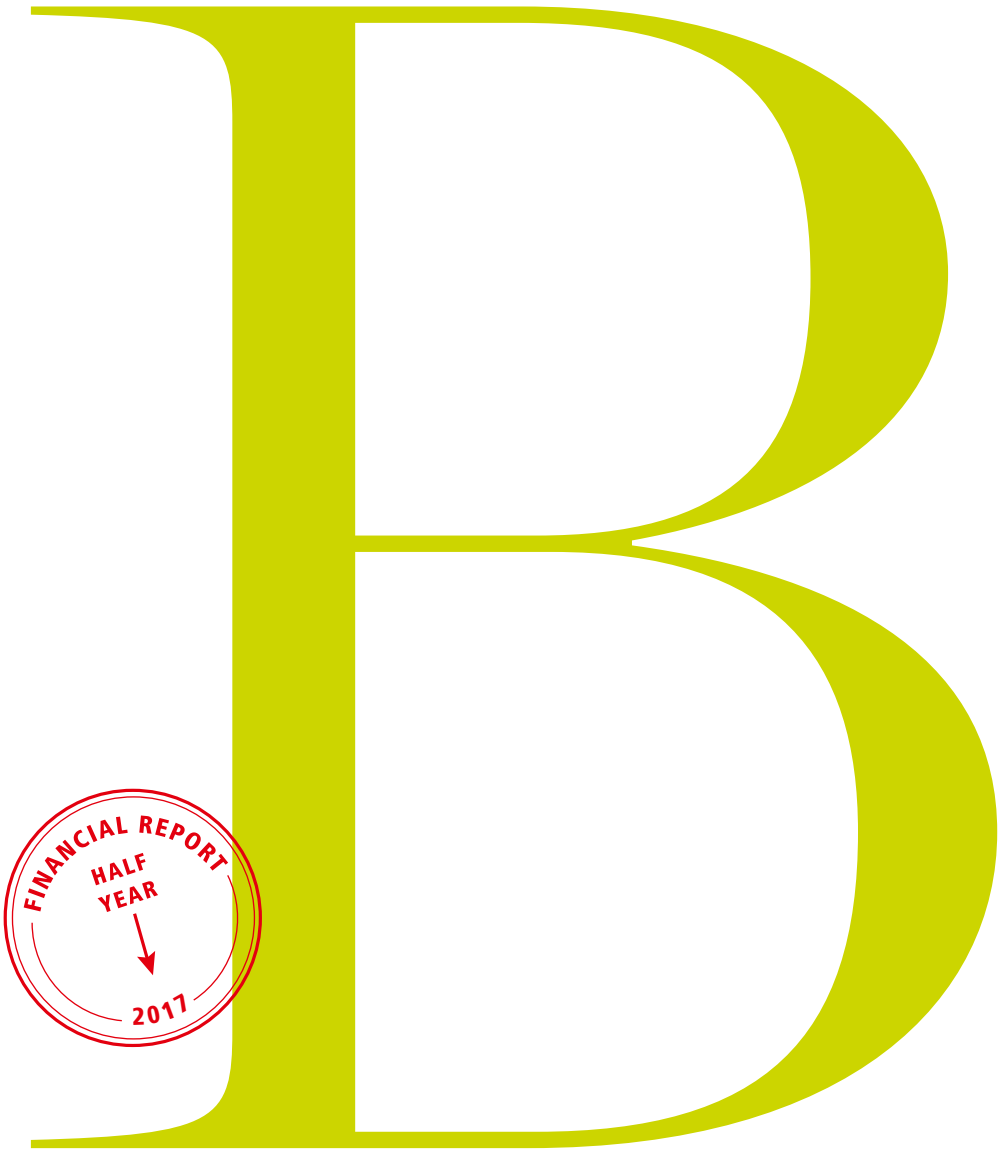
ADO



BERLINSIDERS

HALF YEAR FINANCIAL REPORT

2017

HALF YEAR FINANCIAL REPORT 2017 KEY FIGURES

KEY BALANCE SHEET FIGURES

In EUR thousand	**Jun 30, 2017**	Dec 31, 2016
Fair value of properties (including advances)	2,646,316	2,344,419
Loans and borrowings	917,146	904,714
LTV	33.2%	31.4%

RESIDENTIAL

	Jun 30, 2017	Dec 31, 2016
Monthly in-place rent (EUR per sqm)	6.28	6.11
Total vacancy rate	2.7%	2.5%
Number of units	18,061	17,701
Rental growth (like-for-like)	5.4%	6.0%

5.4%
like-for-like rental growth

39.58
EPRA NAV (in EUR per share)

KEY FINANCIAL FIGURES

	For the six months ended		For the three months ended		For the year ended
In EUR thousand	**Jun 30, 2017**	Jun 30, 2016	**Jun 30, 2017**	Jun 30, 2016	Dec 31, 2016
Income from rental activities	51,398	41,746	26,093	21,383	89,810
EBITDA from rental activities	36,473	29,734	18,458	15,328	63,388
EBITDA margin	75.5%	76.2%	75.8%	77.4%	74.9%
EBITDA total	37,787	31,271	19,033	16,174	66,627
FFO 1 (from rental activities)	26,713	19,855	13,598	10,463	43,513
AFFO (from rental activities)	22,803	16,100	11,877	9,063	34,671
FFO 2 (incl. disposal results)	28,027	21,392	14,173	11,309	46,752

EPRA KEY FIGURES

In EUR thousand	**Jun 30, 2017**	Dec 31, 2016
EPRA NAV	1,745,371	1,591,345
EPRA NAV (in EUR per share)	39.58	36.08
EPRA NNNAV	1,579,671	1,452,830
EPRA NNNAV (in EUR per share)	35.82	32.94
EPRA vacancy rate (in %)	2.9%	2.5%

TYPICALLY BERLINERISCH: THE ADO MISSION

ADO
looks back at more than 10 years of continuous growth.

At ADO, we believe in Berlin. We know Berlin. We are Berlin. As the only Prime Standard-listed real estate company focused solely on the German capital, we outperform other real estate providers in the city. We offer top-quality housing and are passionately committed to our tenants and take our cross-generational responsibility seriously for the neighborhoods they live in. We are committed to ongoing economic success and the interests of our shareholders. Our teams embody the best local and cosmopolitan sides of the capital. **Our focus is our strength.**

A

MANAGEMENT TEAM (LEFT TO RIGHT): Florian Goldgruber, Rabin Savion, Eyal Horn

"Berlin is East, West and everything in between; it's one dish with many flavors."

Rabin Savion
CEO

NAGEMENT

DEAR READERS,

Today, we are pleased to report another major development to our investors: Two years after our initial public offering in 2015, ADO successfully placed an inaugural unsecured corporate bond in July, securing new capital in the amount of EUR 400 million for our company.

The bond, which matures in July 2024 and bears an annual coupon of 1.5 per cent, allows us to further improve and diversify our funding structure. It widens our access to capital to support our continued strategic growth in Berlin. Accompanying our placement, Moody's Investors Service assigned a solid investment grade rating of Baa2 to both ADO Properties S.A. and ADO's corporate bond with a stable outlook.

In setting our eyes to the future, we take Moody's rating as a vote of confidence that our strategy as a pure play, residential property provider focused solely on Berlin promises further success. Following our proven strategy, we will continue to seek out assets in inner-city areas with strong reversionary potential as well as attractive S-Bahn-Ring and City Ring locations.

This positive development is also confirmed by the Q2 2017 value of ADO's investment portfolio which, according to the independent appraiser CBRE, is now set at just under EUR 2.6 billion. This development marks an increase of more than EUR 850 million over the last 12 months.

Berlin's macro-economic climate remains positive. Whether students, millennials, or senior professionals, the capital continues to be the dream destination for tens of thousands of people every year. The demand for attractive residential accommodation especially in the city's hip central areas is as strong as ever.

We are proud that ADO's management structure has been designed and put in place to manage further expansion. Key here is our integrated, scalable in-house platform as well as ADO's entrepreneurial corporate culture which encourages agility, co-operation and efficient workflows.

In reporting our latest growth figures, we are grateful to our investors for the trust they continue to place in us. We also thank our ever-growing ADO team. They are the BERLINSIDERS who continue to drive our success with ambition, energy and an unrivalled passion for Berlin.

EUR
2.6
billion
property value

100%
pure play
Berlin

33.2%
LTV

With kind regards,

RABIN SAVION
Chief Executive Officer

FLORIAN GOLDGRUBER
Chief Financial Officer

EYAL HORN
Chief Operating Officer

STOCK M

SHARE PRICE DEVELOPMENT

Indexed

— *ADO Properties S.A.*

— *SDAX*

— *FTSE EPRA / NAREIT Germany*

July 01, 2016 *June 30, 2017*

ARKET AND THE ADO SHARE

EUR
0.45
dividend paid per share

THE SHARE: KEY STOCK MARKET DATA

ADO shares are traded on the Prime Standard of the Frankfurt Stock Exchange. During the 12 months ended June 30, 2017, the shares traded in a range between EUR 29.67 and EUR 39.78. ADO shares are included in the SDAX index of Deutsche Börse and the relevant real estate sector indices of the EPRA index family.

