Consolidated Financial Statements

For the year ended
December 31, 2017

Frankfurt am Main

Stuttgart

Content

Board of Directors' Report 2

EPRA Performance Measures 64

Report of the Réviseur d'Entreprises Agréé (Independent Auditor) 72

Consolidated statement of comprehensive income 76

Consolidated statement of financial position 78

Consolidated statement of changes in equity 80

Consolidated statement of cash flows 82

Notes to the consolidated financial statements 84

Key Financials

in € millions unless otherwise indicated	1–12/2017	change	1–12/2016
Rental and operating income	527.1	93%	273.7
Net rental income	449.0	92%	233.4
Adjusted EBITDA [1]	429.3	60%	268.2
FFO I	293.0	77%	165.6
FFO I per share (in €)	0.36	44%	0.25
FFO I per share after perpetual notes attribution (in €)	0.32	28%	0.25
FFO II	339.2	105%	165.6

1) including AT's share in GCP's adjusted EBITDA

in € millions unless otherwise indicated	1–12/2017	change	1–12/2016
EBITDA	1,922.3	73%	1,109.0
Net Profit	1,539.0	71%	901.1
EPS (basic) (in €)	1.56	41%	1.11
EPS (diluted) (in €)	1.35	55%	0.87

	2017*	change	2016
Dividend per share (in €)	0.23	44%	0.16

* 2017 dividend distribution subject to AGM approval

in € millions unless otherwise indicated	Dec 2017	Dec 2016	Dec 2015
Total Assets	13,770.4	8,089.0	4,440.1
Total Equity	7,249.9	3,941.1	2,425.5
Total Equity pro forma	8,256.0 [2]	3,941.1	2,425.5
Equity Ratio	53%	49%	55%
Loan-to-Value	36%	39%	35%

2) including the perpetual notes issued in January 2018 and equity capital increase in March 2018

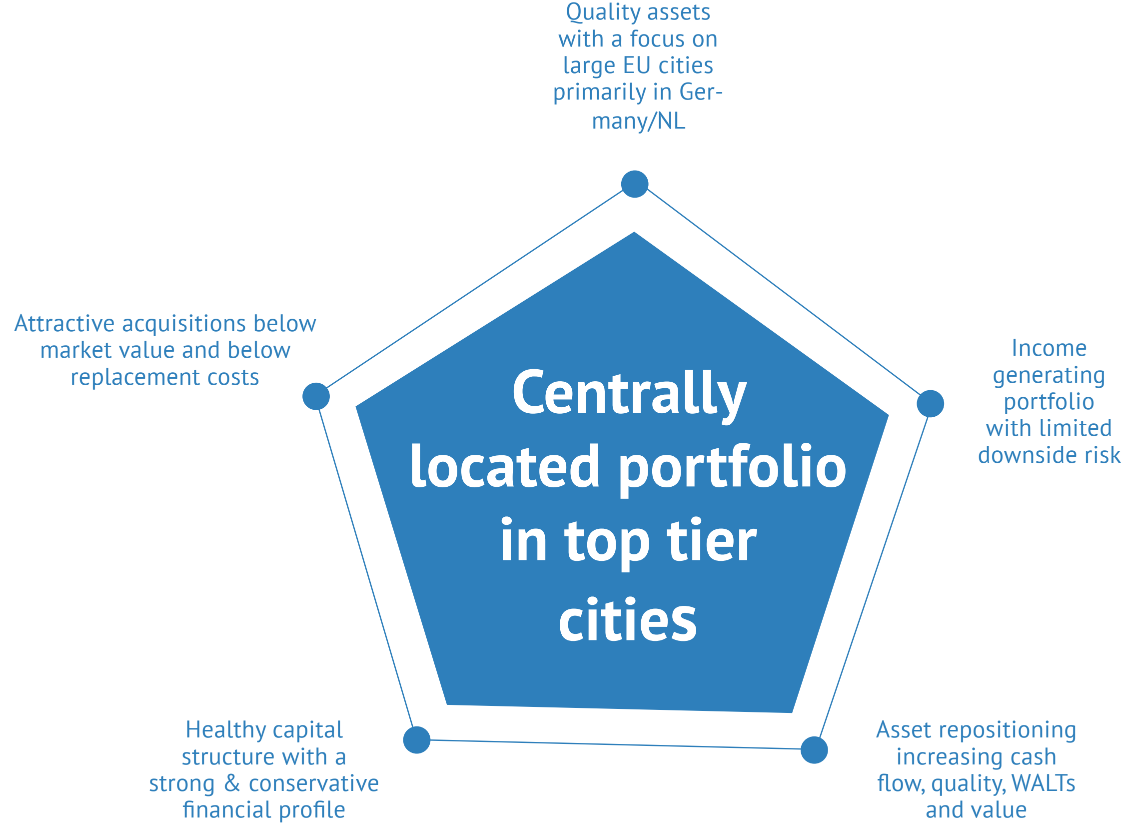
NET ASSET VALUE

in € millions unless otherwise indicated	NAV	EPRA NAV	EPRA NAV including perpetual notes	EPRA NNNAV
Dec 2017 pro forma [1]	7,763.4	7,089.1	8,662.4 [2]	6,849.2
Dec 2017	7,157.3	6,483.0	7,656.3	6,243.1
Dec 2017 per share (in €)	7.1	6.5	7.6	6.2
Per share growth	+ 34%	+ 33%	+ 41%	+ 32%
Dec 2016	4,243.4	3,870.8	4,349.1	3,776.3
Dec 2016 per share (in €)	5.3	4.9	5.4	4.7

1) including the equity capital increase in March 2018
2) additionally including the perpetual notes issued in January 2018

Berlin

Dortmund



The Company

The Board of Directors of Aroundtown SA and its investees (the "Company" or "AT"), including associates and in particular Grand City Properties S.A. ("GCP") (the "Group"), hereby submits the annual report as of December 31, 2017. The figures presented are based on the consolidated financial statements as of December 31, 2017, unless stated otherwise.

Aroundtown SA is a real estate company with a focus on income generating quality properties with value-add potential in central locations in top tier cities primarily in Germany and the Netherlands. Aroundtown invests in commercial and residential real estate which benefits from strong fundamentals and growth prospects. The commercial properties are held by AT and the residential investment is held through a substantial interest of currently 38% in GCP, a publicly traded real estate company that focuses on investing in value-add opportunities predominantly in the German residential real estate market. In AT's financials, GCP is accounted for as an equity-accounted investee. The Group's unique business model and experienced management team led the Company to grow continuously for 14 years.

Financial Position Highlights

in € millions	Dec 2017	Dec 2016
Cash and liquid assets	**848.7**	835.8
Investment property	**9,804.1**	5,016.2
Total Assets	**13,770.4**	8,089.0
Total Equity	**7,249.9**	3,941.1
Total Equity Pro Forma [1)]	**8,256.0**	3,941.1
Convertible bonds [2)]	**293.8**	708.7
Straight bonds	**3,827.0**	1,714.0
Loans and borrowings	**1,127.8**	1,150.6

1) including the perpetual notes issued in January 2018 and equity capital increase in March 2018
2) as of December 2017, the convertible bonds were deep-in-the-money

Essen

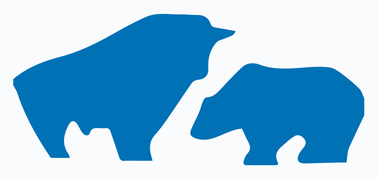
EPRA Performance Measures

in € millions unless otherwise indicated	2017	change	2016
EPRA Earnings	**303.6**	90%	159.6
EPRA Earnings per share (in €)	**0.37**	54%	0.24
EPRA NAV	**6,483.0**	67%	3,870.8
EPRA NAV per share (in €)	**6.5**	33%	4.9
EPRA NAV incl. perpetual notes	**7,656.3**	76%	4,349.1
EPRA NAV incl. perpetual notes per share (in €)	**7.6**	41%	5.4
EPRA NNNAV	**6,243.1**	65%	3,776.3
EPRA NNNAV per share (in €)	**6.2**	32%	4.7
EPRA Net Initial Yield (NIY)	**4.2%**	-0.8%	5.0%
EPRA 'Topped-up' NIY	**4.3%**	-0.8%	5.1%
Commercial Portfolio EPRA Vacancy	**9.4%**	1.5%	7.9%
Group EPRA Vacancy	**8.9%**	1.0%	7.9%
EPRA Cost Ratio (incl. direct vacancy costs)	**19.0%**	0.2%	18.8%
EPRA Cost Ratio (excl. direct vacancy costs)	**16.4%**	-0.1%	16.5%

High quality

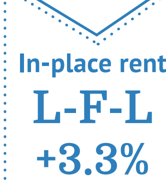
Berlin is the single largest position with a fifth of portfolio, of which 88% are in top tier central locations

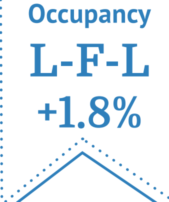
Exceeding the **€10 billion** commercial investment property mark as of April 2018



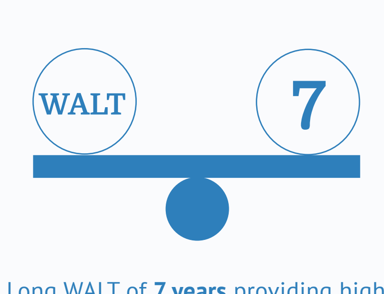
18% – **Frankfurt** is the largest office portfolio location, with the largest single asset (FBC in F**rankfurt CBD**) signing a AAA tenant (**Deutsche Bundesbank**) on a long-term lease, filling the largest vacancy position

Offices and hotels – **80%** of the portfolio in the best performing asset types

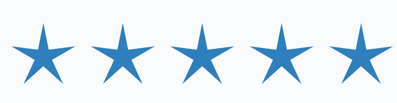




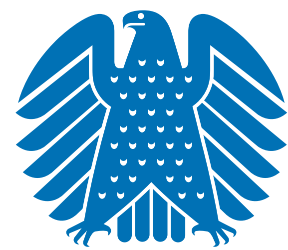
Half of the portfolio centrally located in Germany's best performing cities: **Berlin, Frankfurt, Munich and Hamburg**



Long WALT of **7 years** providing high operational stability



New addition to the **5-star** hotel segment, acquiring the **Frankfurt Intercontinental Hotel** with significant upside potential to be captured



85% of the portfolio located in Germany, distributed primarily in central locations in top tier cities

Commercial portfolio with high reversionary rent and significant value upside potential

11% of the portfolio is located in the Netherlands, distributed primarily in central locations in the top 3 cities: **Amsterdam**, **Rotterdam** and **Utrecht**

Aroundtown is the largest publicly listed commercial real estate company in Germany

LARGEST LISTED BUYER IN GERMAN REAL ESTATE

HIGHEST LIKE-FOR-LIKE (L-F-L) RENTAL INCOME INCREASE AMONG PEERS

TOP RATED ON THE SUSTAINABILITY AND REPORTING STANDARDS

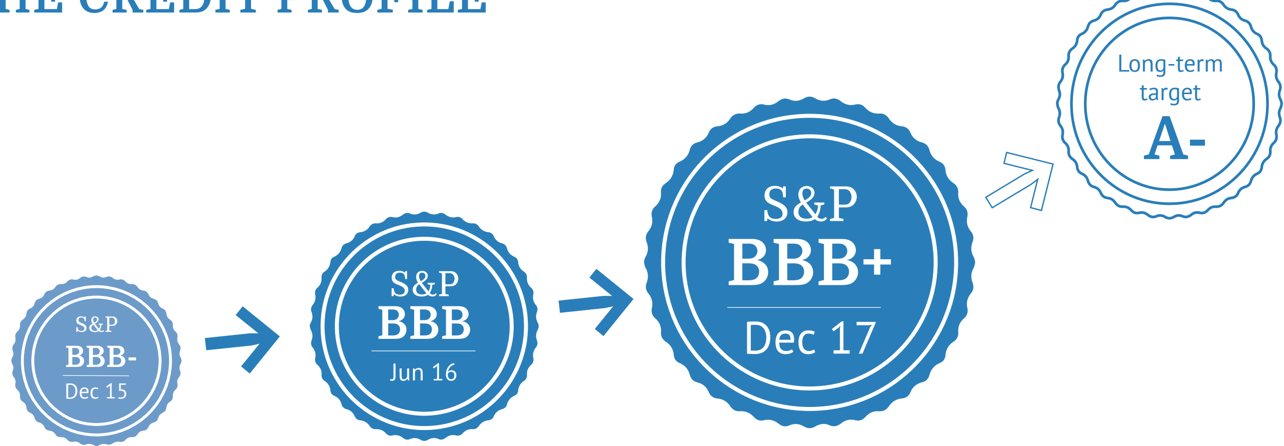
AROUNDTOWN RECEIVED THE **EPRA BPR GOLD** AWARD IN SEPTEMBER 2017, THE HIGHEST STANDARD FOR FINANCIAL REPORTING

THE HIGH SCORE RECEIVED BY SUSTAINALYTICS RANKING AT THE

88TH PERCENTILE

AMONG 280 REAL ESTATE COMPANIES AROUND THE WORLD. RANKING OUTPERFORMER IN ALL CATEGORIES (ENVIRONMENT, SOCIAL AND GOVERNANCE)

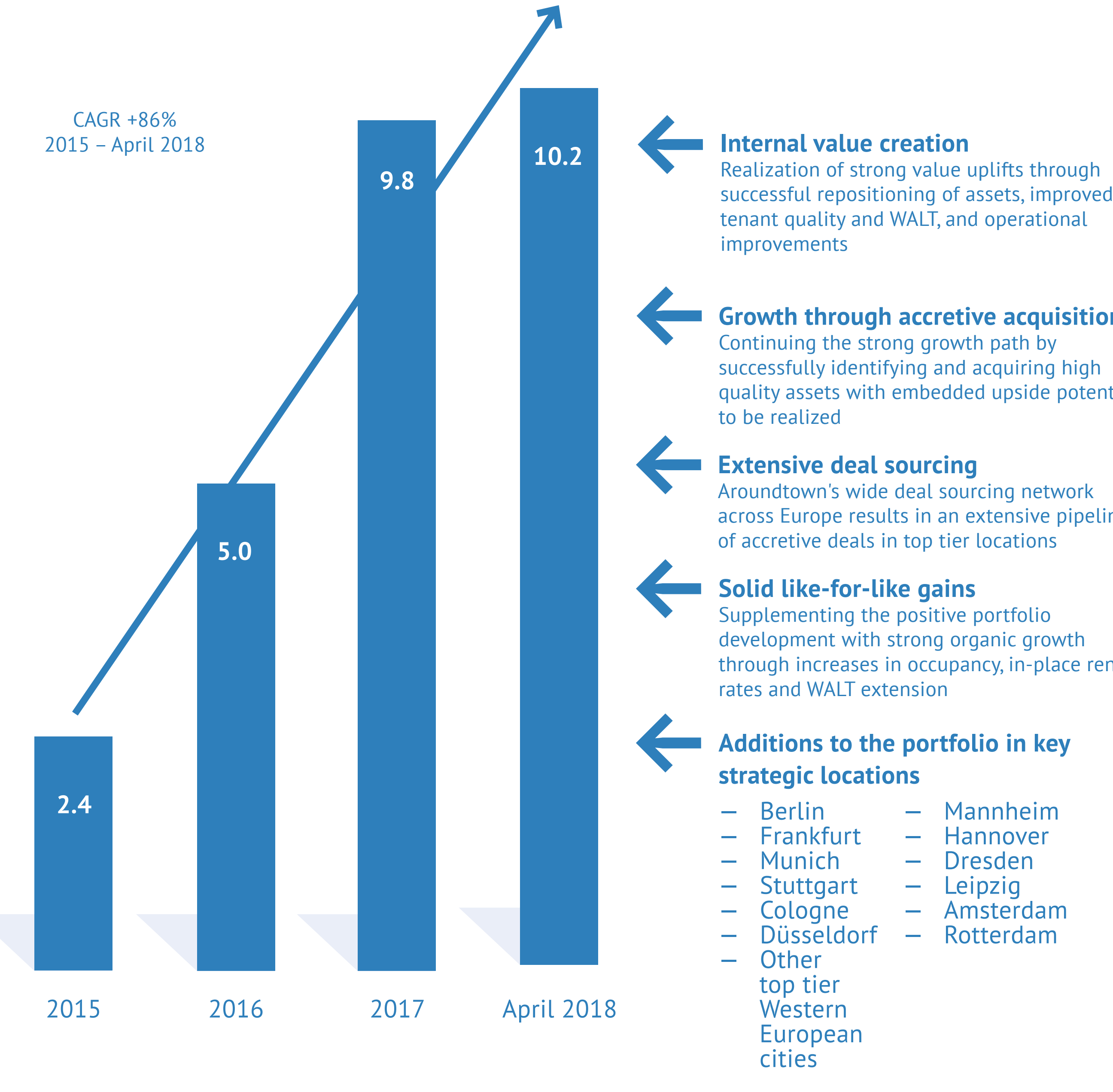
FURTHER CREDIT RATING UPGRADE STRENGHTENING THE CREDIT PROFILE



MAJOR INDEX INCLUSIONS

Achievements

SUCCESFULLY MAINTAINING THE REMARKABLE PORTFOLIO GROWTH (IN €BN)



Internal value creation
Realization of strong value uplifts through successful repositioning of assets, improved tenant quality and WALT, and operational improvements

Growth through accretive acquisitions
Continuing the strong growth path by successfully identifying and acquiring high quality assets with embedded upside potential to be realized

Extensive deal sourcing
Aroundtown's wide deal sourcing network across Europe results in an extensive pipeline of accretive deals in top tier locations

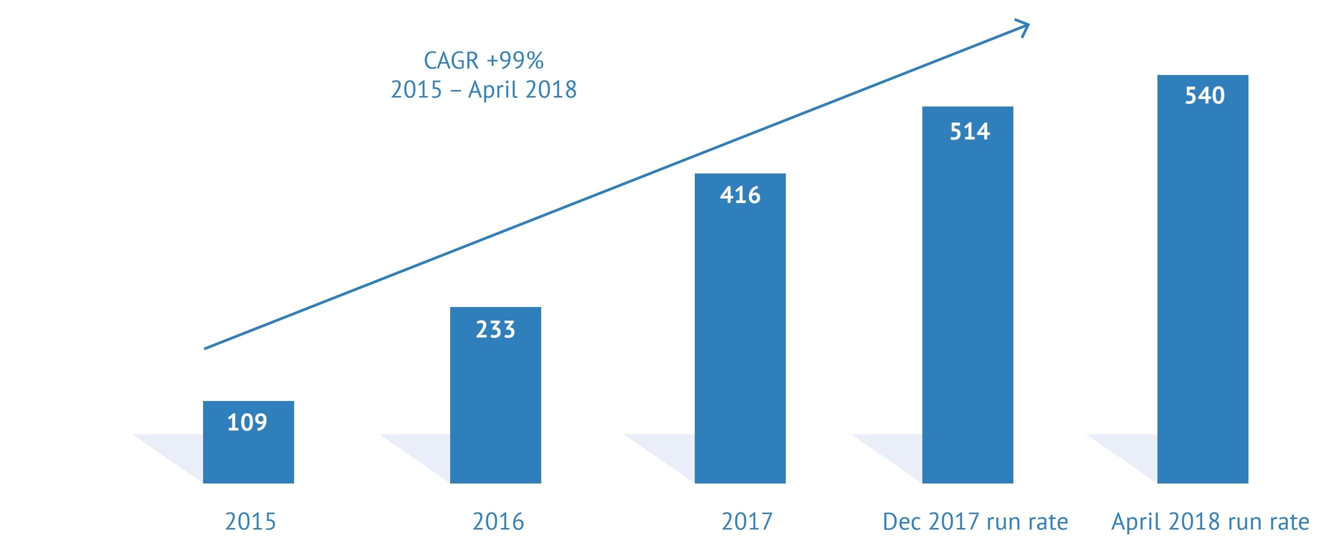
Solid like-for-like gains
Supplementing the positive portfolio development with strong organic growth through increases in occupancy, in-place rental rates and WALT extension

Additions to the portfolio in key strategic locations

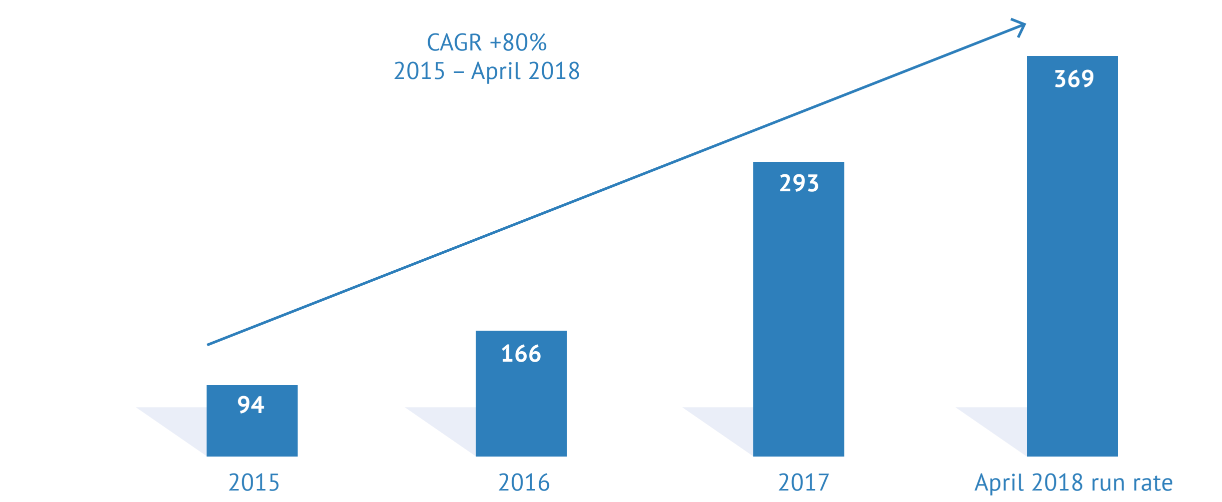
- Berlin
- Frankfurt
- Munich
- Stuttgart
- Cologne
- Düsseldorf
- Other top tier Western European cities
- Mannheim
- Hannover
- Dresden
- Leipzig
- Amsterdam
- Rotterdam

TRANSLATING GROWTH INTO EARNINGS THROUGH OPERATIONAL EXCELLENCE

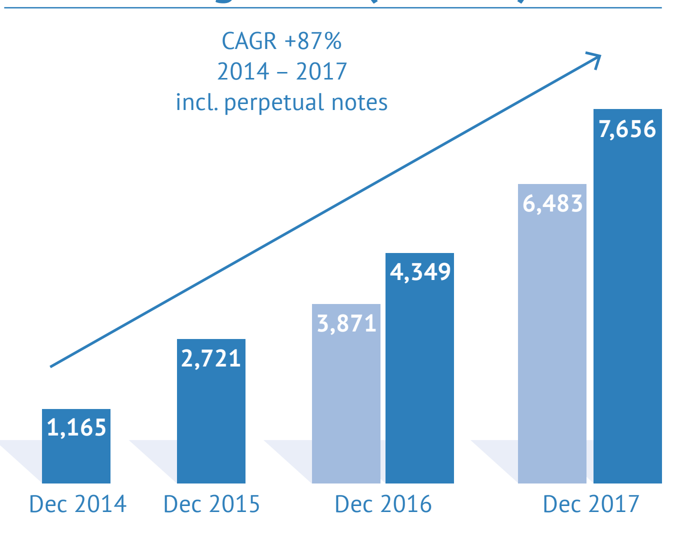
Net rental income growth, recurring long term (in €mn)



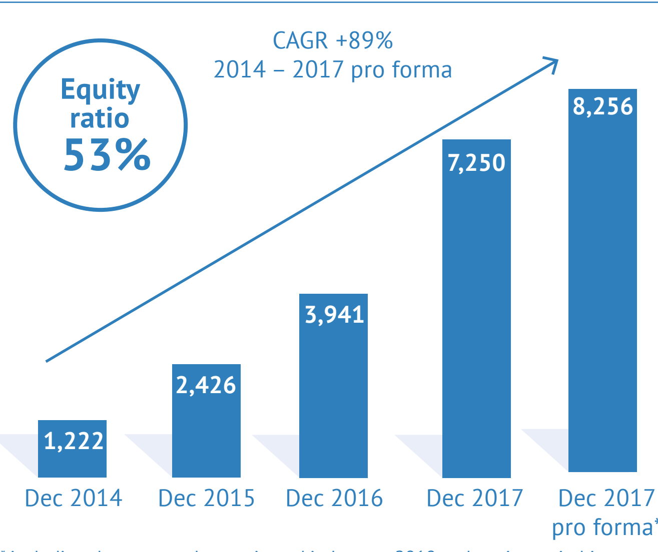
FFO I growth (in €mn)



EPRA NAV growth (in €mn)



Equity growth (in €mn)

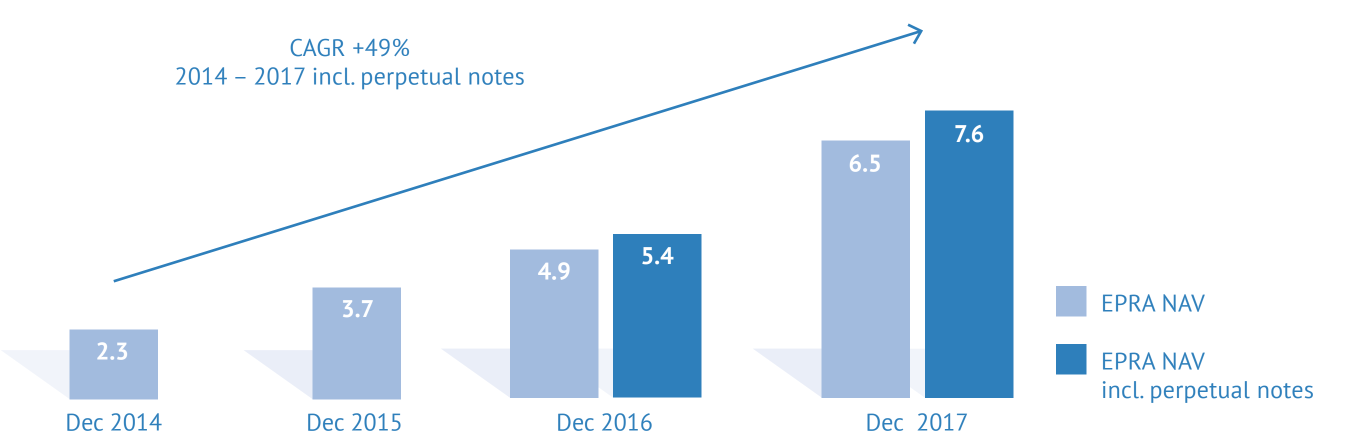


* including the perpetual notes issued in January 2018 and equity capital increase in March 2018

Achievements

CONSISTENTLY GENERATING ACCRETIVE SHAREHOLDER VALUE

EPRA NAV per share (in €)



FFO I per share (in €)

CAGR +65%
2014 – 2017

0.08 | 0.17 | 0.25 | 0.32 | 0.36

2014 | 2015 | 2016 | 2017

FFO I per share after perpetual notes attribution

FFO I per share

Dividend per share (in €)

CAGR +114%
2015 – 2017

0.05 | 0.16 | 0.23

2015 | 2016 | 2017 [1]

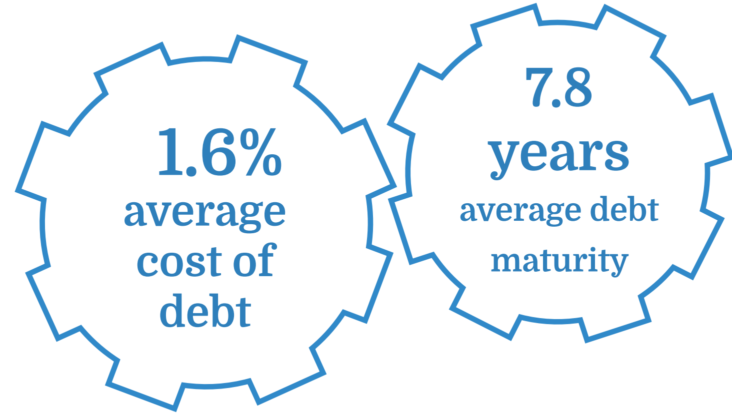
FFO I yield [2] 5.8%

2017 EPS €1.56 +41% year-over-year

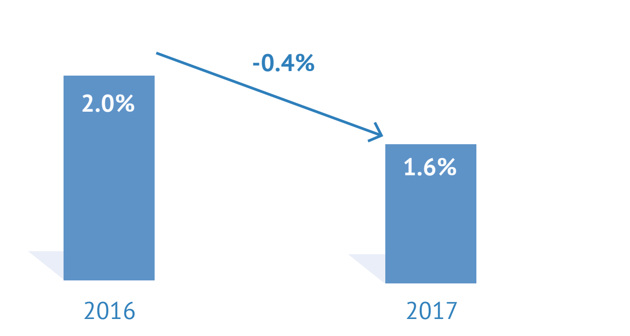
Dividend yield [2] 3.7%

1) the dividend for 2017 is subject to AGM approval
2) based on the 2017 FFO I per share and on a share price of €6.2

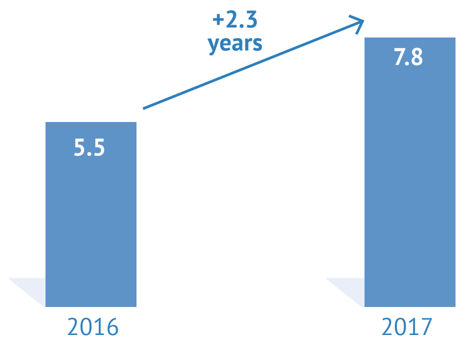
MAINTAINING THE CONSERVATIVE FINANCIAL PROFILE, EXTENDING MATURITIES AND DECREASING BORROWING COSTS



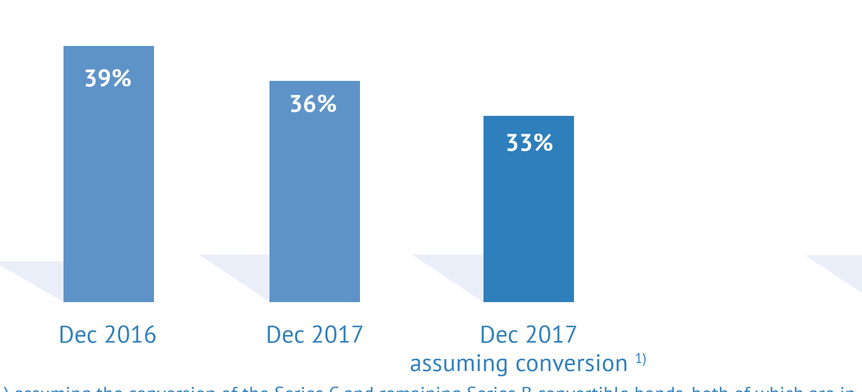
Decreasing the cost of debt



Extending the debt maturity



Loan-to-Value (LTV)



High Interest Cover Ratio (ICR)

4.5x

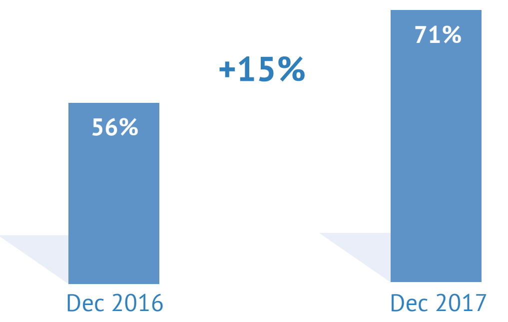
5.4x

2016

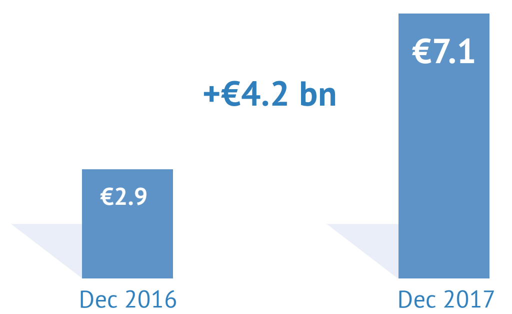
2017

1) assuming the conversion of the Series C and remaining Series B convertible bonds, both of which are in-the-money

Large growth of unencumbered ratio (by rent)



Growing unencumbered investment properties (in €bn)



Letter from the Board

DEAR SHAREHOLDERS,

We are delighted to present to you our full-year financials and management report for 2017, concluding a highly successful twelve months in which Aroundtown was the top performer in the European listed real estate sector, rising to become the largest listed commercial real estate company in Germany and among the top 10 in Europe overall. In March 2018, Aroundtown was simultaneously added to the MDAX index of the Deutsche Börse, the FTSE EPRA/NAREIT Index Series, the GPR 250 and the DIMAX indices, as the result of our significant accretive growth and high market appreciation of our progress and results. Your continuous support and commitment is highly valued and we are proud to be able to share these remarkable successes with you.

The inclusion in various indices highlights not only the large scale that we have sustainably achieved, but also our constant improvements in all possible aspects by setting goals and successfully reaching them through effective execution. Over the course of 2017 we undertook a series of corporate initiatives to further strengthen our corporate position and establish Aroundtown as a key player in the European real estate market. The major milestone were achieved with the uplisting of the Aroundtown shares to the regulated Prime Standard market of the Frankfurt Stock Exchange in June and was followed by the migration of the Company to Luxembourg in September and the delisting from the Euronext in December 2017, resulting in single and concentrated trading only on the Frankfurt Stock Exchange. Additionally, the Board of Directors was expanded to seven members of whom three are independent, further strengthening our corporate governance structure. These measures resulted in increased visibility and tradability and the

subsequent inclusion of Aroundtown in various key market indices. The market's highly positive perception of the Aroundtown share is reflected in 'Buy' recommendations from all 14 leading equity research firms covering the Company.

The value of our high quality commercial property portfolio has doubled over the course of 2017 to €9.8 billion and further increased to €10.2 billion as of April 2018 as a result of both strong internal growth and externally through acquisitions, generating increasing rental income with a high WALT of 7 years. With the best-in-class like-for-like growth figures, amounting to net rental income growth of 5.1% as of December 2017, we are able to continuously demonstrate the high upside potential inherent in our quality assets as well as our capabilities in materializing on that potential through our established operational platform. Externally, through our wide-reaching deal sourcing network and vast track record in the market, we continue to successfully identify and acquire high quality assets with value increase potential at attractive prices in line with our established acquisition criteria, with over €3.7 billion in accretive acquisitions completed in 2017 alone. The large scale we've achieved additionally results in added geographic diversification, strengthening our portfolio spread across the strongest markets primarily within Germany and the Netherlands, two of Europe's most robust and growing economies. The high growth in 2017 resulted in FFO I growth of 77% year-over-year and FFO I per share growth of 44%, reflecting our very accretive operational achievements on a per share basis. Driven by the strong operational results and the value creation, the total profit for 2017 amounted to a record amount of over €1.5 billion, validating the high quality of our portfolio. Accordingly, the EPRA NAV per share increased to €6.5 as of December 2017, up 33% from December 2016, validating once again our sustainable capability of creating significant value on a per share basis. Including additional acquisition year to date, the April 2018 commercial portfolio generates an annualized run rate of €540 million in net rents, and together with our strategic residential investment in Grand City Properties, a total group FFO I of €369 million (taking into account our proportional investment in GCP). The equivalent FFO I yield of 5.8% and subsequently dividend yield of 3.7% reflect Aroundtown's strong value creation abilities and confirm the Company as an attractive investment case.

