<b>Balance as at December 31, 2015</b>	<b>6,001</b>	<b>332,750</b>	<b>1,766,658</b>	<b>2,105,409</b>	<b>320,103</b>	<b>2,425,512</b>
<b>Balance as at December 31, 2013</b>	<b>10</b>	<b>7,416</b>	<b>382,334</b>	<b>389,760</b>	<b>481,904</b>	<b>871,664</b>
Profit for the year	-	-	714,893	714,893	183,561	898,454
Other comprehensive income for the year	-	-	-	-	-	-
Total comprehensive income for the year	-	-	714,893	714,893	183,561	898,454
Issuance of ordinary shares	28	-	-	28	-	28
Share based payment in a subsidiary	-	-	-	-	171	171
Equity portion of convertible bond in subsidiaries	-	-	-	-	8,901	8,901
Transaction with non-controlling interests	-	-	8,888	8,888	74,035	82,923
Change in non-controlling interests due to acquisitions and disposals of subsidiaries	-	-	-	-	(640,480)	(640,480)
<b>Balance as at December 31, 2014</b>	<b>38</b>	<b>7,416</b>	<b>1,106,115</b>	<b>1,113,569</b>	<b>108,092</b>	<b>1,221,661</b>



# CONSOLIDATED STATEMENT OF CASH FLOWS

		For the year ended December 31,	
		2015	2014
		In thousands of euro	
	Note		
<b>Cash flows from operating activities</b>			
<b>Profit for the year</b>		<b>920,754</b>	<b>898,454</b>
Adjustments for the profit:			
Depreciation and amortization	12	377	923
Capital gains, property revaluations and other income	6	(814,511)	(*) (877,618)
Share in profit from investment in equity-accounted investees		(134,138)	(*) (936)
Share-based payment in a subsidiary		-	171
Finance expenses, net	9	12,597	59,807
Tax and deferred tax expenses	10	107,644	53,211
		92,723	134,012
Change in:			
Inventories – trading property		-	14,134
Trade and other receivables		(27,359)	(45,495)
Trade and other payables		23,517	37,293
Provisions for other liabilities and charges		6,355	7,276
		95,236	147,220
Dividend received		7,445	-
Tax paid, net		(8,376)	(12,648)
<b>Net cash provided by operating activities</b>		<b>94,305</b>	<b>134,572</b>
<b>Cash flows from investing activities</b>			
Acquisitions and disposals of equipment and intangible assets, net		(957)	(1,781)
Capex, investments and acquisition of investment property and advances paid, net		(776,436)	(322,303)
Acquisition and disposals of subsidiaries and associate, net of cash acquired or disposed		(386,297)	(82,815)
Investment in trade securities and other financial assets, net		(255,035)	(222,267)
<b>Net cash used in investing activities</b>		<b>(1,418,725)</b>	<b>(629,166)</b>

(\*) Reclassified.

	For the year ended December 31,	
	2015	2014
	In thousands of euro	
<b>Cash flows from financing activities</b>		
Proceed from issuance of shares	319,731	-
Amortization of loans from financial institutions	(9,812)	(15,306)
Proceeds (Repayments) of loans from financial Institutions and others, net	383,898	(151,400)
Proceeds from issuance of straight and convertible bonds, net	856,190	787,250
Transactions with non-controlling interests	(112,578)	74,035
Finance expenses paid, net	(19,760)	(36,303)
<b>Net cash provided by financing activities</b>	<b>1,417,669</b>	<b>658,276</b>
Cash in subsidiaries on which the company lost its control	-	(270,131)
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>93,249</b>	<b>(106,449)</b>
Cash and cash equivalents at January 1	27,994	134,443
<b>Cash and cash equivalents at December 31</b>	<b>121,243</b>	<b>27,994</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

## 1. GENERAL

### (A) INCORPORATION AND PRINCIPAL ACTIVITIES

Aroundtown Property Holdings PLC (“the Company”) was incorporated on May 7, 2004 as a private limited liability company under the Cyprus Companies Law, Cap. 113. Its Registered Office is at Artemidos & Nikou Dimitriou, 54 B, 6027, Larnaca, Cyprus.

The Company, together with its investees (hereinafter: “the Group”), is a specialist real estate investment group, focusing in the German real estate markets. The Group covers the main real estate segments which benefit from strong fundamentals and growth prospects: residential (through its holding in Grand City Properties S.A.), commercial and hotel properties.

The Group’s vision is buying, redeveloping, turning around and optimizing real estate properties in Germany.

On December 2, 2014, the company’s name was changed from “Aroundtown Property Holdings Limited” to “Aroundtown Property Holdings PLC”.

These consolidated financial statements for the year ended December 31, 2015 consist of the financial statements of the Group.

### (B) DEFINITIONS

Throughout these notes to the consolidated financial statements:

The Company	Aroundtown Property Holdings PLC
The Group	The Company and its investees
Subsidiaries	Companies that are controlled by the Company (as defined in IFRS 10) and whose financial statements are consolidated with those of the Company
Associates	Companies over which the Company has significant influence (as defined in IAS 28) and that are not subsidiaries. The Company’s investment therein is included in the consolidated financial statements of the Company at equity
Investees	Subsidiaries, jointly controlled entities and associates
GCP S.A.	Grand City Properties S.A. (an associate of the Company)
PCI; Camelbay	Primecity Investment PLC, Camelbay Limited (subsidiaries of the Company)
Related parties	As defined in IAS 24
The period	Period which starts at January 1, 2015 and ends on December 31, 2015.

## 2. BASIS OF PREPARATION

### A. STATEMENT OF COMPLIANCE

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS).

Certain balance sheet items related to the year ended December 31, 2014 have been reclassified to enhance comparability with 2015 figures and to present better the Company's results, and are marked as "reclassified".

These consolidated financial statements were authorized for issuance by the Company's Board of Directors on March 29, 2016.

### B. BASIS OF MEASUREMENT

The consolidated financial statements have been prepared on a going concern basis, applying the historical cost convention, except for the measurement of the following:

- Traded securities at fair value through profit or loss;
- Investment properties are measured at fair value;
- Investments in equity accounted investees;
- Derivative financial instruments;
- Deferred tax assets and liabilities.

### C. USE OF ESTIMATES AND JUDGMENTS

The preparation of consolidated financial statements in accordance with IFRS requires from Management the exercise of judgment, to make estimates and assumptions that influence the application of accounting principles and the related amounts of assets and liabilities, income and expenses. The estimates and underlying assumptions are based on historical experience and various other factors that are deemed to be reasonable based on current knowledge available at that time. Actual results may deviate from such estimates.

The estimates and underlying assumptions are revised on a regular basis. Revisions in accounting estimates are recognized in the period during which the estimate is revised, if the estimate affects only that period, or in the period of the revision and future periods, if the revision affects the present as well as future periods.

In particular, information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amount recognized in the financial statements are described below:

- **Fair value of investment property**  
The Group uses external valuation reports issued by independent professionally qualified valuers to determine the fair value of its investment properties. Changes in their fair value are recognized in consolidated statement of comprehensive income.  
The fair value measurement of investment property requires valuation experts and the Company's management to use certain assumptions regarding rates of return on the Group's assets, future rent, occupancy rates, contract renewal terms, the probability of leasing vacant areas, asset operating expenses, the tenants' financial stability and the implications of any investments made for future development purposes in order to assess the future expected cash flows from the assets. Any change in the assumptions used to measure the investment property could affect its fair value.
- **Impairment of investments in associates**  
The Group periodically evaluates the recoverability of investments in associates whenever indicators of impairment are present. Indicators of impairment include such items as declines in revenues, earnings or cash flows or material adverse changes in the economic or political stability of a particular country, which may indicate that the carrying amount of an asset is not recoverable. If facts and circumstances indicate that investment in associates may be impaired, the estimated future undiscounted cash flows associated with these subsidiaries/associates would be compared to their carrying amounts to determine if a write down to fair value is necessary.

- **Tax and deferred tax expenses**

Significant judgment is required in determining the provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

- **Impairment of intangible asset**

Intangible assets are initially recorded at acquisition cost and are amortized on a straight line basis over their useful economic life. Intangible assets that are acquired through a business combination are initially recorded at fair value at the date of acquisition. Intangible assets with an indefinite useful life are reviewed for impairment at least once per year. The impairment test is performed using the discounted cash flows expected to be generated through the use of the intangible assets, using a discount rate that reflects the current market estimations and the risks associated with the asset. When it is impractical to estimate the recoverable amount of an asset, the Group estimates the recoverable amount of the cash generating unit in which the asset belongs to.

- **Impairment of goodwill**

Determining whether goodwill is impaired requires an estimation of the value in use of the cash generating units of the Group on which the goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash generating units using a suitable discount rate in order to calculate present value.

- **Legal claims**

In estimating the likelihood of outcome of legal claims filed against the Company and its investees, the Group relies on the opinion of their legal counsel. These estimates are based on the legal counsel's best professional judgment, taking into account the stage of proceedings and historical legal precedents in respect of the different issues. Since the outcome of the claims will be determined in courts, the results could differ from these estimates.

- **Provisions**

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain.

- **Fair value hierarchy**

Please see note 13(b) and 23(iv).

### D. FUNCTIONAL AND PRESENTATION CURRENCY

The consolidated financial statements are presented in euro which is also the functional currency of the Group, and rounded to the nearest million, except when otherwise indicated.

### 3. SIGNIFICANT ACCOUNTING POLICIES

#### (A) BASIS OF CONSOLIDATION

The Group's consolidated financial statements comprise the financial statements of the parent company Aroundtown Property Holdings PLC and the financial statements of its subsidiaries. Subsidiaries are entities controlled by the Group. 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 the subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated. Unrealized gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

The Group has considered the impact of the amendment to IFRS 10 – Investment Entities, and has determined that it does not meet the definition of an "Investment entity".

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements and have been applied by all entities in the Group.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those of the Group.

#### CHANGES IN THE GROUP'S OWNERSHIP INTERESTS IN EXISTING SUBSIDIARIES

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non controlling interests. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognized in other comprehensive income and accumulated in equity, the amounts previously recognized in other comprehensive income and accumulated in equity are accounted for as if the Company had directly disposed of the relevant assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable IFRS). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 Financial Instruments: Recognition and Measurement.

Accounting for business combinations under IFRS 3 only applies if it is considered that a business has been acquired. The Group may invest in subsidiaries that hold properties but do not constitute a business. Those transactions are therefore treated as asset acquisitions rather than business combinations. The Group allocates the cost between the individual identifiable assets and liabilities in the Group based on their relative fair values at the date of acquisitions.

#### (B) BUSINESS COMBINATIONS

Acquisitions of businesses are accounted for using the acquisition method, i.e. when control is transferred to the Group. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognized and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively;
- liabilities or equity instruments related to share based payment arrangements of the acquiree or share based payment arrangements of the Group entered into to replace share based payment arrangements of the acquiree are measured in accordance with IFRS 2 Share based Payment at the acquisition date; and
- Assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard.

Goodwill is initially measured as the excess of the sum of the consideration transferred, the fair value of any non controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognized immediately in the consolidated income statement as a bargain purchase gain.

Non controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction by transaction basis. Other types of non controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39, or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in consolidated income statements.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date (i.e. the date when the Group obtains control) and

the resulting gain or loss, if any, is recognized in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (C) INVESTMENTS IN ASSOCIATES AND EQUITY - ACCOUNTED INVESTEES

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. A jointly controlled entity is an entity in which two or more parties have interest.

The results and assets and liabilities of associates and equity accounted investees are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5 Non current Assets Held for Sale and Discontinued Operations. Under the equity method, an investment in an associate is initially recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Group's share of the consolidated income statements and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognized at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

The requirements of IAS 36 are applied to determine whether it is necessary to recognize any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When an entity in the Group transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in the Group's consolidated financial statements, however only to the extent of interests in the associate that are not related to the Group.

#### (D) REVENUE RECOGNITION

Revenue is recognized in the consolidated statement of comprehensive income when it can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the Group and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

##### • Rental and operating income

Rental operating income from investment properties are recognized as revenue on a straight-line basis over the term of the lease. Lease incentives granted are recognized as an integral part of the total rental operating income, over the term of the lease.

Operating income also includes service charges to third parties and payments for utilities if the costs and the amount of the income can be reliably determined. The revenue is recognized once the service is provided.

##### • Sale of buildings

Revenue from the sale of buildings in the course of ordinary activities is measured as the fair value of the consideration received or receivable. Revenue is recognized when significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of the buildings can be reliably estimated.

##### • Other

Other income is used to represent income resulting in the release of provisions, tax repayments, cancellation of debts and others.

#### (E) NET FINANCE EXPENSES

- Finance income and expenses
- Finance income comprises interest income on funds invested.
- Finance expenses comprise interest expense on loans and borrowings, bonds and loans from third parties.
- Other financial results

Other financial results represent changes in the time value of provisions, changes in the fair value of traded securities, profit or losses on derivative financial instruments, borrowing and redemption costs, loan arrangement fees and other one-time payments.

Net finance expenses are recognized as they accrue in the statement of comprehensive income, using the effective interest method.

## (F) DEFERRED TAX, INCOME TAX AND PROPERTY TAXES

Tax expense comprises current and deferred tax. Current tax and deferred tax is recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

German property taxation includes taxes on the holding of real estate property and construction.

## (G) CURRENT TAX

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

## (H) DEFERRED TAX

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 is not recognized for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries, associates and jointly controlled entities to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and taxable temporary differences arising on the initial recognition of goodwill.

A deferred tax asset is recognized for unused tax losses, tax credits 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.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the assets are realized or the liabilities are settled (liabilities method), based on tax rates/laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.



### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (I) EQUIPMENT AND INTANGIBLE ASSETS

Equipment is measured at cost less accumulated depreciation and impairment losses.

Depreciation is recognized in profit or loss on the straight line method over the useful lives of each part of an item of equipment. The annual depreciation rates used for the current and comparative periods are as follows:

Furniture, fixtures and office equipment	$\frac{\%}{10-50}$
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Depreciation methods, useful lives and residual values are reassessed at the reporting date.

Where the carrying amount of an asset is greater than its estimated recoverable amount, the asset is written down immediately to its recoverable amount.

Expenditure for repairs and maintenance of equipment is charged to profit or loss of the year in which it is incurred. The cost of major renovations and other subsequent expenditure are included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Group. Major renovations are depreciated over the remaining useful life of the related asset.

An item of equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in consolidated income statement.

The intangible assets of the Group consist of goodwill and software. Goodwill arising on the acquisition of subsidiaries is measured at cost less accumulated impairment losses.