SHAREHOLDER STRUCTURE

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

ANALYST COVERAGE

ADO shares are currently being covered by twelve analysts. The target prices range from EUR 31.70 to EUR 48.00 per share with an average target price of EUR 38.90.

INVESTOR RELATIONS ACTIVITIES

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

DIVIDEND POLICY

On May 2, 2017, the Annual General Meeting approved a dividend payout totalling EUR 19.8 million or EUR 0.45 per share representing a 46% payout of total FFO 1 of the year 2016 and an increase of almost 30% compared to the previous dividend. Going forward, ADO Properties aims to distribute an annual dividend of up to 50% of FFO 1.

SHARE INFORMATION

1st day of trading	Jul 23, 2015
Subscription price	EUR 20.00
Price at the end of Q2 2017	EUR 37.04
Highest share price LTM	EUR 39.78
Lowest share price LTM	EUR 29.67
Total number of shares	44.1m
ISIN	LU1250154413
WKN	A14U78
Symbol	ADJ
Class	Dematerialized shares
Free float	61.8%
Stock exchange	Frankfurt Stock Exchange
Market segment	Prime Standard
Market index	SDAX
EPRA indices	FTSE EPRA / NAREIT Global Index, FTSE EPRA / NAREIT Developed Europe Index, FTSE EPRA / NAREIT Germany Index

COMBINED INTERIM MANAGEMENT REPORT

FUNDAMENTALS OF THE GROUP

Business Model

ADO is 100% focused on Berlin and the only listed pure play Berlin residential real estate company. All our 19,124 units (18,061 residential units) are within the city borders of Berlin. We are a residential real estate specialist with a fully integrated asset management platform. Our 263 operational employees are all based in Berlin bringing us closer to our assets and tenants. This ensures that we are at the heart of new market trends and developments. Our operational focus in combination with our long-standing local sourcing capabilities provide the base from which to drive FFO and NAV per share by further developing our existing portfolio and through accretive add-on acquisitions. We look for value and rental growth in attractive areas offering good prospects. Central Locations form the largest part of our portfolio, more than 40% as of today, as these were the first areas to experience increased demand. Today, we see demand growing throughout Berlin and we continue to grow in all attractive micro-locations. An important feature of our growth strategy is to retain the balance between the outskirts and Central Locations.

19,124
units

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

Objectives and Strategy

Creating value through strong like-for-like rental growth from our real estate portfolio in Berlin is the core of our strategy. Our privatization program, which we started at the end of 2014, provides further options to unlock the hidden value in our portfolio and creates another source of income from the sale of individual apartments. We reinvest the capital released by our privatization activities in acquisitions or use it to fund CAPEX to further improve the quality of our existing portfolio.

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

We have adopted a conservative financing structure with an LTV target of maximum 45%, which also permits us to benefit from attractive financing conditions and allows us to react quickly to opportunities for potential acquisitions.

We continuously review opportunities to acquire new assets and portfolios to increase the size of our portfolio in Berlin and to add further growth options to our internal opportunities. The strategic fit of these opportunities to our existing platform together with a clear plan to achieve accretive returns for our shareholders are the key criteria that guide our acquisitions.

Management System

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

Financial Performance Indicators

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

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

CALCULATION OF EPRA NAV

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

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

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

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

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

CALCULATION OF EPRA NNNAV

	EPRA NAV
(+)	Fair value of derivative financial instruments [2]
(+)	Fair value of debt [3]
(+)	Deferred taxes
=	**EPRA NNNAV**

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

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

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

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

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

CALCULATION OF EBITDA FROM RENTAL ACTIVITIES

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

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

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

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

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

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

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

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

CALCULATION OF FFO 1 (FROM RENTAL ACTIVITIES)

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

9) Only current income taxes relating to rental activities.

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

CALCULATION OF AFFO (FROM RENTAL ACTIVITIES)

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

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

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

CALCULATION OF FFO 2 (INCL. DISPOSAL RESULTS)

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

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

CALCULATION OF LTV

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

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

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

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

Non-Financial Performance Indicators

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

The *vacancy rate* shows the ratio of the sqm of vacant units in our properties to the total sqm. We calculate the vacancy rate separately for residential and commercial units. They are used as an indicator of the current letting performance.

The *in-place rent per sqm* provides an insight into the average rental income from the rented properties. It serves as an indicator of the current letting performance.

The *like-for-like rental growth* is the change rate of the gross rents generated by the like-for-like residential portfolio over the last 12 months.

All of the previous non-financial performance indicators are key drivers for the development of rental income.

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

Corporate Governance

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

Business Performance Highlights

We continue to implement our clear growth strategy by acquiring further new units and by targeted CAPEX investments to drive rental growth. In Q2 2017 we took over a total of 359 units, due to increasing periods between signing and closing. The integrated units are mostly located in Central Locations and were acquired for a total cost of approx. EUR 81.5 million with an average price per sqm of EUR 2,772 and an average multiplier of 29.2 times. The average existing rent per sqm of the new purchases is EUR 7.69 with approx. 32% revisionary potential.

EUR
6.28
avg. residential in-place rent per sqm

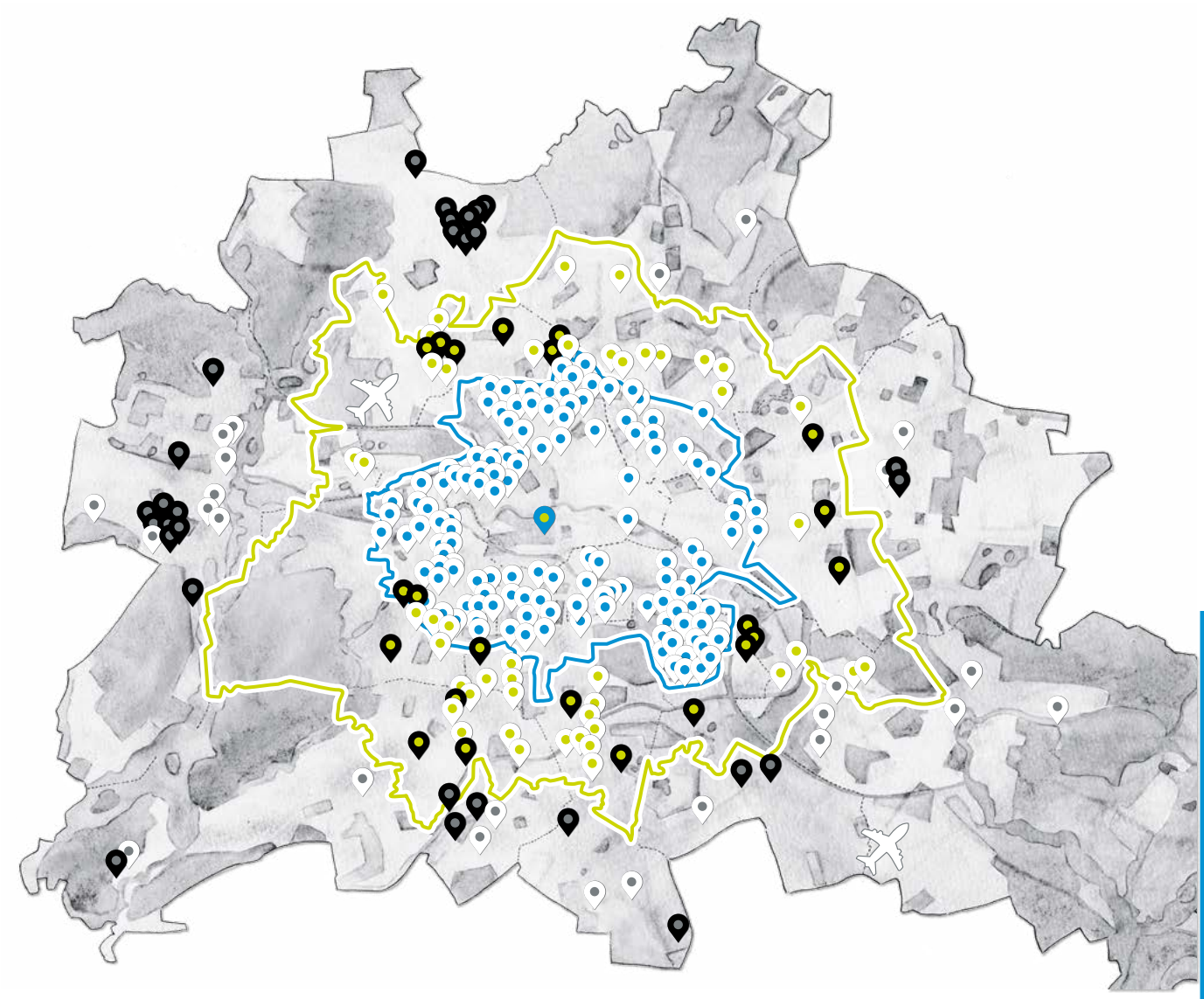
The good operational performance of our existing portfolio is well on track in respect of new rentals as well as in respect of the execution of our CAPEX program. The like-for-like rental growth of 5.4% in Q2 2017 resulted in an average rent per sqm of EUR 6.28 on the back of our CAPEX program. Our vacancy rate increased slightly to 2.7% due to the sales and modernization activities.

