ADO

ADO Nine-Month Financial Report 2019

ADO

COLORS OF Q3

We would like to present you with our report for the third quarter and provide you with a summary of the latest developments.

Discover with us "The Colors of Q3". The following pages offer an in-depth overview of the most important news and key figures.

Key Figures Q3

PROFIT AND LOSS STATEMENT	FOR THE NINE MONTHS ENDED		FOR THE THREE MONTHS ENDED		FOR THE YEAR ENDED
In EUR thousand	Sept 30, 2019	Sept 30, 2018	Sept 30, 2019	Sept 30, 2018	Dec 31, 2018
Income from rental activities	107,494	99,584	36,133	34,638	134,588
EBITDA from rental activities	72,433	70,674	24,576	23,935	93,777
EBITDA margin from rental activities	71.2%	74.7%	71.7%	72.4%	73.3%
EBITDA total	74,182	72,797	25,260	25,260	96,255
FFO 1 (from rental activities)	50,419	50,890	16,989	17,289	66,777
AFFO (from rental activities)	39,982	41,379	15,382	13,836	53,739
FFO 2 (incl. disposal results)	52,168	53,013	17,673	18,615	69,255

FURTHER KPIs		
Residential	Sept 30, 2019	Dec 31, 2018
Monthly in-place rent (EUR per m^2)	EUR 6.89	EUR 6.73
Total vacancy rate	2.5%	3.2%
Number of units	22,157	22,202
Rental growth	4.4%	5.6%

BALANCE SHEET		
In EUR thousand	Sept 30, 2019	Dec 31, 2018
Fair value of properties(*)	4,466,310	4,092,463
LTV	21.0%	39.6%
EPRA NAV	2,760,725	2,429,544
EPRA NAV (EUR per share)	62.47	55.05

(*) Post selling assets and liabilities of disposal groups classified as held for sale the value of our portfolio will be 3.5bn.

CONTENTS

1

ADO PROPERTIES

2

INTERIM MANAGEMENT REPORT

3

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

4

FINANCIAL CALENDAR & IMPRINT 62

ADO

9Month Report

2019

ADO PROPERTIES

BERLIN INSIDERS

1

THE HEADS OF ADO
TOP: RAN LAUFER
BOTTOM LEFT: EYAL MERDLER
BOTTOM RIGHT: ERAN AMIR

COLORFUL BERLIN – A PLACE TO THRIVE

Dear Investors,

The third quarter of 2019 was shaped by strong and stirring dynamics that affected both the structure and the portfolio of our company:

Possibly the most significant transaction that the company undertook was the sale of one of our biggest portfolios. 5,900 living units and 70 commercial units changed ownership to Gewobag Wohnungsbau Aktiengesellschaft Berlin. The assets are located in the Spandau and Reinickendorf districts in the west and the north of Berlin. For ADO this was a historic occasion because it was the purchase of this portfolio in 2015 that led to our listing on the stock exchange.

Since the purchase of the portfolio – purchase price EUR 382 million – we have selectively invested in improving the quality of living standards, increasing occupancy levels to 98% and increasing the value of the portfolio. The selling price for the shares is EUR 920 million, less net liabilities of the sold companies to the amount of approximately EUR 350 million. As a result of this transaction, the loan-to-value ratio (LVR) fell from 38.0% to 21.0% while the EPRA net asset value increased to EUR 62.47 per share.

We are currently looking into a variety of different options for putting the proceeds of this sale to best use. These include the repayment of existing obligations, utilization for general company purposes or the acquisition of further real estate.

Key changes have also been made within the company: pursuant to the change at top management level, the remaining positions on the management team have now also been filled. On October 1, 2019, Eyal Merdler and Eran Amir joined the company in their roles as Chief Financial Officer (CFO) and Chief Operating Officer (COO).

In October, the Berlin Senate agreed to a rent cap in Berlin. The bill, on the other hand, is not due to be passed in the Berlin Senate until the beginning of 2020. Only then will we conclude our assessment of the situation before deciding which further measures need to be taken.

We end this third quarter with positive figures, confirmation of our previous strategy and structural orientation, and look forward with confidence to the fourth and final quarter of the year.