Other intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortization, and any accumulated impairment losses.

#### (J) DEFERRED INCOME

Deferred income represents income which relates to future periods.

##### I. PREPAYMENTS

Payments received in advance on development contracts for which no revenue has been recognized yet, are recorded as prepayments for clients as at the reporting date and carried under liabilities.

##### II. TENANCY DEPOSITS

Tenancy deposits are paid to ensure the apartment is returned in good condition. The tenancy deposits can also be used if a loss of rent occurs.

#### (K) INVESTMENT PROPERTY

An investment property is property comprising buildings held by the owner to earn rentals or for capital appreciation or both rather than for use in the production or supply of goods or services, for administrative purposes or for sale in the ordinary course of business.

Investment property is measured initially at cost, including costs directly attributable to the acquisition. After initial recognition, investment property is measured at fair value which reflects market conditions at the end of the reporting period. Gains or losses arising from changes in the fair values of investment property are included in profit or loss when they arise.

Investment property is derecognized on disposal or when the investment property ceases to be used and no future economic benefits are expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss in the period of the disposal.

The Group determines the fair value of investment property on the basis of valuations by independent valuers who hold recognized and relevant professional qualifications and have the necessary knowledge and experience.

#### (L) FINANCIAL INSTRUMENTS

##### 1. NON-DERIVATIVE FINANCIAL ASSETS:

The Group initially recognizes loans and receivables on the date that they are originated. All other financial assets (including assets designated as at fair value through profit or loss) are recognized initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in such transferred financial assets that is created or retained by the Group is recognized as a separate asset or liability.

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 them on a net basis or to realize the asset and settle the liability simultaneously.

The Group classifies non-derivative financial assets into the following categories: financial assets at fair value through profit or loss, loans and receivables.

#### a) Traded securities at fair value through profit or loss

Traded securities are classified as at fair value through profit or loss if it is classified as held-for trading or is designated as such on initial recognition. Traded securities are designated as at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group's documented risk management or investment strategy. Attributable transaction costs are recognized in profit or loss as incurred. Traded securities at fair value through profit or loss are measured at fair value and changes therein, which takes into account any dividend income, are recognized in profit or loss.

Traded securities designated as at fair value through profit or loss comprise equity securities that otherwise would have been classified as available-for-sale.

#### b) Loans and receivables

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, and trade and other receivables.

#### c) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments.

### 2. NON-DERIVATIVE FINANCIAL LIABILITIES

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

### 3. SHARE CAPITAL

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.

### 4. COMPOUND FINANCIAL INSTRUMENTS

Compound financial instruments issued by the Group comprise convertible notes denominated in euro that can be converted to share capital at the option of the holder, when the number of shares to be issued is fixed.

The liability component of a compound financial instrument is recognized initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognized initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts. Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition.

Interest related to the financial liability is recognized in profit or loss. On conversion, the financial liability is reclassified to equity and no gain or loss is recognized.

### 5. DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments are initially accounted for at cost and subsequently measured at fair value. Fair value is calculated using the current values, discounted cash flow analysis or option valuation methods. Derivatives are recorded as assets when their fair value is positive and as liabilities when their fair value is negative. The adjustments on the fair value of derivatives held at fair value are transferred to the consolidated comprehensive income statement.

### 6. BORROWINGS

Borrowings are recorded initially at the proceeds received, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognized in profit or loss over the period of the borrowings using the effective interest method.

### 7. TRADE PAYABLES

Trade payables are initially measured at fair value.

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (M) DE-RECOGNITION OF FINANCIAL ASSETS AND LIABILITIES

##### (I) FINANCIAL ASSETS

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the rights to receive cash flows from the asset have expired;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or
- The Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the assets.

##### (II) FINANCIAL LIABILITIES

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the consolidated income statement.

##### (N) IMPAIRMENT OF ASSETS

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. Assets that are subject to depreciation or amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

##### (O) OFFSETTING FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the consolidated statement of financial position.

##### (P) PROPERTY OPERATING EXPENSES

This item includes operating costs that can be recharged to the tenants and direct management costs of the properties. Maintenance expenses for the upkeep of the property in its current condition, as well as expenditure for repairs are charged to the income statement. Refurbishment that takes place subsequent to the property valuation, thus excluded in its additional value, will also be stated in this account, until the next property valuation.

##### (Q) OPERATING SEGMENTS

The Group meets the definition of operating in one operating segment. An operating segment is a component of the Group that meets the following three criteria:

- Is engaged in business activities from which it may earn revenues and incur expenses, including revenues and expenses relating to intragroup transactions;
- whose operating results are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance; and
- For which separate financial information is available.

##### (R) COMPARATIVES

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current period.

##### (S) EARNINGS PER SHARE

Earnings per share are calculated by dividing the net profit attributable to owners of the Company by the weighted number of Ordinary shares outstanding during the period. Basic earnings per share only include shares that were actually outstanding during the period. Potential Ordinary shares (convertible securities such as convertible debentures, warrants and employee options) are only included in the computation of diluted earnings per share when their conversion decreases earnings per share or increases loss per share from continuing operations. Further, potential Ordinary shares that are converted during the period are included in diluted earnings per share only until the conversion date and from that date in basic earnings per share. The Company's share of earnings of investees is included based on the earnings per share of the investees multiplied by the number of shares held by the Company.

##### (T) SHARE-BASED PAYMENT TRANSACTIONS

The grant-date fair value of equity-settled share-based payment awards granted to employees is generally 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.

## (U) LEASED ASSETS

Assets held by the Group under leases which transfer to the Group substantially all of the risks and rewards of ownership are classified as finance leases. On initial recognition, the leased asset is measured at an amount equals to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Determining whether an arrangement contains a lease at inception of an arrangement, the Company determines whether such an arrangement is or contains a lease. This will be the case if the following two criteria are met:

- The fulfillment of the arrangement is dependent on the use of a specific asset or assets; and
- The arrangement contains a right to use the asset(s).

At inception or on reassessment of the arrangement, the Company separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Company concludes for a finance lease that it is impracticable to separate the payments reliably, then an asset and a liability are recognized at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance cost on the liability is recognized using the Company's incremental borrowing rate.

## (V) TRADING PROPERTY (INVENTORIES)

Inventories are trading properties acquired with the clear intention that they are to be sold in the ordinary course of business. Trading properties considered as inventories are shown at the lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Trading properties are purchased and sold on a portfolio basis. Each separately identifiable portfolio of trading properties is held by a Group subsidiary entity established and/or acquired for the purpose of holding the respective trading property portfolio. Trading properties are recognized in the balance sheet only when full control is obtained. Trading properties are de-recognized in the consolidated financial statements only when full control is transferred outside of the Group. Cost of trading properties is determined on the basis of specific identification of the individual costs of the trading property including acquisition costs such as transfer taxes, legal and due diligence fees.

## (W) NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after January 1, 2015, and have not been applied in preparing these consolidated financial statements. Those which may be relevant to the Group are set out below. The Group does not plan to early adopt these standards.

### (I) IFRS 9 - FINANCIAL INSTRUMENTS (2009, 2010)

IFRS 9 (2009) introduces new requirements for the classification and measurement of financial assets. Under IFRS 9 (2009), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 (2010) introduces additional changes relating to financial liabilities. The IASB currently has an active project to make limited amendments to the classification and measurement requirements of IFRS 9 and to add new requirements to address the impairment of financial assets and hedge accounting. IFRS 9 is effective for annual reporting periods beginning on or after January 1, 2018, with early adoption permitted.

### (II) IFRS 15 - REVENUE FROM CONTRACTS WITH CUSTOMERS

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customers Loyalty Programs. IFRS 15 is effective for annual reporting periods beginning on or after January 1, 2018, with early adoption permitted.

The Group has considered the above new standards, interpretations and amendments to published standards and will continue to evaluate the impact on the Group's consolidated financial statements. At this time, the impact of the above publications is not expected to be material to the Group's consolidated financial statements.

#### 4. ACQUISITION, DISPOSAL AND DECONSOLIDATE OF SUBSIDIARIES

During the year the Group obtained control on several companies through business combinations. The significant net impacts on the consolidated statement of comprehensive income and consolidated statements of financial position of the group are as follows:

	In thousands of euro	
Investment property	647,585	
Cash and Cash equivalents	8,337	
	655,922	
Working capital, net	(8,770)	
Loans from banks	(46,869)	
Other liabilities, net	(74,953)	
	(130,592)	
<b>Total identifiable net assets</b>	525,330	
Non-controlling interests arising from initial consolidation	(25,292)	
Consideration paid regarding acquisition of subsidiaries	(394,634)	
<b>Profit arising from business combination</b>	<b>105,404</b>	

#### 5. REVENUE

	For the year ended December 31,,	
	2015	2014
	In thousands of euro	
Rental and operating income	125,162	242,496
Revenue from sales of buildings (a)	-	14,675
	<b>125,162</b>	<b>257,171</b>

(a) In 2014, euro 14.4 million refers to cost of buildings sold.

#### 6. CAPITAL GAINS, PROPERTY REVALUATION AND OTHER INCOME

	For the year ended December 31,	
	2015	2014
	In thousands of euro	
Change in fair value in investment property	605,421	225,724
Capital gains and profit arising from business combinations (Bargain Purchase)	209,090	(*) 651,894
	<b>814,511</b>	<b>877,618</b>

(\*) Reclassified.

#### 7. PROPERTY OPERATING EXPENSES

	For the year ended December 31,	
	2015	2014
	In thousands of euro	
Purchased services	(20,173)	(74,174)
Maintenance and refurbishment	(3,667)	(15,508)
Personnel expenses	(1,207)	(7,535)
Other operating costs	(3,105)	(4,814)
	<b>(28,152)</b>	<b>(102,031)</b>

#### 8. ADMINISTRATIVE & OTHER EXPENSES

	For the year ended December 31,	
	2015	2014
	In thousands of euro	
Personnel expenses	(2,712)	(2,009)
Legal and professional fees	(616)	(1,285)
Year-end closing, accounting and audit expenses	(800)	(1,464)
Sales, marketing and administrative expenses	(159)	(*) (2,116)
Depreciation and amortization	(377)	(*) (923)
	<b>(4,664)</b>	<b>(7,797)</b>

(\*) Reclassified.

## 9. NET FINANCE EXPENSES

	For the year ended December 31,	
	2015	2014
	In thousands of euro	
<b>a. Finance expenses</b>		
Finance expenses from credit institutions and third parties, net	(1,168)	(11,476)
Finance expenses from straight and convertible bonds, net	(19,272)	(14,998)
Other finance expenses (income)	(26)	(456)
	<b>(20,466)</b>	<b>(26,930)</b>
<b>b. Other financial results</b>		
Changes in fair value of financial assets and liabilities, net	14,829	(24,883)
Finance related costs	(6,960)	(7,994)
	<b>7,869</b>	<b>(32,877)</b>

## 10. TAXATION

### A. TAX RATE APPLICABLE TO THE GROUP

The Company and some of its subsidiaries are subject to taxation under the laws of Cyprus. The corporation tax rate for Cyprus companies in 2015 is 12.5% (2014: 12.5%).

Under certain conditions interest income of the Cyprus companies may be subject to defence contribution at the rate of 30% (2014: 30%). In such cases this interest will be exempt from corporation tax. In certain cases, dividends received from abroad may be subject to defence contribution at the rate of 17% for 2014 and thereafter.

The Luxembourg investees are subject to taxation under the laws of Luxembourg. The corporation tax rate for Luxembourg companies is 29.22% (2014: 29.22%).

The German subsidiaries are subject to taxation under the laws of Germany. Income taxes are calculated using a federal corporate tax of 15.0% for December 31, 2015, plus an annual solidarity surcharge of 5.5 % on the amount of federal corporate taxes payable (aggregated tax rate: 15.825%).

German property taxation includes taxes on the holding of real estate property.

### B. CURRENT TAXES INCLUDED IN CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the year ended December 31,	
	2015	2014
	In thousands of euro	
Corporation tax	(5,693)	(8,292)
Property tax	(3,571)	(8,468)
	<b>(9,264)</b>	<b>(16,760)</b>

## 10. TAXATION (CONTINUED)

C. MOVEMENT ON THE DEFERRED TAXATION ACCOUNT IS AS FOLLOWS:

DEFERRED TAX LIABILITY	Other deferred tax	Fair value gains on investment property	Total
	In thousands of euro		
Balance as at December 31, 2013	-	97,803	97,803
Charged to:			
Deferred tax expense	4,598	36,959	41,557
Initial consolidation	-	59,129	59,129
Deconsolidation	(3,681)	(148,194)	(151,875)
Transfer to other deferred tax	2,411	(2,411)	-
Balance as at December 31, 2014	<b>3,328</b>	<b>43,286</b>	<b>46,614</b>
Charged to:			
Deferred tax expense	73	98,772	98,845
Initial consolidation	-	40,315	40,315
Transfer to other deferred tax	(2,079)	2,079	-
Balance as at December 31, 2015	<b>1,322</b>	<b>184,452</b>	<b>185,774</b>

DEFERRED TAX ASSETS	Derivative financial instruments	Deferred taxes – loss carried forward, net	Total
	In thousands of euro		
Balance as at December 31, 2013	2,278	1,481	3,759
Charged to:			
Deferred tax (expense) income	(884)	5,990	5,106
Initial consolidation	291	3,530	3,821
Deconsolidation	(783)	(11,001)	(11,784)
Balance as at December 31, 2014	<b>902</b>	-	<b>902</b>
Charged to:			
Deferred tax (expense) income	-	465	465
Initial consolidation	-	138	138
Balance as at December 31, 2015	<b>902</b>	<b>603</b>	<b>1,505</b>

## 11. EARNINGS PER SHARE

### A. BASIC EARNINGS PER SHARE

The calculation of basic earnings per share as of December 31, 2015 is based on the profit attributable to ordinary shareholders of euro 686,892 thousand (2014: euro 714,893 thousand), and a weighted average number of ordinary shares outstanding of 547,049 thousand (2014: 500,000 thousand), calculated as follows:

#### 1. PROFIT ATTRIBUTED TO ORDINARY SHAREHOLDERS (BASIC)

	For the year ended December 31,	
	2015	2014
	In thousands of euro	
Profit for the year, attributable to the owners of the Company	<b>686,892</b>	<b>714,893</b>

#### 2. WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES (BASIC)

	For the year ended December 31,	
	2015	2014
	In thousands	
As at the beginning of the year	500,000	(*) 500,000
Capital increase	46,978	-
Effect of exercise of convertible bond	71	-
<b>Weighted average number of ordinary shares as at December 31,</b>	<b>547,049</b>	<b>500,000</b>
Basic earnings per share (euro)	1.26	1.43

### B. DILUTED EARNINGS PER SHARE

The calculation of diluted earnings per share at December 31, 2015 is based on profit attributable to ordinary shareholders of euro 640,071 thousand (2014: euro 703,630 thousand), and a weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares of 632,880 thousand (2014: 500,000 thousand), calculated as follows:

#### 1. PROFIT ATTRIBUTED TO ORDINARY SHAREHOLDERS (DILUTED)

	For the year ended December 31,	
	2015	2014
	In thousands of euro	
Profit for the year, attributable to the owners of the Company (basic)	686,892	714,893
Interest expense on convertible bonds, net of tax	10,746	-
Effect of traded investees	(57,567)	(11,263)
Profit for the year, attributable to the owners of the Company (diluted)	<b>640,071</b>	<b>703,630</b>

#### 2. WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES (DILUTED)

	For the year ended December 31,	
	2015	2014
	In thousands	
As at the beginning of the year	500,000	(*) 500,000
Capital increase	46,978	-
Effect of exercise of convertible bond	85,902	-
<b>Weighted average number of ordinary shares as at December 31,</b>	<b>632,880</b>	<b>500,000</b>
Diluted earnings per share (euro)	1.01	1.41

(\*) The number of shares as of December 31, 2014 was 22,200. In February 2015 the number of shares increased to 500,000,000 without correspondence change in recourse, thus in order to keep a high level of comparability, the original amount of shares related to these periods was amended accordingly.