Portfolio Overview

100% of our portfolio is within the city borders of Berlin. Our past and future acquisition strategy for building our portfolio not only considers the various districts in Berlin, but also the micro-locations and the quality of the individual assets. We continue to see opportunities in inner-city locations, but also in the outskirts within the city boundaries of Berlin. More than 40% of the property value of our portfolio is in Central Locations of Berlin.

We see significant reversionary potential in our portfolio as our current average new letting rent per sqm is between 25%–59% higher than our current overall average rent.

ADO PORTFOLIO CLUSTERS (AS AT JUNE 30, 2017)



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

Portfolio Valuation

EUR
2.6bn
portfolio value

The portfolio was independently valued by CBRE. The total portfolio value of 2.6 billion as of June 30, 2017 includes the full property portfolio, both trading and investment properties. The positive development of the Berlin residential real estate market is an important driver for the increase of the value of our properties. In addition to market trends, our operational performance and dedicated investment strategy are supporting our value growth.

It should be noted that CBRE assumed in the valuation average market rents which are approx. 20% lower than our current new letting rents – a strong indicator for further value growth.

The following table shows the key valuation figures related to the properties as at June 30, 2017.

PORTFOLIO OVERVIEW (*)

	Central	S-Bahn Ring	S-Bahn Ring (1960–1990)	City Ring	City Ring (1960–1990)	**TOTAL**
Fair value (EUR m)	1,053	309	367	161	706	**2,596**
Value / sqm (EUR)	2,461	2,155	1,958	2,260	1,496	**1,994**
Share of fair value	41%	12%	14%	6%	27%	**100%**
Number of units	5,745	1,705	2,988	855	6,768	**18,061**
Avg. in-place rent (EUR / sqm)	6.79	6.46	6.73	6.97	5.57	**6.28**
CBRE market rent (EUR / sqm)	8.71	8.36	7.49	8.07	6.41	**7.55**
Avg. new letting rent (EUR / sqm) (**)	10.79	9.05	10.18	9.00	6.94	**9.09**
Reversionary potential	59%	40%	51%	29%	25%	**45%**
Multiplier (current rent)	29.17	27.41	23.81	25.87	22.37	**25.81**
Multiplier (CBRE market rent)	22.87	21.55	21.15	22.28	19.12	**21.30**
Multiplier (new letting rent)	18.46	19.91	15.57	19.97	17.66	**17.69**
Discount rate	4.52%	4.68%	4.67%	4.72%	4.99%	**4.70%**
Capitalization rate	3.06%	3.22%	3.27%	3.23%	3.51%	**3.24%**
Occupancy (sqm)	96.6%	96.9%	97.7%	96.7%	97.9%	**97.3%**
Tenant turnover (LTM ***)	9.8%	7.9%	6.6%	9.9%	7.8%	**8.4%**

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

(**) Based on the last three months.

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

Portfolio Performance

RESIDENTIAL PORTFOLIO

	June 30, 2017	Dec 31, 2016
Number of units	18,061	17,701
Avg. rent / sqm / month	EUR 6.28	EUR 6.11
Vacancy	2.7%	2.5%

The average rent per sqm increased by EUR 0.17 per sqm from the beginning of the year, while the vacancy rate increased slightly by 0.2% to 2.7% due to our sales and modernization activities.

COMMERCIAL PORTFOLIO

	June 30, 2017	Dec 31, 2016
Number of units	1,063	999
Avg. rent / sqm / month	EUR 8.93	EUR 8.60
Vacancy	3.6%	3.2%

The commercial part of our portfolio also confirms Berlin's positive development. It shows higher rents compared to the residential properties, having now grown to EUR 8.93 per sqm, which represents an increase of EUR 0.33 per sqm from the beginning of the year. The vacancy rate of the commercial units increased slightly to 3.6%.

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

RENTAL GROWTH (LIKE-FOR-LIKE)

5.4%
like-for-like rental growth

	LTM (*) June 30, 2017	Jan 1– Dec 31, 2016
New lettings after CAPEX	2.4%	2.7%
New lettings fluctuation	2.8%	1.6%
Regular rent increases	0.2%	1.7%
TOTAL	**5.4%**	**6.0%**

(*) Last 12 months (LTM).

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

Rental growth continues to be in line with our expectations and our forecast of at least 5% like-for-like growth for the full year 2017.

MAINTENANCE AND CAPEX

In EUR / sqm	**Jan 1– June 30, 2017 (*)**	Jan 1– Dec 31, 2016
Maintenance	6.1	6.8
Capitalized maintenance	6.7	7.4
Modernization CAPEX	13.0	13.8
TOTAL	**25.8**	**28.1**

(*) Annualized figures based on total lettable area.

EUR
16.5m
total investment in first six months of 2017

Targeted investments in our portfolio are at the core of our strategy. Total investment in the portfolio in the first six months of 2017 amounted to EUR 16.5 million. The maintenance cost per sqm of EUR 25.8 in the first six months was in line with our expectations at our long-term average levels.

VACANCY SPLIT

Our active asset management aims to minimize our vacancy rate while keeping the necessary flexibility for our portfolio optimization. From the beginning of the year, we have seen a slight increase in the vacancy rate by 0.2% due to our sales and modernization activities.

VACANCY SPLIT

Residential	**June 30, 2017**	Dec 31, 2016
Units for sale	0.3%	0.2%
Units under construction	1.7%	1.3%
Marketing (available for letting)	0.7%	1.0%
Total vacancy (units)	510	450
Total vacancy (sqm)	32,268	28,933
TOTAL VACANCY RATE	**2.7%**	**2.5%**
TOTAL EPRA VACANCY RATE	**2.9%**	**2.5%**

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

ECONOMIC REVIEW

Economic and Industry-Specific Parameters

GENERAL MARKET CONDITIONS

Germany's economy continued to grow firmly during the second quarter of 2017. The gross domestic product grew by 0.6% adjusted for inflation, seasonal variation and calendar effects. The growth impetus came from domestic and public spending as well as from increasing capital expenditure. On the other hand, foreign trade had a decelerating impact due to the fact that imports increased significantly more than exports during the reporting period *(source: Federal Statistical Office of Germany)*.

The number of gainfully employed persons climbed to 44.2 million towards the end of June 2017. This implies a year-on-year increase of 1.5% *(source: Federal Statistical Office of Germany)*. The reassuring trend on the job market is further stimulating private consumption as well as rental housing construction in Germany. In June 2017, the European Central Bank (ECB) confirmed its main refinancing interest rate at 0.0%, which will continue to keep borrowing costs low for real estate investors.

DEMOGRAPHICS AND HOUSING DEMAND IN BERLIN

Berlin is the most populous city in Germany, and has shown steady demographic growth roughly since 2005. By the end of 2016, Berlin's population register showed a total of 3,671,000 residents and thus a one-year increase of 60,500 persons. Over the past five years, Berlin's population has grown by 243,500 residents, or at an annual average of 48,700 persons. The average inflow of new arrivals was exceeded in the past two years due to massive incoming migration from outside Germany *(source: Berlin-Brandenburg Statistics Office – press release dated February 24, 2017)*.

Previous forecasts of the trend in the number of households in Berlin used to assume growth of about 3.0% by between 2020 and 2025. According to the IW German Economic Institute in Cologne, this would imply an annual requirement of roughly 20,000 additional flats between now and 2020. Given the latest demographic forecasts and the strong flow of incoming migration, however, there is every reason to assume that the projected annual housing demand in Berlin will have to be revised upward. Notwithstanding recent increases in residential building activities in Berlin, both the number of planning permits and the number of residential completions continue to lag behind the trend in demand. With this in mind, it is safe to anticipate continued price growth for residential real estate in Berlin.

Profit Situation

Income from rental activities for the first six months increased by 23% driven by new acquisitions and like-for-like growth. Comparing Q2 2017 to Q1 2017 it grew by more than 3%, reflecting an annualized income of EUR 104 million.