The rapid growth and acquisition activity in 2017 was fueled by our market-leading access to capital markets: with €4.2 billion raised through more than 10 issuances of straight bonds, perpetual notes and equity increases, we were the largest issuer in the European listed real estate space in 2017 for the second year running, having issued nearly €7 billion in the span of two years. These funds were raised at low interest rates thanks to our strong credit profile and investment-grade credit rating, and resulted in a decrease of our average cost of debt to only 1.6%. We continue to ensure access to funds from diversified sources of capital and in multiple currencies in order to maintain a track record in various capital markets and decrease reliance on any single market. At the same time, our proactive debt management resulted in a lengthened average debt maturity of almost 8 years with no significant upcoming maturities in the near term, as we actively repay or refinance higher cost and shortly maturing borrowings ahead of schedule, allowing for long-term planning and security while fully concentrating on operations. Fueled by strong investor appetite and our extensive acquisition pipeline, we already started 2018 with over €2.1 billion issued year-to-date through five issuances, including an equity capital increase of over €600 million in March 2018 and our single largest-ever issuance of €800 million Series N straight bonds in January 2018. The strength of Aroundtown's credit position combined with strong demand from investors globally resulted in issuances in various foreign currencies, notably USD, GBP and most recently CHF, further diversifying the nature of our capital structure while exercising prudent risk management by hedging all currencies into Euro. A recent example that showcases our global investor base is the 20-year $150 million Series L 2038 'Formosa' bond, issued in January 2018 and fully swapped into Euro, as we experience strong demand from investors in Asia. Owing to its ability to quickly source funds at attractive rates and therefore swiftly close transactions without delay, Aroundtown benefits from a preferred buyer status in the transaction market.

As we continuously grow on all fronts, we make sure to maintain the solid and conservative financial structure that lies at the base of our success. With an LTV of 36% as of December 2017, we have kept our level of leverage well below the 45% limit stated in our financial policy, while providing headroom for additional future growth potential through debt capital. Combined with the high and stable operational cash flow stream generated from our portfolio, we consistently maintain very high debt and interest cover ratios, standing at 5.4x and 3.8x as of December 2017, respectively.

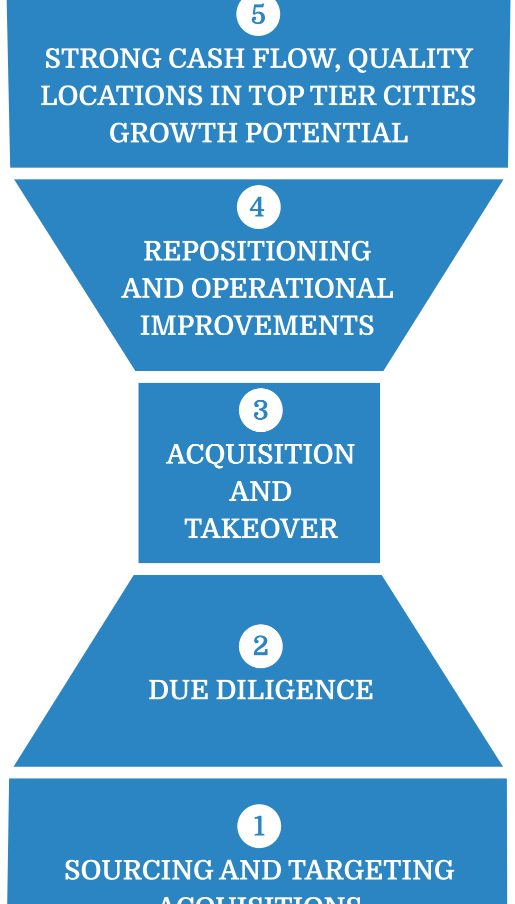
December 2017 saw another notable achievement as our long-term credit rating was upgraded to BBB+ from BBB by S&P, noting the strong improvement in our business profile through the increased scale, high portfolio diversification and strong like-for-like increases, while keeping a track record of successfully implementing our conservative financial policy. This rating upgrade was the result of continuous improvement and development across the board and brings us one notch closer to our long-term rating target of A-, while further reinforcing Aroundtown as a strong, creditworthy issuer and supporting the Company's already superior access to low-cost debt capital.
Our efforts to present the highest reporting standard and keep high transparency levels were recognized in September 2017 by the European Public Real Estate Association (EPRA) with the EPRA BPR Gold award, the highest level of recognition for financial reporting standards and transparency. An additional integral focus point for Aroundtown in 2017, and going forward, has been increasing our reporting on ESG and sustainability measures. To that effect, we have strengthened our ESG measures, working closely with senior management on implementation throughout our operational platform. The strong progress made so far is reflected in a high score from Sustainalytics, one of the leading sustainability rating agencies, who reviewed our ESG policies and initiatives and ranked us in the 88th percentile among nearly 300 peers around the world.

Reflecting on the extremely successful year we've had in 2017, we look forward to maintain our strong momentum in 2018 as we aim to continuously generate superior returns and shareholder value and be able to report on yet another highly productive year in Aroundtown's success story.

Andrew Wallis	**Frank Roseen**	**Oschrie Massatschi**	**Jelena Afxentiou**
Director	Director	Director	Director

Strategy and business model

AT'S VALUE CREATION STARTS PRIOR TO ACQUISITION



❶ SOURCING AND TARGETING ACQUISITIONS

Aroundtown's property sourcing success stems from its unique network as well as its reputation as a reliable real estate acquisition partner. The Group focuses on value-add properties characterized by below market rent levels, inefficient cost or lease structure and/or vacancy reduction potential. With over 14 years of experience in the real estate markets, the Group benefits from a preferred buyer status across its sourcing network. The Group 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. The Group's primary focus is on major cities and metropolitan areas with positive demographic prospects.

The Group follows acquisition criteria which ensure that newly acquired properties align with its business model. These criteria include:

- Acquisition focus in central locations in top tier German/NL cities
- Value-add potential through operational improvements
- Cash flow generating assets
- Rent level per sqm below market level (under-rented properties)
- Purchase price below replacement cost and below market values
- Potential to reduce the cost per sqm significantly

Due to the experience and knowledge of its board and management, the Group is able to consider all possible uses for properties that it acquires, including altering the property's primary use in order to target specific supply shortages in the market. The Group believes that its business model provides it with a strong and sustainable competitive advantage.

Berlin

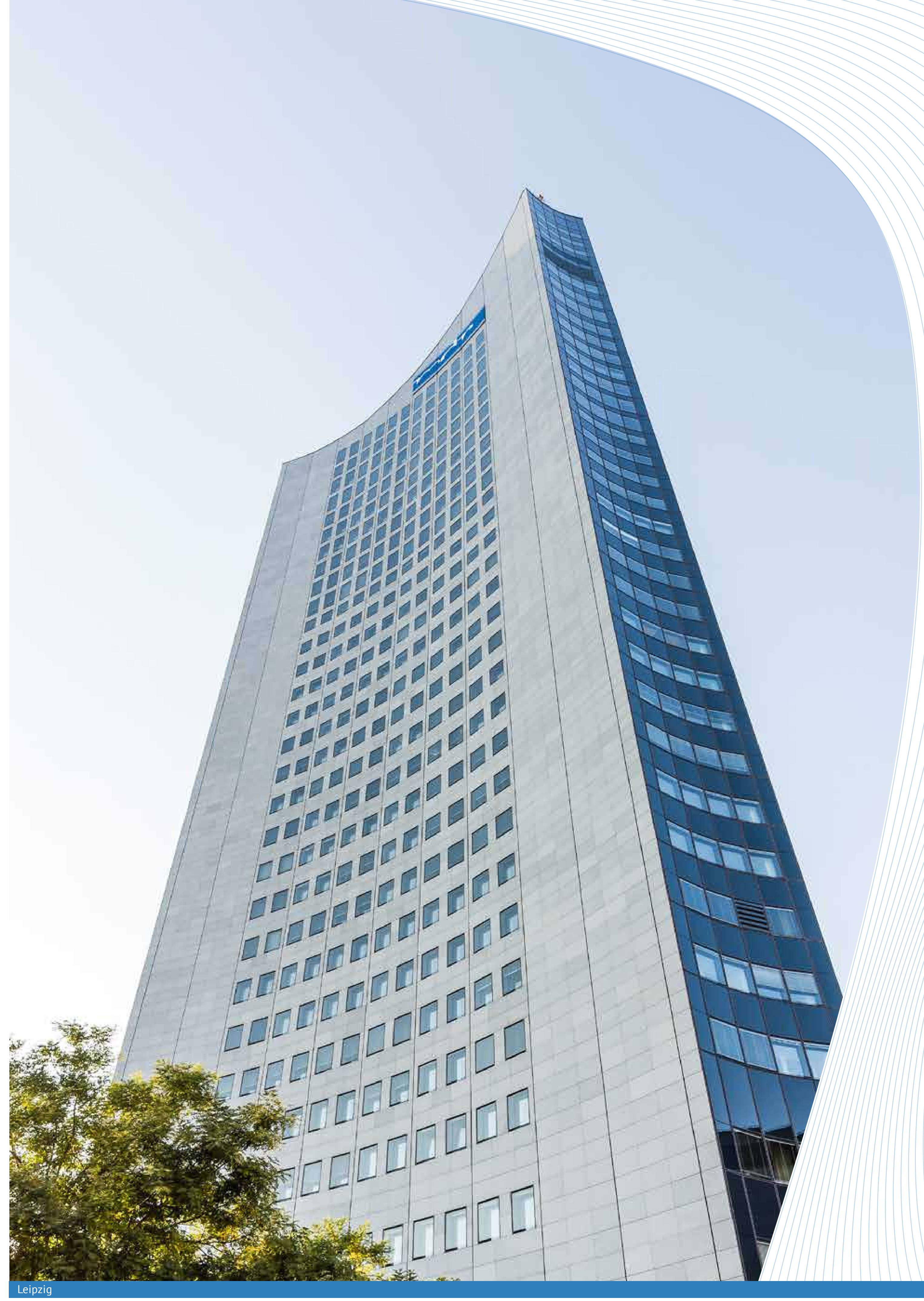
❷ DUE DILIGENCE

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 the Group's overall business strategy. AT believes that its experience in analyzing 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, the Group'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 acquisition 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 feasible tenants. Beginning to identify potential tenants prior to acquisition of the property not only decreases operational risk but also accelerates the property repositioning process.

❸ ACQUISITION AND TAKEOVER

Due to a thorough cross-organizational process in the due diligence phase, once a property is acquired the actual takeover occurs swiftly and efficiently. Because liquidity plays a significant role in the acquisition of value-add properties, AT benefits strongly from its solid liquidity position and its ability to acquire properties with existing resources and refinance the acquisition at a later stage. The Group also benefits from a strong and experienced legal department, which, combined with close and longstanding relationships with external law firms, enables AT to complete multiple deals simultaneously.



Leipzig

Strategy and business model

❹ REPOSITIONING AND OPERATIONAL IMPROVEMENTS

As a specific tailor made business plan is constructed for each property, and the weaknesses and strengths are identified pre-acquisition, the execution of the repositioning process becomes smoother and faster. The business plan input is integrated into AT's proprietary IT/software platform which enables the management to monitor all operational and financial parameters and fully control the repositioning progress. The success of the repositioning of the properties is the result of the following:

Operational and marketing initiatives

The initial repositioning activities aim at minimizing the time until the profitability of the acquired properties is improved. Targeted marketing activities are implemented to increase occupancy and thereby rental income. Vacancy reduction initiatives are tailored to the specific property type at hand. Procedures applied to AT's commercial properties include establishing a network of internal and external, as well as local and nationwide letting brokers, offering promotional features and building a reputation in the market for high service standards. For the Group's hotel assets, optimal operators are selected for the asset and a fixed long-term lease contract is entered into once the hotel is repositioned. Initiatives for the Group's residential properties target relationship building with potential tenants and the local community by collaborating with local municipalities, supporting community initiatives and advertising on key real estate platforms.

Rent increase and tenant restructuring, assessed during the due diligence process, are executed according to the property's business plan. Further, the operational improvements AT initiates improve the living quality or business environment for existing and future tenants. Thereby, the demand for these repositioned assets rises.

Having identified areas for operational improvements, the Group drills 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.

AT manages its entire real estate value chain across acquisition, letting, upkeep and refurbishment. This integrated approach brings further efficiency benefits, a preferred landlord status to the Group and fast response times to its tenants.

Smart capex investments when required

AT addresses capex needs to keep the properties at high standards and addresses the requirements of its existing and prospective tenants. Capital improvements are discussed in close coordination with committed tenants, allowing an efficient and cost effective implementation of the investments. The carried out investments are followed up by our experienced construction team.
The financial feasibility of the proposed alterations is balanced against the lease term, rental income and property acquisition cost and bear quick returns over the investment period.

Relationship management

Aroundtown puts great emphasis on establishing strong relationships with its tenants to reduce churn rates, 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. The Group pays great attention to the industry in which its commercial tenants operate and to their individual success factors. The Group also offers direct support to its tenants through add-on facilities at its rental properties such as parking facilities and other space extensions to facilitate growth and smart space re-design to match modern office layouts. For its residential tenant base, GCP provides a wide range of services including a Service Center with 24/7 availability, regularly organizes family-friendly tenant events, and participates in various local community initiatives.

Further, the Group aims to establish personal relationships between its asset and property managers and its tenants, providing them with personal contact points, which allows the Group to react promptly to problems and proactively prolonging existing contracts in order to optimize and secure long-term revenues.

❺ STRONG CASH FLOW, QUALITY PORTFOLIO WITH GROWTH POTENTIAL

Secure cash flows are continuously strengthened by ongoing cost controls and profitability improvements. Given vacancy and below market rents, AT's portfolio exhibits further strong and lasting growth after the implementation of initial repositioning activities. In line with the Group's primarily buy and hold strategy, with a strong focus on creating a long-term stream of secure cash flows, this continuous internal growth ensures that AT can continue to grow organically without relying on further acquisitions.

Key strengths

EXPERIENCED BOARD AND MANAGEMENT

AT's board and management can draw on a wealth of experience in the real estate market and associated sectors. This enables the Group to continuously innovate, make strategic decisions quickly and accurately, and successfully grow. The Company's remarkable growth in recent years has created two key benefits in this regard: on one hand, the ability to attract managers and employees that redefine the industry, and on the other hand the internalization of a 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 measures and automated rent increase processes.
AT's management possesses the knowledge that makes up its main competitive advantage, the ability to extract the operational and value potential from its assets. This includes the ability to execute the business plan successfully, which includes executing vacancy reduction activities rapidly, establishing cost efficiency measures, setting rent increase processes, understanding tenant structures and optimizing rental contracts in terms of lease maturity and income security. Cross-sector experience enables the extraction of the full value of the properties and operational experience improves the monitoring and reduction of costs.

DEAL SOURCING AND THE ABILITY TO CREATE ACCRETIVE GROWTH

The Group's acquisition track record over the past 14 years has led it to become a market leader and have a preferred acquirer status, primarily due to its professional approach, fast and high execution rates, and reliability.
The Group has a proven track record of acquiring properties with various value-add drivers and successfully extracting the upside potential. This activity is accompanied by a continuous pipeline and acquisition of attractive properties and the successful transition of the existing properties into mature assets, generating secure long-term cash flows.

QUALITY LOCATIONS IN TOP TIER CITIES

Aroundtown's assets are primarily located in two of Europe's best performing economies with AAA sovereign ratings: Germany and the Netherlands. Within these countries, the Company mainly focuses on central locations in top tier cities including Germany's capital, Berlin, the large metropolitan area of North Rhine-Westphalia, the wealthiest cities Hamburg and Munich, the financial center Frankfurt, as well as the Netherlands' financial center and capital Amsterdam and Europe's biggest port, Rotterdam.

PROPRIETARY IT/SOFTWARE PLATFORM

Aroundtown emphasizes the internalization of relevant skills to support innovation and improve processes. Its operations and growth are supported by scalable proprietary IT/software systems that connect all departments and all property units, enabling efficient monitoring and implementation of value-add measures. The platform constantly monitors vacancy and rents across AT's portfolio, ensuring yields are optimized and strict cost discipline is implemented. The Group's in-house IT team continuously interacts with the operational teams and delivers fast and efficient solutions to the Company's operational needs.

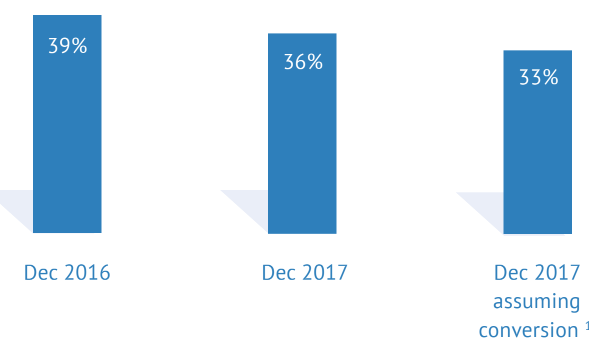
Key strengths

CONSERVATIVE FINANCING STRUCTURE

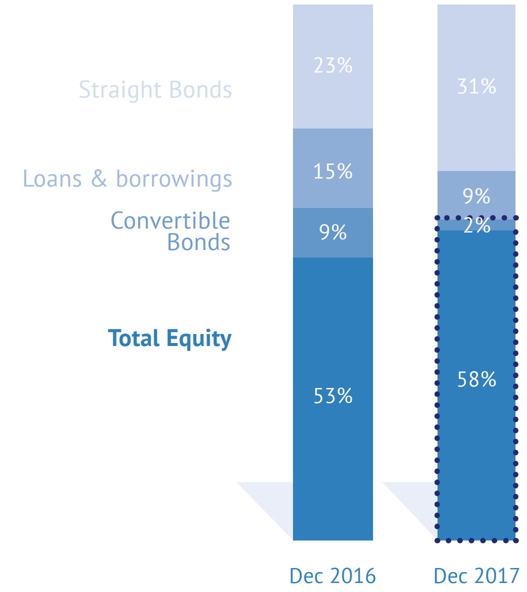
AT's conservative capital structure approach is reflected in an LTV of 36% as of December 31, 2017, and 33% when considering the full conversion into equity of the Series B and Series C convertible bonds, both of which are in-the-money, well below the limit of 45% established by the Board of Directors. Aroundtown's management views the debt ratios as a key source of competitive advantage and puts policies in place to keep financing costs low and the portion of unencumbered assets high. The low leverage of the Group enables further external growth, while still maintaining a conservative capital structure. This conservative capital structure emerges from AT's diversified financing sources with long maturities.

LOAN-TO-VALUE

Board of Directors limit of 45%



FINANCING SOURCES MIX

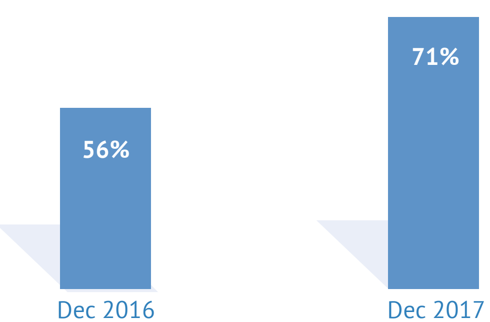


In addition to its conservative capital structure and vast experience in accessing capital markets that enables AT to finance its future growth, the Company maintains a robust liquidity position through a mix of operational cash generation and balance of cash and liquid assets which as of December 31, 2017 amounted to €849 million. Additionally, the high ratio of unencumbered assets of 71% as of December 2017 provides for additional financial flexibility.

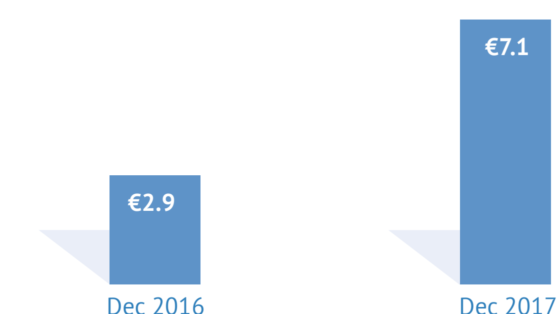
1) assuming conversion into equity of the Series B and Series C convertible bonds, which are in-the-money

Bad Reichenhall

UNENCUMBERED ASSETS RATIO



UNENCUMBERED INVESTMENT PROPERTIES (IN €BN)

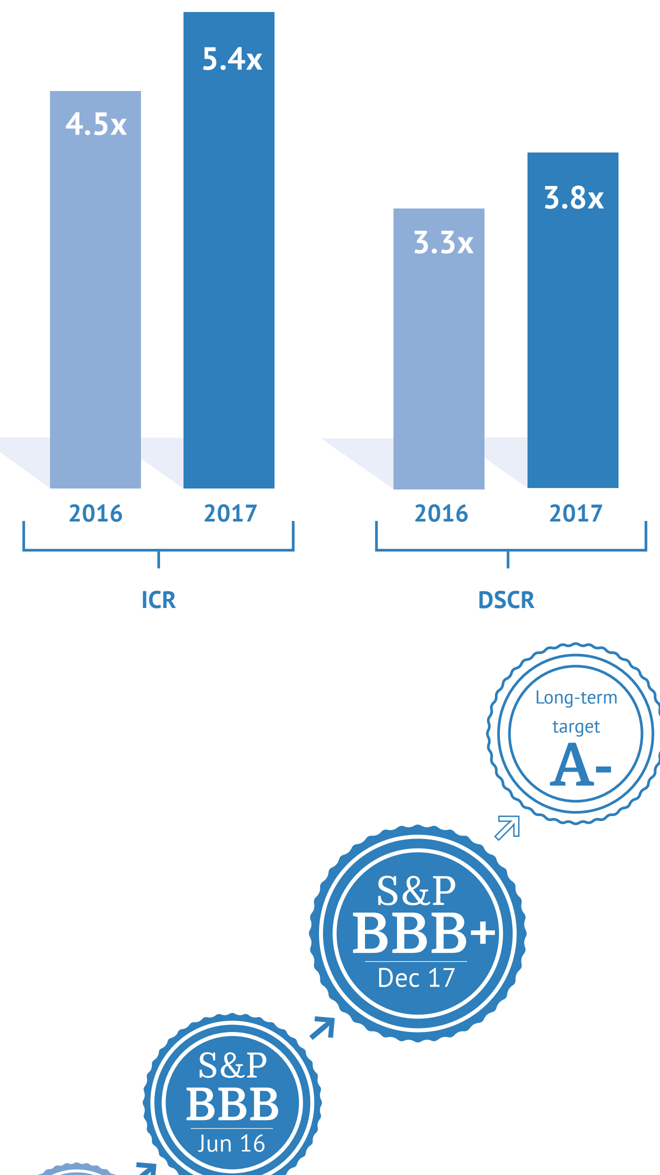


FINANCIAL POLICY

Aroundtown has set a financial policy to improve its capital structure further:

- Strive to achieve A- global rating in the long-term
- LTV limit at 45%
- Debt to debt-plus-equity ratio at 45% (or lower) on a sustainable basis
- Maintaining conservative financial ratios with a strong ICR
- Unencumbered assets above 50% of total assets
- Long debt maturity profile
- Good mix of long-term unsecured bonds & non-recourse bank loans
- Support convertible bond holders to convert into equity
- Dividend of 65% of FFO I per share

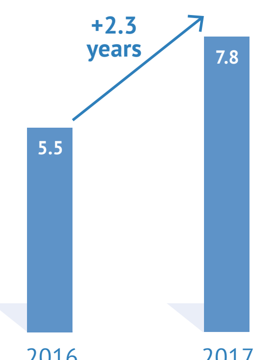
STRONG COVER RATIOS



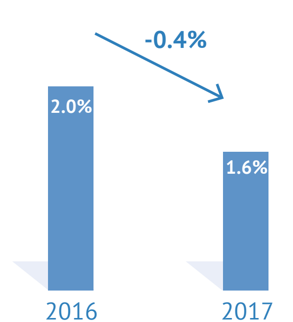
INVESTMENT-GRADE CREDIT RATING

In December 2017, AT's credit rating was upgraded to 'BBB+' by Standard & Poor's Ratings Services ("S&P"). S&P acknowledged AT's strong business profile and larger portfolio with great scale and diversification, well balanced across multiple asset types and regions with no dependency on a single asset type or region, together with a large and diverse tenant base and long lease structures. The rating increase followed the upgrade to 'BBB' in June 2016 and the initial credit rating of 'BBB-' received from S&P in December 2015. Aroundtown continues to strive to achieve its long-term target rating of A-.

EXTENDING THE DEBT MATURITY



DECREASING THE COST OF DEBT



Aroundtown's quality portfolio

Group Portfolio Overview

POPULATION DENSITY IN GERMANY AND THE NETHERLANDS

INHABITANTS PER SQKM (2013)

- < 100
- 100 – 200
- 200 – 500
- 500 – 1000
- > 1000

Hamburg
Bremen
Berlin
Amsterdam
Utrecht
Hannover
Rotterdam
NRW
Leipzig
Dresden
Frankfurt
Nuremberg-Fuerth
Mannheim
Stuttgart
Munich

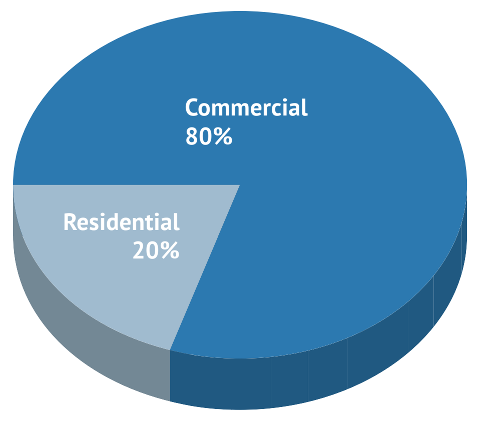
AS OF DECEMBER 2017*

In-place rent
€8.0/sqm

EPRA vacancy
8.9%

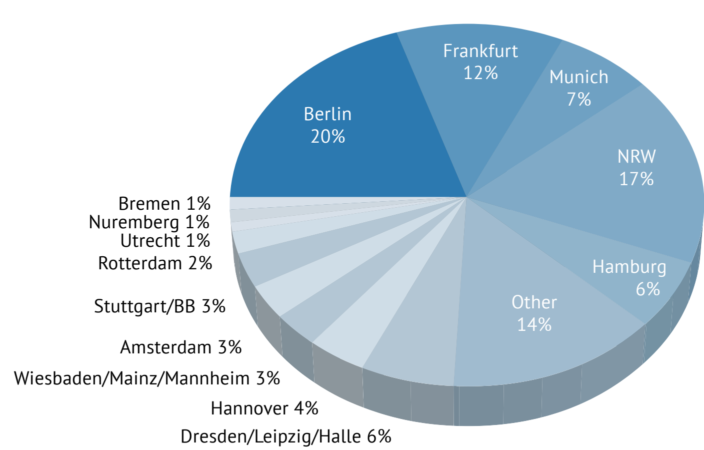
GROUP ASSET TYPE BREAKDOWN

(DECEMBER 2017, BY VALUE*)



GROUP REGIONAL DISTRIBUTION

(DECEMBER 2017, BY VALUE*)



* the residential portfolio is accounted for at the holding rate of 38%

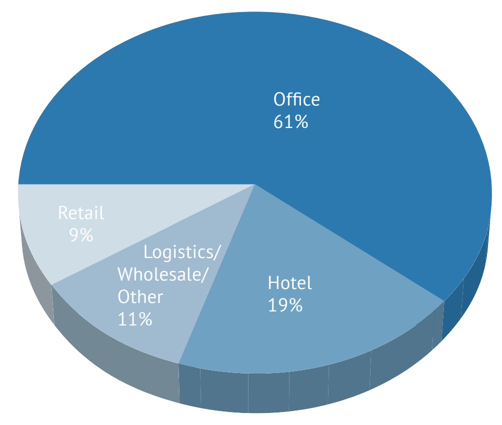
Commercial Portfolio – Top tier cities

Aroundtown owns a diverse portfolio of commercial assets which focuses on top tier cities with strong demographics and favourable economic fundamentals. The commercial portfolio is diversified over several different asset types including office, hotel, logistics, wholesale, retail and other covering a total of 5.3 million sqm as of April 2018, including additional acquisitions and signed deals in 2018. As of April 2018 and excluding assets held for sale, the Group's commercial portfolio with a value of €10.2 billion operates at an in-place rent of 9.1 €/sqm and an EPRA vacancy of 9.3%. The portfolio embodies strong growth potential through rent and occupancy increases as well as cost efficiency improvements, generating as of the April 2018 run rate an annualized net rental income of €540 million, resulting in an annualized adjusted EBITDA of €446 million and an annualized bottom-line FFO I of €306 million. Furthermore, AT's portfolio is well diversified and has limited dependency on single tenants, with a tenant base of over 2,700 tenants spread across a wide range of sustainable market sectors which further reduces cluster risk. A long portfolio WALT of 7 years offers long-term cash flow stability and security. The management believes that its business platform benefits from its skilled personnel, experience and track record, and reliable practices that enable the Company to perform strongly and to further expand in the commercial property market. The Company also believes that the business environment will provide abundant acquisition opportunities in the attractive markets it targets, to support its external growth strategy in the medium to long term. An active deal pipeline and favourable market conditions provide for continued opportunities for accretive external growth.

PORTFOLIO DISTRIBUTION

Aroundtown's commercial portfolio is located in quality locations which benefit from strong demographic and economic fundamentals, such as Berlin, Munich, Hamburg, Frankfurt, NRW, Hannover and Amsterdam. Within these regions Aroundtown focuses on assets with favourable micro-locations and various demand drivers.