## 12. EQUIPMENT AND INTANGIBLE ASSETS

	Furniture, fixtures and office equipment	Goodwill	Computer software	Total
	In thousands of euro			
<b>Cost</b>				
Balance as at December 31, 2013	1,323	2,776	808	4,907
Additions	1,179	-	611	1,790
Equipment and intangible assets arising from initial consolidation, net	353	6,364	-	6,717
Deconsolidation	(2,028)	(4,616)	(929)	(7,573)
Balance as at December 31, 2014	827	4,524	490	5,841
Additions	916	-	41	957
Balance as at December 31, 2015	1,743	4,524	531	6,798
<b>Depreciation/Amortization</b>				
Balance as at December 31, 2013	308	64	3	375
Depreciation/Amortization for the year	450	-	473	923
Balance as at December 31, 2014	758	64	476	1,298
Depreciation/Amortization for the year	368	-	9	377
Balance as at December 31, 2015	1,126	64	485	1,675
<b>Carrying amounts</b>				
Balance as at December 31, 2014	69	4,460	14	4,543
Balance as at December 31, 2015	617	4,460	46	5,123

## 13. INVESTMENT PROPERTY

### A. COMPOSITION

	As at December 31,	
	2015	2014
	In thousands of euro	
Balance at January 1	426,303	1,545,051
Capex, additions (disposals) and adjustments during the year	1,356,707	(1,852,774)
Investment property arising from initial consolidation	647,585	734,026
<b>Balance as at December 31</b>	<b>2,430,595</b>	<b>426,303</b>

### B. MEASUREMENT OF FAIR VALUE

The fair value of investment property was determined by external, independent property valuers, having appropriate recognized professional qualifications and recent experience in the location and category of the property being valued. The independent valuers provide the fair value of the Group's investment property portfolio every six months.

The range of the discount rates applied to the net annual rentals to determine the fair value of property is between 5.75%-8%.

All the investment property in the group in total fair value amount of euro 2,431 million (2014: euro 426 million) has been categorized as a Level 3 fair value based on the inputs to the valuation technique used.

## 14. INVESTMENTS IN EQUITY-ACCOUNTED INVESTEEES

### COMPOSITION

	As at December 31,	
	2015	2014
	In thousands of euro	
Balance as at January 1	908,435	32,736
Additions and changes in equity accounted investees	274,713	875,037
Loans granted to equity accounted investees	-	662
<b>Balance as at December 31</b>	<b>1,183,148</b>	<b>908,435</b>

## 15. OTHER LONG TERM INVESTMENTS

	As at December 31,	
	2015	2014
	In thousands of euro	
Tenancy deposit	2,593	-
Finance lease asset	1,381	-
Long term financial investments	331,767	178,499
<b></b>	<b>335,741</b>	<b>178,499</b>

## 16. TRADE AND OTHER RECEIVABLES

	As at December 31,	
	2015	2014
	In thousands of euro	
Operating costs receivables	37,539	-
Rent and other receivables	-	635
Prepaid expenses	1,529	325
Current tax assets	3,470	410
Other short term financial assets	3,024	584
<b></b>	<b>45,562</b>	<b>1,954</b>

(a) The fair values of trade and other receivables due within one year approximate to their carrying amounts as presented above.

## 17. EQUITY

### A. SHARE CAPITAL

	2015		2014	
	Number of shares	In thousands of euro	Number of shares	In thousands of euro
<b>Authorized</b>				
Ordinary shares of EUR 0.01 each (EUR 1.71 each in 2014)	1,500,000,000	15,000	50,000	85.5
<b>Issued and fully paid</b>				
Balance as of January 1	22,200	38	5,550	9.5
Conversion of shares to nominal value of euro 0.01 per share	3,774,000	-	-	-
Issuance and payment on authorized shares	496,203,800	4,962	16,650	28.5
Capital increase in July 2015	100,000,000	1,000	-	-
Exercise of Convertible bond into shares during the year	141,641	1	-	-
Balance on December 31	600,141,641	6,001	22,200	38

### B. AUTHORIZED CAPITAL

Under its Memorandum of association the Shareholders set the authorized share capital at 50,000 ordinary shares of nominal value of euro 1.71 each.

In February 2015, as a part of capital restructuring process, the Company increased its authorized ordinary shares to 1,500,000,000, out of which the issued and fully paid was increased to 500,000,000, with an adjusted par value of euro 0.01 for each share.

### C. ISSUED CAPITAL

Upon incorporation on May 7, 2004 the Company issued 5,550 ordinary shares of euro 1.71 each, at par value, to the subscribers.

On November 28, 2014, the Company issued 16,650 ordinary shares of euro 1.71 each.

On July 13, 2015, the Company successfully issued additional 100,000,000 ordinary shares (of euro 0.01 nominal value each) for euro 3.2 each, by way of private placement to institutional investors ("New Shares"). The gross proceeds from the issuance of the New Shares were euro 320 million.

During the reporting period, a total amount of euro 0.5 million nominal values of the convertible bonds were converted into shares. According to the convertible bonds terms, 141,641 shares were issued.

### D. CAPITAL RESERVES

The Capital reserves include share premium derives directly from the capital increases which were affected since the date of incorporation and exercise conversions of bonds into shares, which can be distributed at any time, and equity components of convertible bonds which temporarily cannot be distributed.

## 18. LOANS AND BORROWINGS

### A. COMPOSITION

	Weighted average interest rate	Maturity date	As at December 31,	
			2015	2014
In thousands of euro				
<b>Long term</b>				
Bank loans	2.5%	2017-2028	515,913	138,964
<b>Total long term</b>			<b>515,913</b>	<b>138,964</b>
Straight bond	3%	2021	187,923	150,522
Convertible bonds	1.5%-4%	2019-2021	817,721	96,728
<b>Total bonds</b>			<b>1,005,644</b>	<b>247,250</b>
<b>Short term</b>				
Amortization of bank loans		2016	15,142	6,855
Loan and notes redemption		2016	78,150	-
<b>Total Short term</b>			<b>93,292</b>	<b>6,855</b>

## B. CONVERTIBLE BOND SERIES A IN PCI

On November 13, 2014, PCI successfully completed with the placement of euro 100 million convertible bond maturing in 2019, convertible into ordinary shares of PCI. The convertible bond bears a coupon of 4% p.a., payable semi-annually in arrears. The initial conversion price was fixed at euro 3.00. The bond was issued at 100% of their principle amount and will be redeemed at maturity at 110% of their principle amount.

On February 13, 2015, PCI successfully tapped up its convertible bond series with an additional principal amount of euro 50 million. The further convertible bond series was issued at 105% of their principal amount and has the same characteristics of the previous tranche issued in November 2014 and described above.

As of December 31, 2015 26.5% of the convertible bond was converted to equity.

	2015	2014
	In thousands of euro	
Balance at the beginning of the year	97,254	-
Proceeds from issuance of PCI convertible bond (1,000 notes at euro 100,000 par value each)	-	100,000
Proceeds from issuance of PCI convertible bond (500 notes at euro 100,000 par value each) (a)	52,500	-
Transaction costs	(835)	(1,782)
Net proceeds during the year	51,665	98,218
Amount classified as non-controlling interests (a)	(489)	(1,067)
Expenses for the year	7,145	803
Expenses paid	(4,534)	-
Conversion to ordinary shares of PCI	(38,599)	(700)
Carrying amount of liability at the end of the year	112,442	97,254
Non-current portion of Convertible bond A in PCI	110,222	96,728
Accrued interest	581	526
Total Convertible bond A in PCI	110,803	97,254
Deferred income (a)	1,639	-

(a) This amount includes additional euro 2.5 million that were received as part of the bond placement (reflects 5% of the par value), out of which euro 0.5 million were allocated as non-controlling interests according to external economic valuer. The residual amount of euro 2 million was allocated as a deferred income and presented in other long term liabilities account balance.

## C. CONVERTIBLE BOND SERIES B

On May 5, 2015, the Company has successfully completed with the placement of euro 450 million senior, unsecured convertible bond convertible into new ordinary shares having a par value of euro 0.01 per share. The bonds were placed by the Company to institutional investor only, with a coupon of 3% p.a., maturity of five years, at an issue price of 95.68% of their principal amount, and will be redeemed at maturity at par. The initial conversion price was set at euro 3.53 per share.

On July 13, 2015, as a result of the additional 100,000,000 ordinary shares issuance (see note 8B(4)) and in accordance with the terms and conditions of the bond, the Company adjusted the conversion price for the convertible bonds to be euro 3.4395 per share.

During the reporting period, a total amount of euro 0.5 million of Convertible bond were converted to shares. According to the convertible bond's terms, a total of 141,641 shares were issued.

	2015	2014
	In thousands of euro	
Balance at the beginning of the year	-	-
Proceeds from issuance of convertible bond B (4,500 notes at euro 100,000 par value each)	430,560	-
Transaction costs	(3,330)	-
Net proceeds during the year	427,230	-
Amount classified as non-controlling interests (a)	(4,029)	-
Expenses for the year	11,999	-
Expenses paid	(6,750)	-
Conversion to ordinary shares	(462)	-
Carrying amount of liability at the end of the year	427,988	-
Non-current portion of Convertible bond B	425,914	-
Accrued interest	2,074	-
Total Convertible bond B	427,988	-

## 18. LOANS AND BORROWINGS (CONTINUED)

## D. CONVERTIBLE BOND SERIES C

On December 15, 2015, the Company has successfully completed with the placement of euro 300 million senior, unsecured convertible bond convertible into new ordinary shares having a par value of euro 0.01 per share. The bond was placed by the Company to institutional investors, with a coupon of 1.5% p.a. payable semi-annually in arrear, a maturity of approximately five years, at an issue price of 97.05% of their principal amount, and will be redeemed at maturity at par value. The initial conversion price was set at euro 5.79 per share.

	2015	2014
	In thousands of euro	
Balance at the beginning of the year	-	-
Proceeds from issuance of convertible bond C (3,000 notes at euro 100,000 par value each)	291,150	-
Transaction costs	(2,609)	-
Net proceeds during the year	288,541	-
Amount classified as non-controlling interests (a)	(7,076)	-
Expenses for the year	280	-
Carrying amount of liability at the end of the year	281,745	-
Non-current portion of Convertible bond C	281,585	-
Accrued interest	160	-
Total Convertible bond C	281,745	-

## E. STRAIGHT BOND SERIES A

On December 9, 2014, the Company has successfully completed with the placement of euro 161 million (nominal value) of unsubordinated, senior secured straight bond maturing in December 2021 and bears a coupon of 3% p.a., payable semi-annually in arrears, for a consideration that reflects 94% of their principal amount.

During the reporting period, the Company increased its series A bond in an additional principal amount of euro 39 million for a price of 94% of the nominal value. Therefore the aggregated amount was euro 200 million principal amount.

	2015	2014
	In thousands of euro	
Balance at the beginning of the year	150,813	-
Proceeds from issuance of Bond A (1,610 notes at euro 100,000 par value)	-	151,340
Proceeds from issuance of Bond A (390 notes at euro 100,000 par value)	36,660	-
Transaction costs	(868)	(894)
Net proceeds during the year	35,792	150,446
Expenses for the year	7,679	367
Expenses paid	(6,000)	-
Carrying amount of liability at the end of the year	188,284	150,813
Non-current portion of Straight bond A	187,923	150,522
Accrued interest	361	291
Total Straight bond A	188,284	150,813

## F. (1) MAIN SECURITY, PLEDGE AND NEGATIVE PLEDGE AS DEFINED IN THE BONDS' TERMS AND CONDITIONS

The obligations of the Company and PCI under the Bonds and any Further Secured Bonds are secured in favor of the Trustee for the benefit of the Trustee, the Bondholders and the holders of any Further Secured Bonds by:

(a) a first-ranking charge, governed by the laws of Cyprus, over all ordinary shares held by PCI in its subsidiary, Zaplino Limited ("Zaplino");

(b) a first-ranking account pledge, governed by Luxembourg law, over the bank account held by PCI with Bank Hapoalim (Switzerland) Limited, Luxembourg branch, (the "Lux PrimeCity Account");

(c) a first-ranking account pledge, governed by the laws of Cyprus, over the bank account held by PCI with Bank of Cyprus Public Co Ltd. (the "Cyprus PrimeCity Account");

(d) first-ranking account pledges, governed by Luxembourg law, over each bank account held by Zaplino with Bank Hapoalim (Switzerland) Limited, Luxembourg branch, (the "Zaplino Luxembourg Accounts");

(e) an assignment by way of security, governed by the laws of Cyprus, of PCI's receivables and rights under, and claims against Zaplino for payment of principal and interest under, the loan agreements between PCI and Zaplino in an aggregate principal amount equal to the net issuance proceeds of the Bonds ("PrimeCity Loans") and all other loan agreements (of whatever nature and for whatever purpose howsoever described) relating to any loan by PCI to Zaplino of the net issuance proceeds in respect of any Further Secured Bonds;

(f) a first-ranking charge, governed by the laws of Cyprus, over all ordinary shares held by the Company in its subsidiary, Camelbay;

(g) an assignment by way of security, governed by the laws of Cyprus, of the Company's receivables and rights under, and claims against Camelbay for payment of principal and interest under, the loan agreements between the Company and Camelbay in an aggregate principal amount equal to the net issuance proceeds of the Bonds; and

(h) a first-ranking account pledge governed by Luxembourg law, over the Interest Reserve Account.