The EBITDA from rental activities increased by 23%. The quarterly results represent an annualized EBITDA of EUR 74 million. As part of our privatization plan to sell 100 units in year 2017, we sold 16 units this quarter and a total of 40 units from the beginning of the year, compared to 57 units in the first half year of 2016. The average sales price of EUR 3,146 per sqm has not only seen an increase more than 4% compared to 2016, but also compares very positively to our current average portfolio value for Central Locations of EUR 2,461 per sqm which is most comparable.

Our six months financing cost on interest-bearing loans amounts to EUR 9.5 million. As at the end of the second quarter, our average interest rate on all outstanding loans is 1.9% with weighted average maturity of approximately 5.1 years.

FINANCIAL PERFORMANCE (*)

	For the six months ended		For the three months ended		For the year ended
In EUR thousand	**June 30, 2017**	June 30, 2016	**June 30, 2017**	June 30, 2016	Dec 31, 2016
Net rental income	48,308	39,013	24,349	19,815	84,673
Income from facility services	3,090	2,733	1,744	1,568	5,137
INCOME FROM RENTAL ACTIVITIES	**51,398**	**41,746**	**26,093**	**21,383**	**89,810**
Cost of rental activities	(10,071)	(7,534)	(5,121)	(3,586)	(16,838)
NET OPERATING INCOME	**41,327**	**34,212**	**20,972**	**17,797**	**72,972**
NOI from rental activities margin (%)	85.5%	87.7%	86.1%	89.8%	86.2%
Overhead costs (**)	(4,854)	(4,478)	(2,514)	(2,469)	(9,584)
EBITDA FROM RENTAL ACTIVITIES	**36,473**	**29,734**	**18,458**	**15,328**	**63,388**
EBITDA from rental activities margin (%)	75.5%	76.2%	75.8%	77.4%	74.9%
Net profit from privatizations	1,314	1,537	575	846	3,239
EBITDA TOTAL	**37,787**	**31,271**	**19,033**	**16,174**	**66,627**
Net cash interest	(9,521)	(9,675)	(4,761)	(4,830)	(19,197)
Other net financial costs (***)	(3,459)	(8,611)	(3,644)	(8,049)	(8,531)
Depreciation and amortization	(223)	(158)	(112)	(79)	(356)
EBT	**24,584**	**12,827**	**10,516**	**3,216**	**38,543**

(*) Excluding effects from the changes in fair value of investment properties and assets held for sale.

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

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

FFO

In EUR thousand	For the six months ended		For the three months ended		For the year ended
	June 30, 2017	June 30, 2016	**June 30, 2017**	June 30, 2016	Dec 31, 2016
EBITDA from rental activities	36,473	29,734	18,458	15,328	63,388
Net cash interest	(9,521)	(9,675)	(4,761)	(4,830)	(19,197)
Current income taxes	(239)	(204)	(99)	(35)	(678)
FFO 1 (FROM RENTAL ACTIVITIES)	**26,713**	**19,855**	**13,598**	**10,463**	**43,513**
Maintenance capital expenditures	(4,270)	(3,755)	(2,494)	(1,400)	(8,841)
AFFO (FROM RENTAL ACTIVITIES)	22,443	16,100	11,104	9,063	34,671
Net profit from privatizations	1,314	1,537	575	846	3,239
FFO 2 (INCL. DISPOSAL RESULTS)	**28,027**	**21,392**	**14,173**	**11,309**	**46,752**
No. of shares (**)	44,100	36,334	44,100	37,683	39,083
FFO 1 / SHARE	0.61	0.55	0.31	0.28	1.11
FFO 2 / SHARE	0.64	0.59	0.32	0.30	1.20

(**) On July 23, 2015 and on April 21, 2016 the Company issued new shares. The number of shares is calculated as the weighted average shares for the period.

FFO

Our funds from the operation of rental activities without disposals (FFO 1) in Q2 2017 rose by approximately 35% in comparison to the corresponding period of the previous year and by 4% compared to Q1 2017.

CASH FLOW

The cash flow of the Group breaks down as follows:

CASH FLOW

In EUR thousand	**Jan 1– June 30, 2017**	Jan 1– June 30, 2016
Net cash flow from operating activities	36,520	36,502
Net cash flow used in investing activities	(139,493)	(141,396)
Net cash flow from / (used in) financing activities	(21,705)	78,482
NET CHANGE IN CASH AND CASH EQUIVALENTS	(124,678)	(26,412)
Opening balance cash, cash equivalents and other deposits	183,421	134,445
CLOSING BALANCE CASH AND CASH EQUIVALENTS	58,743	108,033

The change in cash flow was mainly driven by new acquisitions and the respective effects on operations, investment and financing.

The changes in the assets and liabilities result mainly from the acquisitions. They were also influenced by the fair value adjustments resulting from the June 30, 2017 valuation performed by CBRE. The Company will update the fair value of the investment properties based on a third-party valuation with the next annual report. The current average cap rate is 3.24% and was calculated based on the net operating income for the last month of the period under review on an annualized basis, divided by the fair value.

FINANCIAL POSITION

In EUR thousand	**June 30, 2017**	Dec 31, 2016
Investment properties (including advances)	2,597,396	2,290,740
Other non-current assets	6,674	5,908
NON-CURRENT ASSETS	**2,604,070**	**2,296,648**
Cash and cash deposits	58,743	183,421
Other current assets	79,165	82,325
CURRENT ASSETS	**137,908**	**265,746**
TOTAL ASSETS	**2,741,978**	**2,562,394**
Loans and borrowings	917,146	904,714
Other liabilities	57,470	53,503
Deferred tax liabilities	144,188	117,673
TOTAL LIABILITIES	**1,118,804**	**1,075,890**
TOTAL EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY	**1,593,470**	**1,461,945**
Non-controlling interests	29,704	24,559
TOTAL EQUITY	**1,623,174**	**1,486,504**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**2,741,978**	**2,562,394**

On June 30, 2017, our EPRA NAV was EUR 39.58 per share and the EPRA Triple Net Asset Value (NNNAV) was EUR 35.82 per share.

EPRA NAV

EUR
39.58
EPRA NAV
per share

In EUR thousand	**June 30, 2017**	Dec 31, 2016
Total equity attributable to shareholders of the Company	1,593,470	1,461,945
Revaluation of trading properties	4,443	7,542
Fair value of derivative financial instruments	3,270	4,185
Deferred taxes	144,188	117,673
EPRA NAV	**1,745,371**	**1,591,345**
No. of shares	44,100	44,100
EPRA NAV PER SHARE	**39.58**	**36.08**

NET ASSET VALUE (NNNAV)

In EUR thousand	**June 30, 2017**	Dec 31, 2016
EPRA NAV	1,745,371	1,591,345
Fair value of derivative financial instruments	(3,270)	(4,185)
Fair value of debt	(18,242)	(16,657)
Deferred taxes	(144,188)	(117,673)
EPRA NNNAV	**1,579,671**	**1,452,830**
No. of shares	44,100	44,100
EPRA NNNAV PER SHARE	**35.82**	**32.94**

FUNDING

We are funding our properties based on a conservative financing strategy with a mix of secured mortgage loans and equity.

FINANCING

In EUR thousand	**June 30, 2017**	Dec 31, 2016
Loans and borrowings and other long-term liabilities	936,952	919,851
Cash and cash equivalents	58,743	183,421
Net financial liabilities	878,209	736,430
Fair value of properties	2,646,316	2,344,419
Loan-to-Value ratio	33.2%	31.4%
Avg. interest rate	1.9%	2.1%

33.2%
LTV

As at the reporting date our loan-to-value (LTV) was 33.2% with an average interest rate of the loan portfolio of 1.9%. Almost of our loans have a fixed interest rate or are hedged. The average maturity of our loans is approximately 5.1 years.