ASSET TYPE BREAKDOWN (DECEMBER 2017, BY VALUE)



REGIONAL OVERVIEW

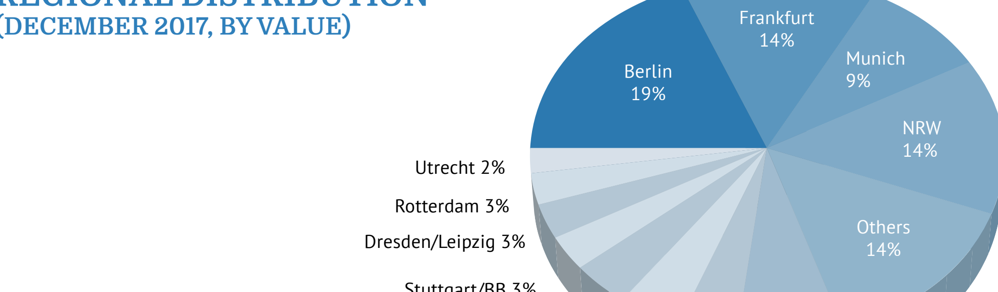
DECEMBER 2017	Investment properties (in €M)	Area (in k sqm)	EPRA vacancy	Annualized net rent (in €M)	In-place rent per sqm (in €)	Value per sqm (in €)	Rental yield
Berlin	1,837	714	7.5%	77	9.4	2,575	4.2%
Frankfurt	1,364	529	16.9%	57	10.9	2,576	4.2%
Munich	868	284	7.8%	38	11.1	3,058	4.4%
NRW	1,355	983	10.1%	86	7.4	1,379	6.3%
Hamburg	643	258	7.7%	23	8.7	2,488	4.5%
Amsterdam	356	132	9.0%	21	14.3	2,694	6.0%
Hannover	385	261	7.9%	23	8.0	1,474	6.1%
Wiesbaden/Mainz/Mannheim	354	168	6.4%	22	10.6	2,101	6.1%
Stuttgart/BB	345	177	2.4%	21	10.1	1,948	6.2%
Dresden/Leipzig	246	141	5.3%	14	8.6	1,751	5.7%
Rotterdam	251	130	6.8%	20	13.4	1,932	8.2%
Utrecht	182	86	3.7%	13	11.2	2,126	6.9%
Other	1,618	1,234	11.2%	99	7.7	1,311	6.1%
TOTAL	9,804	5,097	9.4%	514	9.0	1,923	5.2%
TOTAL APRIL 2018	10,200	5,300	9.3%	540	9.1	1,925	5.3%

Munich

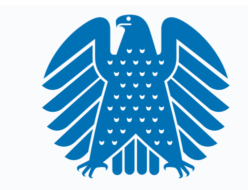
ASSET TYPE OVERVIEW

DECEMBER 2017	Investment properties (in €M)	Area (in k sqm)	EPRA vacancy	Annualized net rent (in €M)	In-place rent per sqm (in €)	Value per sqm (in €)	Rental yield	WALT (in years)
Office	5,935	2,578	11.2%	300	10.5	2,302	5.2%	4.8
Hotel	1,817	758	3.4%	87	10.7	2,395	4.8%	16.8
Retail	927	541	12.7%	61	10.1	1,715	6.7%	5.0
Logistics/Wholesale/Other	1,125	1,220	5.1%	66	4.7	922	5.8%	7.3
TOTAL	**9,804**	**5,097**	**9.4%**	**514**	**9.0**	**1,923**	**5.2%**	**7.2**
TOTAL APRIL 2018	**10,200**	**5,300**	**9.3%**	**540**	**9.1**	**1,925**	**5.3%**	**7.0**

REGIONAL DISTRIBUTION
(DECEMBER 2017, BY VALUE)



Half of the portfolio centrally located in Germany's best performing cities: **Berlin, Frankfurt, Munich and Hamburg**



85% of the portfolio located in Germany, distributed primarily in central locations in top tier cities

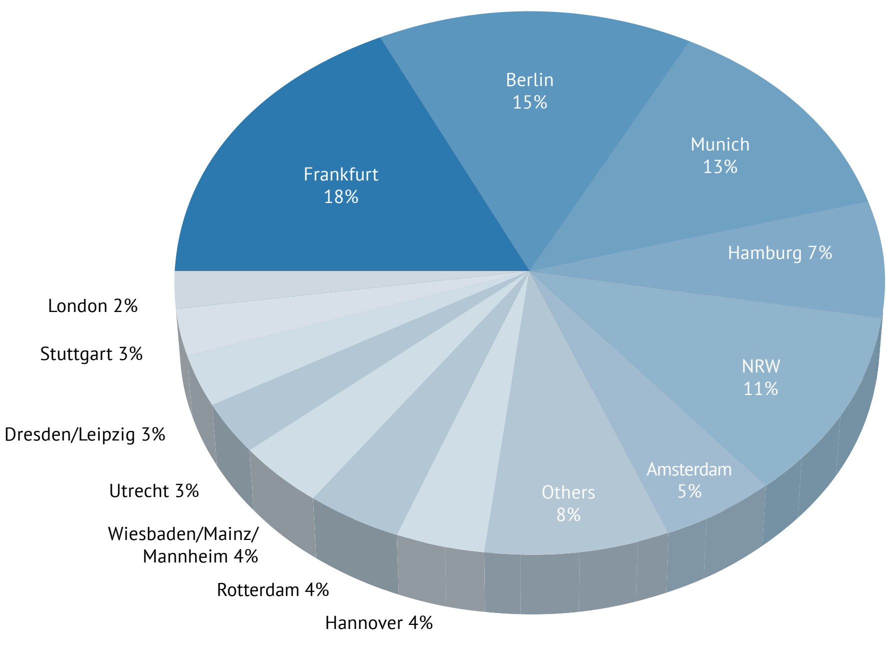
11% of the portfolio is located in the Netherlands, distributed primarily in central locations in the top 3 cities: **Amsterdam, Rotterdam** and **Utrecht**

Commercial portfolio with high reversionary rent and significant value upside potential

Regional Distribution

18% – **Frankfurt** is the largest office portfolio location, with the largest single asset (FBC in **Frankfurt CBD**) signing a AAA tenant (**Deutsche Bundesbank**) on a long-term lease, filling the largest vacancy position

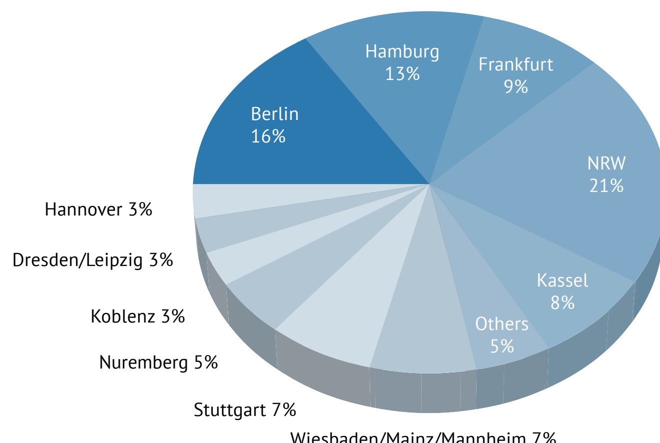
OFFICE – REGIONAL DISTRIBUTION
(DECEMBER 2017, BY VALUE)



RETAIL – REGIONAL DISTRIBUTION
(DECEMBER 2017, BY VALUE)

Berlin 36%
NRW 19%
Others 18%
Amsterdam 7%
Rotterdam 2%
Hannover 2%
Stuttgart/BB 2%
Hamburg 2%
Bremen/Emden 3%
Dresden/Leipzig/Halle 4%
Frankfurt/Mainz 5%

LOGISTICS/WHOLESALE/OTHER – REGIONAL DISTRIBUTION
(DECEMBER 2017, BY VALUE)



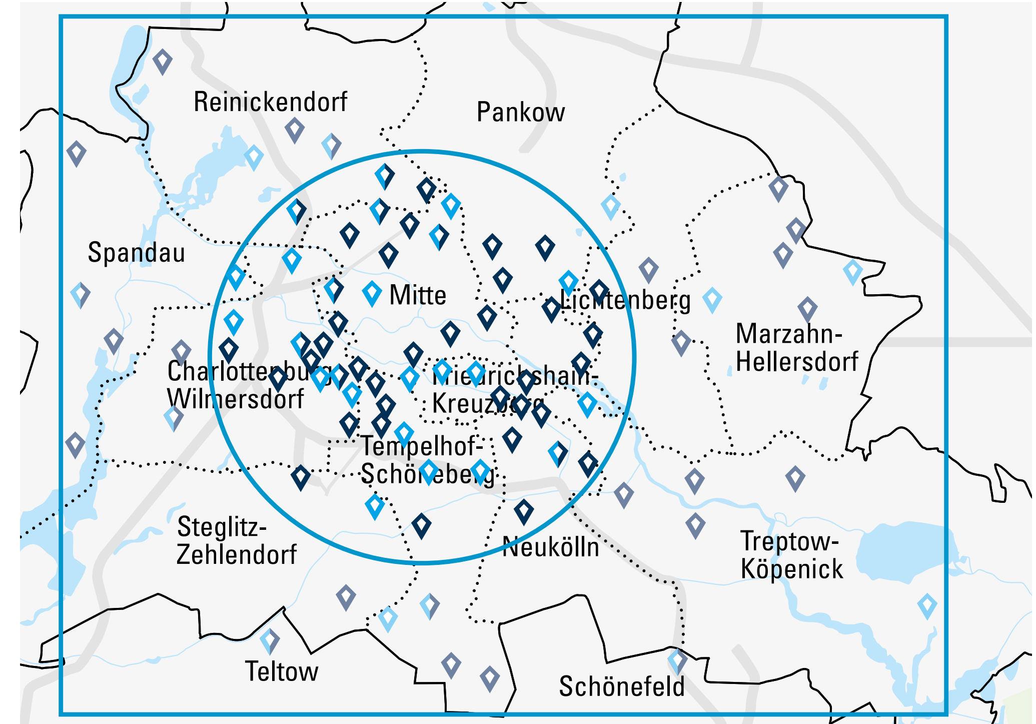
Berlin

BEST-IN-CLASS BERLIN PORTFOLIO

- **88%** of the commercial portfolio is located in top tier neighborhoods including Charlottenburg, Wilmersdorf, Mitte, Lichtenberg, Schöneberg, Neukölln, Steglitz and Potsdam
- **12%** of the commercial portfolio is well located primarily in Reinickendorf, Spandau, Treptow, Köpenick and Marzahn-Hellersdorf

Commercial properties

Residential properties



*Map representing approx. 95% of the portfolio and 99% including central Potsdam

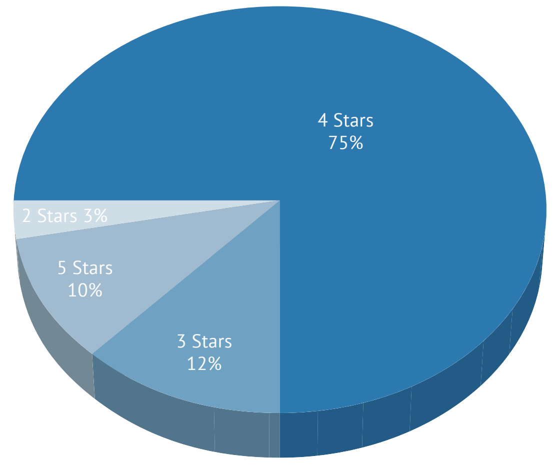
Highly performing hotels

82 HOTELS ACROSS TOP LOCATIONS

The hotel portfolio, valued at €1.8 billion as of December 2017, is well diversified and covers a total of 758k sqm. The largest share of 75% of the portfolio consists of 4-star hotels, meeting the strong market demand which rises from tourism and business travel. The hotels are branded under a range of globally leading branding partners which offer key advantages such as worldwide reservation systems, global recognition, strong loyalty programs, quality perception and benefits from economies of scale. Furthermore, the hotels have long-term fixed leases with third-party hotel operators, providing stable cash flows.

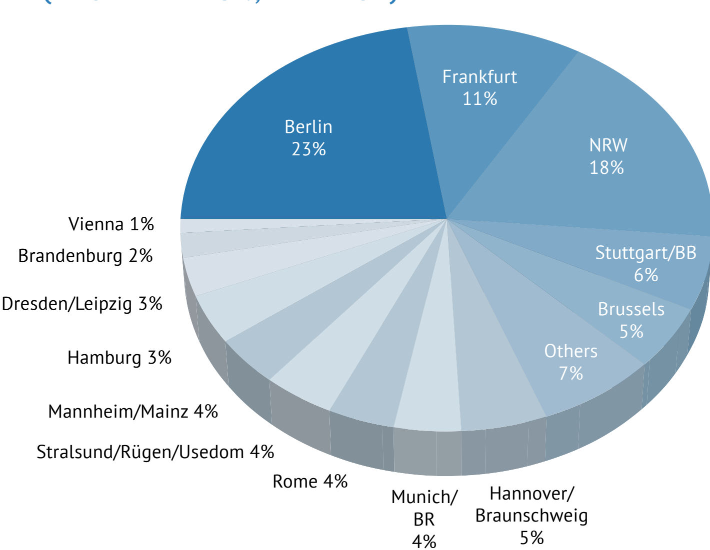
The hotel assets are let to hotel operators which are selected according to their capabilities, track record and experience. The management participates in the branding decision of the hotel, applying its expertise in selecting the optimal brand. An integral component of the business plan is a long-term fixed rental lease, which increases the cash flow stability. AT maintains close relations with the operators and monitors their performance on an ongoing basis, making use of its tailor-made IT/software system. In return, AT benefits from fixed annual rent increases which contribute directly to the bottom line.

HOTELS – DISTRIBUTION BY STAR CATEGORY (DECEMBER 2017, BY VALUE)



New addition to the 5-star segment through the acquisition of the Frankfurt Intercontinental Hotel, with significant upside potential to be captured.

HOTELS – REGIONAL DISTRIBUTION (DECEMBER 2017, BY VALUE)



Schwielowsee (Potsdam)

HOTELS FRANCHISED WITH VARIOUS STRONG BRANDS, A COMPETITIVE BOOKING PLATFORM AND A LARGE SCALE OF CATEGORIES WHICH PROVIDES HIGH FLEXIBILITY FOR THE BRANDING OF ITS ASSETS

Stralsund / Rügen

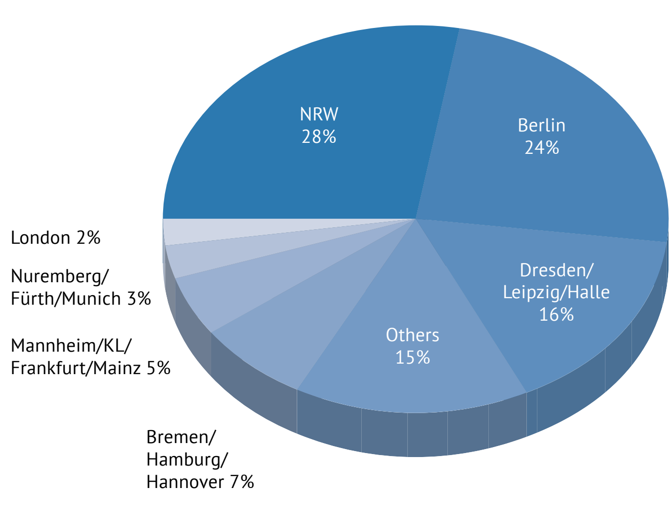
Residential Portfolio
(Grand City Properties)

The residential portfolio is held through a 38% interest in Grand City Properties ("GCP"), a leading market player in the German residential market and a specialist in value-add opportunities in densely populated areas in Germany. AT is the largest shareholder in GCP, with the remaining 62% widely distributed and held mainly by many international leading institutional investors. There is no major single shareholder except for AT. As of December 2017, GCP holds 87k units in its portfolio with the propertiesspread across densely populated areas in Germany, with a focus on North Rhine-Westphalia, Berlin and the metropolitan regions of Dresden, Leipzig and Halle. GCP puts strong emphasis on growing relevant skills in-house to improve responsiveness and generate innovation across processes and departments. Through its 24/7 Service Center and by supporting local community initiatives, GCP established an industry-leading service standard and lasting relationships with its tenants. The table below represents GCP at 100%.

REGIONAL OVERVIEW

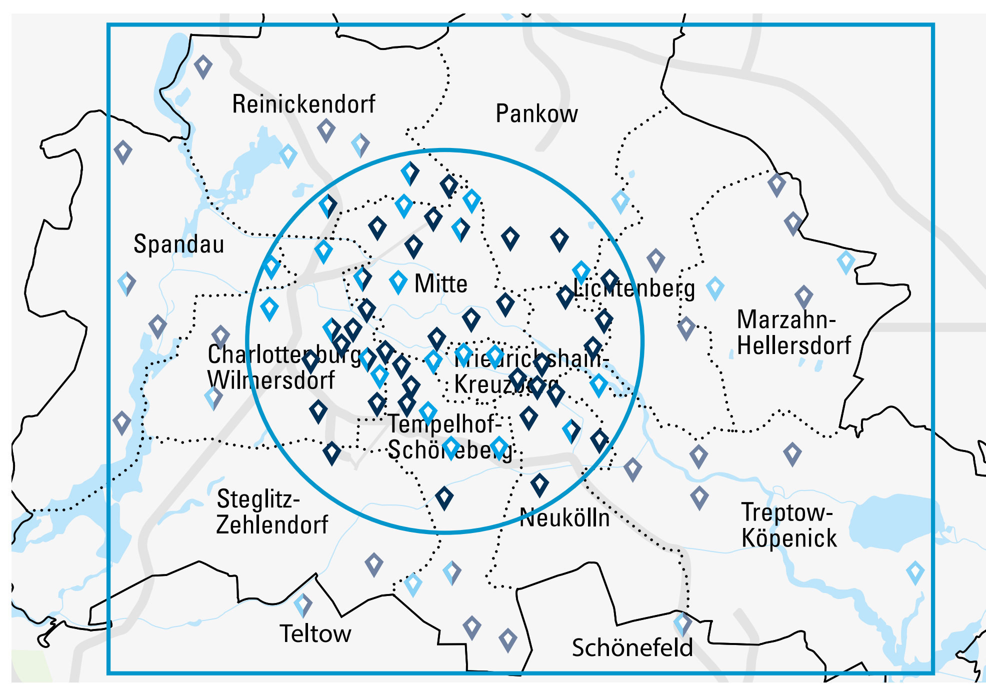
DECEMBER 2017	Value (in €M)	Area (in k sqm)	EPRA vacancy	Annualized net rent (in €M)	In-place rent per sqm (in €)	Number of units	Value per sqm (in €)	Rental yield
NRW	1,792	1,825	7.7%	111	5.4	27,294	982	6.2%
Berlin	1,502	639	5.2%	53	7.2	8,276	2,351	3.5%
Dresden/Leipzig/Halle	1,049	1,143	8.8%	61	4.9	19,888	918	5.8%
Mannheim/KL/Frankfurt/Mainz	312	242	4.3%	17	6.1	4,011	1,288	5.5%
Nuremberg/Fürth/Munich	197	102	3.4%	10	7.7	1,471	1,925	4.9%
Bremen/Hamburg/Hannover	440	364	4.0%	25	6.0	5,445	1,210	5.6%
Others	1,096	1,217	7.8%	74	5.7	20,395	901	6.7%
TOTAL	**6,388**	**5,532**	**7.0%**	**351**	**5.65**	**86,780**	**1,155**	**5.5%**

REGIONAL DISTRIBUTION
(DECEMBER 2017, BY VALUE)



Duisburg

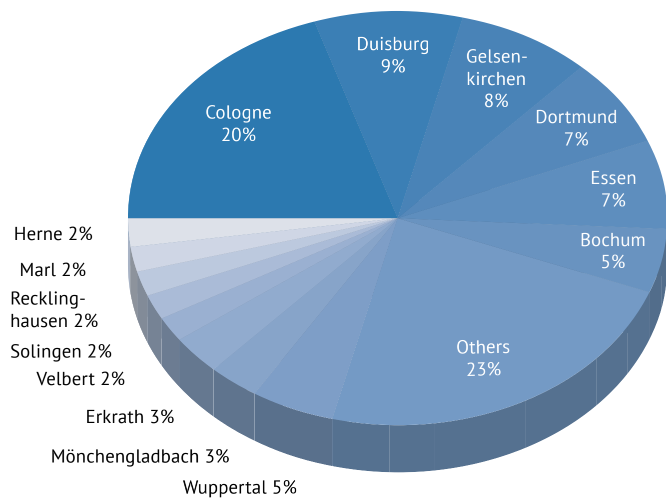
BERLIN – BEST IN CLASS PORTFOLIO



- **70%** of the Berlin portfolio is located in **top tier neighborhoods:** Charlottenburg, Wilmersdorf, Mitte, Kreuzberg, Lichtenberg, Schöneberg, Neukölln, Steglitz and Potsdam
- **30%** is well located in **affordable locations**, primarily in Reinickendorf, Treptow, Köpenick and Marzahn-Hellersdorf

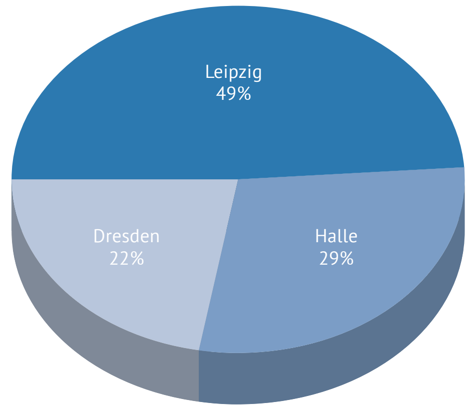
WELL DISTRIBUTED IN NORTH RHINE-WESTPHALIA, THE LARGEST METROPOLITAN AREA IN GERMANY
(DECEMBER 2017, BY VALUE)

GCP's NRW portfolio distribution is focused on cities with strong fundamentals within the region. 20% of the NRW portfolio is located in Cologne, the largest city in NRW, 9% in Duisburg, 8% in Gelsenkirchen, 7% in Dortmund and 7% in Essen.



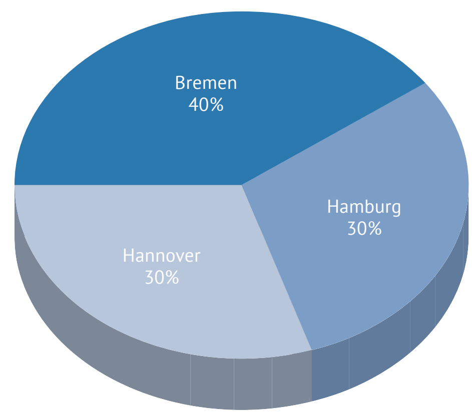
QUALITY EAST PORTFOLIO
(DECEMBER 2017, BY VALUE)

GCP's East portfolio is well distributed in the growing and dynamic cities Dresden, Leipzig and Halle.



QUALITY NORTH PORTFOLIO
(DECEMBER 2017, BY VALUE)

GCP's North portfolio is focused on the major urban centers Bremen, Hamburg and Hannover.



Residential Portfolio
(Grand City Properties)

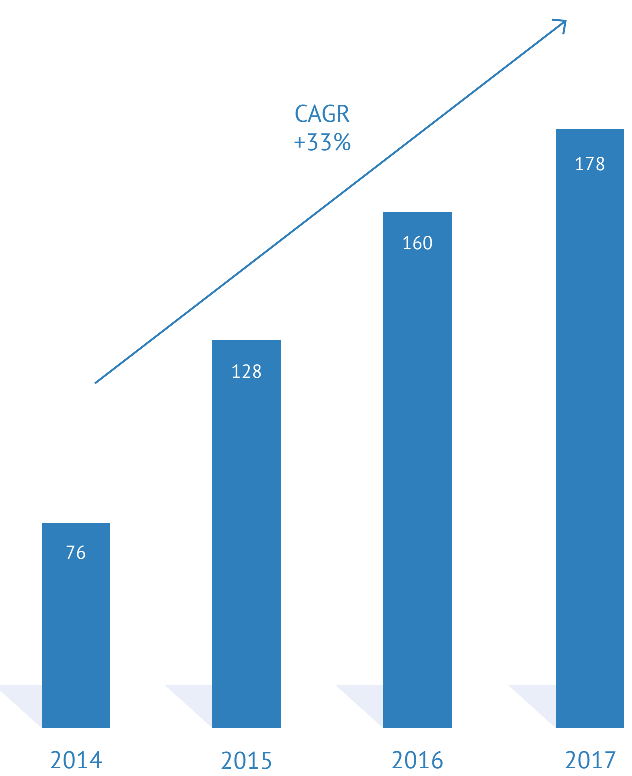
Grand City Properties' portfolio generated a net rental income of €328 million and bottom line FFO I of €178 million in 2017. The current portfolio has an in-place rent of 5.65 €/sqm at an EPRA vacancy rate of 7.0%.

In May 2017, GCP's shares were uplisted to the Prime Standard of the Frankfurt Stock Exchange, a milestone achievement that is reflective of continued success through experienced and efficient management. Subsequently, GCP joined the DAX index family in September 2017 to the mid-cap MDAX index, resulting in increased visibility and liquidity. GCP's success is mirrored in the strong performance in the debt and capital markets. GCP's average cost of debt is 1.6% with a long weighted average debt maturity of 8.5 years.

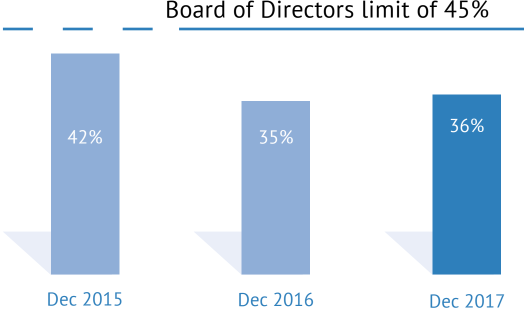
GCP holds two investment-grade credit ratings – BBB+ from Standard & Poor's Rating Services (S&P) and Baa1 from Moody's Investors Service (Moody's) – and as part of its strategy aims to achieve a rating of A- in the long-term. GCP has a market cap of €3.2 billion. GCP outperformed the market continuously since its IPO in 2012, in share, convertible bond, straight bond and perpetual notes performance.

Like Aroundtown, GCP is included in the MDAX index of the Deutsche Börse, the FTSE EPRA/NAREIT Index Series family, GPR 250 and DIMAX, as well as the Stoxx All Europe 800 and the MSCI index family. GCP has a dividend policy to distribute 65% of its FFO I per share.

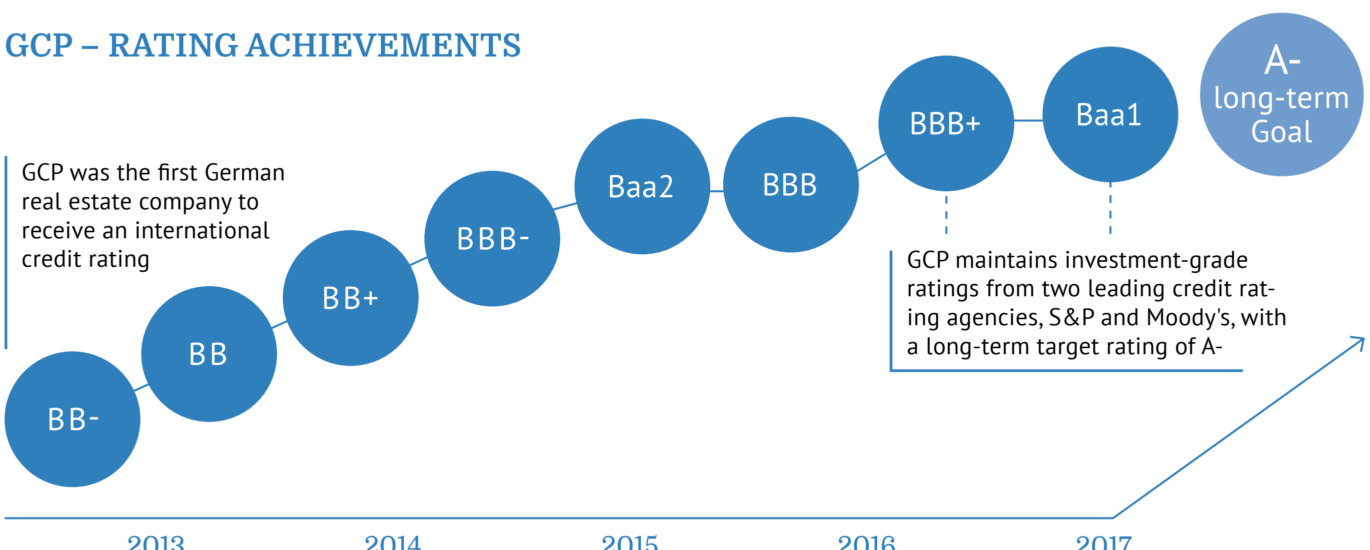
GCP – CONSISTENTLY GROWING FUNDS FROM OPERATIONS (IN €MN)



GCP – CONSERVATIVE LOAN-TO-VALUE



GCP – RATING ACHIEVEMENTS



Berlin

Capital Markets

TRADING DATA AND ANALYST COVERAGE

Placement	Frankfurt Stock Exchange
Market Segment	Prime Standard
Trading ticker	AT1
Initial placement of capital	13.07.2015 (€3.2 per share)
Key index memberships	MDAX FTSE/EPRA NAREIT: – Global – Developed Europe – Eurozone – Germany Stoxx Europe 600 GPR 250 DIMAX

AS OF DECEMBER 2017

Number of shares	947,808,641
Free Float	60%
Fully diluted number of shares	1,021,925,565

AS OF THE DAY OF THIS REPORT

Number of shares	1,043,205,635
Fully diluted number of shares	1,116,925,564
Free float	63.4%
Free float incl. conversion of Series B	64.1%
Fully diluted free float	65.8%
Market Cap	€6.4 bn

KEY INDEX INCLUSIONS

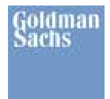
In March 2018, Aroundtown was included via the Fast Entry route in the **MDAX** index of the Deutsche Börse and the **FTSE EPRA/NAREIT Index Series,** owing to its large market capitalization and strong trading volume, as well as the GPR 250 and DIMAX indices. AT was additionally included into the **Stoxx Europe 600** index in October 2017, ranking the Company among the largest publicly traded companies in Europe.

These achievements mark an important milestone for the Company as it further increases its market visibility and share liquidity, reinforcing the Company's strong market position as the largest publicly-listed commercial real estate player in Germany and among the largest in Europe. These important index inclusions were facilitated by the numerous corporate initiatives undertaken by the Company throughout 2017, including the uplisting to the Prime Standard of the Frankfurt Stock Exchange, migration of the corporate seat to Luxembourg, and consolidation of trading liquidity in Frankfurt by delisting from Euronext Paris.

INVESTOR RELATIONS ACTIVITIES

The Group is proactively approaching a large investor audience in order to present its business strategy, provide insight into its progression and create awareness of its overall activities in order to enhance its perception in the market. AT participates in a vast amount of various national and international conferences, roadshows and one-on-one presentations in order to present a platform for open dialogue. Explaining our unique business strategy in detail and presenting the daily operations allows investors to gain a full overview about the Group's successful business approach. The most recent information is provided on its website and open channels for communication are always provided. Currently, AT is covered by 14 different research analysts on an ongoing basis, with reports updated and published regularly.

AROUNDTOWN IS CONTINUOUSLY COVERED BY LEADING EQUITY RESEARCH HOUSES



ANALYST RESEARCH TARGET PRICES

Research house	Date	Target price
First Berlin	05.03.2018	8.2
Deutsche Bank	21.01.2018	8.0
Citigroup	22.01.2018	7.83
Goldman Sachs	01.12.2017	7.8
Berenberg	06.03.2018	7.5
Bank of America Merrill Lynch	19.01.2018	7.45
M.M. Warburg	07.12.2017	7.4
Bankhaus Lampe	23.03.2018	7.3
Baader Bank	09.03.2018	7.3
Kepler Chevreux	12.03.2018	7.25
Oddo BHF	28.11.2017	7.2
UBS	27.11.2017	7.0
SRC Research	27.11.2017	7.0
Jefferies	09.03.2018	7.0

Capital markets

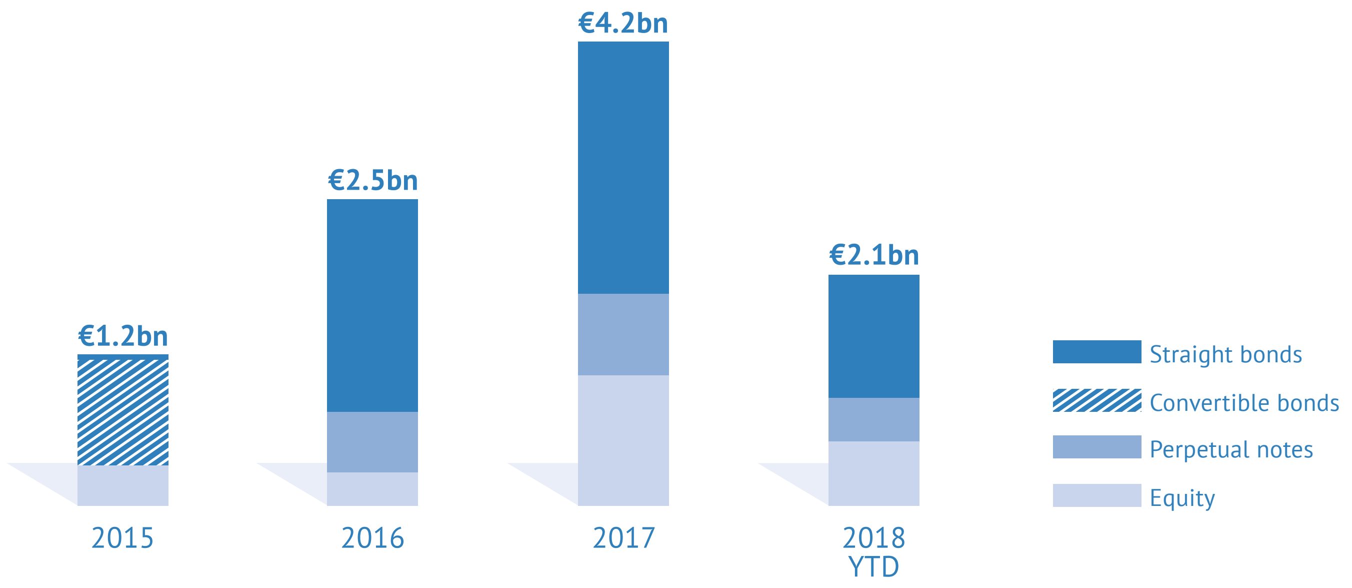
AROUNDTOWN CONTINUES TO DEMONSTRATE ITS PROVEN ABILITY TO ACCESS THE CAPITAL MARKETS

€2.5 billion raised in 2016
€4.2 billion raised in 2017

largest European listed real estate issuer in 2016 and 2017

€2.1 billion raised in 2018 year-to-date

In total, AT raised **€8.8 billion** since 2016 through diverse issuances of **bonds, perpetual notes and equity**



EQUITY AND BOND BOOKRUNNERS

ACCESS TO GLOBAL CAPITAL VIA BOND EMTN PROGRAMME

Aroundtown has achieved further diversification of its funding sources and capital structure through the issuance of instruments in various foreign currencies through its Euro Medium Term Notes (EMTN) programme, with the exchange rate risks hedged to maturity through swaps. These foreign currency issuances are the result of the strong demand for the Company's notes from global investors.