Sincerely yours,

CHIEF EXECUTIVE OFFICER	CHIEF FINANCIAL OFFICER	CHIEF OPERATING OFFICER
Ran Laufer	**Eyal Merdler**	**Eran Amir**

Stock Market and the ADO Share

The Share

SHARE INFORMATION (as at September 30, 2019)

1st day of trading	Jul 23, 2015
Subscription price	EUR 20.00
Price at the end of Q3 2019	EUR 37.80
Highest share price LTM	EUR 54.30
Lowest share price LTM	EUR 33.98
Total number of shares	44.2 m
ISIN	LU1250154413
WKN	A14U78
Symbol	ADJ
Class	Dematerialized shares
Free float	61.8%
Stock exchange	Frankfurt Stock Exchange
Market segment	Prime Standard
Market index	SDAX
EPRA indices	FTSE EPRA / NAREIT Global Index, FTSE EPRA / NAREIT Developed Europe Index, FTSE EPRA / NAREIT Germany Index

Key Stock Market Data

ADO shares are traded on the Prime Standard of the Frankfurt Stock Exchange. During the 12 months ended September 30, 2019, the shares were traded between EUR 33.98 and EUR 54.30. ADO shares are included in the SDAX index of Deutsche Börse and the relevant real estate sector indices of the EPRA index family.

Shareholder Structure

The total number of outstanding shares of ADO Properties amounts to 44.2 million. Alongside the main shareholder ADO Group Ltd., which holds a 38.2% stake in ADO Properties S.A., the 61.8% free float shares are held mainly by institutional investors.

Analyst Coverage

ADO shares are currently covered by ten analysts. The target prices range from EUR 34.2 to EUR 56.0 per share with an average target price of EUR 44.6.

Investor Relations Activities

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

Dividend Policy

On June 20, 2019, the Annual General Meeting approved a dividend payout totaling EUR 33.1 million or EUR 0.75 per share, representing a 49% payout of the total FFO 1 of the year 2018 and an increase of 25% compared to the previous dividend. Going forward, ADO Properties aims to distribute an annual dividend of up to 50% of FFO 1 maintaining at least EUR 0.75 per share.

EUR
1.7bn
market capitalization

ADO

9Month Report

2019

INTERIM MANAGEMENT REPORT

BERLIN INSIDERS

Contents

Fundamentals of the Group

Overview

ADO has been focusing on Berlin residential real estate since its foundation, creating value for its shareholders, investing to improve the quality and energy efficiency of the living environment it provides to those living in its apartments, and providing cost-effective housing to the Berlin population. With rents averaging approximately EUR 6.89 per square meter, our apartments are in the economical segment of the Berlin market. With 23,613 units (22,157 residential units), we are a residential real estate specialist with a fully integrated asset management platform. Our 420 operational employees based in Berlin bring us closer to our assets and tenants. This ensures that we are at the heart of new market trends and developments, as well as being ideally positioned to successfully deal with challenges that may arise.

Our operational focus in combination with our ability to identify new opportunities provide the base from which to drive FFO and NAV per share. We continually look for value and growth opportunities in attractive areas that offer good prospects.

On September 26, 2019 the Company announced the entering into of a share purchase agreement with Gewobag Wohnungsbau Aktiengesellschaft Berlin on the sale of 100% of the shares of certain subsidiaries owning 23 properties consisting in aggregate of approximately 5,900 residential apartment units. The sale price for the shares is EUR 920 million, less approximately EUR 350 million of net debt of the companies being sold. The assets are located in the Spandau and Reinickendorf districts in the west and the north of Berlin, most of which were acquired in 2015.

In more than a decade of local presence in Berlin, we have established a proven track record of value creation, successfully dealing with an ever changing and evolving regulatory environment. Our management team, with its in-depth knowledge of the Berlin market, and our efficient, fully integrated and scalable platform provide the foundation for continuing value creation and adapting to changes that may arise from regulatory and other developments, including the "Berliner Mietendeckel" (see description of the proposed law under "Risk Report").

23,613
units

420
operational employees

Objectives and Strategy

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

Our fully integrated active asset management employs dedicated strategies for all components that influence our rental growth, vacancy rate and privatization success. Historically, we have invested significantly in our properties to modernize, refurbish and reposition them to create the right product for the current demand. This is a key component of our strategy. Our smart, targeted CAPEX investments resulted in increased rents and reduced vacancies. We closely monitor opportunities for future modernization CAPEX investments and the return on existing modernization CAPEX investments to ensure that these investments are optimally in line with the regulatory environment and match current demand and new regulations. Units that already meet today's standards are being let at market rent levels or, if they are designated for privatization, sold at market prices. We are also examining the possibilities of selling buildings, which, in our opinion, have reached a value with a limited upside as we did in Q3.

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

Management System

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

Financial Performance Indicators

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

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

Calculation of EPRA NAV

	Total equity attributable to owners of the Company
(+)	Revaluation of trading properties[1]
(–)	Fair value of derivative financial instruments[2]
(–)	Deferred taxes[3]
=	**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.