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

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

EPRA KEY FIGURES

EPRA-Performance Measure	Definition	Purpose	**June 30, 2017**	Dec 31, 2016	Change in %
EPRA NAV (In EUR thousand)	EPRA NAV represents the fair value of net assets on an ongoing, long-term basis. Assets and liabilities that are not expected to crystallize in normal circumstances, such as the fair value of financial derivatives and deferred taxes on property valuation surpluses, are therefore excluded. Similarly, trading properties are adjusted to their fair value under EPRA's NAV measure.	Makes adjustments to IFRS NAV to provide stakeholders with the most relevant information on the fair value of the assets and liabilities within a true real estate investment company with a long-term investment strategy.	1,745,371	1,591,345	9.7%
EPRA NNNAV (In EUR thousand)	EPRA NAV adjusted to include the fair values of financial instruments, debt and deferred taxes.	The objective of the EPRA NNNAV measure is to present net asset value including fair value adjustments in respect of all material balance sheet items that are not reported at their fair value as part of the EPRA NAV.	1,579,671	1,452,830	8.7%
EPRA Vacancy rate (in %)	Estimated Market Rental Value (ERV) of vacant space divided by ERV of the whole portfolio.	A "pure" (%) measure of investment property space that is vacant based on ERV.	2.9%	2.5%	40 bps

SUBSEQUENT EVENTS

A. After the reporting date, the Group acquired or is expecting the closing of 15 different deals with 54 assets including a total of 1,232 residential units and 115 commercial units in Berlin, both as asset and share deals. The gross purchase price for 100% of the acquired assets amounted to EUR 237.1 million. The total annual net cold rent from the new acquisitions as at purchase amounted to EUR 7.8 million. As at June 30, 2017 the Group paid an advance of EUR 50 million that was recorded as advances in respect of investment properties.

B. On July 17, 2017, Moody's Investors Service (Moody's) assigned ADO a first-time long-term issuer rating of Baa2 with a stable rating outlook. On July 20, 2017 the Company placed unsecured, fixed-rate corporate bonds with a total nominal amount of EUR 400 million with institutional investors. Moody's assigned a Baa2 instrument rating with a stable rating outlook in line with ADO's long-term issuer rating. The bonds carry an interest rate of 1.5% per annum and mature on July 26, 2024. The gross proceeds resulting from the transaction amounted to EUR 398.6 million with an issue price of 99.651%. The net proceeds from the bond will mainly be used to fund future acquisitions.

FORECAST REPORT

We are positive that ADO Properties will continue to increase the value of its assets, its NAV and NAV per share by generating significant like-for-like rental growth in the future. We anticipate our like-for-like rental growth for 2017 to be approximately 5%.

We expect our FFO1 run-rate to be at least EUR 62 million after investing the proceeds of our bond placement.

In the privatization business, we expect to sell around 100 units in 2017.

Our average cost of debt is expected to improve to 1.7% with an LTV target of maximum 45%.

For the year 2017, we anticipate a dividend payout ratio of up to 50% of FFO1.

RISK REPORT

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

Concluding Remark

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

RESPONSIBILITY STATEMENT

We confirm, to the best of our knowledge, that the Condensed Consolidated Financial Statements of ADO Properties S. A. presented in this Six-Months Financial Report 2017, prepared in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board and as adopted by the European Union, give a true and fair view of the net assets, financial and earnings position of the Company, and that the Interim Management Report includes a fair review of the development of the business, and describes the main opportunities, risks and uncertainties associated with the Company for the remaining six months of the year.

Rabin Savion
Chief Executive Officer

Florian Goldgruber
Chief Financial Officer

Eyal Horn
Chief Operating Officer

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

ASSETS

In EUR thousand	Note	**June 30, 2017** (unaudited)	June 30, 2016 (unaudited)	Dec 31, 2016 (audited)
Non-current assets				
Investment properties	5A	2,547,385	1,703,014	2,278,935
Advances in respect of investment properties	9A	50,011	37,429	11,805
Property and equipment		2,175	1,770	2,148
Other financial asset	6B	4,499	2,409	3,760
		2,604,070	**1,744,622**	**2,296,648**
Current assets				
Trading properties	5B	44,477	36,657	39,718
Advances in respect of trading properties		–	–	6,419
Restricted bank deposits		24,376	27,727	28,207
Trade receivables		5,816	5,669	6,604
Other receivables		4,496	4,726	1,377
Other deposits	5C	–	35,000	–
Cash and cash equivalents		58,743	73,033	183,421
		137,908	**182,812**	**265,746**
TOTAL ASSETS		**2,741,978**	**1,927,434**	**2,562,394**

EQUITY AND LIABILITIES

In EUR thousand	Note	**June 30, 2017** (unaudited)	June 30, 2016 (unaudited)	Dec 31, 2016 (audited)
Shareholders' equity	5D			
Share capital		55	48	55
Share premium		499,520	304,961	499,520
Reserves		333,059	335,248	333,872
Retained earnings		760,836	347,471	628,498
TOTAL EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		**1,593,470**	**987,728**	**1,461,945**
NON-CONTROLLING INTERESTS		**29,704**	**13,770**	**24,559**
TOTAL EQUITY		**1,623,174**	**1,001,498**	**1,486,504**
Liabilities				
Non-current liabilities				
Loans and borrowings	5E	894,124	782,328	877,326
Other long-term liabilities	5F	19,806	5,610	15,137
Derivatives	6B	3,065	5,141	3,926
Deferred tax liabilities		144,188	67,639	117,673
		1,061,183	**860,718**	**1,014,062**
Current liabilities				
Loans and borrowings	5E	23,022	35,560	27,388
Trade payables		6,824	6,229	8,957
Other payables		27,570	23,257	25,224
Derivatives	6B	205	172	259
		57,621	**65,218**	**61,828**
TOTAL LIABILITIES AND EQUITY		**2,741,978**	**1,927,434**	**2,562,394**

CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS

		For the six months ended		For the three months ended		For the year ended
In EUR thousand	Note	**June 30, 2017** (unaudited)	June 30, 2016 (unaudited)	**June 30, 2017** (unaudited)	June 30, 2016 (unaudited)	Dec 31, 2016 (audited)
Revenue	7A	59,718	52,372	29,612	27,407	109,775
Cost of operations	7B	(17,077)	(16,623)	(8,065)	(8,764)	(33,564)
GROSS PROFIT		**42,641**	**35,749**	**21,547**	**18,643**	**76,211**
General and administrative expenses		(5,364)	(5,652)	(2,765)	(2,698)	(12,277)
Changes in fair value of investment properties	5A	159,770	126,752	161,207	129,771	444,268
RESULTS FROM OPERATING ACTIVITIES		**197,047**	**156,849**	**179,989**	**145,716**	**508,202**
Finance income		741	593	562	766	1,972
Finance costs		(13,721)	(18,879)	(8,967)	(13,645)	(29,700)
NET FINANCE COSTS	**7C**	**(12,980)**	**(18,286)**	**(8,405)**	**(12,879)**	**(27,728)**
PROFIT BEFORE TAX		**184,067**	**138,563**	**171,584**	**132,837**	**480,474**
Income tax expense		(27,017)	(19,317)	(25,809)	(18,453)	(69,706)
PROFIT FOR THE PERIOD		**157,050**	**119,246**	**145,775**	**114,384**	**410,768**
Profit attributable to:						
Owners of the company		151,906	114,409	140,923	109,656	395,150
Non-controlling interest		5,144	4,837	4,852	4,728	15,618
PROFIT FOR THE PERIOD		**157,050**	**119,246**	**145,775**	**114,384**	**410,768**
Basic and diluted earnings per share (in EUR)		3.44	3.15	3.20	2.91	10.11

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

	For the six months ended		For the three months ended		For the year ended
In EUR thousand	**June 30, 2017** (unaudited)	June 30, 2016 (unaudited)	**June 30, 2017** (unaudited)	June 30, 2016 (unaudited)	Dec 31, 2016 (audited)
PROFIT FOR THE PERIOD	**157,050**	**119,246**	**145,775**	**114,384**	**410,768**
Items that may be reclassified subsequently to profit or loss					
Hedging reserve classified to profit or loss, net of tax	–	5,275	–	5,275	5,275
Effective portion of changes in fair value of cash flow hedges	915	(1,640)	409	(481)	(512)
Related tax	108	342	189	177	53
TOTAL OTHER COMPREHENSIVE INCOME	**1,023**	**3,977**	**598**	**4,971**	**4,816**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**158,073**	**123,223**	**146,373**	**119,355**	**415,584**
Total comprehensive income attributable to:					
Owners of the company	152,928	118,366	141,520	114,607	399,938
Non-controlling interest	5,145	4,857	4,853	4,748	15,646
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**158,073**	**123,223**	**146,373**	**119,355**	**415,584**