ESTABLISHED LEADER IN THE CAPITAL MARKETS

Shareholders Equity

€606 million – issuance of equity capital in March 2018 at €6.38 per share

€450 million – issuance of equity capital in October 2017 at €6 per share

€426 million – issuance of equity capital in May 2017 at €4.58 per share

€350 million – conversion of Series B 3% convertible bond, and €56 million repurchased, at €3.27 per share

Equity (Perpetual Notes)

€400 million – perpetual notes issued in January 2018 at a coupon of 2.125% – our lowest perpetual coupon yet

$700 million – USD 500 million perpetual notes issuance in June 2017 and tap of USD 200 million in September 2017

€100 million – tap issuance of perpetual notes in January 2017, in addition to €500 million issued in 2016

Straight Bonds

€800 million – Series N straight bonds due 2028 issued in January 2018 – our largest single issuance yet

CHF 250 million – Series M straight bonds due 2025 issued in January 2018 – our lowest coupon yet at 0.73% – with a currency hedge of notional amount to maturity

$150 million – Series L straight bonds due 2038 issued in January 2018 and placed with investors in Asia – our longest maturing bond yet – with a currency hedge to maturity

€700 million – Series K straight bonds due 2025 issued in November 2017

£500 million – Series J straight bonds due 2029 issued in October 2017, with a currency hedge to maturity

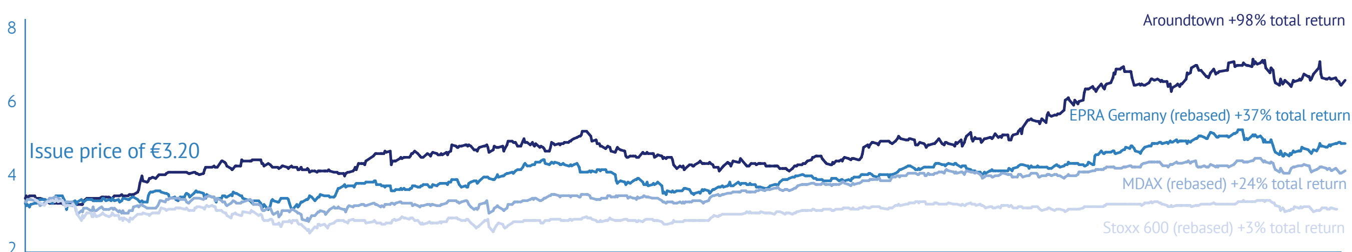
NOK 750 million – Norwegian Krone straight bonds due 2027 issued in July 2017, with a currency hedge to maturity

€500 million – Series I straight bonds due 2026 issued in July 2017

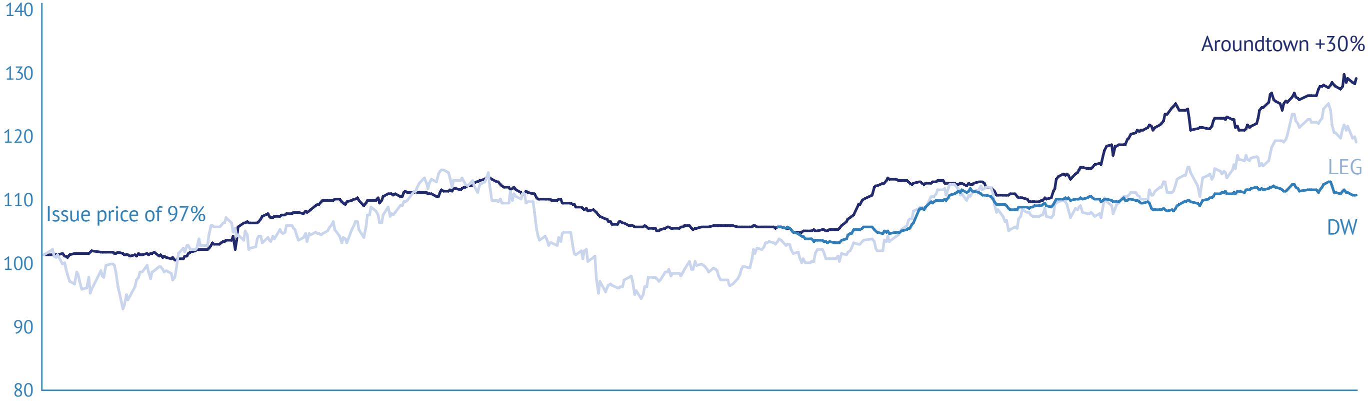
$400 million – Series H straight bonds due 2032 issued in March 2017 and placed with anchor investors in Asia, with a currency hedge to maturity

Aroundtown: Stock and bond performance

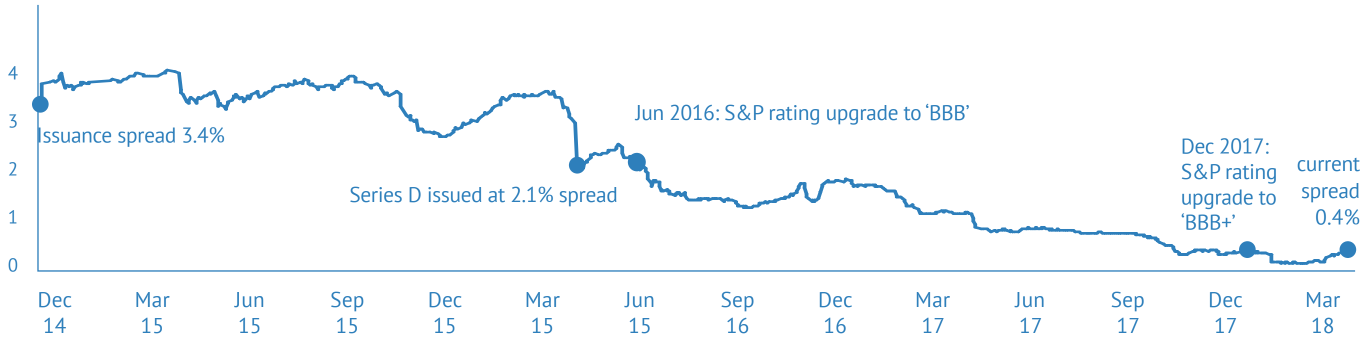
SHARE PRICE PERFORMANCE AND TOTAL RETURN SINCE INITIAL PLACEMENT OF CAPITAL (13.07.2015)



CONVERTIBLE BOND SERIES C PERFORMANCE SINCE PLACEMENT (15.12.2015)



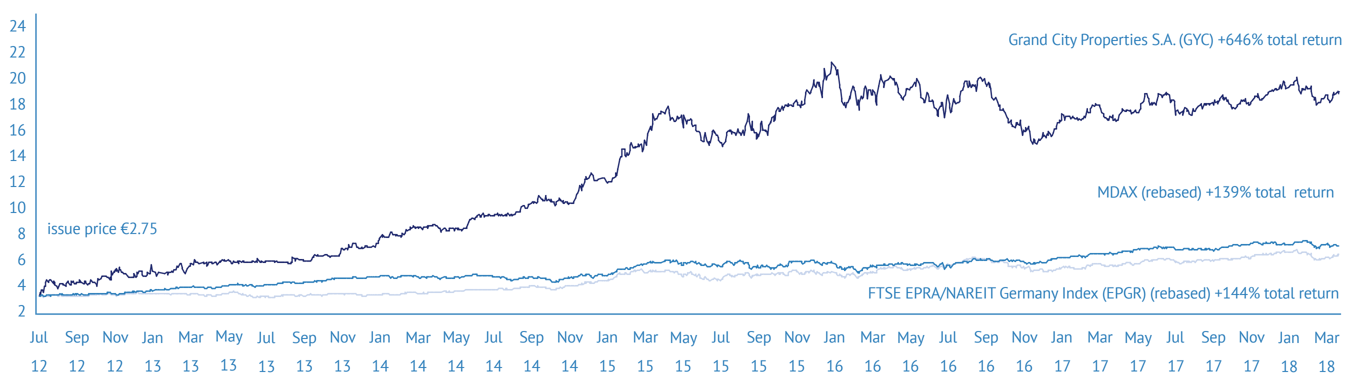
SPREAD OVER MID-€-SWAP FOR STRAIGHT BONDS A AND D, REMAINING 4.5 YEARS



SPREAD OVER MID-€-SWAP FOR 3.75% PERPETUAL NOTES

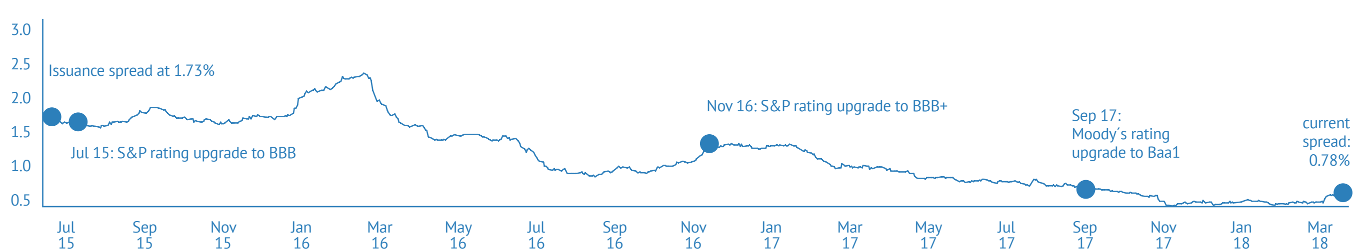
Grand City Properties: Stock and bond performance

SHARE PRICE PERFORMANCE AND TOTAL RETURN COMPARISON SINCE FIRST EQUITY PLACEMENT (19.07.2012)

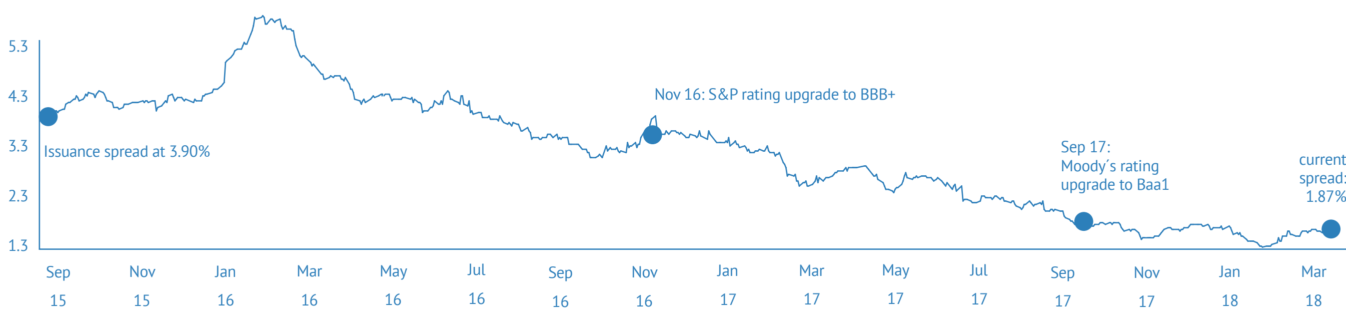


STRAIGHT BOND SERIES D – SPREAD OVER MID-€-SWAP, REMAINING 3.5 YEARS

STRAIGHT BOND SERIES E – SPREAD OVER MID-€-SWAP, REMAINING 7 YEARS



3.75% PERPETUAL NOTES SPREAD OVER MID-€-SWAP



ESG – Environmental, Social and Governance

As we make great strides towards achieving our goals, we reinforce our commitment towards corporate and sustainable responsibility by doing what's right, positively influencing the environment and going the extra mile beyond legal obligations. Over the last year, the Group has adopted its sustainable development principles and is continuously improving its performance. In September 2017, Aroundtown was awarded the EPRA BPR Gold award, the highest award standard for financial reporting, by the European Public Real Estate Association (EPRA) for its 2016 annual financial report.

As part of the ongoing effort to improve the level and quality of disclosures, the Group has taken initiative to collaborate with and update various ESG rating agencies with relevant information over the last months. As a result, Aroundtown's latest Sustainalytics rating positioned the Company at the 88th percentile among 280 real estate peers worldwide, ranking Outperformer in all three segments: Environment, Social and Governance.

88th PERCENTILE GLOBALLY

Aroundtown is currently working on its first sustainability report. The reporting will follow GRI (Global Reporting Initiative) Standards as well as EPRA's sBPR (Sustainability Best Practices Recommendations) guidelines and will be published in the coming weeks.

ENVIRONMENTAL RESPONSIBILITY

Aroundtown sees environmental responsibility as an integral part of its business strategy. The Group established a comprehensive Environmental Policy that reflects all aspects of energy management and environmental responsibility, with the aim to reduce environmental pollution by installing sustainable energy systems which improve energy efficiency, switching to renewable energy sources, and reducing its carbon footprint. Environmental factors are included in the investment strategy, due diligence process and the business plan. Over the life cycle of our assets and as part of the repositioning process we seek to continuously reduce the potential environmental footprint. As part of this process we conduct regular environmental risk assessments. Environmental due diligence and risk assessments include all aspects of environmental management, such as water and climate risk and management, energy efficiency, and greenhouse gases (GHG) reduction.

RENEWABLE ENERGY USE

The Group employs strategic partners for energy supply (gas and electricity), who possess all relevant certifications and analyze the 'energy portfolio' they have with us on a regular basis. The Group's agreement stipulates that all GHG emissions are 100% offset. The statistical data provided to the Group covers not only energy consumption but also forecasts as to the tons of GHG saved and offset as part of the agreement with them.

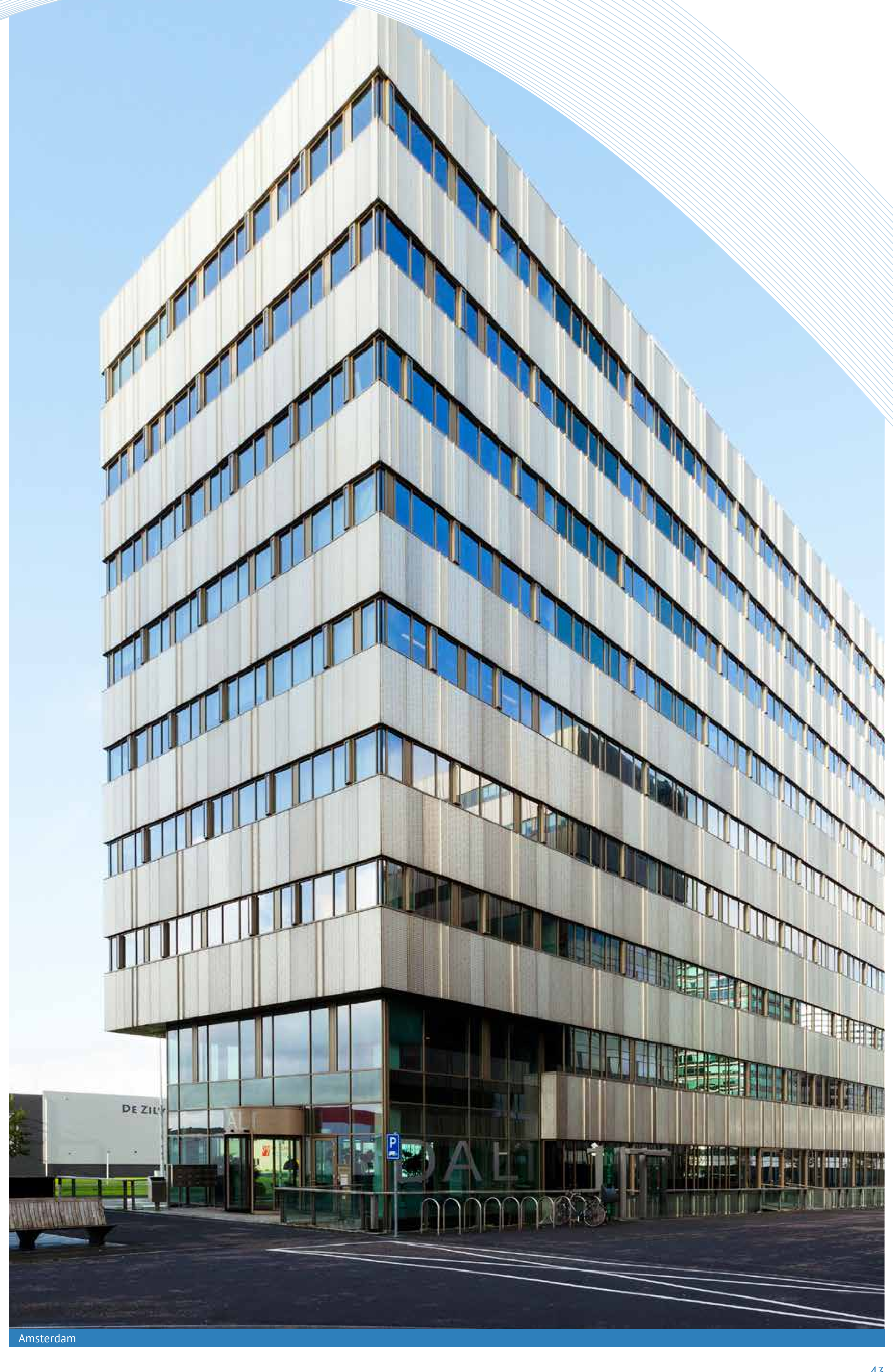
GHG RISK MANAGEMENT (GREENHOUSE GASES)

According to the Group's Environmental Policy, the emission of GHG is to be monitored and reviewed. The objective of the Group is to reduce energy consumption, especially of fossil fuels, by increasing the use of renewable energy, and to that end the Group sets periodic emission reduction targets. The Group has strategically decided on switching from non-efficient fossil and oil-operated heating plants to higher efficiency systems. A substantial share of the fossil and oil-operated heating plants have already been switched, and further units are being switched on an ongoing basis.

SUPPLIER ENVIRONMENTAL PROGRAMS

The Group runs a series of environmental programs as a part of its Green Procurement Policy. Contracts with suppliers incorporate compliance with environmental regulations and adherence to legal standards. In key areas, suppliers must prove external certifications that help assess the environmental impact of their activities and end products. The Group participates in industry initiatives in order to improve on services delivered and the environmental impact on the stakeholders involved.

Aroundtown also actively encourage suppliers to innovate and present better systems, technologies and methods in order to improve the overall environmental performance of the supply chain.



Amsterdam

ESG – Environmental, Social and Governance

Hamburg

SOCIAL RESPONSIBILITY

The Group strongly believes that investing responsibly is a mark of quality and puts emphasis on good employment conditions, qualifications and professional development as well as reduction of negative environmental impacts.

RESPONSIBLE EMPLOYER

The Group is running high profile programs with regard to Human Capital Development which are outlined in our Commitment to Human Capital Development. A main part of the Group's success lies in its ability to attract, develop and retain qualified and motivated employees. To this extent the Group aims to fulfil employees, have great leaders at all levels, and encourage the individual pursuit of work/life balance. The Company believes that a diverse workforce brings value to the team and therefore constantly invests in developing and growing the value of its human capital by providing people with the means for success and keeping a focus on internal promotion.

The Group has put policies, operating guidelines and monitoring systems in place to support its responsible approach and ensure that its employees act upon its responsible approach statement.

ECONOMIC AND SOCIAL DEVELOPMENT

Aroundtown's goal is to contribute to the economic and social development of the communities in which it operates. The Company's focus is to support initiatives which benefit directly the well-being, health, safety and economic development of its customers/tenants. The Community Involvement & Development Program includes strategic development of relationships with local stakeholders and to conduct operations as a responsible corporate citizen. The Group engages in a number of activities that address regional needs and generate economic and social development in its operating locations. The Group includes economic and social factors in the investment strategy and due diligence process. Policies and procedures contain social and environmental impact assessments as well as periodic reviews of existing operations and stakeholder engagement. The management team reports regularly on economic and social development.

Hannover

ESG – Environmental, Social and Governance

CORPORATE GOVERNANCE

The Group places a strong emphasis on corporate governance, executed responsibly by the Board of Directors and the management teams. The Group directs its efforts in maintaining the high trust it received from its shareholders to balance interests. The Group is proud of the high confidence of its investors, which is reflected in the impressive placement of funds by major global investment banks. AT's shares and bonds were issued to many international leading institutional investors and major global investment and sovereign funds.

The Group follows a very strict code of conduct which applies to all its employees and main suppliers, such as Anti-Bribery Policy, Anti-Corruption Policy, Conflict of Interest and others.

On a regular basis, the Board of Directors evaluate the effective fulfilment of their remit and compliance with corporate governance procedures implemented by the Group. This evaluation is also performed by the Audit and Risk Committees. The Board of Directors currently consists of a total of seven members, of which three are independent, and resolves on matters on the basis of a simple majority, in accordance with the articles of incorporation.

The Board of Directors is provided with regular training on regulatory and legal updates, sector-specific and capital markets subjects and ESG/CSR matters.

EXTRAORDINARY GENERAL MEETING

Aroundtown held an Extraordinary General Meeting on September 13th, 2017. All agenda items were approved with an absolute majority, including, among others, the finalisation of the Company's re-domiciliation to Luxembourg and continuation as a Luxembourg corporation, and the appointment to the Board of Directors of three additional Directors of whom two are Independent Directors.

BOARD OF DIRECTORS

The Board of Directors makes decisions solely in the Group's best interests and independently of any conflict of interest. The Group is administered by a Board of Directors that is vested with the broadest powers to perform in the Group's interests. All powers not expressly reserved by the Luxembourg Companies Act or by the articles of incorporation to the general meeting of the shareholders fall within the competence of the Board of Directors.

ANNUAL GENERAL MEETING

The next Annual General Meeting of the shareholders is scheduled to take place on June 27, 2018 in Luxembourg. It is expected to resolve, among others, on the dividend distribution amount for the 2017 fiscal year.

MEMBERS OF THE BOARD OF DIRECTORS

NAME	POSITION
Mr. Andrew Wallis	Director
Mr. Frank Roseen	Director
Mr. Oschrie Massatschi	Director
Ms. Jelena Afxentiou	Director
Mr. Markus Leininger	Independent Director
Mr. Markus Kreuter	Independent Director
Dr. Axel Froese	Independent Director

REMUNERATION OF THE BOARD OF DIRECTORS

	Executive Directors				Independent Directors		
in €	Andrew Wallis	Frank Roseen	Oschrie Massatschi	Jelena Afxentiou	Markus Leininger	Markus Kreuter	Dr. Axel Froese
Salary, directors fee and supplementary payments*	264,752	300,000	180,676	90,377	60,000	60,000	60,000
Fixed and variable long-term share incentive	385,200	-	168,750	112,500	-	-	-
Total Remuneration	**649,952**	**300,000**	**349,426**	**202,877**	**60,000**	**60,000**	**60,000**

* based on employer's costs

SENIOR AND KEY MANAGEMENT

NAME	POSITION
Mr. Shmuel Mayo	CEO
Mr. Eyal Ben David	CFO
Mr. Markus Neurauter	Head of Commercial Operations
Mr. Philipp Von Bodman	Head of Hotel Operations

SENIOR MANAGEMENT COMPENSATION

In 2017, Mr. Mayo received a total fixed remuneration of €612k and Mr. Ben David received a total remuneration of €396k of which €250k was in the form of long-term share incentives. Mr. Neurauter received in 2017 a total remuneration of €438k, of which €138k was in the form of long-term share incentives. Mr. Von Bodman recieved a total remuneration of €328k, of which €169k was in the form of long-term share incentives.

Rotterdam

ESG – Environmental, Social and Governance

CORPORATE GOVERNANCE

AUDIT COMMITTEE

The Board of Directors 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, including reviewing accounting policies and updating them regularly. The Audit Committee recommends to the shareholders a nomination for the statutory auditor and 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.

ADVISORY BOARD

The Board of Directors established an Advisory Board 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 Luxembourg Companies Act or the articles of incorporation of the Company, but applies rules adopted by the Board of Directors. The Advisory Board is an important source of guidance for the Board of Directors when making strategic decisions.

RISK COMMITTEE

The Board of Directors established a Risk Committee tasked with assisting and providing expert advice to the Board of Directors in fulfilling its oversight responsibilities, relating to the different types of risks, recommending a risk management structure including its organization and its process as well as assessing and monitoring the effectiveness of risk management systems. The Risk Committee provides advice on actions of compliance, in particular by reviewing the Group's procedures for detecting risk, the effectiveness of the Group'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 Board of Directors decides on the composition, tasks and term of the Risk Committee and the appointment and dismissal of its members.

INTERNAL CONTROLS AND RISK MANAGEMENT SYSTEMS

The Group closely monitors and manages any potential risk and sets appropriate measures in order to mitigate the occurrence of any possible failure to a minimum. The risk management is led by the Risk Committee, which constructs the risk management structure, organization and processes, and coordinates risk-related training.

The Risk Committee monitors the effectiveness of risk management functions throughout the organization, ensures that infrastructure, resources and systems are in place for risk management and are adequate to maintain a satisfactory level of risk management discipline. The Group categorizes the risk management systems into two main categories; internal risk mitigation and external risk mitigation.

As part of the strong corporate governance structure and to enhance the internal controls and compliance of the Company, Mr. Christian Hupfer was nominated as the CCO (Chief Compliance Officer).

INTERNAL RISK MITIGATION

Internal controls are constructed from five main elements:

- Risk assessment – set by the Risk Committee and guided by an ongoing analysis of the organizational structure and by identifying potential weaknesses. Further, the committee assesses control deficiencies in the organization and executes issues raised by internal audit impacting the risk management framework.
- Control discipline – based on the organizational structure and supported by employee and management commitments. The discipline is erected on the foundations of integrity and ethical values.
- Control features – the Group sets physical controls, compliance checks and verifications such as cross departmental checks. The Group puts strong emphasis on separation of duties, as approval and payments are done by at least two separate parties. Payment verifications are cross checked and confirmed with budget and contract. Any payment exceeding a certain set threshold amount requires additional approval by the head of the department as a condition for payment.
- Monitoring procedures – the Group monitors and tests unusual entries, mainly through a detailed monthly actual vs. budget analysis and checks. Strong and sustainable control and organizational systems reduce the probability of errors and mistakes significantly. The management sees high importance in constantly improving all measures, adjusting to market changes and organizational dynamics.
- ESG risk-related expenditures – the Group has included identification of potential financial liabilities and future expenditures linked to ESG risks in the organizational risk assessment. Future expenditures on ESG matters and opportunities are included in the financial budget. ESG matters and opportunities are included in the financial budget.

Munich

EXTERNAL RISK MITIGATION

As ordinary course of business, the Group is exposed to various external risks. The Risk Committee is constantly determining whether the infrastructure, resources and systems are in place and adequate to maintain a satisfactory level of risk. The potential risks and exposures are related, inter alia, to volatility of interest risks, liquidity risks, credit risk, regulatory and legal risks, collection and tenant deficiencies, the need for unexpected capital investments and market downturn risk. The Group sets direct and specific guidelines and boundaries to mitigate and address each risk, hedging and reducing to a minimum the occurrence of failure or potential default.

NOMINATION COMMITTEE

The Board of Directors established a Nomination Committee to identify suitable candidates for director positions and examine their skills and characteristics.

REMUNERATION COMMITTEE

The Board of Directors established a Remuneration committee to determine and recommend to the Board the remuneration policy for the Chairman of the Board, the Executive Directors and Senior Management including evaluation of short term performance-related remuneration to senior executives.

ESG/CSR COMMITTEE

The Board of Directors established an ESG/CSR Committee to review shareholder proposals and recommendations that relate to matters of Corporate Social Responsibility. In addition, the ESG/CSR Committee reviews and assesses the Company's CSR strategy, initiatives and practices for Environmental, Social and Governance practices and reviews policies with respect to CSR subjects.

SHAREHOLDERS' RIGHTS

The Group respects the rights of all shareholders and ensures that they receive equal treatment. All shareholders have equal voting rights and all corporate publications are transmitted through general publication channels as well as on a specific section on its website. The shareholders of Aroundtown SA exercise their voting rights at the Annual General Meeting of the shareholders, whereby each share is granted one vote. The Annual General Meeting of the shareholders takes place at such place and time as specified in the notice of the meeting. At the Annual General Meeting of the shareholders the Board of Directors presents, among others, the directors report as well as consolidated financial statements to the shareholders.
The Annual General Meeting resolves, among others, on the financial statements of Aroundtown, the appointment of the auditor of the Company and the discharge to and appointment or re-election of the members of the Board of Directors.

Notes on Business Performance

SELECTED CONSOLIDATED INCOME STATEMENT DATA

	For the year ended Decemeber 31,	
	2017	2016
	in € millions	
Rental and operating income	527.1	273.7
NET RENTAL INCOME	**449.0**	**233.4**
Fair value adjustments, capital gains and other income	1,326.6	719.5
Share in profit from investment in equity-accounted investees	228.4	197.1
Property operating expenses	(147.1)	(75.4)
Administrative and other expenses	(14.7)	(7.9)
Operating profit	1,920.3	1,107.0
EBITDA	1,922.3	1,109.0
ADJUSTED EBITDA [1]	**429.3**	**268.2**
Finance expenses	(69.7)	(47.4)
Other financial results	(15.0)	(35.9)
Current tax expenses	(33.5)	(19.9)
Deferred tax expenses	(263.1)	(102.7)
PROFIT FOR THE YEAR	**1,539.0**	**901.1**
FFO I [2]	**293.0**	**165.6**
FFO II	**339.2**	**165.6**

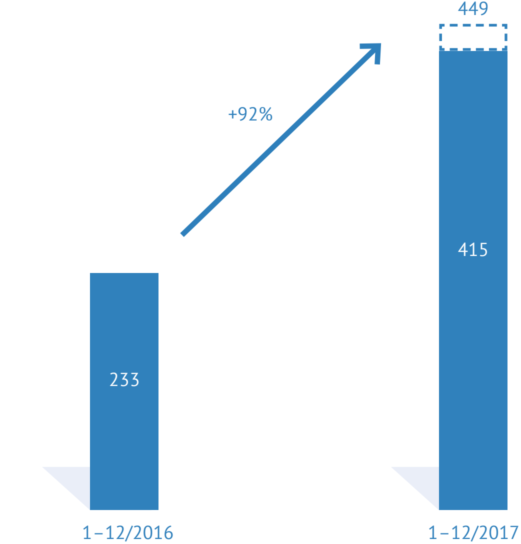
1) including AT's share in GCP's adjusted EBITDA and net of contributions from assets held for sale. For more details, see page 57.
2) including AT's share in GCP's FFO I (after perpetual notes attribution) and net of consolidated minorities and contributions from assets held for sale. For more details, see page 58.

REVENUE

	For the year ended Decemeber 31,	
	2017	2016
	in € millions	
RECURRING LONG-TERM NET RENTAL INCOME	**415.2**	**233.4**
Net rental income related to properties marked for disposal	33.8	-
NET RENTAL INCOME	**449.0**	**233.4**
Operating and other income	78.1	40.3
REVENUE	**527.1**	**273.7**

Aroundtown generated in 2017 total revenue in the amount of €527 million, representing a year-over-year increase of 93% compared to €274 in 2016, attributable fully to rental and operating income. Net rental income increased to €449 million, up 92% from €233 million in 2016, reflecting the significant increase in the Company's portfolio during the year as well the full year impact of properties acquired in the previous year. While growth through acquisition was the primary driver of the increased rents, the top line was additionally supplemented by solid organic rent growth with a total net rent like-for-like increase of 5.1%, with 1.8% coming from occupancy increase and 3.3% from in-place rent increase, as AT continues to strongly benefit from the high reversionary potential in its portfolio. In order to present the portfolio's recurring rent generation, Aroundtown additionally adjusts the net rent for properties which are marked for disposal. These assets generated in 2017 net rent in the amount of €34 million. Thus, the Company's recurring long-term net rental income for 2017 amounted to €415 million.

NET RENTAL INCOME, PERIODIC DEVELOPMENT (IN € MILLIONS)



Given the Company's continuously strong pace of growth, the periodic rental income figure does not fully reflect the actual current rent generation level of the portfolio as it does not take into account contributions from properties acquired during the reporting period, and as such not contributing a full years rent, as well as those acquired after the reporting period. To provide the most relevant and up-to-date information, AT additionally provides an annualized net rental income run rate that reflects the current rent of the portfolio. The monthly annualized net rent of the portfolio as of December 2017 was €514 million. As of April 2018 and excluding income from properties marked for disposal, the portfolio generates annualized net rents of €540 million, reflecting a 30% increase over the recurring net rents generated in 2017.

NET RENTAL INCOME, RECURRING LONG-TERM DEVELOPMENT (IN € MILLIONS)

CAGR +99%

FY 2015	FY 2016	FY 2017	Dec 2017 annualized run rate	April 2018 annualized run rate
109	233	415	514	540

SHARE IN PROFIT FROM INVESTMENT IN EQUITY-ACCOUNTED INVESTEES

	For the year ended Decemeber 31,	
	2017	2016
	in € millions	
SHARE IN PROFIT FROM INVESTMENT IN EQUITY-ACCOUNTED INVESTEES	**228.4**	**197.1**

Share in profit from investments in equity-accounted investees represents AT's share in the earnings for the year from investments in companies over which it does not obtain control and that are not consolidated in its financial statements. This item predominantly reflects AT's residential property portfolio through its strategic investment in Grand City Properties SA ("GCP"), which amounted to a stake of 38% as of year-end 2017, as well as other entities. The year-over-year increase of 16% is primarily related to profits generated by GCP in 2017 as well as the Company's increased holding in GCP over the course of 2017, with a weighted holding rate of 36% during the year compared to 33% during 2016. GCP continues to generate strong bottom line profit and increasing operational results, with a double-digit increase in its adjusted EBITDA and FFO I in 2017.

Notes on Business Performance

FAIR VALUE ADJUSTMENTS, CAPITAL GAINS AND OTHER INCOME

	For the year ended Decemeber 31,	
	2017	2016
	in € millions	
Change in fair value of investment property and profit from bargain purchases	1,315.2	719.5*
Capital gains and other income	11.4	-
FAIR VALUE ADJUSTMENTS, CAPITAL GAINS AND OTHER INCOME	**1,326.6**	**719.5**

* reclassified

Fair value adjustments, capital gains and other income resulted to €1.3 billion in 2017, an increase of 84% from €0.7 billion in 2016. The growth was driven by an 83% increase in property revaluation gains compared to 2016, as Aroundtown continues to successfully implement its proven business model of acquiring quality assets with strong upside potential at attractive valuations, and realizing on that potential through effective asset repositioning, management expertise and the efficient operational platform. The continuous growth is supported and fuelled by the consistent stream of attractive deals provided by the Company's deal pipeline, benefitting from its long-established and wide-reaching network, strong position and reputation in the transaction market, and consistently high liquidity. As of year-end 2017, AT's investment portfolio was valued at €1,923 per sqm with a net rental yield of 5.2%, compared to €1,670 per sqm and 6.1% at year-end 2016, respectively. The increasing value and correspondingly decreasing yield is a testament to AT's success in unlocking the value embedded in its portfolio as well as the strong investment appetite in the Company's strategic locations. Aroundtown's properties are well located in top tier cities, which have seen in 2017 very positive trend, as a result of the growing demand and scarce supply and therefore benefited additionally from strong tail winds. Aroundtown's portfolio is appraised on an ongoing basis and at least once a year by qualified and independent external valuations, primarily Jones Lang LaSalle (JLL), as well as Knight Frank, Cushman & Wakefield, NAI Apollo and Gerald Eve. For more details regarding the main valuation assumptions please see page 61.

PROPERTY OPERATING EXPENSES

	For the year ended Decemeber 31,	
	2017	2016
	in € millions	
Ancillary costs and purchased services	(100.7)	(51.5)
Maintenance and refurbishment	(18.8)	(11.7)
Depreciation and amortization	(2.0)	(2.0)
Operational personnel expenses	(7.6)	(3.7)
Other operating costs	(18.0)	(6.5)
PROPERTY OPERATING EXPENSES	**(147.1)**	**(75.4)**

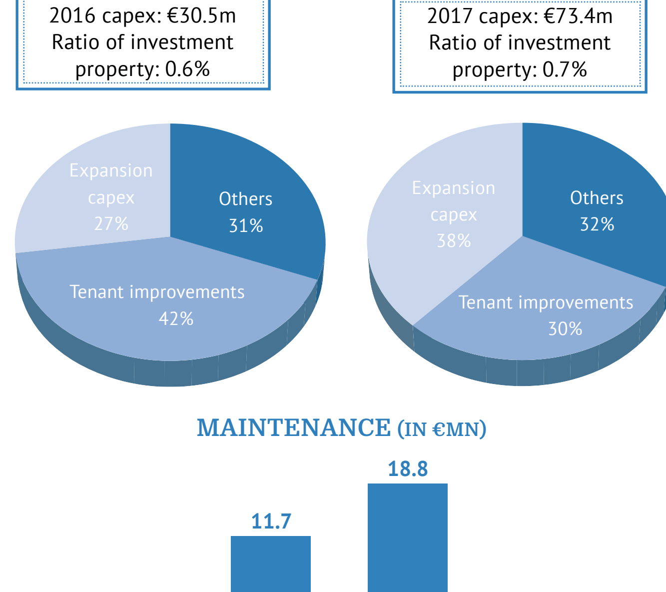
Property operating expenses amounted to €147 million in 2017 compared to €75 million in 2016, increasing in line with the accompanying increase in rental revenues over the same period. These expenses consist primarily of ancillary costs that are recoverable from tenants such as energy, heating and water costs, and as such are directly related to the size of the portfolio, which nearly doubled over the course of 2017. Maintenance costs increased to €19 million in 2017 and reflect the continuous level of upkeep required to maintain the high asset quality, while personnel expenses tied to property operations likewise increased to €8 million given the significantly increased portfolio year-over-year. Other operating costs amounted to €18 million in 2017. This item includes various operational expenses such as marketing, legal, transportation and travel, communications and VAT. This item increased in 2017 in line with the growth of the operations. While the increase in operating expenses is consistent with the portfolio growth between the two periods, it should be noted that the varying nature of the different commercial property types, tenants, and lease structures (e.g. single vs. multi-tenant, full vs. partial pass-through of expenses) and the associated operating and maintenance structures can result in expense ratio fluctuations between periods when the asset type and/or lease structure composition within the portfolio changes notably.

CAPEX AND MAINTENANCE

Maintenance expenses amounted in 2017 to €19 million, up from €12 million in 2016. Part of the operating expenses, maintenance expenses are dependent on the lease structure (e.g. single vs. multi-tenant, full vs. partial pass-through of expenses) and thus fluctuate between the periods depending on the portfolio's lease structure composition.

Capex investments are aimed at lifting the rent and value potential of the portfolio and are divided, depending on its target, into expansion capex, tenant improvements and general capex. Expansion capex, which accounted for 38% of the total capex spent, is a component of the asset repositioning process and results in additional income drivers and value generation potential. Tenant improvements and related costs amounted to 30% of the total and are tied to the leasing efforts and are aimed at attracting new tenants, retaining existing tenants and maintaining high tenant quality and keeping a long average lease maturity. Other capex accounted for the remaining 32% and includes ongoing expenditures to retain the quality of the asset. Capex investments totalled €73 million in 2017, compared to €31 million in 2016 as a result of the much larger portfolio size and the increased repositioning efforts aimed at continuing to generate superior returns in the medium to long term.