## (2) MAIN COVENANTS AS DEFINED IN THE BONDS' TERMS AND CONDITIONS

### The Company

- The Company will, up to and including the Final Discharge Date, procure that Net Debt shall not exceed: (a) at any time, 55% of the Portfolio Value; and (b) 50% of the Portfolio Value for a period of more than six (6) months.
- The Company will: (a) up to and including the Final Security Discharge Date, not pay any dividend unless the Net Assets of the Company are higher than euro 400,000,000 and provided that any such dividend shall be payable only out of available profits on the basis of audited consolidated financial statements of the Company prepared in accordance with IFRS; (b) up to and including the Final Discharge Date, not, and will not permit any Subsidiary (excluding any listed Entity) (the "Restricted Subsidiaries") to, directly or indirectly, create or permit to exist or become effective any consensual and

encumbrance or restriction on the ability of any of the Restricted Subsidiaries to (a) make or pay dividends or any other distributions on its share capital to the Company or any of the Company's other Restricted Subsidiaries or grant to the Company or any of the Company's Restricted Subsidiaries any other interest or participation in itself; or (b) pay any indebtedness owed to the Company or any of the Company's other Restricted Subsidiaries; or (c) make loans or advances to the Company or any of the Company's other Restricted Subsidiaries; or (d) transfer any of its properties or assets to the Company or any of the Company's other Restricted Subsidiaries.

- up to and including the Final Discharge Date, the Company undertakes that, on each Reporting Date, the Interest Coverage Ratio will be at least 1.86.

### PCI

- procure that Net Debt shall not exceed (i) at any time, 65% of the Portfolio Value and (ii) 60% of the Portfolio Value for a period of more than six (6) months;
- not pay a dividend as long as the Net Debt of the Group exceeds 50% of the Portfolio value;
- not open, maintain or hold any interest in, and will procure that Zaplino will not open, maintain or hold any interest, in each case directly or indirectly, in any account whatsoever with any bank or financial institution except for the Charged Accounts, unless the Issuer or Zaplino, respectively, grant a first-ranking security interest, satisfactory to the Trustee, over the respective account in favor of the Trustee, for the benefit of the Trustee and the Bondholders; and
- not, and will not permit any of its Subsidiaries to, directly or indirectly, create or permit to exist or become effective any consensual encumbrance or restriction on the ability of any Subsidiary of the Company to (i) make or pay dividends or any other distributions on its share capital to the Company or any of the Company's other Subsidiaries or grant to the Company or any of the Company's other Subsidiaries any other interest or participation in itself or (ii) (a) pay any indebtedness owed to the Company or any of the Company's other Subsidiaries (b) make loans or advances to the Company or any of the Company's other Subsidiaries or (c) transfer any of its properties or assets to the Company or any of the Company's other Subsidiaries.

### (3) OTHER PLEDGE

In addition to the pledge above, as of December 31, 2015, out of the Company's total holding in GCP S.A. 13 million of GCP S.A.'s shares are pledged due to a facility agreement.

## 19. DERIVATIVE FINANCIAL INSTRUMENTS

	As at December 31,	
	2015	2014
	In thousands of euro	
<b>Liabilities</b>		
Non current portion	3,590	4,995

The Group uses interest rate swaps, collars, caps and floors ("hedging instruments") to manage its exposure to interest rate movements on its bank borrowings.

All of the Group's derivatives financial instruments are linked to the bank loans maturity.

The calculation of the fair value of hedging instruments is based on discounted cash flows of future anticipated interest payments in place compared with the discounted cash flows of anticipated interest payments at market interest rates based on the hedging instrument agreement at the reporting date.

## 20. OTHER LONG TERM LIABILITIES

	As at December 31	
	2015	2014
	In thousands of euro	
Tenancy deposits	741	-
Finance lease liability	1,381	-
Long term payables	58,675	753
Deferred Income	1,639	-
Loans from shareholders and related parties	-	450
	<b>62,436</b>	<b>1,203</b>

## 21. RELATED PARTY TRANSACTIONS

The transactions and balances with related parties are as follows:

	As at December 31	
	2015	2014
	In thousands of euro	
Loans from shareholders and related parties	-	451

	As at December 31	
	2015	2014
	In thousands of euro	
Interest expenses on loans from shareholders and related parties	(26)	(456)

## 22. TRADE AND OTHER PAYABLES

	As at December 31	
	2015	2014
	In thousands of euro	
Trade and other payables	43,528	4,045
Prepayments received on operating costs	18,978	280
Deferred income	657	9
Other short term liabilities	32,808	4,391
	<b>95,971</b>	<b>8,725</b>

The fair values of trade and other payables due within one year approximate to their carrying amounts as presented above.



## 23. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

### FINANCIAL RISK FACTORS

The Group is exposed to the following major risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Operating risk
- Market risk

The Group is not exposed to currency risk as all its investments and financing arrangements are in euro.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework.

The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and in the Group's activities.

#### (I) CREDIT RISK

Credit risk arises because a failure by counter parties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the reporting date. The Group has no significant concentration of credit risk. The Group has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history and monitors on a continuous basis the ageing profile of its receivables.

#### Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each tenant. The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified.

#### Cash and cash equivalents

The Group held cash and cash equivalents of euro 121 million as at December 31, 2015 (December 31, 2014: euro 28 million), which represents its maximum credit exposure on these assets.

#### (II) LIQUIDITY RISK

Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match. An unmatched position potentially enhances profitability, but can also increase the risk of loss. The Group has procedures with the object of minimizing such losses such as maintaining sufficient cash and other highly liquid current assets and by having available an adequate amount of committed credit facilities.

The following are the remaining contractual maturities at the end of the reporting period and at the end of 2014 of financial liabilities, including estimated interest payments, the impact of derivatives and excluding the impact of netting agreements:

#### As at December 31, 2015

			Contractual cash flows including interest				
	Carrying amount	Total	2 months or less	2-12 months	1-2 years	2-3 years	more than 3 years
In thousands of euro							
<b>Non-derivative financial liabilities</b>							
Loans and Notes	609,205	778,205	65,034	47,144	131,278	108,217	426,532
Straight bonds	188,284	236,000	-	6,000	6,000	6,000	218,000
Convertible bonds	820,536	1,007,626	-	22,126	24,000	24,000	937,500
Trade payables	43,528	43,528	7,254	36,274	-	-	-
<b>Total</b>	<b>1,661,554</b>	<b>2,065,359</b>	<b>72,288</b>	<b>111,544</b>	<b>161,278</b>	<b>138,217</b>	<b>1,582,032</b>

#### As at December 31, 2014

			Contractual cash flows including interest				
	Carrying amount	Total	2 months or less	2-12 months	1-2 years	2-3 years	more than 3 years
In thousands of euro							
<b>Non-derivative financial liabilities</b>							
Loans	145,819	162,964	931	9,661	49,400	5,078	97,894
Straight bonds	150,522	129,090	-	3,972	3,972	3,972	117,174
Convertible bond	96,728	194,810	-	4,830	4,830	4,830	180,320
Trade payables	4,045	4,045	674	3,371	-	-	-
<b>Total</b>	<b>397,114</b>	<b>490,909</b>	<b>1,605</b>	<b>21,834</b>	<b>58,202</b>	<b>13,880</b>	<b>395,388</b>

## 23. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

### (III) OPERATING RISK

Operational risk is the risk that derives from the deficiencies relating to the Group's information technology and control systems as well as the risk of human error and natural disasters. The Group's systems are evaluated, maintained and upgraded continuously.

### (IV) ACCOUNTING CLASSIFICATIONS AND FAIR VALUES

#### Fair value hierarchy

The table below analyzes financial instruments carried at fair value, by the levels in the fair value hierarchy. The different levels have been defined as follows:

**Level 1:** Quoted prices (unadjusted) in active markets for identical assets or liabilities.

**Level 2:** Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

**Level 3:** Inputs for the asset or liabilities that are not based on observable market data (unobservable inputs).

	Level 1	Level 2	Level 3	Total
In thousands of euro				
<b>December 31, 2015</b>				
Traded securities at fair value through profit or loss	261,527	-	-	261,527
<b>Total assets</b>	<b>261,527</b>	<b>-</b>	<b>-</b>	<b>261,527</b>
Derivative financial instruments	-	3,590	-	3,590
<b>Total liabilities</b>	<b>-</b>	<b>3,590</b>	<b>-</b>	<b>3,590</b>
<b>December 31, 2014</b>				
Traded securities at fair value through profit or loss	146,038	-	-	146,038
<b>Total assets</b>	<b>146,038</b>	<b>-</b>	<b>-</b>	<b>146,038</b>
Derivative financial instruments	-	4,995	-	4,995
<b>Total liabilities</b>	<b>-</b>	<b>4,995</b>	<b>-</b>	<b>4,995</b>

(a) The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at each reporting date.

(b) All of the Group's derivative financial instruments are linked to the bank loan maturities. The calculation of the fair value of hedging instruments is based on discounted cash flows of future anticipated interest payments in place compared with the discounted cash flows of anticipated interest payments at market interest rates based on the hedging instrument agreement at the reporting date.

### (I) OTHER RISKS

The general economic environment prevailing internationally may affect the Group's operations to a great extent. Economic conditions such as inflation, unemployment, and development of the gross domestic product are directly linked to the economic course of every country and any variation in these and the economic environment in general may create chain reactions in all areas hence affecting the Group.

### CAPITAL MANAGEMENT

The Group manages its capital to ensure that it will be able to continue as a going concern while increasing the return to owners through the striving to keep a low debt to equity ratio. The management closely monitors and keeps low the Loan to Value ratio (LTV) and self-preserve conservative financial profile in order to ensure that it remains within its quantitative covenants and to reach long term strong credit rating for the Company. As at December 31, 2015 and 2014 the Group did not breach any of its loan covenants, nor did it default on any other of its obligations under its loan agreements.

## 24. COMMITMENTS

The Group had no significant commitments as at December 31, 2015.

## 25. CONTINGENT ASSETS AND LIABILITIES

The Group had no significant contingent assets and liabilities as at December 31, 2015.

## 26. EVENTS AFTER THE REPORTING PERIOD

There were no material events occurred after the reporting period.

# INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF AROUNDTOWN PROPERTY HOLDINGS PLC

## REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

We have audited the accompanying consolidated financial statements of Aroundtown Property Holdings PLC ("the Company") and its subsidiaries (together with the Company, "the Group") on pages 48 to 85 which comprise the consolidated statement of financial position as at December 31, 2015, and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

## BOARD OF DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Board of Directors is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113, 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

## AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at December 31, 2015, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

## REPORT ON OTHER LEGAL REQUIREMENTS

Pursuant to the requirements of the Auditors and Statutory Audits of Annual and Consolidated Accounts Law of 2009, we report the following:

- We have obtained all the information and explanations we considered necessary for the purposes of our audit.
- In our opinion, proper books of account have been kept by the Company.
- The consolidated financial statements are in agreement with the books of account.
- In our opinion and to the best of the information available to us and according to the explanations given to us, the consolidated financial statements give the information required by the Cyprus Companies Law, Cap. 113, in the manner so required.
- In our opinion, the information given in the report of the Board of Directors on page 1 is consistent with the consolidated financial statements.

## OTHER MATTER

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 34 of the Auditors and Statutory Audits of Annual and Consolidated Accounts Law of 2009 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.



Panicos Antoniades, FCCA  
Certified Public Accountant and Registered Auditor  
for and on behalf of

KPMG Limited  
Certified Accountants and Registered Auditors

March 29, 2016

**Audited Consolidated Financial Statements of**  
**Aroundtown Property Holdings PLC**  
**for the fiscal year ended December 31, 2014 (IFRS)**

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		For the year ended December 31,	
		2014	2013
		In millions of euro	
	Note		
<b>Revenue</b>	<b>5</b>	<b>257</b>	<b>181</b>
		-	-
Capital gains, property revaluations and other income	6	878	247
Property operating expenses	7	(102)	(44)
Cost of buildings sold		(14)	(55)
Administrative & other expenses	8	(8)	(5)
<b>Operating profit</b>		<b>1,011</b>	<b>324</b>
Finance expenses	9a	(27)	(13)
Other financial results	9b	(33)	8
<b>Net finance expenses</b>		<b>(60)</b>	<b>(5)</b>
<b>Profit before tax</b>		<b>951</b>	<b>319</b>
		-	-
Current tax expenses	10b	(17)	(6)
Deferred tax expenses	10c	(36)	(30)
		(53)	(36)
<b>Profit for the year</b>		<b>898</b>	<b>283</b>
Other comprehensive income for the year, net of tax		-	-
<b>Total comprehensive income for the year</b>		<b>898</b>	<b>283</b>

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

	Note	For the year ended December 31,	
		2014	2013
		In millions of euro	
<b>Profit attributable to:</b>			
Owners of the Company		715	141
Non-controlling interests		183	142
<b>Profit for the year</b>		<b>898</b>	<b>283</b>

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at December 31,	
		2014	2013
		In millions of euro	
Assets	Note		
Equipment and intangible assets	11	5	5
Investment property	12	426	1,545
Advanced payments for investment property		25	11
Equity-accounted investees	13	909	33
Deferred tax assets	10c	1	4
Other long term assets		178	(*) 18
<b>Non-current assets</b>		<b>1,544</b>	<b>1,616</b>
Cash and cash equivalents		28	134
Short term deposits		2	2
Traded securities at fair value through profit and loss	22	146	48
Inventories – trading property	14	-	20
Trade and other receivables	15	2	63
<b>Current assets</b>		<b>178</b>	<b>267</b>
<b>Total assets</b>		<b>1,722</b>	<b>1,883</b>


(\*) Reclassified.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)


		As at December 31,	
		2014	2013
		In millions of euro	
Equity	Note		
Share capital	16	-	-
Retained earnings and capital reserves		1,114	390
<b>Equity attributable to the owners of the Company</b>		<b>1,114</b>	<b>390</b>
Non-controlling interests		108	482
<b>Total equity</b>		<b>1,222</b>	<b>872</b>
<b>Liabilities</b>			
Loans and borrowings	17A	138	524
Straight bonds	17B, D, F	150	195
Convertible bonds	17C, E	97	-
Derivative financial instruments	18	5	17
Deferred tax liabilities	10c	47	98
Other long term liabilities	19	2	(*) 34
<b>Non-current liabilities</b>		<b>439</b>	<b>868</b>
Credit from bank institutions		42	22
Current portion of long term loans	17A	7	10
Other bank loan		-	4
Trade and other payables	21	9	98
Tax payable		2	4
Provisions for other liabilities and charges		1	(*) 5
<b>Current liabilities</b>		<b>61</b>	<b>143</b>
<b>Total liabilities</b>		<b>500</b>	<b>1,011</b>
<b>Total equity and liabilities</b>		<b>1,722</b>	<b>1,883</b>

(\*) Reclassified

On April 8, 2015 the Board of Directors of Aroundtown Property Holdings PLC authorised these consolidated financial statements for issuance.