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

		For the six months ended		For the three months ended		For the year ended
In EUR thousand	Note	**June 30, 2017** (unaudited)	June 30, 2016 (unaudited)	**June 30, 2017** (unaudited)	June 30, 2016 (unaudited)	Dec 31, 2016 (audited)
Cash flows from operating activities						
Profit for the period		157,050	119,246	145,775	114,384	410,768
Adjustments for:						
Depreciation		223	158	112	79	356
Changes in fair value of investment properties	5A	(159,770)	(126,752)	(161,207)	(129,771)	(444,268)
Net finance costs	7C	12,980	18,286	8,405	12,879	27,728
Income tax expense		27,017	19,317	25,809	18,453	69,706
Share-based payment		287	551	139	160	859
Change in short-term restricted bank deposits related to tenants		(1,616)	(1,611)	(178)	(1,011)	(2,883)
Change in trade receivables		964	716	479	1,304	1,116
Change in other receivables		(3,111)	(2,497)	(86)	91	976
Change in trading properties		5,668	8,071	2,180	4,480	15,007
Change in advances in respect of trading properties		–	–	–	–	(6,419)
Change in trade payables		(5,156)	(835)	(2,745)	(1,289)	1,509
Change in other payables		2,195	1,954	325	1,103	2,276
Income tax paid		(211)	(102)	(87)	(37)	(352)
NET CASH FROM OPERATING ACTIVITIES		**36,520**	**36,502**	**18,921**	**20,825**	**76,379**
Cash flows from investing activities						
Purchase and CAPEX of investment properties	5A	(17,670)	(75,495)	(8,374)	(52,648)	(116,839)
Advances paid for investment property purchase	9A	(47,886)	(37,429)	(38,058)	(37,429)	(11,805)
Purchase of property and equipment		(249)	(208)	(67)	(122)	(784)

In EUR thousand	Note	For the six months ended		For the three months ended		For the year ended
		June 30, 2017 (unaudited)	June 30, 2016 (unaudited)	**June 30, 2017** (unaudited)	June 30, 2016 (unaudited)	Dec 31, 2016 (audited)
Interest received		2	1	2	1	29
Proceeds from disposal of investment properties		–	300	–	300	1,015
Acquisition of subsidiaries, net of acquired cash	4	(79,732)	(22,675)	(1,457)	–	(160,244)
Repayment of bank deposit		–	30,000	–	20,000	65,000
Change in short-term restricted bank deposits, net		6,042	(5,890)	6,056	(5,824)	(4,662)
NET CASH USED IN INVESTING ACTIVITIES		**(139,493)**	**(111,396)**	**(41,898)**	**(75,722)**	**(228,290)**
Cash flows from financing activities						
Long-term loans received	5E	89,594	150,712	89,594	150,312	182,721
Repayment of long-term loans	5E	(77,721)	(132,972)	(73,692)	(128,429)	(158,300)
Repayment of short-term loans		(3,961)	(8,140)	(1,648)	(3,853)	(13,088)
Interest paid		(9,772)	(9,868)	(4,406)	(3,959)	(18,762)
Payment from settlement of derivatives		–	(6,184)	–	(6,184)	(6,184)
Issuance of ordinary shares, net		–	98,409	–	98,409	292,975
Dividend distributed	5D	(19,845)	(13,475)	(19,845)	(13,475)	(13,475)
NET CASH FROM (USED IN) FINANCING ACTIVITIES		**(21,705)**	**78,482**	**(9,997)**	**92,821**	**265,887**
CHANGE IN CASH AND CASH EQUIVALENTS DURING THE PERIOD		**(124,678)**	**3,588**	**(32,974)**	**37,924**	**113,976**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		**183,421**	**69,445**	**91,717**	**35,109**	**69,445**
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		**58,743**	**73,033**	**58,743**	**73,033**	**183,421**

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

For the six months ended June 30

In EUR thousand	Share capital	Share premium	Hedging reserves	Capital reserve from transactions with controlling shareholder	Retained earnings	**TOTAL**	Non-controlling interests	**TOTAL EQUITY**
2017 (unaudited)								
BALANCE AT JANUARY 1, 2017	55	499,520	(2,312)	336,184	628,498	1,461,945	24,559	1,486,504
Total comprehensive income for the period								
Profit for the period	–	–	–	–	151,906	151,906	5,144	157,050
Other comprehensive income for the period, net of tax	–	–	1,022	–	–	1,022	1	1,023
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**–**	**–**	**1,022**	**–**	**151,906**	**152,928**	**5,145**	**158,073**
Transactions with owners, recognized directly in equity								
Changes in put option (see note 5F)	–	–	–	(1,845)	–	(1,845)	–	(1,845)
Dividend distributed (see note 5D)	–	–	–	–	(19,845)	(19,845)	–	(19,845)
Share-based payment	–	–	–	10	277	287	–	287
BALANCE AT JUNE 30, 2017	**55**	**499,520**	**(1,290)**	**334,349**	**760,836**	**1,593,470**	**29,704**	**1,623,174**
2016 (unaudited)								
BALANCE AT JANUARY 1, 2016	–	206,600	(7,100)	339,277	246,739	785,516	8,913	794,429
Total comprehensive income for the period								
Profit for the period	–	–	–	–	114,409	114,409	4,837	119,246
Other comprehensive income for the period, net of tax	–	–	3,957	–	–	3,957	20	3,977
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**–**	**–**	**3,957**	**–**	**114,409**	**118,366**	**4,857**	**123,223**
Transactions with owners, recognized directly in equity								
Issuance of ordinary shares, net	48	98,361	–	–	–	98,409	–	98,409
Changes in put option (see note 5F)	–	–	–	(917)	–	(917)	–	(917)
Dividend distributed	–	–	–	–	(13,475)	(13,475)	–	(13,475)
Share-based payment	–	–	–	31	(202)	(171)	–	(171)
BALANCE AT JUNE 30, 2016	**48**	**304,961**	**(3,143)**	**338,391**	**347,471**	**987,728**	**13,770**	**1,001,498**

For the three months ended June 30

In EUR thousand	Share capital	Share premium	Hedging reserves	Capital reserve from trans-actions with controlling shareholder	Retained earnings	**TOTAL**	Non-controlling interests	**TOTAL EQUITY**
2017 (unaudited)								
BALANCE AT APRIL 1, 2017	55	499,520	(1,887)	336,014	639,619	1,473,321	24,851	1,498,172
Total comprehensive income for the period								
Profit for the period	–	–	–	–	140,923	140,923	4,852	145,775
Other comprehensive income for the period, net of tax	–	–	597	–	–	597	1	598
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**–**	**–**	**597**	**–**	**140,923**	**141,520**	**4,853**	**146,373**
Transactions with owners, recognized directly in equity								
Changes in put option (see note 5F)	–	–	–	(1,665)	–	(1,665)	–	(1,665)
Dividend distributed (see note 5D)	–	–	–	–	(19,845)	(19,845)	–	(19,845)
Share-based payment	–	–	–	–	139	139	–	139
BALANCE AT JUNE 30, 2017	**55**	**499,520**	**(1,290)**	**334,349**	**760,836**	**1,593,470**	**29,704**	**1,623,174**
2016 (unaudited)								
BALANCE AT APRIL 1, 2016	–	206,600	(8,094)	339,235	251,862	789,603	9,022	798,625
Total comprehensive income for the period								
Profit for the period	–	–	–	–	109,656	109,656	4,728	114,384
Other comprehensive income for the period, net of tax	–	–	4,951	–	–	4,951	20	4,971
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**–**	**–**	**4,951**	**–**	**109,656**	**114,607**	**4,748**	**119,355**
Transactions with owners, recognized directly in equity								
Issuance of ordinary shares, net	48	98,361	–	–	–	98,409	–	98,409
Changes in put option (see note 5F)	–	–	–	(854)	–	(854)	–	(854)
Dividend distributed	–	–	–	–	(13,475)	(13,475)	–	(13,475)
Share-based payment	–	–	–	10	(572)	(562)	–	(562)
BALANCE AT JUNE 30, 2016	**48**	**304,961**	**(3,143)**	**338,391**	**347,471**	**987,728**	**13,770**	**1,001,498**

For the year ended December 31

In EUR thousand	Share capital	Share premium	Hedging reserves	Capital reserve from transaction with controlling shareholder	Retained earnings	**TOTAL**	Non-controlling interests	**TOTAL EQUITY**
2016 (audited)								
BALANCE AT JANUARY 1, 2016	–	206,600	(7,100)	339,277	246,739	785,516	8,913	794,429
Total comprehensive income for the year								
Profit for the year	–	–	–	–	395,150	395,150	15,618	410,768
Other comprehensive income for the year, net of tax	–	–	4,788	–	–	4,788	28	4,816
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**–**	**–**	**4,788**	**–**	**395,150**	**399,938**	**15,646**	**415,584**
Transactions with owners, recognized directly in equity								
Issuance of ordinary shares, net	55	292,920	–	–	–	292,975	–	292,975
Changes in put option (see note 5F)	–	–	–	(3,146)	–	(3,146)	–	(3,146)
Dividend distributed	–	–	–	–	(13,475)	(13,475)	–	(13,475)
Share-based payment	–	–	–	53	84	137	–	137
BALANCE AT DECEMBER 31, 2016	**55**	**499,520**	**(2,312)**	**336,184**	**628,498**	**1,461,945**	**24,559**	**1,486,504**

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Note 1 – ADO Properties S. A.

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

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

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

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

The Condensed Consolidated Interim Financial Statements of the Company as at June 30, 2017 and for the three and six-month periods then ended comprise the Company and its subsidiaries (together referred to as the "Group").