CAPEX BREAKDOWN



ADMINISTRATIVE AND OTHER EXPENSES

	For the year ended Decemeber 31,	
	2017	2016
	in € millions	
Personnel expenses	(6.4)	(3.4)
Legal and professional fees	(3.7)	(1.8)
Year-end closing, accounting and audit expenses	(2.5)	(1.8)
Sales, marketing and other expenses	(2.1)	(0.9)
ADMINISTRATIVE AND OTHER EXPENSES	**(14.7)**	**(7.9)**

Administrative and other expenses amounted to €15 million in 2017, increasing from €8 million in 2016 as a result of the significant growth on the Company on all fronts during the year. Personnel expenses were the largest single contributor with €6 million and increased accordingly with the significant growth of the Company, requiring additional support at the overhead level, including an addition of three new Board members during the year, as well as an increased focus on ESG measures and reporting undertaken. Legal and professional fees represent the strong growth of AT on the corporate front in 2017 and relate, among others, to the up-listing of the Company to the Prime Standard of the Frankfurt Stock Exchange completed in June 2017, the re-domiciliation from Cyprus to Luxembourg in September 2017, as well as the de-listing of the AT shares from the Euronext Paris exchange in December 2017 which resulted in a consolidating of the Company's share liquidity. These expenses are part of the corporate transformation of the Company, which enabled Aroundtown to become one of the leading commercial real estate players in Europe.

FINANCE EXPENSES

	For the year ended Decemeber 31,	
	2017	2016
	in € millions	
FINANCE EXPENSES	**(69.7)**	**(47.4)**

Aroundtown's finance expenses amounted to €70 million in 2017 as compared to €47 million in 2016. The increase in interest expenses year-over-year of 47% is the result of the significantly higher level of debt issued in order to finance the Company's strong growth during the year and maintain its rigid and long-term oriented financing structure, with an average debt maturity of almost 8 years currently. The year-over-year increase is in line with the increase in the Company's total financial debt to €5.2 billion as of year-end 2017 from €3.6 billion at year-end 2016. AT issued over the course of 2017 over €2.2 billion in straight bonds through a handful of issuances including mainly the $400 million Series H (fully hedged to €), €500 million Series I, £500 million Series J (fully hedged to €) and €700 million Series K bonds. AT continuously takes advantage of its strong financial position and credit profile, as demonstrated by a strong investment-grade credit rating from S&P of BBB+ which was upgraded in December 2017, to source low-cost funds and as such was able to reduce its average cost of debt from 2% at the beginning of 2017 to 1.6% at the end of the year, securing low interest borrowings for the long-term. These marginally lower borrowing costs in turn result in higher operational margins, thus contributing to the Company's strong profitability, and are also reflected in the consistently high coverage ratios with an Interest Coverage Ratio of 5.4x and Debt Service Coverage Ratio of 3.8x in 2017, both increased considerably over 2016.

Notes on Business Performance

OTHER FINANCIAL RESULTS

	For the year ended Decemeber 31,	
	2017	2016
	in € millions	
Changes in fair value of financial assets and liabilities, net	(4.5)	(30.0)
Finance-related costs	(10.5)	(5.9)
OTHER FINANCIAL RESULTS	**(15.0)**	**(35.9)**

Other financial results amounted to €15 million in 2017 compared to €36 million in 2016 and relate primarily to non-recurring and one-off expenses such as financing-related costs as well as non-cash items, such as changes in fair values of financial derivatives and traded securities. The finance-related costs for the year, which constitute primarily capital market issuance costs, bank fees and prepayment fees, accounted for the majority of the other financial expenses in 2017 as a result of the significant level of capital markets activity carried out during the year as well as continued debt refinancing activities. In addition to over €4 billion in capital raised during the year, AT also redeemed the remainder of the Series A bonds and the PCI convertible bonds, while most of the Series B convertible bonds were also converted or repurchased during the year, further strengthening the capital structure. AT's proactive debt management and financial structure results in a low average cost of debt, currently at 1.6%, and a long average debt maturity of almost 8 years currently.

TAXATION

	For the year ended Decemeber 31,	
	2017	2016
	in € millions	
Current tax expenses	(33.5)	(19.9)
Deferred tax expenses	(263.1)	(102.7)
TAX AND DEFERRED TAX EXPENSES	**(296.6)**	**(122.6)**

AT's total tax expenses amounted to €297 million for 2017, increased from €123 million in 2016 and as previously are made up predominantly of non-cash deferred tax expenses, which also drove the year-over-year increase. Current tax expenses, which increased to €34 million in 2017 from €20 million in 2016, reflect the strong growth in the profitability of the Company and the increasing recurring operational results and are comprised of corporate taxes and property taxes. Deferred taxes are non-cash expenses that are the direct result of the property revaluation gains recorded during the year, and as such increased to €263 million in 2017 from €103 million in 2016 due to the significantly higher revaluations recorded in 2017. The Company uses a conservative accounting method for the treatment of deferred taxes, assuming the theoretical future disposal of properties in the form of asset deals, triggering the full real estate tax rate. In practice, AT generally conducts disposals via share deals as the assets are mainly held in separate SPV's, significantly reducing the effective tax rate on capital gains.

Amsterdam

PROFIT FOR THE YEAR

	For the year ended Decemeber 31,	
	2017	2016
	in € millions	
PROFIT FOR THE YEAR	**1,539.0**	**901.1**
Profits attributable to:		
Owners of the company	1,282.6	728.2
Perpetual notes investors	28.8	3.7
Non-controlling interests	227.6	169.2

Aroundtown generated a profit of €1.54 billion in 2017, representing a 71% increase over the net profit of €0.9 billion recorded in 2016 as a result of the continuously successful implementation of its business model through accretive external growth and consistently proven ability to materialize on the strong value potential within its portfolio. Profit attributable to shareholders of the Company increased by 76% to €1.3 billion from €0.7 billion in 2016. The profit attributable to perpetual notes investors increased to €29 million, as the perpetual notes issued in the last quarter of 2016 only had a partial effect on 2016 year results and the Company further issued over €700 million in perpetual notes through three issuances since.

EARNINGS PER SHARE

	For the year ended Decemeber 31,	
	2017	2016
Basic earnings per share (in €)	1.56	1.11
Diluted earnings per share (in €)	1.35	0.87
Weighted average basic shares (in millions)	821.5	653.1
Weighted average diluted shares (in millions)	925.0	829.4

The Company's basic earnings per share, calculated based on the profit attributable to the owners of the Company, amounted to €1.56 in 2017, increasing 41% over the €1.11 recorded for 2016 due to the higher profits generated for the year. The larger proportional increase in net profit was offset by a higher average share count as a result of the two equity capital increases conducted in 2017 to fund the Company's growth and the conversion into shares of the majority of the Series B convertible bonds during the year. The diluted earnings per share likewise saw strong growth as it increased to €1.35 for 2017 compared to €0.87 for 2016, up 55% year-over-year. This strong double-digit growth on a per share basis highlights AT's proven abilities to generate increasing shareholder value through the successful implementation of its business strategy and management expertise.

Notes on Business Performance

Munich

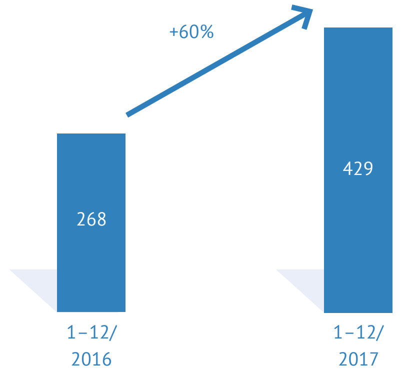
ADJUSTED EBITDA

	For the year ended Decemeber 31,	
	2017	2016
	in € millions	
Operating profit	1,920.3	1,107.0
Total depreciation and amortization	2.0	2.0
EBITDA	**1,922.3**	**1,109.0**
Fair value adjustments, capital gains and other income	(1,326.6)	(719.5)
Share in profit from investment in equity-accounted investees	(228.4)	(197.1)
Other adjustments	1.8	2.1
ADJUSTED EBITDA COMMERCIAL	**369.1**	**194.5**
Adjusted EBITDA relating to properties marked for disposal	(30.1)	-
ADJUSTED EBITDA COMMERCIAL, RECURRING LONG-TERM	**339.0**	**194.5**
Adjustment for GCP adjusted EBITDA contribution [1)]	90.3	73.7
ADJUSTED EBITDA	**429.3**	**268.2**

1) the adjustment is to reflect AT's share in GCP's adjusted EBITDA. GCP generated an adjusted EBITDA of €248 million in 2017 and €225 million in 2016.

The adjusted EBITDA is a performance measure used to evaluate the operational result of the Company, derived by deducting from the EBITDA non-operational items such as revaluation and capital gains, result from disposal of properties and other adjustments. Additionally, in order to mirror the recurring operational results of the Group, the share in profit from investment in equity-accounted investees is subtracted, as it also include the Company's share in non-operational profits generated by its equity-accounted investees. Due to the nature of its strategic investment in GCP, AT includes in its adjusted EBITDA calculation its share in the adjusted EBITDA generated by GCP for the period in accordance with its holding rate over the period. AT's holding rate in GCP increased during the year to nearly 38% as of year-end 2017, from 35% in the end of 2016.

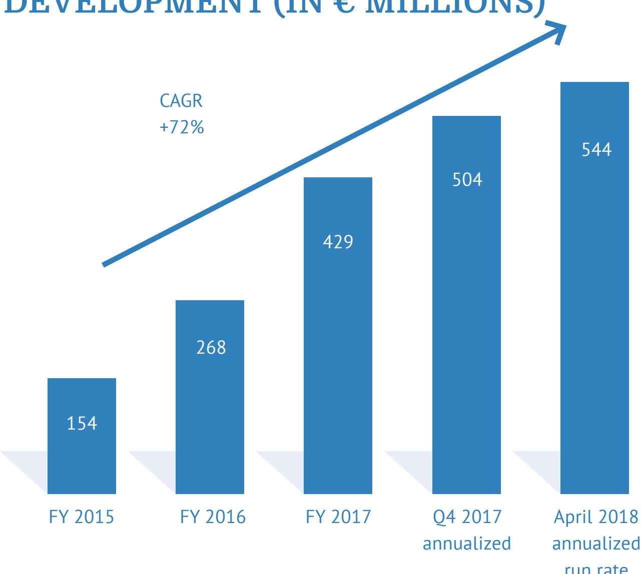
ADJUSTED EBITDA PERIODIC DEVELOPMENT (IN € MILLIONS)



Given Aroundtown's rapid continuous growth throughout and following the reporting period, as with the rental income the Company additionally reports an adjusted EBITDA run rate figure on an annualized basis to paint a full picture of the current operational profit level of the Group's portfolio, as the reported figure for the period does not take into account the full year effect from properties acquired throughout the year and deals signed following the reporting period. The Group's quarterly annualized adjusted EBITDA for the fourth quarter of 2017 was €504 million. Further, the Group's adjusted EBITDA run rate as of April 2018 (excluding contribution from properties marked for disposal) is at €544 million, representing an increase of 27% over the reported figure for 2017.

AT recorded a Group adjusted EBITDA of €429 million in 2017, reflecting an increase of 60% from €268 million in 2016 as a result of the Company's successful growth during 2017. This strong increase in operational results was primarily driven from external growth through dozens of accretive acquisitions in 2017, sourced through the Group's extensive deal network built over more than 14 years and providing for a consistently large deal pipeline. The adjusted EBITDA was further supplemented by strong organic growth as the Company continuously enjoys the benefits of its successful repositioning efforts, with a high rental income like-for-like growth of 5.1% in 2017. The share in GCP's adjusted EBITDA likewise reflects the operational growth in the residential portfolio resulting from GCP's continuing growth and ongoing operational value generation, with the year-over-year increase in GCP's profit share the result of its double-digit operational growth in 2017 as well as AT's increased average holding rate for the year as compared to 2016. The Group adjusted EBITDA excludes an additional contribution of €30 million from properties marked for disposal as they are intended to be disposed of and therefore not part of the Group's recurring adjusted EBITDA. Including this amount, the Group's total adjusted EBITDA for 2017 amounted to €459 million, representing year-over-year growth of 71%.

ADJUSTED EBITDA ANNUALIZED DEVELOPMENT (IN € MILLIONS)



Notes on Business Performace

FUNDS FROM OPERATIONS I (FFO I)

	For the year ended Decemeber 31,	
	2017	2016
	in € millions	
ADJUSTED EBITDA COMMERCIAL PORTFOLIO	**369.1**	**194.5**
Finance expenses	(69.7)	(47.4)
Current tax expenses	(33.5)	(19.9)
Contribution from minorities	(8.9)	(7.5)
FFO I COMMERCIAL PORTFOLIO	**257.0**	**119.7**
FFO relating to properties marked for disposal	(20.0)	-
FFO I COMMERCIAL PORTFOLIO, RECURRING LONG-TERM	**237.0**	**119.7**
Adjustment for GCP FFO I contribution [1]	56.0	45.9
FFO I	**293.0**	**165.6**
Weighted average basic shares (in millions)	821.5	653.1
FFO I PER SHARE (IN €)	**0.36**	**0.25**

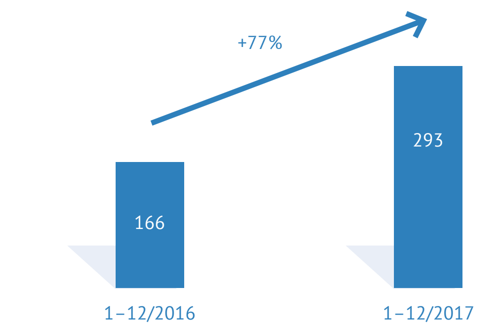
1) the adjustment is to reflect AT's share in GCP's FFO I. GCP generated an FFO I after perpetual notes attribution of €154 million in 2017 and €140 million in 2016.

Funds from Operations I (FFO I) is an industry standard performance indicator, reflective of the recurring operational profits after deducting the finance expenses and current tax expenses from the adjusted EBITDA. The calculation further includes adjustments to consider minorities and the relative share of AT in GCP's reported FFO I (after perpetual notes attribution), which are not fully consolidated in AT's financial accounts. In this way, the Group's FFO I is reconciled to reflect AT's actual holding rate in GCP and adjusting for minorities in FFO, therefore providing a better indication for the operational profits attributed to the owners of the Company.

AT's Group FFO I amounted to €293 million in 2017, representing an increase of 77% from €166 in 2016 as a result of strong top line growth combined with a decreased average cost of borrowing compared to 2016 at 1.6%. The Company's effective debt management together with its strong position in capital markets provides for fast access to funds at attractive rates and combined with the Company's improving credit rating results in low and decreasing average cost of debt, as such allowing the Company to translate its strong operational income into higher bottom-line operational profits and deliver greater shareholder value. The strong operational performance is likewise reflected in the share in GCP's FFO I, as double-digit growth was achieved in the residential portfolio in 2017, with GCP's average cost of debt likewise low at 1.6% currently. AT's share in GCP's FFO I additionally reflects the increased average holding rate in GCP during 2017 compared to 2016, which further increased to nearly 38% at the end of the reporting period. The Group's FFO I excludes an additional contribution of €20 million from properties marked for disposal and therefore not form part of the Group's recurring FFO I. Including this amount, the Group's total FFO I for 2017 amounted to €313 million, representing year-over-year growth of 89%.

FFO I PERIODIC DEVELOPMENT

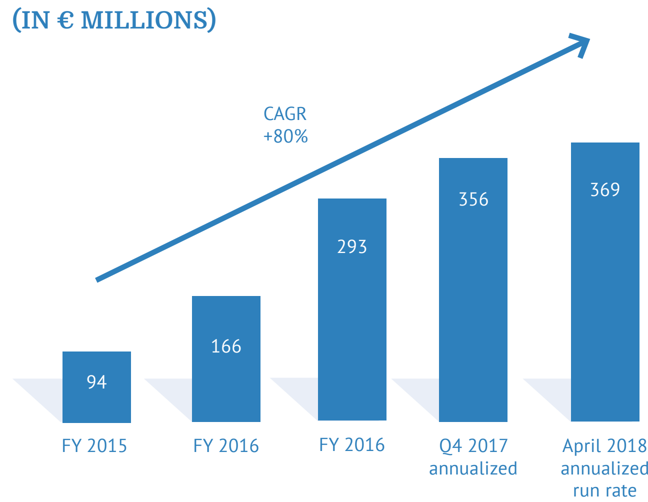
(IN € MILLIONS)



In line with the reporting approach of the rental income and adjusted EBITDA, Aroundtown likewise presents an updated annualized FFO I run rate that fully represents the portfolio's current bottom-line profit generation. The Group's quarterly annualized FFO for the fourth quarter of 2017 was €356 million. Further, the April 2018 annualized FFO I run rate of €369 million reflects mainly the full-year performance of properties acquired throughout the year and represents a 26% increase over the reported figure for 2017.

FFO I ANNUALIZED DEVELOPMENT

(IN € MILLIONS)



FFO I PER SHARE

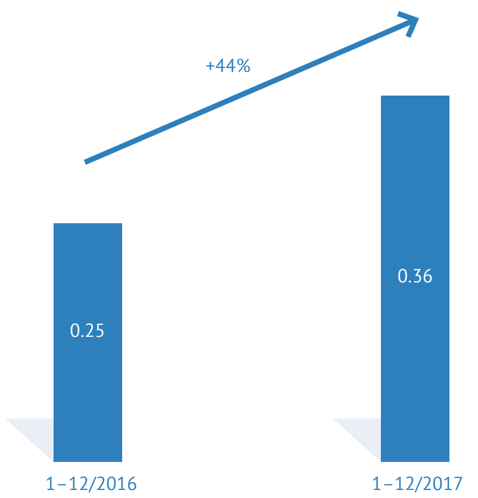
Aroundtown generated an FFO I per share of €0.36 in 2017, achieving strong year-over-year growth of 44% compared to €0.25 in 2016 despite the much higher share count in 2017 resulting from the two equity increases carried out in 2017 and Series B convertible bond conversions. The impressive growth in FFO I per share highlights the abilities of the management in successfully implementing the business model and consistently delivering accretive growth to shareholders.

FFO I PER SHARE AFTER PERPETUAL NOTES ATTRIBUTION

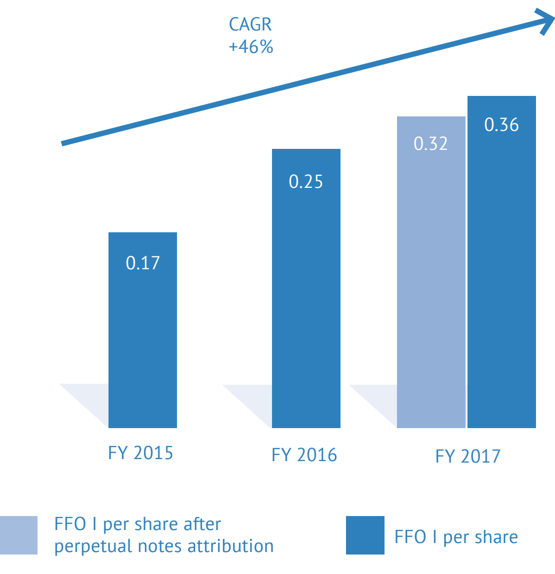
Per IFRS accounting treatment, contributions to perpetual notes are recorded through changes in equity and not as a financial expense in the income statement. In order to ensure a high level of transparency, the Company additionally presents an adjusted FFO I per share figure factoring in these accrued distributions. Including the perpetual notes attribution, the FFO I amounted to €264 million in 2017, increased 63% from €162 million in 2016. On a per share basis the FFO I amounted to €0.32 in 2017, reflecting an increase of 28% compared to €0.25 in 2016.

	For the year ended Decemeber 31,	
	2017	2016
	in € millions	
FFO I	**293.0**	**165.6**
Adjustment for accrued perpetual notes attribution	(28.8)	(3.7)
FFO I AFTER PERPETUAL NOTES ATTRIBUTION	**264.2**	**161.9**
Weighted average basic shares (in millions)	821.5	653.1
FFO I PER SHARE AFTER PERPETUAL NOTES ATTRIBUTION (IN €)	**0.32**	**0.25**

FFO I PER SHARE PERIODIC DEVELOPMENT (IN €)



FFO I PER SHARE ANNUALIZED DEVELOPMENT (IN €)



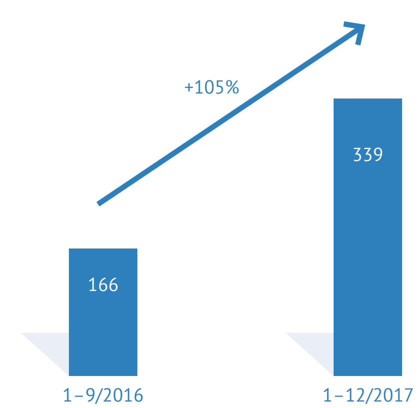
FFO II

FFO II is an additional real estate performance metric and incorporates in addition to the FFO I the profits from asset disposals. Disposal profits amounted to €46 million in 2017, realized through the sale of assets above their purchase costs as the Company has decided to capitalize on the high value creation and upside captured, resulting in an FFO II of €339 million for the year, increased 105% compared to €166 in 2016. The disposals were either of non-core properties or of properties which the company has decided to capitalize the high capital gains achieved. The disposals were primarily located in Frankfurt, Dresden, Amsterdam and Hamburg.

	For the year ended Decemeber 31,	
	2017	2016
	in € millions	
FFO I	293.0	165.6
Result from disposal of properties [1]	46.2	-
FFO II	**339.2**	**165.6**

1) the excess amount of the sale price to cost price plus capex of the disposed properties

FFO II PERIODIC DEVELOPMENT (IN € MILLIONS)



Notes on Business Performace

CASH FLOW

	For the year ended Decemeber 31,	
	2017	2016
	in € millions	
Net cash provided by operating activities	361.7	178.8
Net cash used in investing activities	(2,753.9)	(1,900.2)
Net cash provided by financing activities	2,491.9	2,244.0
NET INCREASE IN CASH AND CASH EQUIVALENTS	**99.7**	**522.6**

The net cash provided by operating activities increased to €362 million in 2017, an increase of 102% compared to €179 million in 2016. The two-fold increase is similar to the year-over-year increase in the Company's funds from operations and reflect the significantly increased scale of operations between the ends of the two periods. The strong profitability is driven by increased rental income stemming from both external growth via acquisitions and internal growth through like-for-like rent increases and positive effects of asset repositioning. The exceptional portfolio increase in 2017 is as previously the result of AT's strong deal pipeline generated by its large deal sourcing network and management ability to identify and subsequently materialize on the upside potential of the acquired assets. Additionally, the cash flow was boosted by a materially larger dividend distribution by GCP compared to 2016, its strategic equity-accounted investee, representing the economic attractiveness of the company's residential portfolio investment.

Net cash used in investing activities amounted to €2.8 billion for 2017 in comparison with €1.9 billion in 2016, reflective of AT's increased pace of growth through accretive acquisitions during the year as the Company maintained its strong growth momentum by benefitting from the prevailing positive market conditions and continuing to realize on its large deal pipeline. AT's long-established and vast deal network is highly successful at consistently sourcing attractive opportunities across various strong markets, with management filtering to ensure compatibility with the Company's conservative acquisition criteria and establishing specific asset-tailored business and repositioning plans, targeting to materialize on the underlying potential of the asset. The value creation cycle is strongly supported by the Company's scale and strong existing operational platform which facilitates the smooth integration of acquired assets into the management platform and as such contributes to the overall value generation. A significant amount of acquisitions were completed in 2017 as AT was able to benefit from its preferred buyer status in the market, consistently high liquidity position and strong access to capital markets.

Net cash provided by financing activities increased to €2.5 billion in 2017, compared to €2.2 billion in 2016, and is directly related to the Company's rapid growth during the year and the strong capital markets activities used to fund the growth. AT further expanded its impressive track record in capital markets to raise over €4 billion through placements of equity, perpetual notes and straight bonds in 2017, as a result making it the largest issuer in the European real estate market for the second year in a row. On the equity front, the shareholder base was expanded through two capital increases carried out in May and October 2017 totalling almost €900 million, as well as the conversion into shares of the majority of the Series B convertible bonds, while additionally $700 million of fresh perpetual notes and a €100 million tap of existing notes were placed during the year as well. On the debt front, a wide variety of issuances were undertaken owing to the flexibility provided by the Company's EMTN programme that was established during the year, including the $400 million Series H, €500 million Series I, £500 million Series J and €700 million Series K straight bonds. The proceeds from these issuances were offset by several factors including mainly a high amount of bank loans repaid during the year of approx. €650 million, in turn further increasing the high unencumbered ratio, repurchase of the remaining Series A straight bonds, Series B convertible bonds and PCI convertible bonds, and the larger dividend distribution to shareholders for the 2016 fiscal year compared to the previous year. In addition to financing growth, these capital markets activities form a crucial component of the Company's proactive debt management process, as the long maturities and low coupons of the bonds issued resulted in a materially increased average debt maturity and decreased average cost of debt.

The net increase in cash and cash equivalents amounted as a result to €100 million for the year, further boosting the Company's already strong liquidity position and resulting in a total of €849 million of liquid assets available as of year-end 2017. The continuous maintenance of a strong liquidity position is part of AT's conservative financial approach and results in return in a high degree of flexibility and the ability to effectively realize on its pipeline and quickly execute acquisitions.

ASSETS

	Dec 2017	Dec 2016
	in € millions	
NON-CURRENT ASSETS	**12,247.3**	**6,988.9**
Investment property	9,804.1	5,016.2
Equity-accounted investees, holding in GCP SA	1,609.7	1,316.7
Equity-accounted investees, other	295.9	240.3
CURRENT ASSETS	**1,523.1**	**1,100.1**
Assets held for sale [1]	500.6	152.9
Cash and liquid assets [2]	848.7	835.8
TOTAL ASSETS	**13,770.4**	**8,089.0**

1) excluding cash and liquid assets held for sale
2) including cash and liquid assets held for sale

Aroundtown's total assets amounted to €13.8 billion as of year-end 2017, with the increase of 70% from €8.1 billion at year-end 2016 reflecting the Company's rapid growth experienced in 2017, mainly owing to the significantly increased portfolio size during the year.

DECEMBER 2017	Investment properties (in €M)	Area (in k sqm)	EPRA vacancy	Annualized net rent (in €M)	In-place rent per sqm (in €)	Value per sqm (in €)	Rental yield	WALT (in years)
Office	5,935	2,578	11.2%	300	10.5	2,302	5.2%	4.8
Hotel	1,817	758	3.4%	87	10.7	2,395	4.8%	16.8
Retail	927	541	12.7%	61	10.1	1,715	6.7%	5.0
Logistics/Wholesale/Other	1,125	1,220	5.1%	66	4.7	922	5.8%	7.3
TOTAL	9,804	5,097	9.4%	514	9.0	1,923	5.2%	7.2

The main driver behind the growth was the balance of investment property, which nearly doubled to €9.8 billion as of the end of 2017 from €5.0 billion at year-end 2016, excluding assets held for sale. This increase of almost double was achieved through both external growth via acquisitions and internally through the strong added value stemming from the Company's continuous repositioning efforts, investment in properties and operational improvements such as in-place rent and occupancy increases and improving the tenant mix by securing strong tenants on long lease maturities. In 2017 €3.7 billion properties were acquired, including assets later reclassified as held for sale, at an average multiple of 16x on in-place rents with the assets located throughout the portfolio's strategic locations including Berlin, Frankfurt, Munich, Stuttgart, Cologne, Düsseldorf, Dresden, Dortmund, Leipzig, Mannheim, Hamburg, Amsterdam and Rotterdam. Fuelled by a large deal pipeline resulting from its long-established deal sourcing network, AT is able to locate and acquire assets with strong upside potential at attractive price that enable it to materialize on the value upside along the repositioning process. Organically, strong value growth was realized as the operational improvements drove strong property revaluation gains, serving as a testament to the Company's success in lifting its value via its value add business strategy. The growth momentum has additionally continued into 2018 with an investment property value of €10.2 billion as of April 2018, including signed deals.

The fair values of the Company's investment properties are externally appraised at least once a year by several independent and certified valuators, primarily Jones Lang LaSalle (JLL), Knight Frank, Cushman & Wakefield, NAI Apollo and Gerald Eve. The below tables summarizes the weighted averages of the key valuation inputs and assumptions used by the Company's appraisers in 2017. In 2016, the average discount rate applied was 6.4% while the average cap rate was 6.1%.

VALUATION PARAMETERS - 2017

Rental multiple	19.1x
Value per sqm	€1,923

VALUATION ASSUMPTIONS SET BY INDEPENDENT VALUATORS - 2017

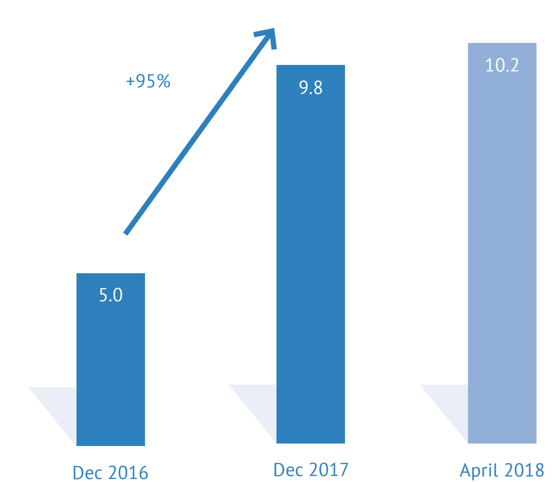
Market rental growth p.a.	1.7%
Management cost in % per year	2.5%
Average discount rate	5.6%
Average cap rate	5.5%

Investment in equity-accounted investees increased to €1.9 billion as of year-end 2017 from €1.6 billion at year-end 2016, representing the Company's holdings in entities not consolidated in its financial statements. The large majority of this balance is reflecting Aroundtown's residential portfolio in the form of its 37.7% stake in Grand City Properties S.A. as of December 2017, which amounted to €1.6 billion. GCP constitutes a key element of Aroundtown's portfolio diversification strategy and provides exposure to the strong and defensive fundamentals of the German residential market. GCP continues to deliver strong profitability driven by its experienced management, internal value creation capabilities and its scalable operational platform, while continuing its modest growth path. Like Aroundtown, GCP is also listed on the Prime Standard of the Frankfurt Stock Exchange and is also an MDAX constituent following its inclusion in September 2017 The remainder of the balance is attributable to a host of minority interests.

Current assets increased to €1.5 billion as of year-end 2017, up 38% from €1.1 billion at year-end 2016, and consist mainly of cash and liquid assets and assets held for sale. Cash and liquid assets amounted to €849 million as of year-end 2017, similar to the level at year-end 2016 and in line with the Company's strategy of maintaining high liquidity at all times to have the ability to seize on attractive acquisition opportunities quickly and without the need to arrange financing as well as to enable for strong financial flexibility, such as repaying relatively expensive or shorter maturity debt ahead of schedule.

Assets held for sale amounted to €501 million as of year-end 2017 compared to €153 million at year-end 2016. This balance represents properties that were determined by management as non-core with the intention to dispose of them on an ongoing basis given the right opportunity. In 2017, these assets generated €33 million in net rent. The year-over-year increase in assets held for sale is mainly the result of properties that were acquired as part of larger portfolios.

INVESTMENT PROPERTY DEVELOPMENT (IN € BILLIONS)



Notes on Business Performace

LIABILITIES

	Dec 2017	Dec 2016
	in € millions	
Loans and borrowings [1]	1,127.8	1,150.6
Straight bonds	3,827.0	1,714.0
Convertible bonds	293.8	708.7
Deferred tax liabilities [2]	776.5	379.5
Other long-term liabilities and derivative financial instruments	125.0	48.4
Current liabilities [3]	370.4	146.7
TOTAL LIABILITIES	**6,520.5**	**4,147.9**

1) including short-term loans and borrowings and financial debt held for sale
2) including deferred tax under held for sale
3) excluding short-term loans and borrowings liabilities held for sale

The Company's rapid growth during 2017 was accompanied by a considerable increase in the balance of liabilities as AT financed its growth largely through financial debt. As a result, total liabilities increased to €6.5 billion as of year-end 2017, up 57% from €4.1 billion at year-end 2016 and significantly below the increase in total assets of 70% following AT's conservative financing structure. The increase in total liabilities is driven predominantly by the increase in financial debt and thus non-current liabilities similarly increased by 57% to nearly €6.0 billion as of the end of 2017 from €3.8 billion at year-end 2016, with a higher deferred taxes balance further contributing to the increase.

Aroundtown's financing structure is composed of financial debt in the form of straight bonds, convertible bonds and loans from financial institutions, with all funding sources playing an important role as AT maintains a diverse mix of funding sources as part of its conservative financial approach. The balance of straight bonds saw a significant increase of 123% to €3.8 billion as of year-end 2017 from €1.7 billion at year-end 2016, as the Company took advantage of its strong position in and access to capital markets and investment-grade credit rating to raise over €2 billion through straight bond issuances via its EMTN programme. The balance of convertible bonds was largely reduced on the other hand due to the conversion into equity and repurchase of almost the entirety of the 3% €450 million Series B convertible bonds during the year and the redemption of the remaining PCI convertible bonds, while the Series C convertible bonds are deep in-the-money (conversion price of €5.51). The balance of loans and borrowings from financial institutions remained in line with year-end 2016 at €1.1 billion, as increases from acquisitions of assets with debt balances and new loans taken were offset by repayments of existing loans as part of the Company's effective debt management process, which aims to keep the average cost of debt as low as possible while maintaining a long average debt maturity. The balance of debt was further increased in 2018 with the issuance of the $150 million Series L straight bonds due 2038, AT's longest maturing issuance yet, CHF 250 million Series M straight bonds due 2025 at AT's lowest ever coupon yet of 0.73%, and €800 million Series N straight bonds due 2028, the Company's largest ever issuance. In February 2018 the Company has completed the purchase of €319 million of Series D, with a short maturity, which together with the recent issuances is resulting in an extended debt maturity average of 7.8 years.

Deferred tax liabilities, which are a non-cash item resulting directly from the revaluation gains recorded in the current and previous periods, increased to €777 million as of year-end 2017 from €380 million at year-end 2016. AT adopts a conservative accounting approach with regard to deferred taxes, assuming the theoretical future property disposals in the form of asset deals and as such incurring the full real estate tax rate as a result. In practice, as the Company's assets are mainly held in separate SPVs, sales can be structured as share deals, reducing the effective capital gains tax to be paid to less than 1%.

NET FINANCIAL DEBT

	Dec 2017	Dec 2016
	in € millions	
Total financial debt	5,248.6	3,573.3
Cash and liquid assets [1]	848.7	835.8
NET FINANCIAL DEBT	**4,399.9**	**2,737.5**

1) including cash and liquid assets held for sale

AT's net financial debt as of year-end 2017 amounted to €4.4 billion, increased from €2.7 billion at year-end 2016 to fund the Company's growth. The decreased convertible bonds balance, resulting mainly from the conversion into equity of the Series B bonds, offset the €2.1 billion increase in the balance of straight bonds for a net increase of €1.7 billion in total financial debt. The debt balance was considerably offset by a high level of cash and liquid assets in the amount of €849 million, which remained at a similar level to year-end 2016, and is the result of the Company's policy of maintain a strong liquidity position at all times to ensure a great degree of flexibility. As part of its financial policy, Aroundtown maintains a low level of leverage and high level of liquidity in order to ensure a strong and robust financial position and a strong credit profile.