\_\_\_\_\_  
Jelena Afxentiou  
Director  
Larnaca



\_\_\_\_\_  
Reshef Ish-Gur  
Director  
Larnaca



\_\_\_\_\_  
Elena Koushos  
Director  
Larnaca



# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to the owners of the Company				Non- controlling interests	Total equity
	Share capital	Other reserves	Retained earnings	Total		
	In millions of euro					
<b>Balance as at December 31, 2013</b>	-	<b>8</b>	<b>382</b>	<b>390</b>	<b>482</b>	<b>872</b>
Profit for the year	-	-	715	715	183	898
Other comprehensive income for the year	-	-	-	-	-	-
Total comprehensive income for the year	-	-	715	715	183	898
Share based payment in a subsidiary	-	-	-	-	0.2	0.2
Equity portion of convertible bond in subsidiaries	-	-	-	-	9	9
Transaction with non-controlling interests	-	-	9	9	74	83
Change in non-controlling interests due to acquisitions and disposals of subsidiaries	-	-	-	-	(640)	(640)
<b>Balance as at December 31, 2014</b>	-	<b>8</b>	<b>1,106</b>	<b>1,114</b>	<b>108</b>	<b>1,222</b>
<b>Balance as at December 31, 2012</b>	-	<b>8</b>	<b>216</b>	<b>224</b>	<b>66</b>	<b>290</b>
Profit for the year	-	-	141	141	142	283
Other comprehensive income for the year	-	-	-	-	-	-
Total comprehensive income for the year	-	-	141	141	142	283
Equity portion of convertible bond	-	-0.134	-	-0.134	-	(0.13)
Change in non-controlling interests due to acquisitions and disposals of subsidiaries	-	-	-	-	16	16
Transaction with non-controlling interests	-	-	25	25	(17)	8
Capital increase in subsidiary	-	-	-	-	275	275
<b>Balance as at December 31, 2013</b>	-	<b>8</b>	<b>382</b>	<b>390</b>	<b>482</b>	<b>872</b>

# CONSOLIDATED STATEMENT OF CASH FLOWS

		For the year ended December 31,	
		2014	2013
		In millions of euro	
	Note		
<b>Cash flows from operating activities</b>			
Profit for the year		898	283
<u>Adjustments for the profit:</u>			
Depreciation and amortization		1	-
Profit from business combination, capital gain and other income	6	(652)	(*) (61)
Change in fair value of investment property	6	(226)	(186)
Share-based payment in a subsidiary		0.2	-
Finance expenses, net	9	60	5
Tax and deferred tax expenses	10	53	37
		134	78
<u>Change in:</u>			
Inventories – trading property		14	-
Trade and other receivables		(45)	(*) (19)
Trade and other payables		37	11
Provisions for other liabilities and charges		8	4
		148	74
Tax paid		(13)	(6)
<b>Net cash provided by operating activities</b>		<b>135</b>	<b>68</b>
<b>Cash flows from investing activities</b>			
Acquisitions and disposals of equipment and intangible assets, net		(2)	(1)
Capex, investments and acquisition of investment property and advances paid		(322)	(313)
Acquisition and disposals of subsidiaries, net of cash acquired or disposed		(83)	(78)
Investment in traded securities and in other financial assets		(222)	(40)
<b>Net cash used in investing activities</b>		<b>(629)</b>	<b>(432)</b>

(\*) Reclassified.

# CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

	Note	For the year ended December 31,	
		2014	2013
		In millions of euro	
<b>Cash flows from financing activities</b>			
Proceed from issuance of shares in subsidiary	16	-	202
Amortizations of loans from financial institutions		(15)	(8)
Proceeds (Repayment) of loans from financial institutions, net		(151)	(*) 37
Proceed (Repayment) from/of loans from shareholders and related companies, net		-	8
Expenses related to redemption of convertible bonds		-	(4)
Proceeds from straight and convertible bonds, net	17	787	194
Transactions with non-controlling interests		74	(3)
Net financial expenses paid		(37)	(12)
<b>Net cash provided by financing activities</b>		<b>658</b>	<b>414</b>
Cash in subsidiaries on which the company lost its control		(270)	-
<b>Net (decrease) increase in cash and cash equivalents</b>		<b>(106)</b>	<b>50</b>
Cash and cash equivalents as at January 1		134	84
<b>Cash and cash equivalents as at December 31</b>		<b>28</b>	<b>134</b>

(\*) Reclassified.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 1. GENERAL

### (A) INCORPORATION AND PRINCIPAL ACTIVITIES

Aroundtown Property Holdings PLC (“the Company”) (ex: Aroundtown Property Holdings Limited) was incorporated on May 7, 2004 as a private limited liability company under the Cyprus Companies Law, Cap. 113. Its Registered Office is at Faros Avenue, Spyros Thalassines Alkyonides, 7560 Pervolia, Larnaca, Cyprus. The Company, together with its investees (hereinafter: “the Group”), is a specialist real estate investment group, focusing in the German real estate markets. The Group covers the main real estate segments which benefit from strong fundamentals and growth prospects: residential (through its holding in Grand City Properties S.A.), commercial and hotel properties.

The Group’s vision is buying, redeveloping, turning around and optimizing real estate properties in Germany.

On December 2, 2014, the company’s name was changed from “Aroundtown Property Holdings Limited” to “Aroundtown Property Holdings PLC”.

These consolidated financial statements for the year ended December 31, 2014 consist of the financial statements of the Group.

### (B) DEFINITIONS

Throughout these notes to the consolidated financial statements:

<b>The Company</b>	Aroundtown Property Holdings PLC
<b>The Group</b>	The Company and its investees
<b>Subsidiaries</b>	Companies that are controlled by the Company (as defined in IFRS 10) and whose financial statements are consolidated with those of the Company
<b>Associates</b>	Companies over which the Company has significant influence (as defined in IAS 28) and that are not subsidiaries. The Company’s investment therein is included in the consolidated financial statements of the Company at equity
<b>Investees</b>	Subsidiaries, jointly controlled entities and associates
<b>GCP S.A.</b>	Grand City Properties S.A. (an associate of the Company)
<b>PCI; Camelbay</b>	Primecity Investment PLC, Camelbay Limited (subsidiaries of the Company)
<b>Related parties</b>	As defined in IAS 24

## 2. BASIS OF PREPARATION

### A. STATEMENT OF COMPLIANCE

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS).

Certain balance sheet items related to the year ended December 31, 2013 have been reclassified to enhance comparability with 2014 figures and to present better the Company's results, and are marked as "reclassified".

These consolidated financial statements were authorized for issuance by the Company's Board of Directors on April 8, 2015.

### B. BASIS OF MEASUREMENT

The consolidated financial statements have been prepared on a going concern basis, applying the historical cost convention, except for the measurement of the following:

- Traded securities at fair value through profit or loss;
- Investment properties are measured at fair value;
- Investments in equity accounted investees;
- Derivative financial instruments;
- Deferred tax assets and liabilities.

## 2. BASIS OF PREPARATION (CONTINUED)

### C. USE OF ESTIMATES AND JUDGMENTS

The preparation of consolidated financial statements in accordance with IFRS requires from Management the exercise of judgment, to make estimates and assumptions that influence the application of accounting principles and the related amounts of assets and liabilities, income and expenses. The estimates and underlying assumptions are based on historical experience and various other factors that are deemed to be reasonable based on current knowledge available at that time. Actual results may deviate from such estimates.

The estimates and underlying assumptions are revised on a regular basis. Revisions in accounting estimates are recognized in the period during which the estimate is revised, if the estimate affects only that period, or in the period of the revision and future periods, if the revision affects the present as well as future periods.

In particular, information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amount recognized in the financial statements are described below:

- **FAIR VALUE OF INVESTMENT PROPERTY**

The Group uses external valuation reports issued by independent professionally qualified valuers to determine the fair value of its investment properties. Changes in their fair value are recognized in consolidated statement of comprehensive income.

The fair value measurement of investment property requires valuation experts and the Company's management to use certain assumptions regarding rates of return on the Group's assets, future rent, occupancy rates, contract renewal terms, the probability of leasing vacant areas, asset operating expenses, the tenants' financial stability and the implications of any investments made for future development purposes in order to assess the future expected cash flows from the assets. Any change in the assumptions used to measure the investment property could affect its fair value.

- **IMPAIRMENT OF INVESTMENTS IN ASSOCIATES**

The Group periodically evaluates the recoverability of investments in associates whenever indicators of impairment are present. Indicators of impairment include such items as declines in revenues, earnings or cash flows or material adverse changes in the economic or political stability of a particular country, which may indicate that the carrying amount of an asset is not recoverable. If facts and circumstances indicate that investment in associates may be impaired, the estimated future undiscounted cash flows associated with these subsidiaries/associates would be compared to their carrying amounts to determine if a write down to fair value is necessary.

- **TAX AND DEFERRED TAX EXPENSES**

Significant judgment is required in determining the provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

- **IMPAIRMENT OF INTANGIBLE ASSET**

Intangible assets are initially recorded at acquisition cost and are amortized on a straight line basis over their useful economic life. Intangible assets that are acquired through a business combination are initially recorded at fair value at the date of acquisition. Intangible assets with an indefinite useful life are reviewed for impairment at least once per year. The impairment test is performed using the discounted cash flows expected to be generated through the use of the intangible assets, using a discount rate that reflects the current market estimations and the risks associated with the asset. When it is impractical to estimate the recoverable amount of an asset, the Group estimates the recoverable amount of the cash generating unit in which the asset belongs to.

- **IMPAIRMENT OF GOODWILL**

Determining whether goodwill is impaired requires an estimation of the value in use of the cash generating units of the Group on which the goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash generating units using a suitable discount rate in order to calculate present value.

- **LEGAL CLAIMS**

In estimating the likelihood of outcome of legal claims filed against the Company and its investees, the Group relies on the opinion of their legal counsel. These estimates are based on the legal counsel's best professional judgment, taking into account the stage of proceedings and historical legal precedents in respect of the different issues. Since the outcome of the claims will be determined in courts, the results could differ from these estimates.

- **PROVISIONS**

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain.

- **FAIR VALUE HIERARCHY**

Please see note 12(b) and 22(iv).

### D. FUNCTIONAL AND PRESENTATION CURRENCY

The consolidated financial statements are presented in euro, rounded to the nearest million, except when otherwise indicated.

# 3. SIGNIFICANT ACCOUNTING POLICIES

## (A) BASIS OF CONSOLIDATION

The Group's consolidated financial statements comprise the financial statements of the parent company Aroundtown Property Holdings PLC and the financial statements of its subsidiaries. Subsidiaries are entities controlled by the Group. 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 the subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated. Unrealized gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

The Group has considered the impact of the amendment to IFRS 10 – Investment Entities, and has determined that it does not meet the definition of an "Investment entity".

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements and have been applied by all entities in the Group.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those of the Group.

## CHANGES IN THE GROUP'S OWNERSHIP INTERESTS IN EXISTING SUBSIDIARIES

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non controlling interests. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognized in other comprehensive income and accumulated in equity, the amounts previously recognized in other comprehensive income and accumulated in equity are accounted for as if the Company had directly disposed of the relevant assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable IFRS). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 Financial Instruments: Recognition and Measurement.

Accounting for business combinations under IFRS 3 only applies if it is considered that a business has been acquired. The Group may invest in subsidiaries that hold properties but do not constitute a business. Those transactions are therefore treated as asset acquisitions rather than business combinations. The Group allocates the cost between the individual identifiable assets and liabilities in the Group based on their relative fair values at the date of acquisitions.

# 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

## (B) BUSINESS COMBINATIONS

Acquisitions of businesses are accounted for using the acquisition method, i.e. when control is transferred to the Group. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognized and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively;
- liabilities or equity instruments related to share based payment arrangements of the acquiree or share based payment arrangements of the Group entered into to replace share based payment arrangements of the acquiree are measured in accordance with IFRS 2 Share based Payment at the acquisition date; and
- Assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard.

Goodwill is initially measured as the excess of the sum of the consideration transferred, the fair value of any non controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognized immediately in the consolidated income statement as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction by transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39, or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in consolidated income statements.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognized in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.



# 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

## (C) INVESTMENTS IN ASSOCIATES AND EQUITY – ACCOUNTED INVESTEES

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. A jointly controlled entity is an entity in which two or more parties have interest.

The results and assets and liabilities of associates and equity accounted investees are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5 Non current Assets Held for Sale and Discontinued Operations. Under the equity method, an investment in an associate is initially recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Group's share of the consolidated income statements and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognized at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

The requirements of IAS 36 are applied to determine whether it is necessary to recognize any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When an entity in the Group transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in the Group's consolidated financial statements, however only to the extent of interests in the associate that are not related to the Group.

## (D) REVENUE RECOGNITION

Revenue is recognized in the consolidated statement of comprehensive income when it can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the Group and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

### • RENTAL AND OPERATING INCOME

Rental operating income from investment properties are recognized as revenue on a straight-line basis over the term of the lease. Lease incentives granted are recognized as an integral part of the total rental operating income, over the term of the lease.

Rental operating income also includes service charges and payments for utilities if the costs and the amount of the income can be reliably determined. The revenue is recognized once the service is provided.

### • SALE OF BUILDINGS

Revenue from the sale of buildings in the course of ordinary activities is measured as the fair value of the consideration received or receivable. Revenue is recognized when significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of the buildings can be reliably estimated.

### • OTHER

Other income is used to represent income resulting in the release of provisions, tax repayments, cancellation of debts and others.

## (E) NET FINANCE EXPENSES

### • FINANCE INCOME AND EXPENSES

Finance income comprises interest income on funds invested.

Finance expenses comprise interest expense on loans and borrowings, bonds and loans from third parties.

### • OTHER FINANCIAL RESULTS

Other financial results represent changes in the time value of provisions, changes in the fair value of traded securities, profit or losses on derivative financial instruments, borrowing and redemption costs, loan arrangement fees and other one-time payments.