Note 2 – Basis of Accounting

A. STATEMENT OF COMPLIANCE

The condensed consolidated interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting as applicable in the European Union ("EU"). They do not include all the information required for a complete set of financial statements. However, selected explanatory notes are included to explain events and transactions that are significant for understanding the changes in the Group's financial position and performance since the last annual consolidated financial statements as at and for the year ended December 31, 2016.

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

These condensed consolidated interim financial statements were authorized for issue by the Company's Board of Directors on August 16, 2017.

B. USE OF ESTIMATES AND JUDGMENTS

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

The significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended December 31, 2016.

Note 3 – Accounting Policies

The accounting policies applied by the Group in these condensed consolidated interim financial statements are the same as those applied by the Group in its financial statements for the year ended December 31, 2016. These condensed consolidated interim financial statements should therefore be read in conjunction with the Group's annual consolidated financial statements for the year ended December 31, 2016.

A. NEW IFRS PRONOUNCEMENTS NOT YET ENDORSED BY THE EUROPEAN UNION

- IFRS 9 (2014), Financial Instruments

The Group has examined the effects of applying IFRS 9, and does not expect the effect of the new standard on the financial statements to be material.

- IFRS 15, Revenue from Contracts with Customers

The Group has examined the effects of applying IFRS 15, and does not expect the effect of the new standard on the financial statements to be material.

Note 4 – Scope of Consolidation

A. During the first quarter of 2017, the Group carried out two separate transactions to take over 94% and 94.9%, respectively, of the issued shares of two German entities holding one condominium building and one residential building located in Berlin, Germany. The total consideration amounted to EUR 11.6 million (including approximately 2% transaction costs). The buildings include 86 residential units and 4 commercial units with a total leasable area of approximately 5.5 thousand sqm.

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

In EUR thousand	(unaudited)
Cash and cash equivalents	349
Restricted bank deposits	32
Trade and other receivables	80
Trading properties	6,696
Investment properties (*)	5,115
Trade and other payables	(410)
Other long-term liabilities (**)	(267)
TOTAL CONSIDERATION	**11,595**
Consideration already paid in 2016	(6,419)
Consideration to be paid after the reporting period	(77)
Less cash acquired	(349)
NET CASH FLOW FROM THE ACQUISITION OF SUBSIDIARIES	**4,750**

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

(**) Other long-term liabilities refer to a put option granted to the non-controlling interests (see note 5F).

B. On June 1, 2017, the Group took over 94.9% of the issued shares of a German entity holding 10 residential buildings located in Berlin, Germany. The total consideration amounted to EUR 75.5 million (including approximately 3% transaction costs). The buildings include 298 residential units and 30 commercial units with a total leasable area of approximately 27.4 thousand sqm.

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

In EUR thousand	(unaudited)
Cash and cash equivalents	40
Restricted bank deposits	562
Trade and other receivables	105
Investment properties (*)	77,887
Trade and other payables	(514)
Other long-term liabilities (**)	(2,557)
TOTAL CONSIDERATION	**75,523**
Consideration to be paid after the reporting period	(501)
Less cash acquired	(40)
NET CASH FLOW FROM THE ACQUISITION OF SUBSIDIARIES	**74,982**

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

(**) Other long-term liabilities refer to a put option granted to the non-controlling interests (see note 5F).

Note 5 – Selected Notes to the Condensed Consolidated Interim Statement of Financial Position

A. INVESTMENT PROPERTIES

In EUR thousand	**June 30, 2017** (unaudited)	June 30, 2016 (unaudited)	Dec 31, 2016 (audited)
Balance as at January 1	2,278,935	1,456,804	1,456,804
Additions by way of acquiring subsidiaries (see note 4)	83,002	43,824	272,132
Additions by way of acquiring assets	15,711	65,781	98,285
Capital expenditure	13,697	10,153	25,351
Disposals	–	(300)	(1,015)
Transfer from investment properties	(3,730)	–	(16,890)
Fair value adjustments	159,770	126,752	444,268
TOTAL	**2,547,385**	**1,703,014**	**2,278,935**

Investment properties increased as compared with December 31, 2016 due to acquisitions of the issued shares of German entities (see note 4) and additional asset acquisitions in the first six months of 2017 totalling 63 residential units and 9 commercial units in Berlin at a total cost of EUR 15.7 million, including transaction costs and real estate transfer tax ("RETT") of EUR 1.6 million which were recognized under changes in fair value of investment properties in this condensed consolidated interim statement of profit or loss.

During the reporting period, the Group reclassified 1 building from investment properties to trading properties for a total amount of EUR 3,730 thousand, representing its fair value for the reclassification date. The Group aims to sell this building unit by unit as condominiums during the next three years.

According to the Group's fair value valuation policies for investment properties, investment properties generally undergo a detailed valuation as at June 30 and December 31 of each year. The fair value of the investment properties as at June 30, 2017 was determined by valuation expert CBRE, an industry specialist that has appropriate, recognized professional qualifications and up-to-date experience regarding the location and category of the properties. The fair value measurement for all of the investment properties has been categorized as Level 3 fair value due to prevailing use of unobservable inputs to the adopted valuation method.

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

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

	June 30, 2017 (unaudited)	
	Carlos	**Other**
Fair value (EUR thousand)	581,130	1,966,255
Value per sqm (EUR)	1,457	2,220
Share of fair value	23%	77%
Avg. residential in-place rent (EUR / sqm)	5.79	6.70
CBRE market rent (EUR / sqm) [sqm weighted]	6.30	8.18
Structural vacancy rate	0.5%	0.5%
Multiplier (current rent)	22.02	26.93
Multiplier (new letting rent)	18.97	21.99
Discount rate	5.0%	4.6%
Capitalization interest rate	3.5%	3.2%

	June 30, 2016 (unaudited)	
	Carlos	Other
Fair value (EUR thousand)	448,250	1,254,764
Value per sqm (EUR)	1,124	1,761
Share of fair value	26%	74%
Avg. residential in-place rent (EUR / sqm)	5.31	6.44
CBRE market rent (EUR / sqm) [sqm weighted]	6.02	7.48
Structural vacancy rate	0.5%	0.5%
Multiplier (current rent)	18.06	22.61
Multiplier (new letting rent)	15.30	18.99
Discount rate	5.3%	4.7%
Capitalization interest rate	4.3%	3.6%

	December 31, 2016 (audited)	
	Carlos	Other
Fair value (EUR thousand)	534,160	1,744,775
Value per sqm (EUR)	1,339	2,052
Share of fair value	23%	77%
Avg. residential in-place rent (EUR / sqm)	5.42	6.56
CBRE market rent (EUR / sqm) [sqm weighted]	6.07	7.45
Structural vacancy rate	0.5%	0.5%
Multiplier (current rent)	20.85	25.66
Multiplier (new letting rent)	18.06	22.13
Discount rate	5.2%	4.6%
Capitalization interest rate	3.7%	3.1%

B. TRADING PROPERTIES

During the six months ended June 30, 2017, the Group completed the sale of 40 condominium units for a total consideration of EUR 8.3 million (during the first six months of 2016: 57 units for EUR 10.6 million and during the year 2016: 109 units for EUR 20 million) recorded under revenues in this condensed consolidated interim statement of profit or loss.

During the period, the Group acquired a new condominium building with 46 residential units and 2 commercial units in Berlin at a total cost of EUR 6.7 million. See note 4 for more information regarding new acquired trading properties during the period.

During the reporting period, the Group reclassified 1 building from investment properties to trading properties for a total amount of EUR 3,730 thousand, representing its fair value for the reclassification date (see note 5A).

C. OTHER DEPOSITS

Other deposits represent the proceeds from the 2015 IPO invested in a deposit for 12 months. In the third quarter of 2016, the Group used up the remaining proceeds for new acquisitions.

D. EQUITY

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

E. LOANS AND BORROWINGS

As at June 30, 2017, loans and borrowings carry an average effective interest rate (i.e. considering the swap interest hedging affect from variable to fixed interest) of 1.9% per annum for the total loans (as at June 30, 2016: 1.97% and as at December 31, 2016: 2.1%). The average maturity of loans and borrowings is 5.1 years (as at June 30, 2016: 6 years and as at December 31, 2016: 5.3 years).

Loans and borrowings have increased in comparison with December 31, 2016 mainly due to the following:

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

During the reporting period, the Group signed a bank loan agreement in the amount of EUR 33 million to finance existing assets. The Group expects to draw down the loan during the third quarter of 2017. The new loan carries an annual fixed interest rate of 1.49% per annum for a 7 year term.

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

As at June 30, 2017, under the existing loan agreements, the Group is fully compliant with its obligations (including loan covenants) to the financing banks.