LOAN-TO-VALUE

	Dec 2017	Dec 2016
	in € millions	
Investment property [1]	9,874.2	5,259.8
Investment properties classified as assets held for sale	493.1	148.6
Investment in equity-accounted investees	1,905.6	1,557.0
TOTAL VALUE	**12,272.9**	**6,965.4**
NET FINANCIAL DEBT	**4,399.9**	**2,737.5**
LTV	**36%**	**39%**
LTV ASSUMING CONVERSION [2]	**33%**	**34%**

1) including advanced payments for investment properties
2) assuming the conversion of the Series C and remaining Series B convertible bonds, both of which are in-the-money

Loan-to-Value (LTV) is the ratio of the financial debt, net of cash and liquid assets, to the value of investment property, including advance payments and investments in equity-accounted investees. Maintaining a conservative level of leverage is a key component of Aroundtown's financial policy, with an internal LTV limit of 45% set by the Board of Directors, and results in a strong financial and credit profile.

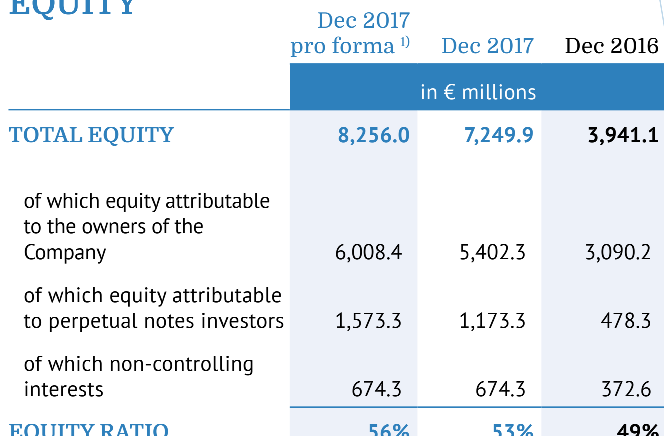
Aroundtown's LTV as of the end of 2017 stood at 36%, decreased from 39% at year-end 2016 and well below the Company's established policy limit of 45%. Besides due to the strong value creation, the decrease is the result of the two equity capital increases carried out in May 2017 and October 2017, the conversion into equity of the Series B convertible bonds during the year, the USD perpetual notes issued in June 2017 as well as their subsequent tap in September 2017 Furthermore, assuming the full conversion into shares of the remaining Series B (conversion price of €3.27) and Series C (conversion price of €5.51) convertible bonds, the LTV decreases even further to 33%. Management believes that the current low leverage provides for a large cushion against a potential market downturn, as well as the opportunity to comfortably raise further debt in the future to finance additional growth.

LOAN-TO-VALUE

Bord of Directors' limit 45%

	Dec 2016	Dec 2017	Dec 2017 assuming conversion [1]
LTV	39%	36%	33%

1) assuming the conversion of the Series C and remaining Series B convertible bonds, both of which are in-the-money



EQUITY

	Dec 2017 pro forma [1]	Dec 2017	Dec 2016
	in € millions		
TOTAL EQUITY	**8,256.0**	**7,249.9**	**3,941.1**
of which equity attributable to the owners of the Company	6,008.4	5,402.3	3,090.2
of which equity attributable to perpetual notes investors	1,573.3	1,173.3	478.3
of which non-controlling interests	674.3	674.3	372.6
EQUITY RATIO	**56%**	**53%**	**49%**

1) including the perpetual notes issued in January 2018 and equity capital increase in March 2018

Total equity increased to €7.25 billion as of year-end 2017, representing an increase of 84% from €3.9 billion at year-end 2016, resulting from the strong profit for the year and the capital markets activities carried out in 2017. These include two equity capital increase in May 2017 and October 2017, the conversion into equity of most of the €450 million Series B convertible bonds, the total of $700 million USD perpetual notes issued, as well as the €100 million tap of the EUR perpetual notes. Following IFRS accounting treatment, perpetual notes are classified as equity as they do not have a repayment date, coupon payments are deferrable at the Company's discretion, they are subordinated to debt and do not have any default rights nor covenants. As a result, the Company's equity ratio increased to 53% as of year-end 2017 from 49% at year-end 2016, providing for a further strengthened equity base at the backbone of the Company. On a pro forma basis, taking into account the perpetual notes issued in January 2018 and equity increase carried out in March 2018, the equity ratio is further increased to 56%.

EPRA Performance Measures

The European Public Real Estate Association (EPRA) is the widely-recognized market standard guidance and benchmark provider for the European real estate industry. EPRA's best practices recommendations dictate the ongoing reporting of a set of performance metrics intended to enhance the quality of reporting by bridging the gap between the regulated IFRS reporting presented and specific analysis relevant to the European real estate industry. These standardized EPRA performance measures provide additional relevant earnings, balance sheet and operational metrics, and facilitate for the simple and effective comparison of performance-related information across the industry. The information presented below is based on the Best Practice Recommendations by EPRA and on the materiality and importance of information.

EPRA PERFORMANCE MEASURES - SUMMARY

	2017	Change	2016
	in € millions		
EPRA Earnings	303.6	90%	159.6
EPRA Earnings per share (in €)	0.37	54%	0.24
EPRA NAV	6,483.0	67%	3,870.8
EPRA NAV per share (in €)	6.5	33%	4.9
EPRA NAV incl. perpetual notes	7,656.3	76%	4,349.1
EPRA NAV per share (in €) incl. perpetual notes	7.6	41%	5.4
EPRA NNNAV	6,243.1	65%	3,776.3
EPRA NNNAV per share (in €)	6.2	32%	4.7
EPRA Net initial yield (NIY)	4.2%	-0.8%	5.0%
EPRA 'topped-up' NIY	4.3%	-0.8%	5.1%
Commercial portfolio EPRA Vacancy	9.4%	1.5%	7.9%
Group portfolio EPRA Vacancy	8.9%	1.0%	7.9%
EPRA Cost Ratio (incl. direct vacancy costs)	19.0%	0.2%	18.8%
EPRA Cost Ratio (excl. direct vacancy costs)	16.4%	-0.1%	16.5%

Frankfurt am Main

EPRA EARNINGS

The EPRA Earnings are intended to serve as a key indicator of the Company's underlying operational profits for the year in the context of a European real estate company. Given AT's strategic investment in GCP, the proportional share in GCP's EPRA Earnings for the year is included in accordance with the average holding over for the period.

As the Funds from Operations is the widely-recognized industry standard KPI for operational performance and Aroundtown distributes its dividend based on the FFO I for the year, an additional reconciliation from the EPRA Earnings to the FFO I is provided below.

	1-12/2017	1-12/2016
FOR THE 12 MONTHS ENDED DECEMBER 31,	in € millions	
EARNINGS PER IFRS INCOME STATEMENT	**1,539.0**	901.1
Fair value adjustments, capital gains and other income	(1,326.6)	(719.5)
Changes in fair value of financial assets and liabilities, net	4.5	30.0
Deferred tax expenses	263.1	102.7
Adjustments for investment in equity-accounted investees	(167.5)	(147.2)
Contribution from minorities	(8.9)	(7.5)
EPRA EARNINGS	**303.6**	**159.6**
Weighted average basic shares (in millions)	821.5	653.1
EPRA EARNINGS PER SHARE (IN €)	**0.37**	**0.24**
Bridge to FFO I		
Add back: Depreciation	2.0	2.0
Add back: Finance-related costs	10.5	5.9
Add back: Other adjustments	1.8	2.1
Less: FFO items related to investment in equity-accounted investees	(4.9)	(4.0)
Less: FFO contribution from assets held for sale	(20.0)	-
FFO I	**293.0**	**165.6**
FFO I PER SHARE (IN €)	**0.36**	**0.25**

Aroundtown's EPRA Earnings for 2017 resulted to €304 million, increasing 90% from €160 million in 2016. On a per share basis the EPRA Earnings amounted to €0.37, likewise increased by 54% from €0.24 in 2016. The year-over-year increase, which reflects the Company's fast pace of growth and strong operational performance, is parallel to the increase in FFO I during the year.

EPRA Performance Measures

EPRA NAV

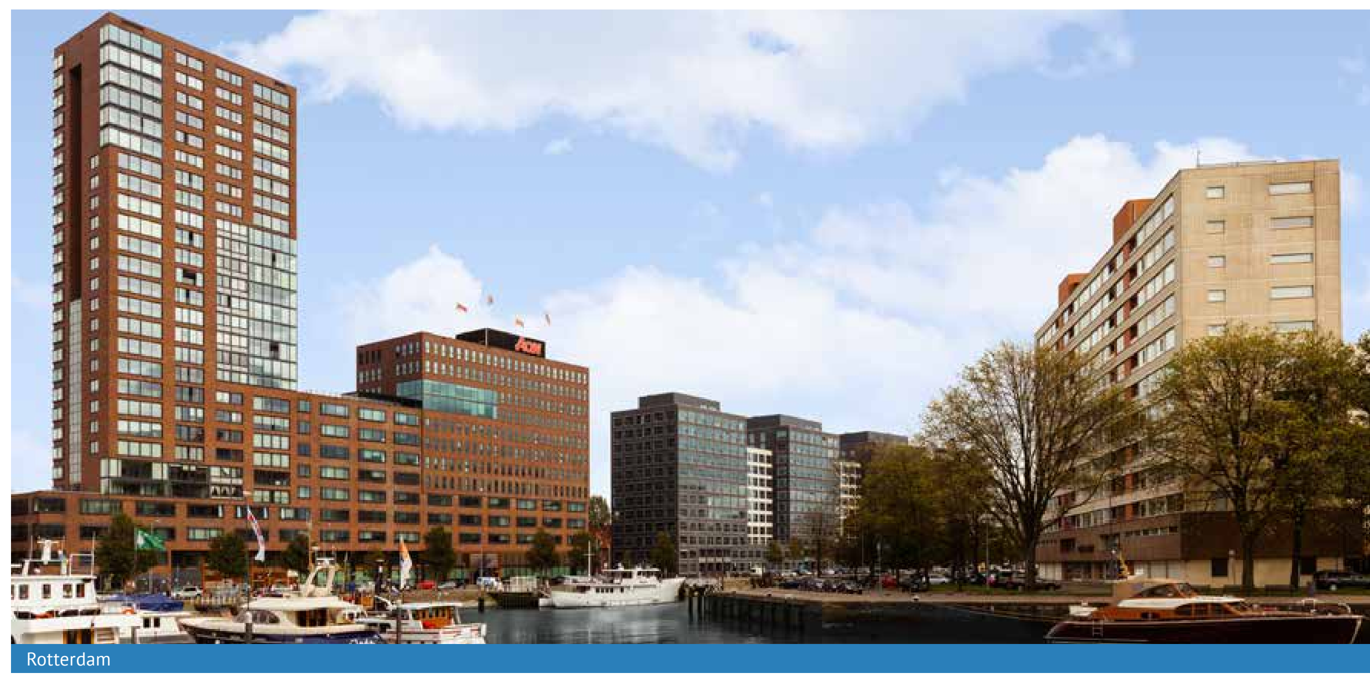
The EPRA NAV is defined by EPRA as the net asset value of the Company adjusted to include real estate properties and other investment interests at fair values and exclude certain items that are not expected to materialize in a long-term real estate business model. The purpose of the EPRA NAV is to adjust the IFRS NAV in order to provide stakeholders with the most relevant information on the Group's balance sheet items in the context of a true real estate investment company with a long-term oriented investment strategy. As perpetual notes are classified as equity in accordance with IFRS accounting treatment, AT additionally reports an EPRA NAV including perpetual notes.

	Dec 2017		Dec 2016	
	in € millions	per share	in € millions	per share
NAV PER THE FINANCIAL STATEMENTS	7,249.9		3,941.1	
Equity attributable to perpetual notes investors	(1,173.3)		(478.3)	
NAV EXCLUDING PERPETUAL NOTES	6,076.6		3,462.8	
Effect of conversion of in-the-money convertible bond	293.8		394.0	
Fair value measurements of derivative financial instruments [1]	10.4		7.1	
Deferred tax liabilities [1]	776.5		379.5	
NAV	7,157.3	€7.1	4,243.4	€5.3
Non-controlling interests	(674.3)		(372.6)	
EPRA NAV	6,483.0	€6.5	3,870.8	€4.9
Equity attributable to perpetual notes investors	1,173.3		478.3	
EPRA NAV INCLUDING PERPETUAL NOTES	7,656.3	€7.6	4,349.1	€5.4
Number of shares, including in-the-money dilution effects (in millions)	1,004.5		798.1	
Pro forma effect [2]	1,006.1		-	
EPRA NAV INCLUDING PERPETUAL NOTES PRO FORMA	8,662.4	€7.9	4,349.1	€5.4
Pro forma number of shares, including in-the-money dilution effects (in millions)	1,099.5		798.1	

1) including balances in assets held for sale
2) including the perpetual notes issued in January 2018 and equity capital increase in March 2018

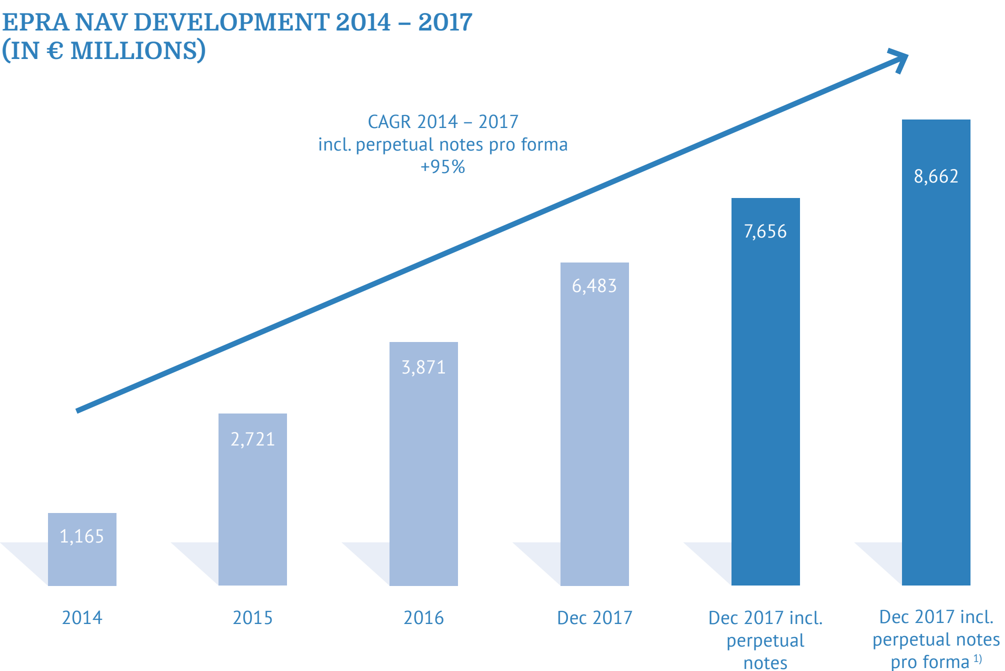
AT's EPRA NAV increased by 67% to €6.5 billion as of year-end 2017 from €3.9 billion at year-end 2016 as the Company's continues on its successful growth path. On a per share basis, the EPRA NAV amounted to €6.5 per share, increasing by 33% from €4.9 at year-end 2016. The per share growth was diluted by the increased shareholder base during the year resulting from the two equity capital increases undertaken in May 2017 and October 2017 as part of the growth strategy. Additionally, following the strong share price performance in 2017 the Series C convertible bonds became in-the-money in 2017, further diluting the calculation of the EPRA NAV per share. Despite these dilutive effects, the strong year-over-year growth on a per share basis demonstrates the success of AT and its management in effectively delivering on its business strategy of value creation and achieving accretive growth for its shareholders.

In addition, AT reports an EPRA NAV figure including perpetual notes as they are classified as equity in accordance with IFRS accounting treatment. As of year-end 2017, the EPRA NAV including perpetual notes amounted to €7.7 billion and €7.6 per share, increasing from €4.3 billion and €5.4 per share at year-end 2016, respectively. The growth stems from the issuance of a total of $700 million USD perpetual notes and a €100 million tap of the EUR perpetual notes during the year. Following the reporting period, an additional €400 million in EUR perpetual notes were issued in January 2018 as well as further €606 million equity increase in March 2018, resulting in a pro forma EPRA NAV including perpetual notes of €8.7 billion and €7.9 per share.



Rotterdam

EPRA NAV DEVELOPMENT 2014 – 2017 (IN € MILLIONS)



1) including the perpetual notes issuance in January 2018 and equity raised in March 2018

EPRA NNNAV

The EPRA NNNAV is derived by adjusting the EPRA NAV by marking to market the spot values of the Company's financial debt, derivative financial instruments and deferred taxes. The purpose of the EPRA NNNAV is to provide stakeholders with the most relevant information on the Company's financial liabilities by reporting them at their spot values as of the end of the reporting period.

AT's EPRA NNNAV amounted to €6.2 billion as of year-end 2017, increasing by 65% from €3.8 billion at year-end 2016. On a per share basis the EPRA NNNAV increased by 32% to €6.2 from €4.7 at year-end 2016.

	Dec 2017	Dec 2016
	in € millions	
EPRA NAV	**6,483.0**	**3,870.8**
Fair value measurements of derivative financial instruments	(10.4)	(7.1)
Net fair value of debt	(190.6)	(69.2)
Deferred tax liabilities [1]	(38.9)	(18.2)
EPRA NNNAV	**6,243.1**	**3,776.3**
Basic amount of shares, including in-the-money dilution effects (in millions)	1,004.5	798.1
EPRA NNNAV PER SHARE (IN €)	**6.2**	**4.7**

1) assuming disposals though share deals

EPRA Performance Measures

EPRA NET INITIAL YIELD (NIY) AND EPRA 'TOPPED-UP' NIY

	Dec 2017	Dec 2016
	in € millions	
Investment property	9,804.1	5,016.2
Investment properties of assets held for sale	493.1	148.6
Share of GCP investment property	2,449.8	1,729.7
Complete property portfolio	12,747.0	6,894.5
Allowance for estimated purchasers' costs	966.8	508.6
GROSSED UP COMPLETE PROPERTY PORTFOLIO VALUE	**13,713.8**	**7,403.1**
End of period annualized net rental income [1]	676.1	422.5
Operating costs [2]	(94.8)	(54.3)
ANNUALIZED NET RENT, AFTER NON-RECOVERABLE COSTS	**581.3**	**368.2**
Notional rent expiration of rent-free periods or other lease incentives	8.0	6.9
Topped-up net annualized rent	589.3	375.1
EPRA NIY	**4.2%**	**5.0%**
EPRA 'TOPPED-UP' NIY	**4.3%**	**5.1%**

1) including share of GCP's net rental income and from assets held for sale
2) to reach annualized operating costs, cost margins were used for each respective period

The EPRA Net Initial Yield (NIY) is calculated by subtracting the non-recoverable operating costs from the net rental income as of the end of the period, and dividing the result by the fair value of the full property portfolio (including non-core assets) plus an allowance for estimated purchasers' costs. EPRA 'topped-up' NIY is an additional calculation that factors into consideration the effects of rent-free periods and other lease incentives. Given the strategic investment in GCP, the residential portfolio is proportionally consolidated in the table above in accordance with the holding rate at the end of the period.

As of the end of 2017, the EPRA NIY of the total AT portfolio was 4.2%, decreased from 5.0% at year-end 2016 as a result of the strong positive revaluations achieved through the repositioning efforts and operational improvements, and further affected by general yield compression in the Group's strategic locations due to the strongly positive market dynamics in German and the Netherlands top tier cities. The EPRA 'topped-up' NIY was marginally higher at 4.3%, compared to 5.1% at year-end 2016.

EPRA VACANCY

	Dec 2017	Dec 2016
	in € millions	
EPRA VACANCY - COMMERCIAL PORTFOLIO	9.4%	7.9%
EPRA VACANCY - GROUP PORTFOLIO	8.9%	7.9%

EPRA vacancy is an operational measures that calculates a real estate company's economic vacancy rate as based on the prevailing market rental rates, as opposed to in-place rents and physical vacancy. It is calculated by dividing the market rental value of the vacant spaces in the portfolio by the market rental value of the total portfolio. Aroundtown presents the EPRA Vacancy both on a stand-alone basis for the commercial portfolio only and on a group basis including the relative consolidation of the GCP portfolio in accordance with the holding rate as of the end of the reporting period.

At the end of 2017, the EPRA Vacancy of the commercial portfolio amounted to 9.4% while the Group EPRA Vacancy amounted to 8.9%, both increased from 7.9% at year-end 2016. While strong operational results resulted in positive like-for-like occupancy gains during the period, the properties acquired during the year had average vacancy rates higher than that of the existing portfolio, providing for additional reversionary potential and upside to be extracted through the Company's strong operational platform.

EPRA COST RATIOS

The EPRA Cost Ratios provide a detailed analysis of a Company's operating costs structure and provide for increased comparability across companies. The cost ratio is derived by dividing the Company's direct administrative expenses and property operating expenses (including non-recoverable service charges) by the rental income for the year, excluding ground rents. The ratio is calculated both including and excluding the direct vacancy costs. In line with the Company's portfolio approach, given its strategic importance AT includes in the calculations the relative consolidation of the GCP portfolio at the average holding rate during the year.

	1-12/2017	1-12/2016
	in € millions	
Operational expenses	50.2	23.4
Maintenance and refurbishment	18.8	11.7
Administrative expenses	14.7	7.9
Share of equity-accounted investees	29.0	21.0
Exclude:		
Depreciation	(2.0)	(2.0)
Ground rents	(3.5)	(0.7)
EPRA COSTS (INCLUDING DIRECT VACANCY COSTS)	107.2	61.3
Direct vacancy costs	(14.9)	(7.6)
EPRA COSTS (EXCLUDING DIRECT VACANCY COSTS)	92.3	53.7
Rental and operating income	527.1	273.7
Less: ground rent	(3.5)	(0.7)
Less: operating income	(78.1)	(40.3)
Add: share of net rental income from equity-accounted investees	118.4	92.7
NET RENTAL INCOME	563.9	325.4
EPRA COST RATIO (INCLUDING DIRECT VACANCY COSTS)	19.0%	18.8%
EPRA COST RATIO (EXCLUDING DIRECT VACANCY COSTS)	16.4%	16.5%

The Group's EPRA Cost Ratios for 2017 amounted to 19.0% when including direct vacancy costs and 16.4% when excluding direct vacancy costs, with both ratios remaining stable and in line with 2016. Given the varying nature of commercial property leases and differences in operating cost structures across different commercial property types, fluctuations can be expected in the context of a shifting portfolio structure in terms of property type breakdown and tenant mix. The current low expense ratios reflect the Company's lean cost structure achieved through large scale and operational efficiency.

Brussels

Responsibility statement

To the best of our knowledge, the annual consolidated financial statements of Aroundtown SA, prepared in accordance with the applicable reporting principles for financials statements, give a true and fair view of the assets, liabilities, financial position and profit and loss of the Group, and the management report of the Group includes a fair review of the development of the business, and describes the main opportunities, risks, and uncertainties associates with the Group.

Disclaimer

The financial data and results of the Group are affected by financial and operating results of its subsidiaries. Significance of the information presented in this report is examined from the perspective of the Company including its portfolio with the joint ventures. In several cases, additional information and details are provided in order to present a comprehensive representation of the subject described, which in the Group's view is essential to this report.

By order of the Board of Directors,
March 28, 2018

Andrew Wallis
Director

Frank Roseen
Director

Oschrie Massatschi
Director

Jelena Afxentiou
Director

Report of the Réviseur d'Entreprises Agréé

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

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

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

Basis for opinion

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

Key audit matters

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

Valuation of Investment Properties

a) Why the matter was considered to be one of most significant in the audit?

We refer to the accounting policy on page 91 "(L) Investment Property", and on page 91 "(M) Assets held for sale" and to Note 13 "Investment Property" on page 102 and Note 17 "Disposal group held for sale" on page 104 in the consolidated financial statements of Aroundtown SA.

As at December 31, 2017 the Group held a portfolio of investment properties with a fair value of MEUR 9,804.1 (2016: MEUR 5,016.2) and investment properties within Assets held for sale with a fair value of MEUR 493.1 (2016: MEUR 148.6).

The valuation of investment properties is a significant judgement area and is underpinned by a number of assumptions.

The fair value measurement of investment property is inherently subjective and requires valuation experts and the Group'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 cause a significant change its fair value.

The Group uses external valuation reports issued by external independent professionally qualified valuers to determine the fair value of its investment properties.

The external valuers were engaged by management, and performed their work in compliance with the Royal Institute of Chartered Surveyors ("RICS") Valuation – Professional Standards, TEGoVA European Valuations Standards and IVSC International Valuation Standard. The Valuers used by the Group have considerable experience of the markets in which the Group operates. In determining

a property's valuation, the valuers take into account property-specific characteristics and information such as the current tenancy agreements and rental income. They apply assumptions for yields and estimated market rent, which are influenced by prevailing market yields and comparable market transactions, to arrive at the final valuation.

The significance of the estimates and judgments involved, coupled with the fact that only a small percentage difference in individual property valuations, when aggregated, could result in a material misstatement in the consolidated statement of comprehensive income and consolidated statement of financial position, warrants specific audit focus in this area.

b) How the matter was addressed during the audit?

Our procedures over valuation of investment properties include but are not limited to the following:

– We tested the design and implementation of the key controls around the determination and monitoring of the fair value measurement of the investment properties;

– We assessed the competence, capabilities, qualifications, independence and integrity of the external valuers and read their terms of engagement by Aroundtown SA to determine whether there were any matters that might have affected their objectivity or may have imposed scope limitations on their work;

– We assessed that the valuation approach applied by the external independent valuer is in accordance with relevant valuation and accounting standards and suitable for use in determining the carrying value in the consolidated statement of financial position;

– We tested the integrity, accuracy and completeness of inputs used by the external independent valuers, as well as appropriateness of valuation parameters used, such as discount capitalisation rates, market rents per square meter and capital expenditure;

– We assessed the valuation process and significant assumptions and critical judgement areas by benchmarking the key assumptions to external industry data and comparable property transactions, in particular the yields applied;

Other information

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

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

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

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

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

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

Report of the Réviseur d’Entreprises Agréé

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group’s internal control

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.

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

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on other legal and regulatory requirements

We have been appointed as "Réviseur d'Entreprises agréé" by the General Meeting of the Shareholders on September 13, 2017 and the duration of our uninterrupted engagement, including previous renewals and reappointments, is 1 year.

The Board of Directors' Report is consistent with the consolidated financial statements and has been prepared in accordance with applicable legal requirements.

The accompanying Corporate Governance Statement is presented on pages 46 - 49 The information required by Article 68ter paragraph (1) letters c) and d) of the law of December 19, 2002 on the commercial and companies register and on the accounting records and annual accounts of undertakings, as amended, is consistent with the consolidated financial statements and has been prepared in accordance with applicable legal requirements.

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

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

Other matter

The consolidated financial statements of Aroundtown SA as at and for the financial year ended December 31, 2016 were audited by another auditor (KPMG Limited, Cyprus) who expressed an unmodified opinion on those statements on March 31, 2017.

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

Luxembourg, March 28, 2018

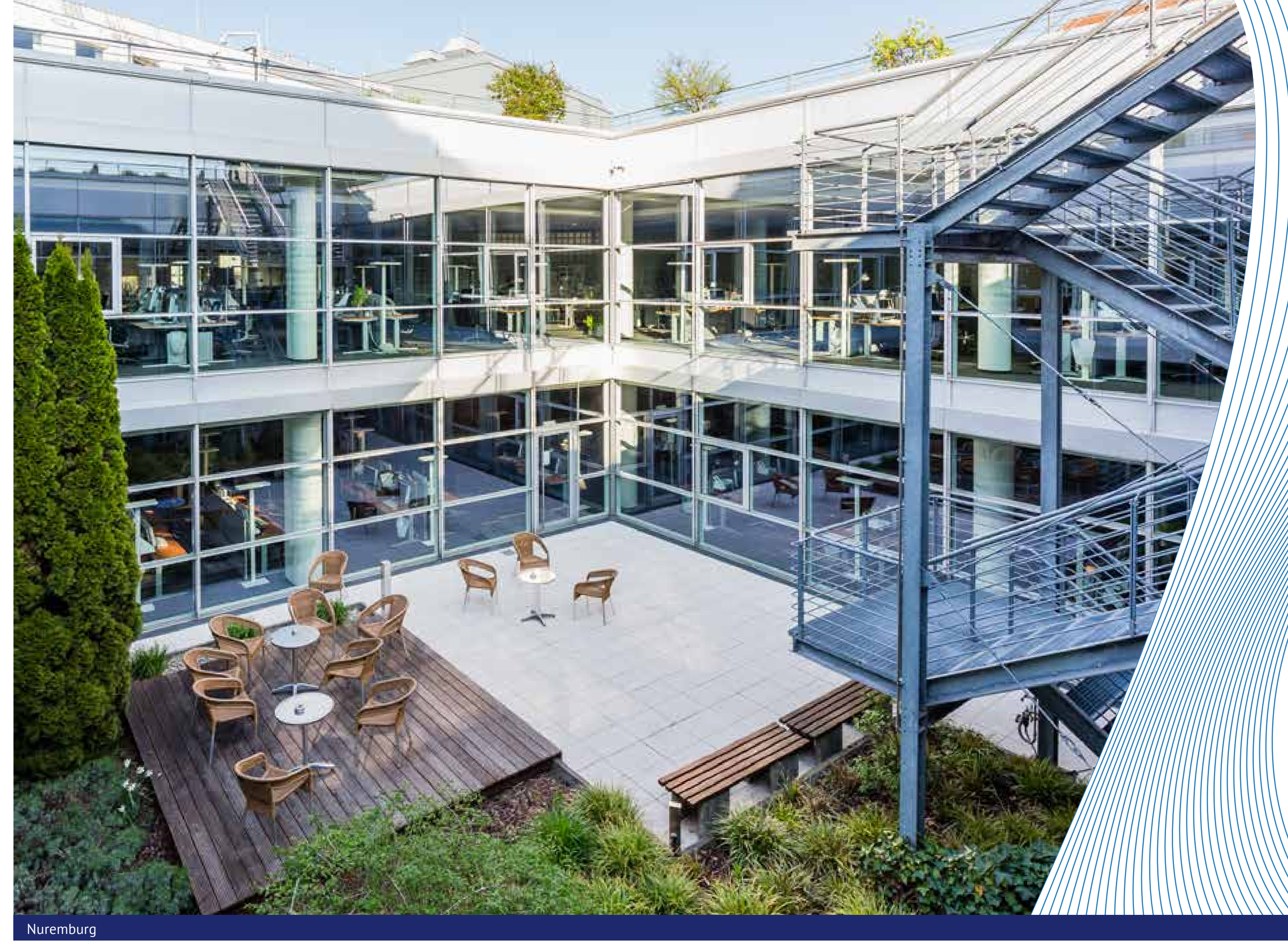
KPMG Luxembourg
Société coopérative
Cabinet de révision agréé
39, Avenue John F. Kennedy
L-1855 Luxembourg

Joseph de Souza

Consolidated statement of comprehensive income

	Note	Year ended December 31, 2017	Year ended December 31, 2016
		in € millions	
REVENUE	5	**527.1**	**273.7**
Fair value adjustments, capital gains and other income	6	1,326.6	719.5
Share in profit from investment in equity-accounted investees	14	228.4	197.1
Property operating expenses	7	(147.1)	(75.4)
Administrative and other expenses	8	(14.7)	(7.9)
OPERATING PROFIT		**1,920.3**	**1,107.0**
Finance expenses	9i	(69.7)	(47.4)
Other financial results	9ii	(15.0)	(35.9)
PROFIT BEFORE TAX		**1,835.6**	**1,023.7**
Current tax expenses	10b	(33.5)	(19.9)
Deferred tax expenses	10c	(263.1)	(102.7)
TAX AND DEFERRED TAX EXPENSES		**(296.6)**	**(122.6)**
PROFIT FOR THE YEAR		**1,539.0**	**901.1**
PROFIT ATTRIBUTABLE TO:			
Shareholders of the Company		1,282.6	728.2
Perpetual notes investors		28.8	3.7
Non-controlling interests		227.6	169.2
PROFIT FOR THE YEAR		**1,539.0**	**901.1**

The notes on pages 84 to 124 form an integral part of these consolidated financial statements.



Nuremburg

	Note	Year ended December 31, 2017	2016
		in € millions	
PROFIT FOR THE YEAR		**1,539.0**	**901.1**
OTHER COMPREHENSIVE INCOME (LOSS):			
Items that may be reclassified subsequently to profit or loss			
Results of cash flow hedges		(0.7)	-
Tax related to the other comprehensive income component		0.2	-
TOTAL OTHER COMPREHENSIVE INCOME (LOSS)		**(0.5)**	**-**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**1,538.5**	**901.1**
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Shareholders of the Company		1,282.1	728.2
Perpetual notes investors		28.8	3.7
Non-controlling interests		227.6	169.2
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**1,538.5**	**901.1**
NET EARNINGS PER SHARE ATTRIBUTABLE TO THE SHAREHOLDERS OF THE COMPANY (IN €)			
Basic earnings per share	11a	**1.56**	**1.11**
Diluted earnings per share	11b	**1.35**	**0.87**

The notes on pages 84 to 124 form an integral part of these consolidated financial statements.

Consolidated statement of financial position

	Note	December 31, 2017	December 31, 2016
		in € millions	
ASSETS			
Equipment and intangible assets	12	25.8	22.8
Investment property	13	9,804.1	5,016.2
Advance payments for real estate transactions		70.1	243.6
Investment in equity-accounted investees	14	1,905.6	1,557.0
Derivative financial instruments	21	34.1	-
Other non-current assets	15	392.8	133.8
Deferred tax assets	10c	14.8	15.5
NON-CURRENT ASSETS		**12,247.3**	**6,988.9**
Cash and cash equivalents		736.4	641.4
Short-term deposits		17.5	11.2
Traded securities at fair value through profit or loss		87.7	180.8
Derivative financial instruments	21	10.9	-
Trade and other receivables	16	162.9	111.4
Assets held for sale	17	507.7	155.3
CURRENT ASSETS		**1,523.1**	**1,100.1**
TOTAL ASSETS		**13,770.4**	**8,089.0**

The notes on pages 84 to 124 form an integral part of these consolidated financial statements.