Net finance expenses are recognized as they accrue in the statement of comprehensive income, using the effective interest method.

## (F) DEFERRED TAX, INCOME TAX AND PROPERTY TAXES

Tax expense comprises current and deferred tax. Current tax and deferred tax is recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

German property taxation includes taxes on the holding of real estate property and construction.

# 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

## (G) CURRENT TAX

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

## (H) DEFERRED TAX

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 is not recognized for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries, associates and jointly controlled entities to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and taxable temporary differences arising on the initial recognition of goodwill.

A deferred tax asset is recognized for unused tax losses, tax credits 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.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the assets are realized or the liabilities are settled (liabilities method), based on tax rates/laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

## (I) EQUIPMENT AND INTANGIBLE ASSETS

Equipment is measured at cost less accumulated depreciation and impairment losses.

Depreciation is recognized in profit or loss on the straight line method over the useful lives of each part of an item of equipment. The annual depreciation rates used for the current and comparative periods are as follows:

Furniture, fixtures and office equipment:  $\frac{\%}{10-50}$

Depreciation methods, useful lives and residual values are reassessed at the reporting date.

Where the carrying amount of an asset is greater than its estimated recoverable amount, the asset is written down immediately to its recoverable amount.

Expenditure for repairs and maintenance of equipment is charged to profit or loss of the year in which it is incurred. The cost of major renovations and other subsequent expenditure are included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Group. Major renovations are depreciated over the remaining useful life of the related asset.

An item of equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in consolidated income statement.

The intangible assets of the Group consist of goodwill and software. Goodwill arising on the acquisition of subsidiaries is measured at cost less accumulated impairment losses.

Other intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortization, and any accumulated impairment losses.

## (J) DEFERRED INCOME

Deferred income represents income which relates to future periods.

### I. PREPAYMENTS

Payments received in advance on development contracts for which no revenue has been recognized yet, are recorded as prepayments for clients as at the reporting date and carried under liabilities.

### II. TENANCY DEPOSITS

Tenancy deposits are paid to ensure the apartment is returned in good condition. The tenancy deposits can also be used if a loss of rent occurs.

# 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

## (K) INVESTMENT PROPERTY

An investment property is property comprising buildings held by the owner to earn rentals or for capital appreciation or both rather than for use in the production or supply of goods or services, for administrative purposes or for sale in the ordinary course of business.

Investment property is measured initially at cost, including costs directly attributable to the acquisition. After initial recognition, investment property is measured at fair value which reflects market conditions at the end of the reporting period. Gains or losses arising from changes in the fair values of investment property are included in profit or loss when they arise.

Investment property is derecognized on disposal or when the investment property ceases to be used and no future economic benefits are expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss in the period of the disposal.

The Group determines the fair value of investment property on the basis of valuations by independent valuers who hold recognized and relevant professional qualifications and have the necessary knowledge and experience.

## (L) FINANCIAL INSTRUMENTS

### 1. NON-DERIVATIVE FINANCIAL ASSETS:

The Group initially recognizes loans and receivables on the date that they are originated. All other financial assets (including assets designated as at fair value through profit or loss) are recognized initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in such transferred financial assets that is created or retained by the Group is recognized as a separate asset or liability.

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 them on a net basis or to realize the asset and settle the liability simultaneously.

The Group classifies non-derivative financial assets into the following categories: financial assets at fair value through profit or loss, loans and receivables.

### a) Traded securities at fair value through profit or loss

Traded securities are classified as at fair value through profit or loss if it is classified as held-for trading or is designated as such on initial recognition. Traded securities are designated as at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group's documented risk management or investment strategy. Attributable transaction costs are recognized in profit or loss as incurred. Traded securities at fair value through profit or loss are measured at fair value and changes therein, which takes into account any dividend income, are recognized in profit or loss.

Traded securities designated as at fair value through profit or loss comprise equity securities that otherwise would have been classified as available-for-sale.

### b) Loans and receivables

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, and trade and other receivables.

### c) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments.

## 2. NON-DERIVATIVE FINANCIAL LIABILITIES

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

## 3. SHARE CAPITAL

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.

## 4. COMPOUND FINANCIAL INSTRUMENTS

Compound financial instruments issued by the Group comprise convertible notes denominated in euro that can be converted to share capital at the option of the holder, when the number of shares to be issued is fixed.

The liability component of a compound financial instrument is recognized initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognized initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts. Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition.

Interest related to the financial liability is recognized in profit or loss. On conversion, the financial liability is reclassified to equity and no gain or loss is recognized.

# 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

## (L) FINANCIAL INSTRUMENTS

### 5. DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments are initially accounted for at cost and subsequently measured at fair value. Fair value is calculated using the current values, discounted cash flow analysis or option valuation methods. Derivatives are recorded as assets when their fair value is positive and as liabilities when their fair value is negative. The adjustments on the fair value of derivatives held at fair value are transferred to the consolidated comprehensive income statement.

### 6. BORROWINGS

Borrowings are recorded initially at the proceeds received, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognized in profit or loss over the period of the borrowings using the effective interest method.

### 7. TRADE PAYABLES

Trade payables are initially measured at fair value.

## (M) DE-RECOGNITION OF FINANCIAL ASSETS AND LIABILITIES

### (I) FINANCIAL ASSETS

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the rights to receive cash flows from the asset have expired;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or
- The Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the assets.

### (II) FINANCIAL LIABILITIES

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the consolidated income statement.

## (N) IMPAIRMENT OF ASSETS

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. Assets that are subject to depreciation or amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

## (O) OFFSETTING FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the consolidated statement of financial position.

## (P) PROPERTY OPERATING EXPENSES

This item includes operating costs that can be recharged to the tenants and direct management costs of the properties. Maintenance expenses for the upkeep of the property in its current condition, as well as expenditure for repairs are charged to the income statement. Refurbishment that takes place subsequent to the property valuation, thus excluded in its additional value, will also be stated in this account, until the next property valuation.

# 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

## (Q) OPERATING SEGMENTS

The Group meets the definition of operating in two operating segments. An operating segment is a component of the Group that meets the following three criteria:

- Is engaged in business activities from which it may earn revenues and incur expenses, including revenues and expenses relating to intragroup transactions;
- whose operating results are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance; and
- For which separate financial information is available.

## (R) COMPARATIVES

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current period.

## (S) EARNINGS PER SHARE

Earnings per share are calculated by dividing the net profit attributable to owners of the Company by the weighted number of Ordinary shares outstanding during the period. Basic earnings per share only include shares that were actually outstanding during the period. Potential Ordinary shares (convertible securities such as convertible debentures, warrants and employee options) are only included in the computation of diluted earnings per share when their conversion decreases earnings per share or increases loss per share from continuing operations. Further, potential Ordinary shares that are converted during the period are included in diluted earnings per share only until the conversion date and from that date in basic earnings per share. The Company's share of earnings of investees is included based on the earnings per share of the investees multiplied by the number of shares held by the Company.

## (T) SHARE-BASED PAYMENT TRANSACTIONS

The grant-date fair value of equity-settled share-based payment awards granted to employees is generally 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.

## (U) LEASED ASSETS

Assets held by the Group under leases which transfer to the Group substantially all of the risks and rewards of ownership are classified as finance leases. On initial recognition, the leased asset is measured at an amount equals to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Determining whether an arrangement contains a lease at inception of an arrangement, the Company determines whether such an arrangement is or contains a lease. This will be the case if the following two criteria are met:

- The fulfillment of the arrangement is dependent on the use of a specific asset or assets; and
- The arrangement contains a right to use the asset(s).

At inception or on reassessment of the arrangement, the Company separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Company concludes for a finance lease that it is impracticable to separate the payments reliably, then an asset and a liability are recognized at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance cost on the liability is recognized using the Company's incremental borrowing rate.

# 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

## (V) TRADING PROPERTY (INVENTORIES)

Inventories are trading properties acquired with the clear intention that they are to be sold in the ordinary course of business. Trading properties considered as inventories are shown at the lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Trading properties are purchased and sold on a portfolio basis. Each separately identifiable portfolio of trading properties is held by a Group subsidiary entity established and/or acquired for the purpose of holding the respective trading property portfolio. Trading properties are recognized in the balance sheet only when full control is obtained. Trading properties are de-recognized in the consolidated financial statements only when full control is transferred outside of the Group. Cost of trading properties is determined on the basis of specific identification of the individual costs of the trading property including acquisition costs such as transfer taxes, legal and due diligence fees.

## (W) NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after January 1, 2015, and have not been applied in preparing these consolidated financial statements. Those which may be relevant to the Group are set out below. The Group does not plan to early adopt these standards.

### (I) IFRS 9 – FINANCIAL INSTRUMENTS (2009, 2010)

IFRS 9 (2009) introduces new requirements for the classification and measurement of financial assets. Under IFRS 9 (2009), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 (2010) introduces additional changes relating to financial liabilities. The IASB currently has an active project to make limited amendments to the classification and measurement requirements of IFRS 9 and to add new requirements to address the impairment of financial assets and hedge accounting. IFRS 9 is effective for annual reporting periods beginning on or after January 1, 2018, with early adoption permitted.

### (II) IFRS 15 – REVENUE FROM CONTRACTS WITH CUSTOMERS

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customers Loyalty Programs. IFRS 15 is effective for annual reporting periods beginning on or after January 1, 2017, with early adoption permitted.

The Group has considered the above new standards, interpretations and amendments to published standards and will continue to evaluate the impact on the Group's consolidated financial statements. At this time, the impact of the above publications is not expected to be material to the Group's consolidated financial statements.



## 4. ACQUISITION, DISPOSAL AND DECONSOLIDATE OF SUBSIDIARIES

a) During the year the Group obtained control on several companies through business combinations. The significant net impacts on the consolidated statement of comprehensive income and consolidated statements of financial position of the group are as follows:

	In millions of euro
Investment property	734
Investment in equity-accounted investees	(25)
Working capital and other assets, net	(2)
Cash and Cash equivalents	9
	716
Loans from banks	(338)
Other assets, net	(10)
	(348)
<b>Total identifiable net assets</b>	<b>368</b>
Non-controlling interests arising from initial consolidation	(32)
Consideration paid regarding acquisition of subsidiaries	(231)
<b>Goodwill recognized</b>	<b>6</b>
<b>Profit arising from business combination</b>	<b>111</b>

b) As of December 31, 2014, based on management assessments relating to GCP SA's shareholders structure and other criteria's, the Company has no longer effective control on GCP S.A. Due to loss of control in GCP S.A. the Company de-recognized the assets and liabilities of GCP S.A. from the consolidated statement of financial position. The Company recognizes the investment retained in GCP S.A. at its fair value. The fair market value of the Company's interests in GCP S.A. as of December 31, 2014 was determined by external independent valuator, to the amount of euro 908 million. The Company recognized the difference between its investment retained in GCP S.A. and its fair market value at the amount of euro 555 million in the consolidated statement of comprehensive income, as part of Capital gains, property revaluation and other income account.

The significant net impacts on the consolidated statement of comprehensive income and consolidated statements of financial position of the group are as follows:

	In millions of euro
Investment property	(2,180)
Working capital and other assets, net	24
Cash and liquid assets	(272)
Other long term asset and liabilities, net	122
Financial debt	1,265
<b>Total de-recognized net assets</b>	<b>(1,041)</b>
De-recognizing non-controlling interests from loss of control	688
<b>Fair value of Investment in equity accounting investees including goodwill</b>	<b>908</b>
<b>Profit arising from loss of control</b>	<b>555</b>

### c) Disposals

During the reporting period, the Group sold several non-core properties (through share deals) for a total consideration of euro 137 million. The profit from those transactions was euro 3.5 million and recorded in the Capital gains as part of the consolidated statement of comprehensive income.

## 5. REVENUE

	Year ended December 31,	
	2014	2013
	In millions of euro	
Rental and operating income	242	111
Revenue from sales of buildings (a)	15	70
	257	181

(a) Of which euro 14.4 million (2013: euro 54.9 million) refers to cost of buildings sold.

## 6. CAPITAL GAINS, PROPERTY REVALUATION AND OTHER INCOME

	Year ended December 31,	
	2014	2013
	In millions of euro	
Change in fair value in investment property	226	186
Capital gains and profit arising from business combinations (Bargain Purchase)	652	(*) 61
	878	247

(\*) Reclassified.

## 7. PROPERTY OPERATING EXPENSES

	Year ended December 31,	
	2014	2013
	In millions of euro	
Purchased services	(74)	(34)
Maintenance and refurbishment	(16)	(6)
Personnel expenses	(8)	(2)
Other operating costs	(4)	(2)
	(102)	(44)

## 8. ADMINISTRATIVE & OTHER EXPENSES

	Year ended December 31,	
	2014	2013
	In millions of euro	
Personnel expenses	(2.0)	(1.0)
Legal and professional fees	(1.3)	(0.7)
Year-end closing, accounting and audit expenses	(1.5)	(1.2)
Sales and marketing expenses	(1.2)	(0.1)
Other administrative expenses	(1.7)	(1.8)
Depreciation and amortization	(0.3)	(0.2)
	(8)	(5)



## 9. NET FINANCE EXPENSES

	Year ended December 31,	
	2014	2013
	In millions of euro	
<b>a. Finance expense</b>		
Finance expenses from credit institutions and third parties, net	(11)	(8)
Finance expenses from straight and convertible bonds, net	(15)	(5)
Other finance income	(1)	-
	(27)	(13)
<b>b. Other financial results</b>		
Changes in fair value of financial assets and liabilities, net	(25)	17
Finance related costs	(8)	(6)
Expenses related to redeemed convertible bonds	-	(3)
	(33)	8

## 10. TAXATION

### a. TAX RATE APPLICABLE TO THE GROUP

The Company and some of its subsidiaries are subject to taxation under the laws of Cyprus. The corporation tax rate for Cyprus companies in 2014 is 12.5% (2013: 12.5%).

Under certain conditions interest income of the Cyprus companies may be subject to defence contribution at the rate of 30% (2013: 30%). In such cases this interest will be exempt from corporation tax. In certain cases, dividends received from abroad may be subject to defence contribution at the rate of 20% for the tax years 2012 and 2013, and 17% for 2014 and thereafter.

The Luxembourg subsidiaries are subject to taxation under the laws of Luxembourg. The corporation tax rate for Luxembourg companies is 29.22% (2013: 29.22%).