F. OTHER LONG-TERM LIABILITIES

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

The Company recognized the above put option as a financial liability measured at fair value at each reporting date, whereas the changes in the fair value are recognized in equity.

Note 6 – Financial Instruments

All of the aspects of the Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements as at and for the year ended December 31, 2016.

A. FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE FOR DISCLOSURE PURPOSES ONLY

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

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

	June 30, 2017 (unaudited)		June 30, 2016 (unaudited)		Dec 31, 2016 (audited)	
In EUR thousand	**Carrying amount**	**Fair value**	Carrying amount	Fair value	Carrying amount	Fair value
Variable rate loans and borrowings (*)	86,050	88,603	96,632	98,864	90,944	94,228
Fixed rate loans and borrowings (*)	831,096	846,785	721,256	743,888	813,770	827,143
TOTAL	**917,146**	**935,388**	**817,888**	**842,752**	**904,714**	**921,371**

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

B. FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

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

	June 30, 2017 (unaudited)		June 30, 2016 (unaudited)		Dec 31, 2016 (audited)	
In EUR thousand	**Level 2**	**Level 3**	Level 2	Level 3	Level 2	Level 3
Other financial asset (1)	–	4,499	–	2,409	–	3,760
Derivative financial liabilities (2)	3,270	–	5,313	–	4,185	–
Other long-term liabilities (3)	–	19,806	–	5,610	–	15,137

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

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

(3) Other long-term liabilities relate to a put option granted to ADO Group (see note 5F) measured at fair value. The fair value is calculated based on the expected payment amounts and the liability is discounted to present value using the market interest rate at the reporting date.

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

Note 7 – Selected Notes to the Condensed Consolidated Interim Statement of Profit or Loss

A. REVENUE

In EUR thousand	For the six months ended		For the three months ended		For the year ended
	June 30, 2017 (unaudited)	June 30, 2016 (unaudited)	**June 30, 2017** (unaudited)	June 30, 2016 (unaudited)	Dec 31, 2016 (audited)
Net rental income	48,308	39,013	24,349	19,815	84,673
Selling of condominiums	8,320	10,626	3,519	6,024	19,965
Income from facility services	3,090	2,733	1,744	1,568	5,137
TOTAL	**59,718**	**52,372**	**29,612**	**27,407**	**109,775**

B. COST OF OPERATIONS

In EUR thousand	For the six months ended		For the three months ended		For the year ended
	June 30, 2017 (unaudited)	June 30, 2016 (unaudited)	**June 30, 2017** (unaudited)	June 30, 2016 (unaudited)	Dec 31, 2016 (audited)
Salaries and other expenses	4,057	3,222	2,138	1,523	6,873
Cost (income) of utilities recharged, net	659	(138)	551	81	271
Sale of condominiums – cost	7,006	9,089	2,944	5,178	16,726
Property operations and maintenance	5,355	4,450	2,432	1,982	9,694
TOTAL	**17,077**	**16,623**	**8,065**	**8,764**	**33,564**

C. NET FINANCE COSTS

In EUR thousand	For the six months ended		For the three months ended		For the year ended
	June 30, 2017 (unaudited)	June 30, 2016 (unaudited)	**June 30, 2017** (unaudited)	June 30, 2016 (unaudited)	Dec 31, 2016 (audited)
Interest on loans and borrowings	8,725	9,675	4,364	4,830	18,526
One-off refinance costs	4,218	8,343	4,218	8,343	9,465
Other net finance expenses (income)	37	268	(177)	(294)	(263)
TOTAL	**12,980**	**18,286**	**8,405**	**12,879**	**27,728**

Note 8 – Segments Reporting

The basis of segmentation and the measurement basis for segment profit or loss are the same as presented in note 25 regarding operating segments in the annual consolidated financial statements for the year ended December 31, 2016.

The accounting policies of the operating segments are the same as described in note 3 regarding accounting policies.

A. INFORMATION ABOUT REPORTABLE SEGMENTS

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

	For the six months ended June 30, 2017 (unaudited)		
In EUR thousand	**Residential property management**	**Privatization**	**TOTAL CONSOLIDATED**
External income from residential property management	50,929	469	51,398
External income from selling condominiums	–	8,320	8,320
CONSOLIDATED REVENUE	50,929	8,789	**59,718**
REPORTABLE SEGMENT GROSS PROFIT	41,056	1,585	**42,641**
General and administrative expenses			(5,364)
Changes in fair value of investment properties			159,770
Finance income			741
Finance expense			(13,721)
CONSOLIDATED PROFIT BEFORE TAX			184,067
Income tax expense			(27,017)

	For the six months ended June 30, 2016 (unaudited)		
In EUR thousand	Residential property management	Privatization	Total consolidated
External income from residential property management	41,136	610	41,746
External income from selling condominiums	–	10,626	10,626
CONSOLIDATED REVENUE	41,136	11,236	52,372
REPORTABLE SEGMENT GROSS PROFIT	33,937	1,812	35,749
General and administrative expenses			(5,652)
Changes in fair value of investment properties			126,752
Finance income			593
Finance expense			(18,879)
CONSOLIDATED PROFIT BEFORE TAX			138,563
Income tax expense			(19,317)

	For the three months ended June 30, 2017 (unaudited)		
In EUR thousand	**Residential property management**	**Privatization**	**TOTAL CONSOLIDATED**
External income from residential property management	25,872	221	26,093
External income from selling condominiums	–	3,519	3,519
CONSOLIDATED REVENUE	25,872	3,740	**29,612**
REPORTABLE SEGMENT GROSS PROFIT	20,853	694	**21,547**
General and administrative expenses			(2,765)
Changes in fair value of investment properties			161,207
Finance income			562
Finance expense			(8,967)
CONSOLIDATED PROFIT BEFORE TAX			171,584
Income tax expense			(25,809)

	For the three months ended June 30, 2016 (unaudited)		
In EUR thousand	Residential property management	Privatization	Total consolidated
External income from residential property management	21,086	297	21,383
External income from selling condominiums	–	6,024	6,024
CONSOLIDATED REVENUE	21,086	6,321	27,407
REPORTABLE SEGMENT GROSS PROFIT	17,674	969	18,643
General and administrative expenses			(2,698)
Changes in fair value of investment properties			129,771
Finance income			766
Finance expense			(13,645)
CONSOLIDATED PROFIT BEFORE TAX			132,837
Income tax expense			(18,453)

	For the year ended December 31, 2016 (audited)		
In EUR thousand	Residential property management	Privatization	Total consolidated
External income from residential property management	88,704	1,106	89,810
External income from selling condominiums	–	19,965	19,965
CONSOLIDATED REVENUE	**88,704**	**21,071**	**109,775**
REPORTABLE SEGMENT GROSS PROFIT	**72,518**	**3,693**	**76,211**
General and administrative expenses			(12,277)
Changes in fair value of investment properties			444,268
Finance income			**1,972**
Finance expense			(29,700)
CONSOLIDATED PROFIT BEFORE TAX			**480,474**
Income tax expense			(69,706)

Note 9 – Subsequent Events

A. After the reporting date, the Group acquired 54 assets in 15 different deals, some of them initially assessed as asset deals, and others as share deals, comprising a total of 1,232 residential units and 115 commercial units in Berlin. The gross purchase price for 100% of the acquired assets amounted to EUR 237.1 million. At the date of acquisition, the total annual net cold rent from the new acquisitions amounted to EUR 7.8 million. As at June 30, 2017, the Group paid an advance of EUR 50 million that was recorded as advances in respect of investment properties.

B. On July 20, 2017 the Company placed unsecured, fixed-rate corporate bonds with a total nominal amount of EUR 400 million with institutional investors. The bonds carry an interest rate of 1.5% per annum and mature on July 26, 2024.

The gross proceeds resulting from the transaction amounted to EUR 398.6 million with an issue price of 99.651%. The net proceeds of the bond will mainly be used to fund future acquisitions.

AUDITOR'S REVIEW REPORT

Report of the Réviseur d'Entreprises agréé on the review of interim financial information

INTRODUCTION

We have reviewed the accompanying condensed consolidated interim statement of financial position of ADO Properties S. A. ("the Company") as at June 30, 2017, the condensed consolidated interim statements of profit or loss, comprehensive income, changes in equity and cash flows for the three and six month periods ended June 30, 2017, and notes to the interim financial information ("the condensed consolidated interim financial information"). Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with IAS 34, "Interim Financial Reporting" as adopted by the European Union. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

SCOPE OF REVIEW

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

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information as at June 30, 2017 is not prepared, in all material respects, in accordance with IAS 34, "Interim Financial Reporting" as adopted by the European Union.

Luxembourg, August 16, 2017

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Partner

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FINANCIAL CALENDAR

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