	Note	December 31, 2017	December 31, 2016
		in € millions	
EQUITY			
Share capital	18	9.5	6.8
Retained earnings and capital reserves		5,392.8	3,083.4
EQUITY ATTRIBUTABLE TO THE SHAREHOLDERS OF THE COMPANY		**5,402.3**	**3,090.2**
Equity attributable to perpetual notes investors	18	1,173.3	478.3
EQUITY ATTRIBUTABLE TO THE SHAREHOLDERS OF THE COMPANY AND PERPETUAL NOTES INVESTORS		**6,575.6**	**3,568.5**
Non-controlling interests		674.3	372.6
TOTAL EQUITY		**7,249.9**	**3,941.1**
LIABILITIES			
Loans and borrowings	20	956.9	962.0
Convertible bonds	20	293.8	708.7
Straight bonds	20	3,827.0	1,714.0
Derivative financial instruments	21	54.9	6.9
Other non-current liabilities	22	70.1	41.5
Deferred tax liabilities	10c	752.2	365.9
NON CURRENT LIABILITIES		**5,954.9**	**3,799.0**
Loans and borrowings	20	17.4	160.0 (*)
Trade and other payables	24	266.5	107.7
Tax payable		8.9	6.7
Provisions and current liabilities	25	87.1	28.0
Liabilities held for sale	17	185.7	46.5
CURRENT LIABILITIES		**565.6**	**348.9**
TOTAL LIABILITIES		**6,520.5**	**4,147.9**
TOTAL EQUITY AND LIABILITIES		**13,770.4**	**8,089.0**

(*) reclassified

The Board of Directors of Aroundtown SA authorized these consolidated financial statements for issuance on March 28, 2018.

Andrew Wallis	**Frank Roseen**	**Oschrie Massatschi**	**Jelena Afxentiou**
Director	Director	Director	Director

The notes on pages 84 to 124 form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

	Attributable to the shareholders of the Company								
	Share capital	Share Premium and other capital reserves	Hedge reserve	Retained earnings	Total	Equity attributable to perpetual notes investors	Equity attributable to shareholders of the Company and perpetual notes investors	Non-controlling interests	Total equity
	in € millions								
BALANCE AS AT DECEMBER 31, 2016	**6.8**	**633.2**	**-**	**2,450.2**	**3,090.2**	**478.3**	**3,568.5**	**372.6**	**3,941.1**
Profit for the year	-	-	-	1,282.6	1,282.6	28.8	1,311.4	227.6	1,539.0
Other comprehensive income (loss) for the year, net of tax	-	-	(0.5)	-	(0.5)	-	(0.5)	-	(0.5)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**-**	**-**	**(0.5)**	**1,282.6**	**1,282.1**	**28.8**	**1,310.9**	**227.6**	**1,538.5**
Issuance of ordinary shares	1.7	864.4	-	-	866.1	-	866.1	-	866.1
Issuance of shares related to conversion of convertible bonds	1.0	310.3	-	-	311.3	-	311.3	-	311.3
Issuance of perpetual notes	-	-	-	-	-	695.0	695.0	-	695.0
Amount due to perpetual notes investors	-	-	-	-	-	(28.8)	(28.8)	-	(28.8)
Equity settled share-based payment	(*) 0.0	1.6	-	-	1.6	-	1.6	-	1.6
Non-controlling interests arising from initially consolidated companies and other transactions	-	-	-	5.5	5.5	-	5.5	74.1	79.6
Dividend distribution	-	-	-	(154.5)	(154.5)	-	(154.5)	-	(154.5)
BALANCE AS AT DECEMBER 31, 2017	**9.5**	**1,809.5**	**(0.5)**	**3,583.8**	**5,402.3**	**1,173.3**	**6,575.6**	**674.3**	**7,249.9**

(*) Less than €0.1 million.

The notes on pages 84 to 124 form an integral part of these consolidated financial statements.

Düsseldorf

	Attributable to the shareholders of the Company								
	Share capital	Share Premium and other capital reserve	Hedge reserve	Retained earnings	Total	Equity attributable to perpetual notes investors	Equity attributable to shareholders of the Company and perpetual notes investors	Non-controlling interests	Total equity
	in € millions								
BALANCE AS AT DECEMBER 31, 2015	**6.0**	**332.7**	**-**	**1,766.7**	**2,105.4**	**-**	**2,105.4**	**320.1**	**2,425.5**
Profit for the year	-	-	-	728.2	728.2	3.7	731.9	169.2	901.1
Other comprehensive income for the year	-	-	-	-	-	-	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	-	-	-	728.2	728.2	3.7	731.9	169.2	901.1
Issuance of ordinary shares	0.7	262.0	-	-	262.7	-	262.7	-	262.7
Issuance of shares related to conversion of convertible bonds	0.1	36.4	-	-	36.5	-	36.5	-	36.5
Issuance of perpetual notes	-	-	-	-	-	478.3	478.3	-	478.3
Amount due to perpetual notes investors	-	-	-	-	-	(3.7)	(3.7)	-	(3.7)
Equity settled share based payment	-	2.1	-	-	2.1	-	2.1	-	2.1
Non-controlling interests arising from initially consolidated companies and other transactions	-	-	-	(10.2)	(10.2)	-	(10.2)	(116.7)	(126.9)
Dividend distribution	-	-	-	(34.5)	(34.5)	-	(34.5)	-	(34.5)
BALANCE AS AT DECEMBER 31, 2016	**6.8**	**633.2**	**-**	**2,450.2**	**3,090.2**	**478.3**	**3,568.5**	**372.6**	**3,941.1**

The notes on pages 84 to 124 form an integral part of these consolidated financial statements.

Consolidated statement of cash flows

	Note	Year ended December 31, 2017	2016
		in € millions	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the year		1,539.0	901.1
Adjustments for the profit:			
Depreciation and amortization		2.0	2.0
Fair value adjustments, capital gains and other income	6	(1,326.6)	(719.5)
Share in profit from investment in equity-accounted investees	14	(228.4)	(197.1)
Finance expenses, net	9	84.7	83.3
Tax and deferred tax expenses	10	296.6	122.6
Equity settled share-based payment	19	1.8	2.1
		369.1	194.5
Changes in:			
Trade and other receivables		(17.2)	(19.0)
Trade and other payables		4.2	1.8
Provisions and current liabilities		(2.4)	(0.9)
		353.7	176.4
Dividend received		40.7	17.9
Tax paid		(32.7)	(15.5)
NET CASH PROVIDED BY OPERATING ACTIVITIES		**361.7**	**178.8**
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of equipment and intangible assets, net	12	(9.4)	(6.7)
Investments and acquisitions of investment property, capex and advances paid, net		(614.6)	(1,050.8)
Acquisition/disposals of investees, net of cash acquired/disposed		(1,945.5)	(994.1)
(Investments in)/proceeds from traded securities and other financial assets, net		(184.4)	151.4
NET CASH USED IN INVESTING ACTIVITIES		**(2,753.9)**	**(1,900.2)**

The notes on pages 84 to 124 form an integral part of these consolidated financial statements.

Berlin

	Note	Year ended December 31, 2017	2016
		in € millions	
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of ordinary shares		866.1	262.7
Proceeds from issuance of straight bonds, net		2,133.4	(*) 1,503.5
Proceeds from perpetual notes investors, net		695.2	478.3
Redemption and buy-back of convertible bonds		(114.4)	-
Proceeds (repayments) from/(of) loans from financial institutions and others, net		(822.5)	301.0
Amortizations of loans from financial institutions		(32.0)	(18.5)
Transactions with non-controlling interests		(13.2)	(203.9)
Dividend distributed to the shareholders	18	(154.5)	(34.5)
Interest and other financial expenses, net		(66.2)	(44.6)
NET CASH PROVIDED BY FINANCING ACTIVITIES		**2,491.9**	**2,244.0**
NET INCREASE IN CASH AND CASH EQUIVALENTS		**99.7**	**522.6**
Assets held for sale – cash	17	(4.7)	(2.4)
Cash and cash equivalents as at January 1		641.4	121.2
CASH AND CASH EQUIVALENTS AS AT DECEMBER 31		**736.4**	**641.4**

(*) reclasssified

Notes to the consolidated financial statements

FOR THE YEAR ENDED DECEMBER 31, 2017

1. GENERAL

(A) Incorporation and principal activities

Aroundtown SA ("the Company") was incorporated on May 7, 2004 as a private limited liability company under the Cyprus Companies Law, Cap. 113. On September 13, 2017, the Company transferred its registered office and principal place of business from Cyprus to Luxembourg, and continued as a public limited liability company (Société Anonyme), incorporated under the laws of the Grand Duchy of Luxembourg, having its registered office at 1, Avenue du Bois, L-1251, Luxembourg. The Company's name was changed from "Aroundtown Property Holdings Plc" to "Aroundtown SA".

Aroundtown 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. The commercial properties are held by Aroundtown and in addition Aroundtown holds a substantial interest of currently 37.66% in Grand City Properties S.A., a publicly traded real estate company that focuses on investing in value-add opportunities in the German residential real estate market. Aroundtown's investment in Grand City Properties S.A. is accounted for as equity-accounted investee in its financials.
These consolidated financial statements for the year ended December 31, 2017 consist of the financial statements of the Company and its subsidiaries ("the Group" or "Aroundtown").

(B) Listing on the Stock Exchange

On June 2, 2017 the Company's shares were up-listed to the Prime Standard of the Frankfurt Stock Exchange. Since 2015 until 2017, the Company's shares were listed on the Euronext Paris Stock Exchange.

Effective from March 19, 2018 the Company's shares were included in the MDAX index of the Deutsche Börse.

(C) Capital and bonds increases

Since December 2014, the Company undertook several capital market transactions which include the issuance of straight bonds, convertible bonds, perpetual notes and equity. In addition, the Company established an EMTN program in March 2017. For further information please see notes 18 and 20.

(D) Group rating

In December 2017, S&P upgraded its credit rating of the company to 'BBB+' with a stable outlook from 'BBB', which was assigned in June 2016. The rating upgrade also applies to the Company's straight and convertible bonds to 'BBB+' and its perpetual notes to 'BBB-'.

(E) Definitions

Throughout these notes to the consolidated financial statements:

The Company	Aroundtown SA
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, ATS	Primecity Investment PLC, Camelbay Limited, ATF Netherlands B. V. and AT Securities B. V. (subsidiaries of the Company)
Related parties	As defined in IAS 24
The reporting period	The year ended on December 31, 2017

Mainz

2. BASIS OF PREPARATION

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union.

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, 2016 have been reclassified to enhance comparability with 2017 figures and are marked as "reclassified".

The consolidated financial statements were authorized for issuance by the Company's board of directors on March 28, 2018.

(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;
- Investment in equity accounted investees;
- Derivative financial instruments;
- Assets and liabilities classified as held for sale;
- Deferred tax liability on fair value gain on investment property.

(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 differ 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 amounts recognized in the consolidated financial statements are described below:

- **Fair value measurement**
  'Fair value' is 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 in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

  When one is available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

  If there is no quoted price in an active market, then the Group uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

  The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price. If the Group determines that the fair value on initial recognition differs from the transaction price, then the financial instrument is initially measured at fair value, and subsequently, that difference is recognized in profit or loss on an appropriate basis over the life of the instrument.

- **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 the 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

Utrecht

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, and at least annually for Goodwill. 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 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 26(iv).

(d) Functional and presentation currency

The consolidated financial statements are presented in euro, which is the main functional currency of the Group, and reported in millions of euros with rounded to one decimal point, except when otherwise indicated.

As at December 31, 2017, the Company had financial instruments in US Dollars (USD), Norwegian Krone (NOK) and British Pound (GBP). The exchange rates versus the euro were as follows:

	EUR/USD	EUR/GBP	EUR/NOK
Exchange rate as at January 1, 2017	1.054	0.856	9.086
Exchange rate as at December 31, 2017	1.199	0.887	9.840
Average exchange rate during during the year	1.131	0.877	9.390

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of consolidation

The Group's consolidated financial statements comprise the financial statements of the parent company Aroundtown SA 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 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 the consolidated statement of comprehensive income.

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.

Where a transaction or other event does not meet the definition of a business combination due to the acquiree not meeting the definition of a business, the Group identifies and recognizes the individual identifiable assets acquired and liabilities assumed, and allocates the cost of the group of assets and liabilities to the individual identifiable assets and liabilities on the basis of their relative fair values at the date of purchase.

Such a transaction or event does not give rise to goodwill.

(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 statement 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, changes in the fair value of 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

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.

Tax expenses also include property tax expenses.

(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, unused 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. The Company estimates such utilization of the deferred tax assets to be taken in place within the period of 1-5 years from the balance sheet date. 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. Similarly, unrecognized deferred taxes are reassessed at each reporting date and recognized to the extent that is has become probable that the future taxable profits will be available against which they can be used.

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 using 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	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 the consolidated statement of comprehensive income.

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 from 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 statement of comprehensive income in the period of the disposal.

The Group determines the fair value of investment property on the basis of valuations by independent real estate appraisers 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

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 statement of comprehensive income.

6. Hedge accounting

The Group designates certain derivative hedging instruments in respect of foreign currency, as cash flow hedges. At inception of the hedge relationship, the entity documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in cash flows of the hedged item attributable to the hedged risk.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income and accumulated in the cash flow hedging reserve. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss.

Hedge accounting is discontinued when the Group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated or exercised, or when it no longer qualifies for hedge accounting. Any gain or loss recognized in other comprehensive income and accumulated in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in profit or loss.

7. 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.

8. Trade payables

Trade payables are initially measured at fair value and subsequently at amortized cost.

9. 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 resolution of a dividend payment 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 non-financial 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). A cash-generating unit is the smallest group of assets which generates cash inflows that are largely independent of the cash inflows generated by other assets or other groups of assets.

Berlin

(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 consolidated 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 which refers to rental income from owned investment properties.

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 share-based payments for employee) 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 in earnings of investees is included based on the diluted 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) Provisions

Provisions are recognized when there is a present obligation, either legal or constructive, vis-à-vis third parties as a result of a past event, if it is probable that a claim will be asserted and the probable amount of the required provision can be reliably estimated. Provisions are reviewed regularly and adjusted to reflect new information or changed circumstances.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(x) 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 equal 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.

(y) Application of new and revised International Financial Reporting Standards (IFRS)

(i) Amendments to IFRS that are endorsed by the EU and are mandatorily effective for the current year

Amendments to IAS 7 Disclosure Initiative

The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financial activities, including both changes arising from cash flows and non-cash changes.

Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior period. Apart from the additional disclosure, the application of these amendments has had no impact on the Group's consolidated financial statements.

Amendments to IAS 12 Recognition of Deferred Tax Assets for Unrealized Losses

The amendments clarify how an entity should evaluate whether there will be sufficient future taxable profits against which it can utilize a deductible temporary difference.

The application of these amendments has had no impact on the Group's consolidated financial statements as the Group already assesses the sufficiency of future taxable profits in a way that is consistent with these amendments.

(ii) New and revised IFRS that are in issue and endorsed by the EU but not yet effective for the current year

IFRS 9 – Financial Instruments

IFRS 9 introduces new requirements for (i) the classification and measurement of financial assets and financial liabilities (ii) general hedge accounting and (iii) impairment requirements for financial assets.

Key requirements of IFRS 9 which are relevant for the Group:

- All recognized financial assets that are within the scope of IAS 39 are now required to be subsequently measured at amortized cost or fair value. Specifically, debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at fair value through other comprehensive income (FVTOCI). All other debt instruments and equity investments are measured at FVTPL at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election, at initial recognition, to measure an equity investment (that is not held for trading) at FVTOCI, with only dividend income generally recognized in profit or loss. The Group's management estimates that the initial application of IFRS 9 will not change the Group's classification and measurement categories of its financial assets.
- In respect of financial liabilities, all IAS 39 requirements have been carried forward to IFRS 9. The only change introduced by IFRS 9 in respect of financial liabilities is that for those designated at FVTPL, fair value changes attributable to own credit risk are presented in other comprehensive income (OCI), unless doing so would introduce an accounting mismatch. The Group's management estimates that the initial application of IFRS 9 will have no impact on the Group's classification and measurement of its financial liabilities.
- In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognized.

As of December 31, 2017 the Group's financial assets that are in scope for the Expected Credit Loss impairment model according to IFRS 9 are cash and cash equivalents, trade receivables and other current and non-current receivables. The potential impact of estimated exposure for credit risk and expected credit loss for trade and other current and non-current receivables is expected to be not material (less than €5 million).

The cash and cash equivalents are held with banks and other financial institutions counterparties, which are rated from P-1 based on Moody's and F1 based on Fitch rating agency. Management considers that its cash and cash equivalents have low credit risk based on the external credit rating of the counterparties and the potential impact is expected to be not material.

Hedge accounting

The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The new provisions specified above will not have any impact on the consolidated financial statements of the Group. When initially implementing IFRS 9, the Company will opt to continue to apply the hedge accounting treatment as set out in IAS 39 instead of the provisions of IFRS 9.

The Group will apply IFRS 9 initially on January 1 2018, retrospectively with no restatement of comparative information. Any difference between previous carrying amounts and those determined under IFRS 9 at the date of initial application will be included in opening retained earnings.

IFRS 15 – Revenue from Contracts with Customers

IFRS 15 specifies how and when revenue is recognized as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. The standard provides a single, principles based five-step model to be applied to all contracts with customers.

Rental and operating income

Lease contract are scoped out of IFRS 15, and are accounted for under IAS 17 (from 2019: IFRS 16), and therefore the application of the new standard does not have any impact in terms of amounts on the recognition of rental income.

Any other components of contract which are not lease components should be accounted for under IFRS 15, except for property tax and building insurance which will be accounted for under IFRS 16 from 2019.

As there are no changes regarding the period-based recognition of operating income, the application of IFRS 15 will not have any impact in terms of amount.

Sales of properties

For the sale of properties, revenue is currently recognized when the property is handed over to the buyer, which is taken to be the point in time at which the buyer accepts the property and the related risks and rewards of ownership transfer. Revenue is recognized at this point provided that the revenue and the related cost can be measured reliably, the recovery of the consideration is probable and there is no continuing management involvement with the property.

Under IFRS 15, revenue will be recognized when a buyer obtains control of the property.

The Group's assessment indicates that the application of IFRS 15 will not change the timing and amounts in which revenue is currently recognized and therefore there is no impact expected on the retained earnings or any other items in the consolidated financial statements as at January 1, 2018, and therefore there is no need to select a transitional approach.

The adoption of the amendment is mandatory and will take place by the Group from January 1, 2018. The Group does not expect it to have any material effect on its consolidated financial statements.

IFRS 16 – Leases

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

The Group has completed an initial assessment of the potential impact on its consolidated financial statements but has not yet completed its detailed assessment. The actual impact of applying IFRS 16 on the consolidated financial statements in the period of initial application will depend on the future economic conditions, including the Group's borrowing rate at January 1, 2019, the composition of the Group's lease portfolio at that date, the Group's latest assessment of whether it will exercise any lease renewal options and the extent to which the Group chooses to use practical expedients and recognition exemptions.

As at December 31, 2017 the Group identified immaterial future minimum lease payments under non-cancellable operating leases related to operating lease of lands, for which new assets and liabilities would have to be recognized.

In addition, the nature of expenses related to those leases will now changes as IFRS 16 replaces the straight-line operating lease expense with a depreciation charge for the right-of-use assets and interest expenses on lease liabilities.

No significant impact is expected for the Group's finance leases.

The Group does not expect the adoption of IFRS 16 to impact its ability to comply with the revised maximum leverage threshold covenants described in in note 20.12.

The Group plans to apply IFRS 16 initially on January 1 2019, using the modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 will be recognized as an adjustment to the opening balance of retained earnings at January 1 2019, with no restatement of comparative information.

Amendments to IFRS 2 – Classifications and measurement of share-based payment transactions

The amendments to IFRS 2 address the accounting of share-based payment transactions which are to be settled in cash and relate, in particular, to the calculation of the fair value on the basis of the corresponding obligations. The adoption of the amendment is mandatory and will take place by the Group from January 1, 2018. The Group does not expect it to have any material effect on its consolidated financial statements.

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 OF SUBSIDIARIES

A.

In January 2017, the Group obtained control of 94.9% of the issued share capital of a wholesale property portfolio located in Germany for a purchase price of approximately €174.3 million (the Portfolio). 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 in annual net rent.

The purchase of the entities was treated as a purchase of a group of assets and liabilities. Therefore the total purchase costs were allocated to the assets and liabilities based on their relative fair value at the purchase date without the recognition of goodwill.

The aggregated identifiable assets and liabilities acquired as at the date of each transaction were as follows:

	in € millions
Investment property	789.6
Working capital, net	7.8
Cash and Cash equivalents	9.1
	806.5
Bank loans	(599.5)
Other liabilities, net	(23.5)
	(623.0)
TOTAL IDENTIFIABLE NET ASSETS	**183.5**
Non-controlling interests arising from initial consolidation	(9.2)
Consideration paid	(174.3)

Since the date whereby the Group obtained control over the above entities and until the end of the year, the Group recorded aggregated revenues and results from operation in the amount of €61.4 million and €56.9 million, respectively.

B.

During the year, the Group obtained control over several companies. The purchase of these entities was treated as a purchase of a group of assets and liabilities. Therefore the total purchase costs were allocated to the assets and liabilities based on their relative fair value at the purchase date without the recognition of goodwill.

The aggregated identifiable assets and liabilities acquired as at the date of each transaction were as follows:

	in € millions
Investment property	2,289.6
Working capital, net	12.7
Cash and Cash equivalents	32.2
	2,334.5
Bank loans	(262.5)
Other liabilities, net	(135.5)
	(398.0)
TOTAL IDENTIFIABLE NET ASSETS	**1,936.5**
Non-controlling interests arising from initial consolidation	(95.7)
Consideration paid (*)	**(1,840.8)**

(*) including de-recognition of the carrying amount of investment in equity-accounted investees amounting to approximately €152 million

Since the date whereby the Group obtained control over the above entities and until the end of the year, the Group recorded aggregated revenues and results from operation in the amount of €55.8 million and €28.6 million, respectively.

Had all the above acquisitions been carried out at the beginning of the year, the Group's revenues would have been increased by €88.6 million, and the Group's results from operation would have been increased by €60.1 million.

5. REVENUE

The geographic breakdown of revenue is as follows:

	Year ended December 31,	
	2017	2016
	in € millions	
Germany	436.0	235.6
The Netherlands	80.0	34.6
Others	11.1	3.5
	527.1	273.7

The Group is not exposed to significant revenue derived from an individual customer.

6. FAIR VALUE ADJUSTMENTS, CAPITAL GAINS AND OTHER INCOME

	Year ended December 31,	
	2017	2016
	in € millions	
Revaluations of investment property and profit from bargain purchases	1,315.2	(*) 719.5
Capital gains and other income	11.4	-
	1,326.6	719.5

(*) reclassified

7. PROPERTY OPERATING EXPENSES

	Year ended December 31,	
	2017	2016
	in € millions	
Ancillary expenses and purchased services	(100.7)	(51.5)
Maintenance and refurbishment	(18.8)	(11.7)
Operational personnel expenses	(7.6)	(3.7)
Depreciation and amortization	(2.0)	(2.0)
Other operating costs	(18.0)	(6.5)
	(147.1)	(75.4)

As of December 31, 2017, the Group had 270 employees (2016: 157 employees), of which 20 were apprentices. On an annual average, the Group had 194 employees.

8. ADMINSTRATIVE AND OTHER EXPENSES

	Year ended December 31,	
	2017	2016
	in € millions	
Personnel expenses	(6.4)	(3.4)
Legal and professional fees	(3.7)	(1.8)
Year-end closing, accounting and audit expenses (*)	(2.5)	(1.8)
Sales, marketing and administrative expenses	(2.1)	(0.9)
	(14.7)	(7.9)

(*) Out of which, the following table shows the breakdown of audit, audit-related and tax services rendered by KPMG audit firm network and by other audit firms:

	Year ended December 31,				
	2017			2016	
	KPMG Luxembourg	KPMG Network	Other audit firms	KPMG Network	Other audit firms
	in € millions				
Audit services	0.2	0.9	1.0	0.6	0.9
Audit related services	-	-	0.1	0.1	-
Tax and other services	-	-	0.2	-	0.1
	0.2	0.9	1.3	0.7	1.0

9. NET FINANCE EXPENSES

	Year ended December 31,	
	2017	2016
	in € millions	
(I) FINANCE EXPENSES		
Finance expenses from credit institutions and third parties, net	(18.2)	(12.6)
Finance expenses from straight and convertible bonds, net	(51.5)	(34.8)
	(69.7)	**(47.4)**
(II) OTHER FINANCIAL RESULTS		
Changes in fair value of financial assets and liabilities, net	(4.5)	(30.0)
Finance-related costs	(10.5)	(5.9)
	(15.0)	**(35.9)**

Berlin

10. TAXATION

A. Tax rates applicable to the Group

The Company is subject to taxation under the laws of Luxembourg. The corporation tax rate for Luxembourg companies is 27.08% (2016: 29.22%). The corporation tax rate will be decreased to 26.01% in 2018 and on. The change in the corporation tax rate does not have a significant effect on current and deferred tax assets and liabilities.

The German subsidiaries with property are subject to taxation under the laws of Germany. Income taxes are calculated using a federal corporate tax of 15.0% for December 31, 2017 (2016: the same), 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 Cypriot subsidiaries are subject to taxation under the laws of Cyprus. The corporation tax rate for Cypriot companies is 12.5% (2016: 12.5%). Under certain conditions interest income of the Cypriot companies may be subject to defense contribution at the rate of 30% (2016: 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%.

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 €200 thousands and below €200 thousands, respectively (2016: the same).

Subsidiaries in other jurisdictions are subject to corporate tax rate of up to 33.99%.

B. Current taxes included in the consolidated statement of comprehensive income

	Year ended December 31,	
	2017	2016
	in € millions	
Corporation tax	(15.9)	(11.1)
Property tax	(17.6)	(8.8)
CHARGE FOR THE YEAR	**(33.5)**	**(19.9)**

C. Movements in the deferred taxation accounts:

DEFERRED TAX LIABILITIES	Derivative financial instruments and other deferred tax liabilities	Fair value gains on investment property	Total
	in € millions		
BALANCE AS AT DECEMBER 31, 2015	**1.3**	**184.5**	**185.8**
Charged to:			
Consolidated statement of comprehensive income	-	112.7	112.7
Deferred tax arising from initial consolidation	-	101.5	101.5
Deferred tax disposed from deconsolidation	-	(20.5)	(20.5)
Transfer to Liabilities held for sale	(0.2)	(13.3)	(13.5)
BALANCE AS AT DECEMBER 31, 2016	**1.1**	**364.9**	**366.0**
Charged to:			
Consolidated statement of comprehensive income	6.3	258.0	264.3
Other comprehensive income component	(0.2)	-	(0.2)
Deferred tax arising from initial consolidation	-	141.4	141.4
Deferred tax disposed from deconsolidation	-	(8.1)	(8.1)
Transfer to Liabilities held for sale	(0.7)	(10.5)	(11.2)
BALANCE AS AT DECEMBER 31, 2017	**6.5**	**745.7**	**752.2**

DEFERRED TAX ASSETS	Derivative financial instruments	Deferred taxes – loss carried forward, net	Total
	in € millions		
BALANCE AS AT DECEMBER 31, 2015	**0.9**	**0.6**	**1.5**
Charged to:			
Consolidated statement of comprehensive income	1.3	8.7	10.0
Deferred tax arising from initial consolidation	-	4.4	4.4
Transfer to Assets held for sale	(0.3)	-	(0.3)
BALANCE AS AT DECEMBER 31, 2016	**1.9**	**13.7**	**15.6**
Charged to:			
Consolidated statement of comprehensive income	(0.9)	2.1	1.2
Transfer to Assets held for sale	(0.1)	(1.9)	(2.0)
BALANCE AS AT DECEMBER 31, 2017	**0.9**	**13.9**	**14.8**

10. TAXATION (Continued)

D. Reconciliation of effective tax rate

	Year ended December 31,	
	2017	2016
	in € millions	
Profit before tax	1,835.6	1,023.7
Statutory tax rate	27.08%	12.50%
Tax computed at the statutory tax rate	497.1	128.0
DECREASE IN TAXES ON INCOME RESULTING FROM THE FOLLOWING FACTORS:		
Group share in earnings from companies accounted for at equity	(61.9)	(24.6)
Effect of different tax rates of subsidiaries operating in other jurisdictions	(137.5)	23.5
Others	(1.1)	(4.3)
TAX AND DEFERRED TAX EXPENSES	**296.6**	**122.6**

11. 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, 2017 is based on the profit attributable to the shareholders of €1,282.6 millions (2016: €728.2 millions), and a weighted average number of ordinary shares outstanding of €821.5 millions (2016: €653.1 millions), calculated as follows:

1. PROFIT ATTRIBUTED TO THE SHAREHOLDERS (BASIC)	Year ended December 31, 2017	2016
	in € millions	
Profit for the year, attributable to the shareholders of the Company	1,282.6	728.2

2. WEIGHTED AVERAGE BUMBER OF ORDINARY SHARES (BASIC)	Year ended December 31, 2017	2016
	in € millions of shares	
Issued ordinary shares on January 1	676.3	600.1
Capital increase	74.1	46.8
Effect of exercise of convertible bond	71.1	6.2
WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES AS AT DECEMBER 31	**821.5**	**653.1**
BASIC EARNINGS PER SHARE (IN €)	**1.56**	**1.11**

B. Diluted earnings per share

The calculation of diluted earnings per share at December 31, 2017 is based on profit attributable to the shareholders of €1,245.8 million (2016: €717.9 million), and a weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares of 925.0 million (2016: 829.4 million), calculated as follows:

1. PROFIT ATTRIBUTED TO THE SHAREHOLDERS (DILUTED)	Year ended December 31, 2017	2016
	in € millions	
Profit for the year, attributable to the shareholders of the Company (basic)	1,282.6	728.2
Interest expense on convertible bonds, net of tax	23.0	22.5
Dilutive effect of the Company's share in profit of investees	(59.8)	(32.8)
PROFIT FOR THE YEAR, ATTRIBUTABLE TO THE SHAREHOLDERS OF THE COMPANY (DILUTED)	**1,245.8**	**717.9**

2. WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES (DILUTED)	Year ended December 31, 2017	2016
	in € millions	
As at the beginning of the year	676.3	600.1
Capital increase	74.1	46.8
Effect of exercise of convertible bond	174.6	182.5
WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES AS AT DECEMBER 31,	**925.0**	**829.4**
DILUTED EARNINGS PER SHARE (IN €)	**1.35**	**0.87**

12. EQUIPMENT AND INTANGIBLE ASSETS

	Furniture, fixtures and office equipment	Goodwill	Computer software	Total
	in € millions			
COST				
Balance as at December 31, 2015	1.7	4.5	0.5	6.7
Additions	6.4	-	0.3	6.7
Equipment and intangible assets arising from initial consolidation, net	3.4	9.6	-	13.0
Balance as at December 31, 2016	11.5	14.1	0.8	26.4
Additions	9.1	-	0.3	9.4
Equipment and intangible assets arising from initial consolidation, net	0.1	-	-	0.1
Balance as at December 31, 2017	20.7	14.1	1.1	35.9
DEPRECIATION/AMORTIZATION				
Balance as at December 31, 2015	1.1	-	0.5	1.6
Depreciation/Amortization for the year	2.0	-	-	2.0
Balance as at December 31, 2016	3.1	-	0.5	3.6
Depreciation/Amortization for the year	1.9	4.5	0.1	6.5
Balance as at December 31, 2017	5.0	4.5	0.6	10.1
CARRYING AMOUNTS				
Balance as at December 31, 2016	8.4	14.1	0.3	22.8
Balance as at December 31, 2017	15.7	9.6	0.5	25.8

13. INVESTMENT PROPERTY

A. Composition

	Year ended December 31,	
	2017	2016
	in € millions	
Balance as at January 1	5,016.2	2,430.6
Acquisitions of investment property and investment in capex during the year, net	3,957.8	(*) 2,274.7
Disposals of investment property (a)	(140.6)	(195.3)
Transfer to Assets held for sale	(344.5)	(148.6)
Fair value adjustments	1,315.2	654.8
Balance as at December 31	9,804.1	5,016.2

(*) reclassified.

(a) was made through the disposal group held for sale.

B. Investment property per geographical location

	December 31,	
	2017	2016
	in € millions	
Germany	8,351.4	4,153.1
The Netherlands	1,061.5	780.7
Others	391.2	82.4
	9,804.1	5,016.2

C. 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 valuators, mainly Jones Lang LaSalle GmbH (JLL), Cushman & Wakefield (CW), NAI Apollo and Gerald Eve (GE), 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 external appraisers.

The company and the valuators confirm that there is no actual or potential conflict of interest that may have influenced the valuators status as external and independent valuator. The valuation fee is determined on the scope of complexity of the valuation report.

The range of the discount rates applied to the net annual rentals to determine the fair value of property is between 3.5% – 10.5% (2016: 5.0% – 8.9%).

The Group's investment property's fair value amounted to €9,804.1 million (2016: €5,016.2 million) has been categorized as Level 3 fair value, based on the inputs to the valuation technique used, and was determined considering the highest and best use measurement approach.

(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 1.69% (2016: 1.96%);
- Void periods – mainly 0-24 months after the end of each lease;
- Risk adjusted discount rates in the range of 3.5%-10.5%. Weighted average 5.6% (2016: 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).

14. INVESTMENTS IN EQUITY-ACCOUNTED INVESTEES

Composition

	Year ended December 31,	
	2017	2016
	in € millions	
Balance as at January 1	1,557.0	1,183.1
Additions, net	120.2	176.8
Share of profit from investments in equity-accounted investees	228.4	197.1
Balance as at December 31	1,905.6	1,557.0

As at December 31, 2017, the Company had significant influence in companies over which it does not exercise control and that are not consolidated in its consolidated financial statements. The balance predominantly reflects the Group's residential portfolio through its strategic investment in GCP S.A., which amounted to a stake of 37.66% as of year-end 2017, as well as in other entities.

The main balance sheet and profit and loss items of GCP S.A. as of December 31, 2017 and for the year then ended were as follows:

	As at December 31,	
	2017	2016
	in € millions	
Current Assets	795.9	1,027.7
Total Assets	7,508.3	6,153.7
Current liabilities	370.7	338.3
Total Liabilities	3,658.6	3,088.7
Rental and operating income	494.9	435.7
Total comprehensive income	638.6	653.1
Company's share of total comprehensive income	195.4	178.6
Carrying amount of interest in associates	1,609.7	1,316.7
The market cap of GCP S.A. as at December 31	3,236.5	2,659.0

During 2017, the Company received dividend from GCP S.A. amounted to €40.7 million (2016: €17.9 million).

15. OTHER NON-CURRENT ASSETS

	December 31,	
	2017	2016
	in € millions	
Tenancy deposit (a)	8.9	3.7
Finance lease asset	4.1	1.1
Trade receivables	12.9	11.3
Long term financial investments (b)	366.9	117.7
	392.8	133.8

(a) Tenancy deposits mainly include 3 months rent including service charge prepayment from the tenants which is paid at the beginning of the lease. The deposits are considered as a security payment by the tenant and the Group can use those funds mainly if the tenant has unpaid debts or causes damages to the property. Past experience shows that the majority of the leases are long term and therefore the deposits are presented as long term assets.

(b) Include non-current prepayments, Group's loans as a seller as well as loans connected with future real-estate transactions. Refer also to note 26.