The German subsidiaries are subject to taxation under the laws of Germany. Income taxes are calculated using a federal corporate tax of 15.0% for December 31, 2013, plus an annual solidarity surcharge of 5.5 % on the amount of federal corporate taxes payable (aggregated tax rate: 15.825%).

German property taxation includes taxes on the holding of real estate property.

### b. CURRENT TAXES INCLUDED IN CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended December 31,	
	2014	2013
	In millions of euro	
Corporation tax	(8)	(2)
property tax	(9)	(4)
	(17)	(6)

# 10. TAXATION (CONTINUED)

## c. MOVEMENT ON THE DEFERRED TAXATION ACCOUNT IS AS FOLLOWS:

DEFERRED TAX LIABILITY	Other deferred tax	Fair value gains on investment property	Total
	In millions of euro		
Balance as at December 31, 2012	1	40	41
Charged to:			
Deferred tax expense	-	31	31
Initial consolidation	(1)	26	25
Transfer to liability held for sale	-	1	1
Balance as at December 31, 2013	-	98	98
Charged to:			
Deferred tax expense	5	36	41
Initial consolidation	-	60	60
Deconsolidation	(4)	(148)	(152)
Transfer to other deferred tax	2	(2)	-
Balance as at December 31, 2014	3	44	47

DEFERRED TAX ASSETS	Derivative financial instruments	Deferred taxes – loss carried forward, net	Total
	In millions of euro		
Balance as at December 31, 2012	2	1	3
Charged to:			
Deferred tax (expense) income	(1)	2	1
Initial consolidation	1	(1)	-
Balance as at December 31, 2013	2	2	4
Charged to:			
Deferred tax (expense) income	(1)	6	5
Initial consolidation	1	3	4
Deconsolidation	(1)	(11)	(12)
Balance as at December 31, 2014	1	-	1

# 11. EQUIPMENT AND INTANGIBLE ASSETS

	Furniture, fixtures and office equipment	Goodwill	Computer software	Total
In millions of euro				
<b>Cost</b>				
Balance as at December 31, 2012	1	-	-	1
Additions	1	-	-	1
Initial consolidation	-	3	1	4
Balance as at December 31, 2013	2	3	1	6
Additions	1	-	1	2
Equipment and intangible assets arising from initial consolidation, net	-	6	-	6
Deconsolidation	(1)	(4)	(1)	(6)
Balance as at December 31, 2014	2	5	1	8
<b>Depreciation/Amortization</b>				
Balance as at December 31, 2012	-	-	-	-
Depreciation/Amortization for the year	1	-	-	1
Balance as at December 31, 2013	1	-	-	1
Depreciation/Amortization for the year	1	-	1	2
Balance as at December 31, 2014	2	-	1	3
<b>Carrying amounts</b>				
Balance as at December 31, 2013	1	3	1	5
Balance as at December 31, 2014	-	5	-	5

## 12. INVESTMENT PROPERTY

### A. COMPOSITION

	2014	2013
	In millions of euro	
Balance at January 1	1,545	534
Additions (disposals) and adjustments during the year	(1,853)	(*) 522
Investment property arising from initial consolidation	734	479
Transfer from assets held for sale	-	10
Balance as at December 31	426	1,545

(\*) Reclassified.

### B. MEASUREMENT OF FAIR VALUE

The fair value of investment property was determined by external, independent property valuers, having appropriate recognized professional qualifications and recent experience in the location and category of the property being valued. The independent valuers provide the fair value of the Group's investment property portfolio every six months. The range of the discount rates applied to the net annual rentals to determine the fair value of property is between 6.25%-8%.

All the investment property in the group in total fair value amount of euro 426 million (2013: euro 1,545 million) has been categorized as a Level 3 fair value based on the inputs to the valuation technique used.

## 13. INVESTMENTS IN EQUITY-ACCOUNTED INVESTEEES

### A. COMPOSITION

	2014	2013
	In millions of euro	
Balance as at January 1	33	64
Additions, (disposals) and changes in equity accounted investees	875	(30)
Loans granted to (repaid by) equity accounted investees	1	(1)
Balance as at December 31	909	33

## 14. INVENTORIES – TRADING PROPERTY

	As at December 31,	
	2014	2013
	In millions of euro	
Inventories - trading property	-	20

a. In November 2013, GCP S.A. sold approximately 900 units (64 thousand square meters) for gross proceeds at the amount of euro 70 million. The cost of the units were euro 54.9 million, therefore the Group recorded profit in amount of euro 15.1 million.

b. During 2014, GCP S.A. sold approximately 210 units (16 thousand square meters) which were presented as inventory trading property for gross proceeds at the amount of euro 14.7 million.

## 15. TRADE AND OTHER RECEIVABLES

	As at December 31,	
	2014	2013
	In millions of euro	
Operating costs receivables (a)	-	37
Rent and other receivables	1	12
Prepaid expenses	-	2
Current tax assets	-	1
Other short term financial assets	1	11
	2	63

(a) In 2013, the vast majority of this accounts balance came from GCP S.A. In 2014 GCP S.A. was deconsolidated – see note 4(b).

(b) The fair values of trade and other receivables due within one year approximate to their carrying amounts as presented above.

# 16. EQUITY

## A. SHARE CAPITAL

	December 31			
	2014		2013	
	Number of shares	In thousands of euro	Number of shares	In thousands of euro
<b>Authorized</b>				
Ordinary shares of EUR 1.71 each	50,000	85.5	50,000	85.5
<b>Issued and fully paid</b>				
Balance as of January 1	5,550	9.5	5,500	9.5
Issuance of shares	16,650	28.5	-	-
Balance on December 31	22,200	38	5,500	9.5

## B. AUTHORIZED CAPITAL

Under its Memorandum of association the Shareholders set the authorized share capital at 50,000 ordinary shares of nominal value of euro 1.71 each.

## C. ISSUED CAPITAL

Upon incorporation on May 7, 2004 the Company issued 5,550 ordinary shares of euro 1.71 each, at par value, to the subscribers.

On November 28, 2014, the Company issued 16,650 ordinary shares of euro 1.71 each.

## D. OTHER RESERVES

The other reserves were shareholders loan that were converted to equity, therefore the other reserves can be distributed at any time.

After the reporting period the Company increased its authorized share capital by 1,499,450,000 to 1,500,000,000 ordinary shares of nominal value of euro 0.01 each. Out of the authorized share capital 500 million are issued.

# 17. LOANS AND BORROWINGS

## A. COMPOSITION

	Weighted average interest rate	Maturity date	As at December 31,	
			2014	2013
In millions of euro				
<b>Long term liabilities</b>				
Bank loans	3%	2016-2028	138	521
Other loans	-	-	-	3
<b>Total long term loans</b>			<b>138</b>	<b>524</b>
Straight bonds (B, D, F)	3%	2021	150	195
Convertible bonds (C, E)	4%	2019	97	-
<b>Total bonds</b>			<b>247</b>	<b>195</b>
<b>Short term liabilities</b>				
Bank loans	3%	2015	7	10
Other bank loan	-	-	-	4
<b>Total Short term loans</b>			<b>7</b>	<b>14</b>

## B. STRAIGHT BOND SERIES B

On June 3, 2013 GCP S.A. issued in a private placement euro 100 million unsubordinated straight bonds maturing in June 2020, bearing a coupon of 6.25% p.a. payable semi-annually in arrears ("Series B bond"). On July 24, 2013, GCP S.A. successfully increased the Series B bond issued in June by additional euro 100 million (nominal value). On April 15, 2014, GCP S.A. successfully completed with the placement of additional euro 150 million (nominal value) of Series B bond, for a consideration that reflects 107.25% of their principal amount. The total aggregate principal amount of the series B bond was thereby increased to euro 350 million (nominal value). Morgan Stanley acted as the sole underwriter.

During the fourth quarter of 2014, GCP S.A. redeemed the whole outstanding amount of Series B bonds (see also (b) below).

	Year ended December 31,	
	2014	2013
In millions of euro		
Balance at the beginning of the year	196	-
Proceeds from issuance of bond during the year (200,000 notes at euro 1,000 par value)	-	200
Proceeds from issuance of bond during the year (150,000 notes at euro 1,000 par value) (a)	161	-
Issuance costs	(2)	(6)
Net proceeds during the year	159	194
Expenses for the year	12	8
Expenses paid	(17)	(6)
Redemption of bond series B (b)	(350)	-
Carrying amount of liability at the end of the year	-	196
Non-current portion of bond series B	-	195
Accrued interest	-	1
Total bond series B	-	196

a. This amount includes additional euro 11million (reflects 7.25% of the par value), allocated as deferred income and presented in other long term liabilities account balance. As at December 31 2014, due to the redemption of Series B bonds (see (b) below) GCP S.A. has realized all the deferred income.

b. During the fourth quarter of 2014, GCP S.A. resolved to redeem the outstanding euro 350 million Series B bonds in two phases; first, GCP S.A. redeemed an outstanding amount of euro 332 million, at 109.5% of their principle amount (together with accrued and unpaid interest to that date). Second, GCP S.A. exercised its rights to redeem the outstanding amount of euro 18 million, at their principle amount (together with the accrued and unpaid interest to that date).

# 17. LOANS AND BORROWINGS

## (CONTINUED)

### C. CONVERTIBLE BOND SERIES C

On February 24, 2014, GCP S.A. issued euro 150 million (nominal value) bonds, convertible into ordinary shares of GCP S.A. and bear a coupon of 1.50% p.a. payable semi-annually in arrears ("Convertible bond series C"). The initial conversion price was fixed at euro 9.72. The bonds were issued at 100% of their principle amount and will be redeemed at maturity at 106.65% of their principle amount. On June 19, 2014, the Company successfully completed the tap up placement of additional euro 125 million (nominal value) of Convertible bond series C, for consideration that reflects 111.25% of their principal amount. The total aggregate principal amount of the Convertible bond series C increased to euro 275 million (nominal value). During December 2014, a total amount of euro 30 million of Convertible bonds Series C were converted into shares of GCP S.A., according to the convertible bond's terms, a total of 3.1 million shares were issued. After the reporting period, additional amounts were converted into shares (see note 25).

	Year ended December 31,	
	2014	2013
	In millions of euro	
Proceeds from issuance of Convertible bond series C (1,500 notes at euro 100,000 par value)	150	-
Proceeds from tap up issuance of Convertible bond series C (1,250 notes at euro 100,000 par value) (a)	139	-
Total issuance costs	(4)	-
Net proceeds during the year	285	-
Amount initially classified as non-controlling interests (a) (b)	(8)	-
Expenses for the year	3	-
Expenses paid	(2)	-
Conversion to ordinary shares of GCP S.A.	(30)	-
Carrying amount of liability at the end of the year	248	-
Effect of the loss of control on the investment in GCP S.A. (see note 4(b))	(248)	-
Total Convertible bond series C	-	-

(a) This amount includes additional euro 14 million that were received as part of the bond placement (reflects 11.25% of the par value), out of which euro 7.3 million were allocated as an equity component according to external independent economic valuer and presented as part of the non-controlling interests. The residual amount of euro 6.7 million was allocated as a deferred income and presented in other long term liabilities account balance.

(b) The equity component referring to the first placement of convertible bond series C is euro 0.6 million and classified as non-controlling interests in the Company's consolidated financial statements until the loss of control on GCP S.A.

### D. BOND SERIES D

On October 29, 2014, GCP S.A. successfully completed the placement EUR 500 million, in aggregate principal amount of new fixed-rate secured bonds, due 2021 with a coupon of 2 per cent and a price of 95.564% of their principal amount (the "Series D Bonds"). The offer was over-subscribed.

Starting that day, Series D bond is traded on the Irish stock exchange, in the regulated market.

	Year ended December 31,	
	2014	2013
	In millions of euro	
Proceeds from issuance of bond during the year (500,000 notes at euro 100,000 par value)	478	-
Issuance costs	(2)	-
Net proceeds during the year	476	-
Expenses for the year	2	-
Carrying amount of liability at the end of the year	478	-
Effect of the loss of control on the investment in GCP S.A. (see note 4(b))	(478)	-
Total Series D bonds	-	-



# 17. LOANS AND BORROWINGS

## (CONTINUED)

### E. CONVERTIBLE BOND SERIES A

On November 13, 2014, PCI successfully completed with the placement of euro 100 million convertible bonds maturing in 2019, convertible into ordinary shares of PCI. The convertible bonds bear a coupon of 4% p.a., payable semi-annually in arrears. The initial conversion price was fixed at euro 3.00. The bonds were issued at 100% of their principle amount and will be redeemed at maturity at 110% of their principle amount.

After the reporting period, PCI successfully completed with a tap issue of additional euro 50 million nominal amount (see note 25).

	Year ended December 31,	
	2014	2013
	In millions of euro	
Proceeds from issuance of convertible bonds (1,000 notes at euro 100,000 par value each)	100	-
Transaction costs	(2)	-
Net proceeds during the year	98	-
Amount classified as non-controlling interests (a)	(1)	-
Expenses for the year	1	-
Conversion of bond notes during the year	(1)	-
Carrying amount of liability at the end of the year	97	-
Non-current portion of Convertible bonds	97	-
Accrued interest	1	-
Total Convertible bonds	98	-

(a) The euro 1 million was allocated as an equity component according to external economic valuer, and classified as non-controlling interest in the consolidated financial statements of the Company.

### F. BOND SERIES A

On December 9, 2014, the Company has successfully completed the placement of euro 161 million (nominal value) of unsubordinated, senior secured straight bonds maturing in December 2021 and bear a coupon of 3% p.a., payable semi-annually in arrears, for a consideration that reflects 94% of their principal amount.

After the reporting period, the Company successfully completed with a tap issue of additional euro 39 million nominal amount (see note 25).