16. TRADE AND OTHER RECEIVABLES

	December 31,	
	2017	2016
	in € millions	
Rent and other receivables (a)	33.7	13.7
Operating costs receivables	100.7	69.6
Prepaid expenses	4.9	9.5
Current tax assets	16.1	4.3
Other short term financial assets	7.5	14.3
	162.9	111.4

(a) For information about the credit risk of the rent and other receivables, refer to note 26.

17. DISPOSAL GROUP HELD FOR SALE

The Group resolved an intention to sell several properties, some of them through the sale of subsidiaries. Accordingly, assets and liabilities relating to this 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:

	December 31,	
	2017	2016
	in € millions	
ASSETS CLASSIFIED AS HELD FOR SALE		
Investment property (*)	493.1	148.6
Cash and cash equivalents	7.1	2.4
Other assets	7.5	4.3
Total assets classified as held for sale	507.7	155.3
LIABILITIES CLASSIFIED AS HELD FOR SALE		
Loans and borrowings	153.5	28.6
Deferred tax liabilities	24.3	13.6
Other liabilities	7.9	4.3
Total liabilities classified as held for sale	185.7	46.5

(*) during 2017 the Group reclassified investment property in the amount of €485.1 million, of which €140.6 million has been disposed

Stuttgart

18. EQUITY

A. Share capital

	Year ended December 31,			
	2017		2016	
	Number of shares	in € millions	Number of shares	in € millions
AUTHORIZED				
Ordinary shares of €0.01 each	2,000,000,000	20.0	1,500,000,000	15.0
ISSUED AND FULLY PAID				
Balance as at January 1	676,268,473	6.8	600,141,641	6.0
Capital increases	168,000,000	1.7	65,000,000	0.7
Exercise of options under share plan incentive	172,603	(*) 0.0	-	-
Exercise of Convertible bond series B into shares during the year	103,367,565	1.0	11,126,832	0.1
Balance at the end of the year	947,808,641	9.5	676,268,473	6.8

(*) less than €0.1 million.

B. Authorized capital

Under its Memorandum of association the Shareholders set the authorized share capital at 50,000 ordinary shares of nominal value of €1.71 each.

In February 2015, as part of a capital restructuring process, the Company increased its authorized ordinary shares to 1,500,000,000, of which the issued and fully paid was increased to 500,000,000, with an adjusted par value of €0.01 for each share.

In September 2017, the Company increased its authorized ordinary shares from 1,500,000,000 to 2,000,000,000, with a par value of €0.01 for each share.

C. Issued capital

1. On July 13, 2015, the Company successfully issued an additional 100,000,000 ordinary shares (of €0.01 nominal value each) for €3.2 each, by way of a private placement with institutional investors. The gross proceeds from the issuance of the shares amounted to €320 million.
2. On April 12, 2016 the Company issued an additional 65,000,000 ordinary shares (of €0.01 nominal value each) for €4.1 each, by way of a private placement to institutional investors. The gross proceeds from the issuance of the shares amounted to €266.5 million.
3. On May 9, 2017, the Company successfully placed 93,000,000 new ordinary shares (of €0.01 nominal value each) through a capital increase at a placement price of €4.58 per share, resulting in an issue volume of approximately €426 million.
4. On October 20, 2017, the Company successfully placed 75,000,000 new ordinary shares (of €0.01 nominal value each) through a capital increase at a placement price of €6 per share, resulting in an issue volume of approximately €450 million.
5. Since the issuance of Convertible bond series B and until December 31, 2017, a total amount of €387.7 million nominal value of the Convertible bond series B was converted into shares (thereof 349 million during the reporting period). According to the convertible bond's terms, 114.6 million shares were issued (thereof 103.4 million during the reporting period).

D. Issuance of perpetual notes

(a) On October 17, 2016, ATF successfully placed €500 million (nominal value) of perpetual notes. These notes were issued at a price of 96.392% of the principal amount, are of unlimited duration and can only be called back by the Company 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. On January 17, 2017, ATF successfully tapped its perpetual notes by additional €100 million (nominal value) at a price of 96.297% of its principal amount.

(b) On June 14, 2017, ATS successfully placed USD 500 million (€443.4 million) (nominal value) of perpetual notes and implemented full currency-hedge to the euro until the first call date. These notes were issued at a price of 98.725% of the principal amount, are of unlimited duration and can only be called back by the Company on certain contractually fixed dates or occasions. Up until the first call date in July 2023, the perpetual notes shall bear a coupon rate of 2.345% p.a. (currency swapped to euro). In case the Company does not exercise its call right at that point, the coupon rate applied until the next call date (July 2028) shall correspond to the five-year swap rate plus a margin of 354.6 basis points p.a. The mark-up will increase by 25 basis points (to 379.6 basis points p.a.) as of July 2043 and by another 75 basis points (to 454.6 basis points p.a.) commencing on July 2043. On September 26, 2017, ATS successfully tapped its perpetual notes by additional USD 200 million (€168.9 million) (nominal value) at a price of 99.3% of its principal amount.

E. Share premium and other capital reserves

The capital reserves include share premium derived directly from the capital increases that took place since the date of incorporation, from conversions of convertible bonds into ordinary shares and from exercise of options under share plan incentive, which can be distributed at any time. The account also consist the equity components of convertible bonds, the share-based payment reserves all temporarily cannot be distributed, and the other comprehensive income components arise by the hedge accounting.

F. Resolution of dividend distribution

On December 11, 2017, the Company's Annual General Meeting resolved upon the distribution of a cash dividend in the amount of €0.163 per share in accordance with the proposal of the Board of Directors based on the payout ratio of 65% of FFO I per share. Total gross amount of €154.5 million were paid on December 14, 2017.

19. SHARE-BASED PAYMENT AGREEMENTS

A. Description of share-based payment arrangements

On December 31, 2017 and 2016, the Group had the following share-based payment arrangements:

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)	Contractual life of the incentive
during 2016 and 2017	1,417	Up to 4 years

B. Reconciliation of outstanding share options

The number and weighted-average of instruments under the share incentive program and replacement awards were as follows:

	December 31,	
	2017	2016
	In thousands	
Outstanding on January 1	1,073	1,050
Granted during the year, net	517	23
Issued shares	(173)	-
OUTSTANDING ON DECEMBER 31	1,417	1,073

During the reporting period, the total amount recognized as share-based payment was €1.8 million. 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.

20. LOANS, BORROWINGS AND BONDS

20.1 Composition

	Weighted average interest rate	Maturity date	December 31, 2017	December 31, 2016
			in € millions	
NON-CURRENT				
Bank loans (a) (b) (c)	2.0%	2019-2031	956.9	962.0
TOTAL NON-CURRENT BANK LOANS			**956.9**	**962.0**
Convertible bond series A in PCI			-	30.4
Straight bond series A			-	37.5
Convertible bond series B	3%	05/2020	5.8	394.0
Convertible bond series C	1.5%	01/2021	288.0	284.3
Straight bond series D	1.5%	05/2022	572.5	571.4
Straight bond series E	1.5%	07/2024	620.6	616.1
Straight bond series F	2.125%	03/2023	540.4	489.0
Straight bond series H	1.365% (d)	03/2032	312.8	-
Straight bond NOK	0.818% (d)	07/2027	74.7	-
Straight bond series I	1.875%	01/2026	483.2	-
Straight bond series J	1.5%	10/2029	542.9	-
Straight bond series K	1.0%	01/2025	679.9	-
TOTAL NON-CURRENT PORTION OF STRAIGHT AND CONVERTIBLE BONDS			**4,120.8**	**2,422.7**
CURRENT				
Straight bond and financial credit		-	-	130.5
Bank loans	2.0%	2018	17.4	29.5
TOTAL CURRENT LOANS			**17.4**	**160.0**

(a) Bank loans are non-recourse loans from banks with the related assets serving as their only security. As of December 31, 2017 under the existing loan agreements, the Group is fully compliant with its obligations (including loan covenants) to the financing banks. For the security condition over the Bonds please see note 20.12.
(b) Approximately €2.8 billion (2016: €2.1 billion) of the investment property is encumberred.
(c) The weighted average interest rate on the outstanding loans, borrowings and bonds is 1.6%.
(d) Linked to Customer Price Index.

20.2 Convertible bond series A in PCI

In November 2014, PCI successfully completed the placement of a €100 million convertible bond maturing in 2019, convertible into ordinary shares of PCI at an issue price of 100% of its principle amount. On February 13, 2015, the bond series was tapped in additional €50 million nominal value at an issue price of 105% of its principal amount. The convertible bond bore a coupon of 4% p.a., payable semi-annually in arrears, and was redeemable at maturity at 110% of its principle amount. The initial conversion price was fixed at €3.00.

In March 2017, PCI fully early redeemed the outstanding amount of its convertible bond series A at its accreted principal amount (as defined in the bond's Terms and Conditions) together with the accrued but unpaid interest for total consideration of €22.5 million.

Since the issuance of the convertible bond and until its full redemption, a total amount of €128.7 million nominal value of the convertible bond was converted into PCI shares (out of which €8.2 million during 2017).

	Year ended December 31,	
	2017	2016
	in € millions	
Balance at the beginning of the year	31.2	112.4
Expenses for the year	(1.0)	1.0
Expenses paid	-	(2.4)
Conversion to ordinary shares of PCI	(8.3)	(79.8)
Redemption of outstanding amount	(21.9)	-
Carrying amount of liability at the end of the year	-	31.2
Non-current portion of Convertible bond of PCI	-	30.4
Accrued interest	-	0.1
Total Convertible bond of PCI	-	30.5
Deferred income	-	0.7

20.3 Straight bond series A

In December 2014, the Company successfully completed the placement of a €161 million (nominal value) unsubordinated, senior secured straight bond maturing in December 2021 bearing a coupon of 3% p.a., payable semi-annually in arrears, for a price of 94% of its principal amount. In January 2015, the Company tapped the series A bonds in an additional principal amount of €39 million (nominal value) for a price at 94% of the principal amount, resulting in a total nominal amount of €200 million.

During 2016, the Group repurchased €160.4 million nominal value of the straight bond series A for total consideration of €166.5 million, with trading cancelled thereafter.

In May 2017, the Company fully redeemed its outstanding straight bond series A at its accreted principal amount (as defined in the bond's Terms and Conditions), together with accrued but unpaid interest for total consideration of €39.5 million.

	Year ended December 31,	
	2017	2016
	in € millions	
Balance at the beginning of the year	37.6	188.3
Transaction costs	-	(0.4)
Net proceeds during the year	-	(0.4)
Expenses for the year	0.5	7.3
Expenses paid	-	(3.6)
Redemption of outstanding nominal amounts	(38.1)	(154.0)
Carrying amount of liability at the end of the year	-	37.6
Non-current portion of straight bond series A	-	37.5
Accrued interest	-	0.1
Total straight bond series A	-	37.6

20. LOANS, BORROWINGS AND BONDS (Continued)

20.4 Convertible bond series B

In May 2015, the Company successfully completed the placement of a €450 million (nominal value) senior, unsecured convertible bond convertible into ordinary shares of the Company and maturing in May 2020. The bond was placed by the Company with institutional investors, bearing 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 at maturity at par value. The initial conversion price was set at €3.53 per share. The bond was admitted to trading on the regulated market of the Frankfurt Stock Exchange. Due to capital increases and dividend distributions since placement and until December 2017, the conversion price was adjusted to €3.2746.

As of the year-end, €6 million nominal value of the Company's convertible bond series B remains outstanding (excluding the €56.3 million nominal value which is held by the Company).

	Year ended December 31,	
	2017	2016
	in € millions	
Balance at the beginning of the year	395.9	428.0
Transaction costs	-	(0.3)
Net proceeds during the year	-	(0.3)
Expenses for the year	6.6	17.6
Expenses paid	(6.0)	(13.0)
Conversion to ordinary shares	(334.5)	(36.4)
Buy-back of 563 units by the Company (a)	(56.2)	-
Carrying amount of liability at the end of the year	5.8	395.9
Non-current portion of Convertible bond series B	5.8	394.0
Accrued interest	-	1.9
Total Convertible bond series B	5.8	395.9

(a) During the year, the Company bought-back 563 nominal units for consideration of €78.9 million. The surplus arise was deducted from the equity.

20.5 Convertible bond series C

In December 2015, the Company successfully completed the placement of a €300 million (nominal value) senior, unsecured convertible bond convertible into ordinary shares of the Company and maturing in January 2021. The bond was placed by the Company to institutional investors, bearing 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 at maturity at par value. The initial conversion price was set at €5.79 per share. The bond was admitted to trading on the regulated market of the Frankfurt Stock Exchange. Due to the dividend distributions in December 2016 and 2017, the conversion price was adjusted to €5.6862 per share and €5.5148 per share, respectively.

	Year ended December 31,	
	2017	2016
	in € millions	
Balance at the beginning of the year	286.3	281.8
Transaction costs	-	(1.0)
Net proceeds during the year	-	(1.0)
Expenses for the year	8.2	8.1
Expenses paid	(4.5)	(2.6)
Carrying amount of liability at the end of the year	290.0	286.3
Non-current portion of Convertible bond series C	288.0	284.3
Accrued interest	2.0	2.0
Total Convertible bond series C	290.0	286.3

At the issuance date of the convertible bond, a total amount of a €7.1 million was accounted as equity and presented in the other reserves, and €3.4 million constituted as issuance expenses. The amount recognized as equity is classified to the premium on shares, following conversions of the convertible bond into ordinary shares of the Company.

20.6 Straight bond series D

In April 2016, the Company successfully completed the placement of a €600 million (nominal value) senior, unsecured straight bond maturing in May 2022, bearing a coupon of 1.5% p.a., payable annually in arrears, for a consideration that reflected 95.542% of its principal amount. The bond was admitted to trading on the Irish Stock Exchange, and on the Frankfurt Stock Exchange.

	Year ended December 31,	
	2017	2016
	in € millions	
Balance at the beginning of the year	577.3	-
Proceeds from issuance of Bond series D (6,000 notes at €100,000 par value)	-	573.3
Transaction costs	-	(5.2)
Net proceeds during the year	-	568.1
Expenses for the year	13.9	9.2
Expenses paid	(9.0)	-
Buy-back of 40 units by the Company	(3.8)	-
Carrying amount of liability at the end of the year	578.4	577.3
Non-current portion of straight bond series D	572.5	571.4
Accrued interest	5.9	5.9
Total straight bond series D	578.4	577.3

20.7 Straight bond series E

In July 2016, the Company successfully completed the placement of a €500 million (nominal value) senior, unsecured straight bond maturing in July 2024, bearing a coupon of 1.5% p.a., payable annually in arrears, for a consideration that reflected 95.312% of its principal amount. The Bond was admitted to trading on the regulated market of the Irish Stock Exchange, and on the Frankfurt Stock Exchange.

In November 2016, the Company successfully completed a tap up placement of an additional €150 million (nominal value) of straight bond series E, for a consideration that reflected 96.297% of its principal amount. As a result, the aggregated principal amount of the straight bond series E increased to €650 million (nominal value).

	Year ended December 31,	
	2017	2016
	in € millions	
Balance at the beginning of the year	619.9	-
Proceeds from issuance of Bond series E (6,500 notes at €100,000 par value)	-	621.0
Transaction costs	-	(6.6)
Net proceeds during the year	-	614.4
Expenses for the year	14.2	5.5
Expenses paid	(9.0)	-
Carrying amount of liability at the end of the year	625.1	619.9
Non-current portion of straight bond series E	620.6	616.1
Accrued interest	4.5	3.8
Total straight bond series E	625.1	619.9

20. LOANS, BORROWINGS AND BONDS (Continued)

Rotterdam

20.8 Straight bond series F

In December 2016, the Company successfully completed the placement of a €500 million (nominal value) senior, unsecured straight bond maturing in March 2023, bearing a coupon of 2.125% p.a., payable annually in arrears, for a consideration that reflected 99.003% of its principal amount. The bond was admitted to trading on the Irish Stock Exchange.

In January 2017, the Company successfully completed a tap placement of its straight bond series F by an additional €50 million (nominal value) for a consideration that reflected 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 the Company's credit. Following settlement, the aggregated principal amount of the straight bond series F was increased to €550 million.

	Year ended December 31,	
	2017	2016
	in € millions	
Balance at the beginning of the year	489.5	-
Proceeds from issuance of straight bond series F (5,000 notes at €100,000 par value)	-	495.0
Proceeds from issuance of straight bond series F (500 notes at €100,000 par value)	49.7	-
Transaction costs	(0.1)	(6.1)
Net proceeds during the year	49.6	488.9
Expenses for the year	13.4	0.6
Expenses paid	(2.8)	-
Carrying amount of liability at the end of the year	549.7	489.5
Non-current portion of straight bond series F	540.4	489.0
Accrued interest	9.3	0.5
Total straight bond series F	549.7	489.5

20.9 Straight bond series G

During December 2016, the Company successfully completed the placement of a €30 million (nominal value) senior, unsecured coupon-free short term note matured in December 2017, for a consideration that reflected 99.98% of its principal amount. The bond has been fully repaid at maturity date.

20.10 EMTN Programme

In March 2017, the Group announced the establishment of a €1.5 billion (later increased to €10.0 billion) Medium Term Notes Programme ("the EMTN Programme"). The EMTN Programme will facilitate the issuance by the Company of senior notes over time in various currencies and maturities as a continuing element of Aroundtown's financing strategy. The EMTN notes were admitted to trading on the regulated market of the Irish Stock Exchange.

20.10.1 Straight bond series H

In March 2017, the Company successfully completed the placement of a USD 400 million (€372.4 million) (nominal value) maturing in 2032 for a consideration that reflected 94.651% of its principal amount. The bond was placed under the EMTN Programme. The currency risk inherent in the bond has been hedged by cross-currency swap resulting in fixed exchange rate on the foreign currency and an effective annual euro coupon of 1.365%, linked to the CPI, until maturity. The hedge derivative's value was determined by an external valuation.

	Year ended December 31,	
	2017	2016
	in € millions	
Balance at the beginning of the year	-	-
Proceeds from issuance of EMTN Bond (1,600 notes at USD 250,000 par value)	352.5	-
Transaction costs	(2.2)	-
Net proceeds during period year	350.3	-
Expenses for the period	4.9	-
Results of foreign currency exchange (hedged via OCI)	(30.3)	-
Carrying amount of liability at the end of the year	324.9	-
Non-current portion of straight bond series H	312.8	-
Accrued interest	12.1	-
Total straight bond series H	324.9	-

20.10.2 Straight bond NOK

In July 2017, the Company successfully completed the placement of a NOK (Norwegian Krone) 750 million (€79.3 million) (nominal value) fixed rate straight bond maturing in 2027 for a consideration that reflected 98.5% of its principal amount. The bond was placed under the EMTN Programme. The currency risk inherent in the bond has been hedged by cross-currency swap resulting in fixed exchange rate on the foreign currency and an effective euro coupon of 0.818%, linked to the CPI, until maturity. The hedge derivative's value was determined by an external valuation.

	Year ended December 31,	
	2017	2016
	in € millions	
Balance at the beginning of the year	-	-
Proceeds from issuance of EMTN Bond (750 notes at NOK 1,000,000 par value)	78.1	-
Transaction costs	(0.3)	-
Net proceeds during the period	77.8	-
Expenses for the period	0.3	-
Results of foreign currency exchange (hedged via OCI)	(2.2)	-
Carrying amount of liability at the end of the year	75.9	-
Non-current portion of straight bond NOK	74.7	-
Accrued interest	1.2	-
Total straight bond NOK	75.9	-

20. LOANS, BORROWINGS AND BONDS (Continued)

20.10.3 Straight bond series I

In July 2017, the Company successfully completed the placement of a €500 million (nominal value) straight bond series I maturing in January 2026, bearing a coupon of 1.875% p.a., payable annually in arrears starting from January 2018 (short first coupon), for a consideration that reflected 97.087% of its principal amount. The bond was placed under the EMTN Programme.

	Year ended December 31,	
	2017	2016
	in € millions	
Balance at the beginning of the year	-	-
Proceeds from issuance of EMTN Bond (5,000 notes at EUR 100,000 par value)	485.4	-
Transaction costs	(3.0)	-
Net proceeds during the period	482.4	-
Expenses for the period	5.0	-
Carrying amount of liability at the end of the year	487.4	-
		-
Non-current portion of straight bond series I	483.2	
Accrued interest	4.2	-
Total straight bond series I	487.4	-

20.10.4 Straight bond series J

In October 2017, the Company successfully completed the placement of a GBP (British Pound) 500 million (€557.2 million) (nominal value) maturing in 2029 for a consideration that reflected 97% of its principal amount, and implemented full currency-hedge to the euro until maturity. The currency risk inherent in the bond has been hedged by cross-currency swap resulting in an effective coupon of 1.5% payable annually until 2022 and thereafter 1.21% plus Euribor (6 months), payable semi-annually in arrears, until maturity. The bond was placed under the EMTN Programme. The hedge derivative's value was determined by an external valuation.

	Year ended December 31,	
	2017	2016
	in € millions	
Balance at the beginning of the year	-	-
Proceeds from issuance of EMTN Bond (5,000 notes at GBP 100,000 par value)	540.6	-
Transaction costs	(3.7)	-
Net proceeds during the period	536.9	-
Expenses for the period	1.8	-
Results of foreign currency exchange	7.7	-
Carrying amount of liability at the end of the year	546.4	-
Non-current portion of straight bond series J	542.9	-
Accrued interest	3.5	-
Total straight bond series J	546.4	-

Dresden

20.10.5 Straight bond series K

In November 2017, the Company successfully completed the placement of a €700 million (nominal value) straight bond series K maturing in January 2025, bearing a coupon of 1.0% p.a., payable annually in arrears starting from January 2019, for a consideration that reflected 97.62% of the principal amount. The bond was placed under the EMTN Programme.

	Year ended December 31,	
	2017	2016
	in € millions	
Balance at the beginning of the year	-	-
Proceeds from issuance of EMTN Bond (7,000 notes at EUR 100,000 par value)	683.4	-
Transaction costs	(3.9)	-
Net proceeds during the period	679.5	-
Expenses for the period	1.4	-
Carrying amount of liability at the end of the period	680.9	-
Non-current portion of straight bond series K	679.9	-
Accrued interest	1.0	-
Total straight bond series K	680.9	-

Düsseldorf

20.11 Reclassification of liabilities arising from financing activities

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows, or future cash flows will be, classified in the Group's consolidated statement of cash flows from financing activities.

			Non-cash changes						
	31.12.2016	Financing cash flows (i)	Acquisition (disposal) of subsidiaries, net	Foreign exchange effect	Change in liabilities held for sale	Conversion to shares	Other (ii)	Other changes (iii)	31.12.2017
Convertible bonds	713.4	(111.3)	-	-	-	(342.8)	22.6	13.9	295.8
Straight bonds	1,724.3	2,112.1	-	(25.2)	-	-	-	57.4	3,868.6
Loans and borrowings	1,122.0	(884.1)	816.5	-	(119.2)	-	0.5	38.6	974.3
Derivative financial instruments	6.9	(2.5)	-	-	0.4	-	5.1	-	9.9

i) Financing cash flows include interest payments and proceeds from (repayment of) financial instruments, net.
ii) Other non-cash changes include discount and issuance cost amortization for the bonds, unrealized revaluations gains net of derivative financial instruments and foreign exchange effect.
iii) Other changes include interest accruals and loss from buyback of bonds.

20. LOANS, BORROWINGS AND BONDS (Continued)

20.12 Main security, pledge and negative pledge as defined in the bonds' Terms and Conditions

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 ratably.

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.

In addition to the pledge above, as of December 31, 2017, out of the Company's total holding in GCP S.A. 9.7 million of GCP S.A.'s shares are pledged due to a facility agreement.

21. DERIVATIVE FINANCIAL INSTRUMENTS

	December 31,	
	2017	2016
	in € millions	
ASSETS		
Non-current portion	34.1	-
Current portion	10.9	-
LIABILITIES		
Non-current portion	54.9	6.9

The Group uses interest rate swaps, cross currency 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.

In addition, derivatives financial instruments consist hedge instruments on the Group's straight bonds and perpetual notes in foreign currency.

22. OTHER NON-CURRENT LIABILITIES

	December 31,	
	2017	2016
	in € millions	
Tenancy deposits	7.1	4.2
Finance lease liability	4.1	1.1
Long term payables	58.9	35.5
Deferred income	-	0.7
	70.1	41.5

23. RELATED PARTY TRANSACTIONS

The transactions and balances with related parties are as follows:

	Year ended December 31	
	2017	2016
	in € millions	
Rental and operating expenses to related party during the year	(0.4)	(0.2)

As of December 31, 2017, all payments related to the lease agreements have been carried out.

	December 31,	
	2017	2016
	in € millions	
Loans to associates	106.7	18.0

The loans to associates were granted for a maturity longer than 1 year with an annual interest in a range between 7% – 8%.

Except for the above mentioned transaction and the management share incentive plan there are no further transactions with related parties and key management (refer to note 19).

24. TRADE AND OTHER PAYABLES

	December 31,	
	2017	2016
	in € millions	
Trade and other payables	151.2	39.6
Prepayments received on operating costs	92.5	57.0
Deferred income	11.3	6.3
Other short-term liabilities	11.5	4.8
	266.5	107.7

25. PROVISIONS FOR OTHER LIABILITIES AND CHARGES

	in € millions
Balance as at January 1, 2016	13.2
Movement during the year	14.8
Balance as at December 31, 2016	28.0
Movement during the year	59.1
Balance as at December 31, 2017	87.1

Frankfurt am Main

26. 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
- Currency risk
- Market risk
- Other risks

The Group has immaterial exposure to currency risk on its GBP operational currency investments that are different from the EUR, which is the functional currency of the Company.

(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.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the end of the reporting period was as follows:

	Carrying amount	
	2017	2016
	in € millions	
Rent and other receivables	33.7	13.7
Traded securities at fair value through profit or loss	87.7	180.8
Long term financial investments	366.9	117.7
	488.3	312.2

The maximum exposure to credit risk for the end of the reporting period derived by the tenants and trade securities' risk profile.

Impairment losses

The aging of rent receivables at the end of the reporting period that were not impaired was as follows:

	Carrying amount	
	2017	2016
	in € millions	
Neither past due and past due 1–30 days	15.2	3.8
Past due 31–90 days	1.0	2.3
Past due above 90 days	4.2	7.6
	20.4	13.7

Management believes that the unimpaired amounts that are past due by more than 30 days are still collectible in full, based on the historical payment behavior and extensive analysis of customer credit risk, including underlying customers' credit ratings if they are available.

26. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

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 which available at any time without any restriction in the amount of €736.4 million as at December 31, 2017 (December 31, 2016: €641.4 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 2016 of financial liabilities, including estimated interest payments, the impact of derivatives and excluding the impact of netting agreements:

AS AT DECEMBER 31, 2017	Carrying amount	Contractual cash flows including interest Total	2 months or less	2-12 months	1-2 years	2-3 years	More than 3 years
	in € millions						
NON-DERIVATIVE FINANCIAL LIABILITIES							
Loans and borrowings	974.3	1,083.7	4.1	35.9	39.9	245.3	758.5
Straight bonds	3,868.6	4,402.4	4.7	44.5	37.4	37.0	4,278.8
Convertible bonds	295.8	322.1	2.2	2.4	4.7	10.6	302.2
Trade payables	151.2	151.2	107.3	43.9	-	-	-
TOTAL	**5,289.9**	**5,959.4**	**118.3**	**126.7**	**82.0**	**292.9**	**5,339.5**

AS AT DECEMBER 31, 2016	Carrying amount	Contractual cash flows including interest Total	2 months or less	2-12 months	1-2 years	2-3 years	More than 3 years
	in € millions						
NON-DERIVATIVE FINANCIAL LIABILITIES							
Loans and borrowings	991.5	1,113.0	2.6	52.0	155.6	73.3	829.5
Straight bonds	1,724.3	1,994.0	-	22.6	30.6	30.6	1,910.2
Convertible bonds	713.4	810.7	2.3	15.7	18.0	50.5	724.2
Trade payables	39.6	39.6	6.6	33.0	-	-	-
TOTAL	**3,468.8**	**3,957.3**	**11.5**	**123.3**	**204.2**	**154.4**	**3,463.9**

(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.

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).

1. Financial assets and liabilities measured at fair value:

	Level 1	Level 2	Level 3	Total
	in € millions			
DECEMBER 31, 2017				
Derivative financial instruments	-	45.0	-	45.0
Traded securities at fair value through profit or loss	87.7	-	-	87.7
TOTAL ASSETS	**87.7**	**45.0**	**-**	**132.7**
Derivative financial instruments	-	54.9	-	54.9
TOTAL LIABILITIES	**-**	**54.9**	**-**	**54.9**
DECEMBER 31, 2016				
Traded securities at fair value through profit or loss	180.8	-	-	180.8
TOTAL ASSETS	**180.8**	**-**	**-**	**180.8**
Derivative financial instruments	-	6.9	-	6.9
TOTAL LIABILITIES	**-**	**6.9**	**-**	**6.9**

2. Financial assets and liabilities not measured at fair value:

Except as detailed in the following table, the Group considers that the carrying amount of the financial assets and liabilities recognized in the consolidated financial statements approximates their fair value.

	As at December 31, 2017		As at December 31, 2016	
	Carrying amount	Fair value	Carrying amount	Fair value
	in € millions			
Convertible bonds	295.8	386.0	713.4	877.0
Straight bonds	3,868.6	4,078.0	1,724.3	1,787.0

26. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

(iv) Foreign currency risk

The Group undertakes capital market transactions (bonds placements) denominated in foreign currencies (mainly US Dollar, British Pound and Norwegian Krone); consequently, exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters utilizing forward foreign exchange contracts, which fully eliminate the risk.

(v) Market risk

a. Profile

At the end of the reporting period the interest rate profile of the Group's interest-bearing financial instruments as reported to the management of the Group was as follows:

	Nominal amount as at December 31,	
	2017	2016
	in € millions	
HEDGE INSTRUMENTS		
Swap	1,114.5	188.9
Cap, collar	435.1	459.7
TOTAL HEDGE INSTRUMENTS	1,549.6	648.6
Fixed interest rate	3,483.7	2,772.2
VARIABLE RATE INSTRUMENTS		
Variable	215.3	152.5
TOTAL INTEREST-BEARING FINANCIAL INSTRUMENTS	5,248.6	3,573.3

b. Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the end of the reporting period would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	Profit or loss		Equity	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
	in € millions			
DECEMBER 31, 2017				
Variable, Cap, collar rate instruments	(4.4)	-	(4.4)	-
CASH FLOW SENSITIVITY	(4.4)	-	(4.4)	-
DECEMBER 31, 2016				
Variable, Cap, collar rate instruments	(4.0)	-	(4.0)	-
CASH FLOW SENSITIVITY	(4.0)	-	(4.0)	-

(vi) 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 striving to keep a low debt to equity ratio. The management closely monitors Loan to Value ratio (LTV), which is calculated, on an entity level or portfolio level, where applicable, in order to ensure that it remains within its quantitative banking covenants and maintain a strong credit rating. The Group seeks to preserve its conservative capital structure with an LTV to remain at a target below 45%. As at December 31, 2017 and 2016 the LTV ratio was 36% and 39%, respectively, and the Group did not breach any of its loan covenants, nor did it default on any other of its obligations under its loan agreements. LTV covenant ratio may vary between the subsidiaries of the Group. The Company regularly reviews compliance with Luxembourg and local regulations regarding restrictions on minimum capital. During the years covered by these consolidated financial statements, the Company complied with all externally imposed capital requirements.

27. OPERATING LEASE

The Group entered into long-term rent agreements as a lessor of its investment property. The future minimum rental income which will be received is as follows:

	December 31,	
	2017	2016
	in € millions	
Less than a year	514.1	304.1
Between one to five years	1,493.7	876.0
More than five years	1,693.7	1,130.9
	3,701.5	2,311.0

29. CONTINGENT ASSETS AND LIABILITIES

The Group had no significant contingent assets and liabilities as at December 31, 2017.

30. EVENTS AFTER THE REPORTING PERIOD

a) In January 2018, the Company successfully completed the placement of a €400 million (nominal value) of perpetual subordinated notes bearing a coupon of 2.125% p.a. with first call date in 2024, at an issue price of 98.174%.

b) In January 2018, the Company successfully completed the placement of a USD 150 million (€125 million) (nominal value) straight bond maturing in 2038, at a subscription price of 100% of its principal amount. The bond was placed under the EMTN Programme. The currency risk inherent in the notes has been hedged by cross-currency swap, resulting in an effective semi-annual coupon of 1.75% p.a. for the first 5 years and Euribor (6M) + 1.78% for the remaining part until maturity.

c) In January 2018, the Company successfully completed the placement of a CHF (Swiss Franc) 250 million (€212 million) (nominal value) straight bond maturing in 2025, at an issue price of 100% of the principal amount, bearing an annual coupon of 0.732% p.a. The bond was placed under the EMTN Programme. The Company hedged the currency risk implied by the CHF denomination by swapping the initial and final notional into euro.

d) In January 2018, the Company announced an offer to the holders of its €600 million 1.5% straight bond series D maturing in 2022 ("Bond"), to tender any and all such Bond's denominations for purchase by the Company for cash subject to the terms and conditions set out in the tender offer memorandum prepared by the Company. As a result of the tender, an aggregate principal amount of €319 million was bought back by the Company based on a purchase price of 103.938% of the principal amount, excluding accrued interest. The settlement of the tender was completed on February 5, 2018. Following the settlement, an aggregate principal amount of €281 million of the Bond remained outstanding.

e) In January 2018, the Company successfully completed the placement of a €800 million (nominal value) straight bond bearing a coupon of 1.625% p.a. and maturing in 2028, at an issue price of 97.179% of the principal amount. The bond was placed under the EMTN Programme.

f) In March 2018, the Company announced the inclusions of the Company into the FTSE EPRA/NAREIT Global Developed Index, the GPR 250 Index and the MDAX index of the Deutsche Börse. All index inclusions were effective as of March 19, 2018.

g) In March 2018, the Company increased its share capital from €9,481,140.21 by €950,000 to €10,431,140.21 through the issue of 95 million new shares. The offer price was fixed at €6.38 per share, resulting in gross proceeds of €606.1 million.

31. GROUP SIGNIFICANT HOLDINGS

The details of the significant Group are as follows:

			December 31,	
	Place of incorporation	Principal activities	2017 Holding %	2016 Holding %
Subsidiaries held directly by the Company				
Edolaxia Limited	Cyprus	Holdings	100%	100%
ATF Netherlands BV	Netherlands	Financing	100%	100%
AT Securities BV	Netherlands	Financing	100%	-

			December 31,	
	Place of incorporation	Principal activities	2017 Holding %	2016 Holding %
Subsidiaries held indirectly by the Company				
Camelbay Real Estate Limited	Cyprus	Holdings	100%	100%
Primecity Investment PLC	Cyprus	Holdings	98.18%	95%

			December 31,	
	Place of incorporation	Principal activities	2017 Holding %	2016 Holding %
Associates held indirectly by the Company				
Grand City Properties S.A.	Luxembourg	Holdings	37.66%	35%

Amsterdam

AROUNDTOWN SA