	Year ended December 31,	
	2014	2013
	In millions of euro	
Proceeds from issuance of Bond series A (1,610 notes at euro 100,000 par value)	151	-
Transaction costs	(1)	-
Net proceeds during the year	150	-
Carrying amount of liability at the end of the year	150	-
Non-current portion of Convertible bond series A	150	-
Total convertible bond series A	150	-

### G. (I) SECURITY, NEGATIVE PLEDGE

The obligations of the Company under the Bonds and any Further Secured Bonds are secured in favor of the Trustee for the benefit of the Trustee, the Bondholders and the holders of any Further Secured Bonds by:

- (a) a first-ranking charge, governed by the laws of Cyprus, over all ordinary shares held by the Company in its subsidiary, Zaplino Limited ("Zaplino");
- (b) a first-ranking account pledge, governed by Luxembourg law, over the bank account held by the Company with Bank Hapoalim (Switzerland) Limited, Luxembourg branch, (the "Lux PrimeCity Account");
- (c) a first-ranking account pledge, governed by the laws of Cyprus, over the bank account held by the Company with Bank of Cyprus Public Co Ltd. (the "Cyprus PrimeCity Account");
- (d) first-ranking account pledges, governed by Luxembourg law, over each bank account held by Zaplino with Bank Hapoalim (Switzerland) Limited, Luxembourg branch, (the "Zaplino Luxembourg Accounts"); and
- (e) an assignment by way of security, governed by the laws of Cyprus, of the Company's receivables and rights under, and claims against Zaplino for payment of principal and interest under, the loan agreements between the Company and Zaplino in an aggregate principal amount equal to the net issuance proceeds of the Bonds ("PrimeCity Loans") and all other loan agreements (of whatever nature and for whatever purpose howsoever described) relating to any loan by the Company to Zaplino of the net issuance proceeds in respect of any Further Secured Bonds.
- (f) a first-ranking charge, governed by the laws of Cyprus, over all ordinary shares held by the Company in its subsidiary, Camelbay;
- (g) an assignment by way of security, governed by the laws of Cyprus, of the Company's receivables and rights under, and claims against Camelbay for payment of principal and interest under, the loan agreements between the Company and Camelbay in an aggregate principal amount equal to the net issuance proceeds of the Bonds; and
- (h) a first-ranking account pledge governed by Luxembourg law, over the Interest Reserve Account.

## 17. LOANS AND BORROWINGS (CONTINUED)

### G. (2) COVENANTS

- procure that Net Debt shall not exceed (i) at any time, 65% of the Portfolio Value and (ii) 60% of the Portfolio Value for a period of more than six (6) months;
- not pay a dividend as long as the Net Debt of the Group exceeds 50% of the Portfolio value;
- not open, maintain or hold any interest in, and will procure that Zaplino will not open, maintain or hold any interest, in each case directly or indirectly, in any account whatsoever with any bank or financial institution except for the Charged Accounts, unless the Issuer or Zaplino, respectively, grant a first-ranking security interest, satisfactory to the Trustee, over the respective account in favor of the Trustee, for the benefit of the Trustee and the Bondholders; and
- not, and will not permit any of its Subsidiaries to, directly or indirectly, create or permit to exist or become effective any consensual encumbrance or restriction on the ability of any Subsidiary of the Company to (i) make or pay dividends or any other distributions on its share capital to the Company or any of the Company's other Subsidiaries or grant to the Company or any of the Company's other Subsidiaries any other interest or participation in itself or (ii) (a) pay any indebtedness owed to the Company or any of the Company's other Subsidiaries (b) make loans or advances to the Company or any of the Company's other Subsidiaries or (c) transfer any of its properties or assets to the Company or any of the Company's other Subsidiaries.

## 18. DERIVATIVE FINANCIAL INSTRUMENTS

	Year ended December 31,	
	2014	2013
	In millions of euro	
<b>Liabilities</b>		
Non current portion	5	17

The Group uses interest rate swaps, collars, caps and floors ("hedging instruments") to manage its exposure to interest rate movements on its bank borrowings.

All of the Group's derivatives financial instruments are linked to the bank loans maturity.

The calculation of the fair value of hedging instruments is based on discounted cash flows of future anticipated interest payments in place compared with the discounted cash flows of anticipated interest payments at market interest rates based on the hedging instrument agreement at the reporting date.

## 19. OTHER LONG TERM LIABILITIES

	Year ended December 31,	
	2014	2013
	In millions of euro	
Tenancy deposits	-	6
Finance lease liability	-	3
Other long term payables	2	12
Loans from shareholders and related parties	-	(*) 13
	2	34

(\*) Reclassified

## 20. RELATED PARTY TRANSACTIONS

The transactions and balances with related parties are as follows:

	Year ended December 31,	
	2014	2013
	In millions of euro	
Loans from shareholders and related parties (*)	-	13

(\*) Presenting as part of the other long term liabilities in the consolidated statement of financial position.

## 21. TRADE AND OTHER PAYABLES

	Year ended December 31,	
	2014	2013
	In millions of euro	
Trade and other payables	4	23
Prepayments received on operating costs	1	35
Deferred income	-	1
Other short term liabilities	4	39
	9	98

The fair values of trade and other payables due within one year approximate to their carrying amounts as presented above.

# 22. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

## FINANCIAL RISK FACTORS

The Group is exposed to the following major risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Operating risk
- Market risk

The Group is not exposed to currency risk as all its investments and financing arrangements are in euro.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework.

The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and in the Group's activities.

## (I) CREDIT RISK

Credit risk arises because a failure by counter parties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the reporting date. The Group has no significant concentration of credit risk. The Group has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history and monitors on a continuous basis the ageing profile of its receivables.

### Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each tenant. The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified.

### Cash and cash equivalents

The Group held cash and cash equivalents of euro 28 million as at December 31, 2014 (December 31, 2013: euro 134 million), which represents its maximum credit exposure on these assets.

# 22. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

## (CONTINUED)

### (II) LIQUIDITY RISK

Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match. An unmatched position potentially enhances profitability, but can also increase the risk of loss. The Group has procedures with the object of minimizing such losses such as maintaining sufficient cash and other highly liquid current assets and by having available an adequate amount of committed credit facilities.

The following are the remaining contractual maturities at the end of the reporting period and at the end of 2013 of financial liabilities, including estimated interest payments, the impact of derivatives and excluding the impact of netting agreements:

#### As at December 31, 2014

	Contractual cash flows including interest						
	Carrying amount	Total	2 months or less	2-12 months	1-2 years	2-3 years	more than 3 years
In millions of euro							
<b>Non-derivative financial liabilities</b>							
Bank loans	145	163	1	10	49	5	98
Straight bonds	150	195	-	5	5	5	180
Convertible bonds	97	129	-	4	4	4	117
Trade payables	4	4	1	3	-	-	-
<b>Total</b>	<b>396</b>	<b>491</b>	<b>2</b>	<b>22</b>	<b>58</b>	<b>14</b>	<b>395</b>

#### As at December 31, 2013

	Contractual cash flows including interest						
	Carrying amount	Total	2 months or less	2-12 months	1-2 years	2-3 years	more than 3 years
In millions of euro							
<b>Non-derivative financial liabilities</b>							
Bank loans	531	630	1	27	33	79	490
Bond Series B	195	283	-	13	13	13	244
Other loans	7	7	-	4	-	3	-
Trade payables	23	23	7	16	-	-	-
<b>Total</b>	<b>756</b>	<b>943</b>	<b>8</b>	<b>60</b>	<b>46</b>	<b>95</b>	<b>734</b>

### (III) OPERATING RISK

Operational risk is the risk that derives from the deficiencies relating to the Group's information technology and control systems as well as the risk of human error and natural disasters. The Group's systems are evaluated, maintained and upgraded continuously.

## 22. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

### (IV) ACCOUNTING CLASSIFICATIONS AND FAIR VALUES

#### Fair value hierarchy

The table below analyzes financial instruments carried at fair value, by the levels in the fair value hierarchy. The different levels have been defined as follows:

**Level 1:** Quoted prices (unadjusted) in active markets for identical assets or liabilities.

**Level 2:** Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

**Level 3:** Inputs for the asset or liabilities that are not based on observable market data (unobservable inputs).

	Level 1	Level 2	Level 3	Total
In millions of euro				
<b>December 31, 2014</b>				
Traded securities at fair value through profit or loss (*)	146	-	-	146
<b>Total assets</b>	<b>146</b>	<b>-</b>	<b>-</b>	<b>146</b>
Derivative financial instruments	-	5	-	5
<b>Total liabilities</b>	<b>-</b>	<b>5</b>	<b>-</b>	<b>5</b>
<b>December 31, 2013</b>				
Traded securities at fair value through profit or loss (*)	48	-	-	48
Financial assets	-	-	3	3
<b>Total assets</b>	<b>48</b>	<b>-</b>	<b>3</b>	<b>51</b>
Derivative financial instruments	-	17	-	17
<b>Total liabilities</b>	<b>-</b>	<b>17</b>	<b>-</b>	<b>16</b>

(\*) Consist of trade securities, Corporate and government bonds.

(a) The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at each reporting date.

(b) All of the Group's derivative financial instruments are linked to the bank loan maturities. The calculation of the fair value of hedging instruments is based on discounted cash flows of future anticipated interest payments in place compared with the discounted cash flows of anticipated interest payments at market interest rates based on the hedging instrument agreement at the reporting date.

(c) As of December 31, 2014, the fair value and the carrying amount of the financial instruments are the same.

### (V) OTHER RISKS

The general economic environment prevailing internationally may affect the Group's operations to a great extent. Economic conditions such as inflation, unemployment, and development of the gross domestic product are directly linked to the economic course of every country and any variation in these and the economic environment in general may create chain reactions in all areas hence affecting the Group.

### CAPITAL MANAGEMENT

The Group manages its capital to ensure that it will be able to continue as a going concern while increasing the return to owners through the striving to keep a low debt to equity ratio. The management closely monitors and keeps low the Loan to Value ratio (LTV) and self-preserve conservative financial profile in order to ensure that it remains within its quantitative covenants and to reach long term strong credit rating for the Company. As at December 31, 2014 and 2013 the Group did not breach any of its loan covenants, nor did it default on any other of its obligations under its loan agreements.

## 23. COMMITMENTS

The Group does not have significant commitments as at December 31, 2014.

## 24. CONTINGENT ASSETS AND LIABILITIES

The Group had no significant contingent assets and liabilities as at December 31, 2014.

## 25. EVENTS AFTER THE REPORTING PERIOD

a. In January 2015, the Company successfully placed additional euro 39 million tap issue of its 3% coupon straight bonds series A. The issue price for the tap up was set to 94% of the nominal amount value. Therefore, the aggregate principal amount of bond series A was thereby increased to euro 200 million.

b. On January 14, 2015, GCP S.A. resolved a dividend policy according to which 30% of its funds from operations ("FFO I") shall be distributed as a dividend to the shareholders.

c. On February 9, 2015 Moody's Investors Service ("Moody's") has assigned a first-time long-term issuer rating of "Baa2" to GCP S.A., with a stable outlook.

d. On February 10, 2015, PCI (a fully consolidated subsidiary) successfully placed additional euro 50 million tap issue of its 4% coupon Convertible bonds. The issue price for the further Convertible bonds was set to 105% of the nominal value. The further Convertible bonds are also convertible into ordinary shares of PCI for a conversion price of euro 3.00, and the total aggregate principal amount of the Convertible bonds was thereby increased to euro 150 million.

e. On February 12, 2015, GCP S.A. issued through private placement of euro 150 million, in aggregate principal amount of perpetual Hybrid notes with a coupon of 3.75%.

f. On March 3, 2015, GCP S.A. issued euro 250 million tap up of the original perpetual Hybrid notes. The total aggregate principal nominal amount of the perpetual Hybrid notes thereby increased to euro 400 million.

g. After the reporting period, an additional euro 30.4 million principal amount of GCP S.A.'s convertible bond series C was converted into 3.1 million ordinary shares of GCP S.A. in accordance with the Convertible bond's terms.

h. After the reporting period, the Company increased its authorized share capital by 1,499,450,000 to 1,500,000,000 ordinary shares of nominal value of euro 0.01 each. Out of the authorized share capital 500 million are issued.

## 26. GROUP SIGNIFICANT HOLDINGS

The details of the significant Group are as follows:

Name	Place of incorporation	Principal activities	December 31,	
			2014 Holding %	2013 Holding %
<b>Subsidiaries held directly by the Company</b>				
Elolaxia Limited	Cyprus	Holding company	100%	100%
<b>Subsidiaries held indirectly by the Company</b>				
Primecity Investment PLC	Cyprus	Holding company	58%	100%
<b>Investees held indirectly by the Company</b>				
Grand City Properties S.A	Luxemburg	Holding company	33.96%	38%

# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF AROUNDTOWN PROPERTY HOLDINGS PLC

## REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

We have audited the accompanying consolidated financial statements of Arountown Property Holdings PLC ("the Company") and its subsidiaries (together with the Company, "the Group") on pages 28 to 69 which comprise the consolidated statement of financial position as at December 31, 2014, and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

## BOARD OF DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Board of Directors is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113, 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.

## AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at December 31, 2014, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

## REPORT ON OTHER LEGAL REQUIREMENTS

Pursuant to the requirements of the Auditors and Statutory Audits of Annual and Consolidated Accounts Law of 2009, we report the following:

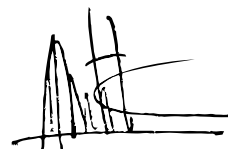
- We have obtained all the information and explanations we considered necessary for the purposes of our audit.
- In our opinion, proper books of account have been kept by the Company.
- The consolidated financial statements are in agreement with the books of account.
- In our opinion and to the best of the information available to us and according to the explanations given to us, the consolidated financial statements give the information required by the Cyprus Companies Law, Cap. 113, in the manner so required.
- In our opinion, the information given in the report of the Board of Directors on page 1 is consistent with the consolidated financial statements.

## OTHER MATTER

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 34 of the Auditors and Statutory Audits of Annual and Consolidated Accounts Law of 2009 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

Panicos Antoniadis, FCCA  
Certified Public Accountant and Registered Auditor  
for and on behalf of

KPMG Limited  
Certified Accountants and Registered Auditors



Larnaca, April 8, 2015



## **DIRECTOR'S DECLARATIONS**

This Prospectus of Aroundtown Property Holdings plc dated 30 May 2017 has been signed by the Directors of AT. AT and the Directors signing this Prospectus declare that having taken all reasonable care to ensure that such is the case, the information contained in this Prospectus is, to the best of their knowledge, in accordance with the facts and that it contains no omission likely to affect its import:

Mr. Andrew Wallis, Executive Director

Mr. Oschrie Massatschi, Executive Director

Mr. Reshef Ish-Gur, Executive Director

Ms. Elena Koushos, Non-Executive Independent Director

Ms. Jelena Afxentiou, Executive Director

Mr. Markus Leininger, Non-Executive Independent Director

**LEAD MANAGER RESPONSIBLE FOR THE DRAWING UP OF THE PROSPECTUS'  
DECLARATION**

This Prospectus of Aroundtown Property Holdings plc dated 30 May 2017 has been signed by the Lead Manager responsible for the drawing up of the Prospectus in accordance with article 23 of The Public Offer and Prospectus Law of the Republic of Cyprus of 2005, as amended, The Cyprus Investment and Securities Corporation Limited (“**CISCO**”) which declares that, having taken all responsible care to ensure that such is the case the information contained in this Prospectus is to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

The Cyprus Investment and Securities Corporation Limited (CISCO)