3) Including deferred taxes presented in liabilities of disposal groups classified as held for sale.

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

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

Calculation of EPRA NNNAV

EPRA NAV

(+) Fair value of derivative financial instruments[2)]
(+) Fair value of debt[4)]
(+) Deferred taxes

= **EPRA NNNAV**

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

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

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

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

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

Calculation of EBITDA (from rental activities)

Net rental income

(+) Income from facility services
= Income from rental activities
(–) Cost of rental activities[5)]
= Net operating income (NOI)
(–) Overhead costs[6)]
= EBITDA from rental activities
(+) Net profit from privatizations[7)]
= EBITDA total
(–) Net cash interest[8)]
(+ / –) Other net financial costs[9)]
(–) Depreciation and amortization

= **EBT**

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

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

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

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

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

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

Starting from EBITDA from rental activities, we calculate the main performance figure in the sector, 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[8)]
(–) Current income taxes[10)]

= **FFO 1 (from rental activities)**

10) Only current income taxes relating to rental activities.

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

Calculation of AFFO (from rental activities)

FFO 1 (from rental activities)

(–) Maintenance capital expenditures[11)]

= **AFFO (from rental activities)**

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

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

Calculation of FFO 2 (incl. disposal results)

FFO 1 (from rental activities)

(+) Net profit from privatizations[7)]

= **FFO 2 (incl. disposal results)**

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

Calculation of LTV

Bonds, other loans and borrowings and other financial liabilities

(-) Cash and cash equivalents
(-) Assets and liabilities of disposal groups classified as held for sale, net
(-) Deferred taxes related to liabilities of disposal groups classified as held for sale
= Net financial liabilities
(/) Fair value of properties[12)]

= **Loan-to-Value Ratio (LTV Ratio)**

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

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

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

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

Non-financial Performance Indicators

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

The vacancy rate shows the ratio of m² of vacant units in our properties to total m². We calculate the vacancy rate separately for residential and commercial units. They are used as an indicator of the current letting performance.

The in-place rent per m² provides an insight into the average rental income from the rented properties. It serves as an indicator of the current letting performance.

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

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

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

Corporate Governance

The Company's corporate governance practices are governed by Luxembourg Law (particularly the Luxembourg Companies Law) and the Company's articles of association. As a Luxembourg company listed solely on the Frankfurt Stock Exchange, the Company is not subject to any specific mandatory corporate governance rules and has not opted to voluntarily apply the provisions of any corporate governance code. The only corporate governance practices applied by the Company are those applied under general Luxembourg law, which are considered sufficient and appropriate given the nature and size of the Company.

As at the date of this report, the Board of Directors is composed of Mr. Moshe Dayan (Chairman), Mr. David Daniel (Vice-Chairman), Mr. Amit Segev, Dr. Sebastian-Dominik Jais, Mr. Constantin Papadimitriou, Mr. Jörn Stobbe and Dr. Michael Bütter.

As at the date of this report, the Senior Management Team is composed of Mr. Ran Laufer (CEO), Mr. Eyal Merdler (CFO) and Mr. Eran Amir as COO.

As at the date of this report, the Audit Committee is composed of Mr. David Daniel, Mr. Amit Segev, Mr. Constantin Papadimitriou, Mr. Jörn Stobbe and Dr. Michael Bütter.

As at the date of this report, the Nomination and Compensation Committee is composed of Mr. Moshe Dayan, Mr. David Daniel, Dr. Sebastian-Dominik Jais and Mr. Jörn Stobbe.

As at the date of this report, the Investment and Financing Committee is composed of Mr. Moshe Dayan (Chairman), Mr. David Daniel (Vice-Chairman), Mr. Amit Segev, Dr. Sebastian-Dominik Jais, Mr. Constantin Papadimitriou and Dr. Michael Bütter.

As at the date of this report, the Ad Hoc Committee is composed of Mr. David Daniel, Mr. Ran Laufer and Mr. Eyal Merdler.

The operation of the Board of Directors is described in the articles of association of the Company, and the committees are operated in a similar manner to the Board of Directors.

Business Performance Highlights

The good operational performance of our existing portfolio is well on track. The like-for-like rental growth of 4.4% in Q3 2019 resulted in an average rent per m² of EUR 6.89, driven by our letting department. Sales and modernization activities caused our vacancy rate to decrease to 2.5%.

22,157
residential units

1,456
commercial units

EUR
6.89
average residential in-place rent per m²

71.2%
EBITDA margin from rental activities

EUR
107m
income from rental activities

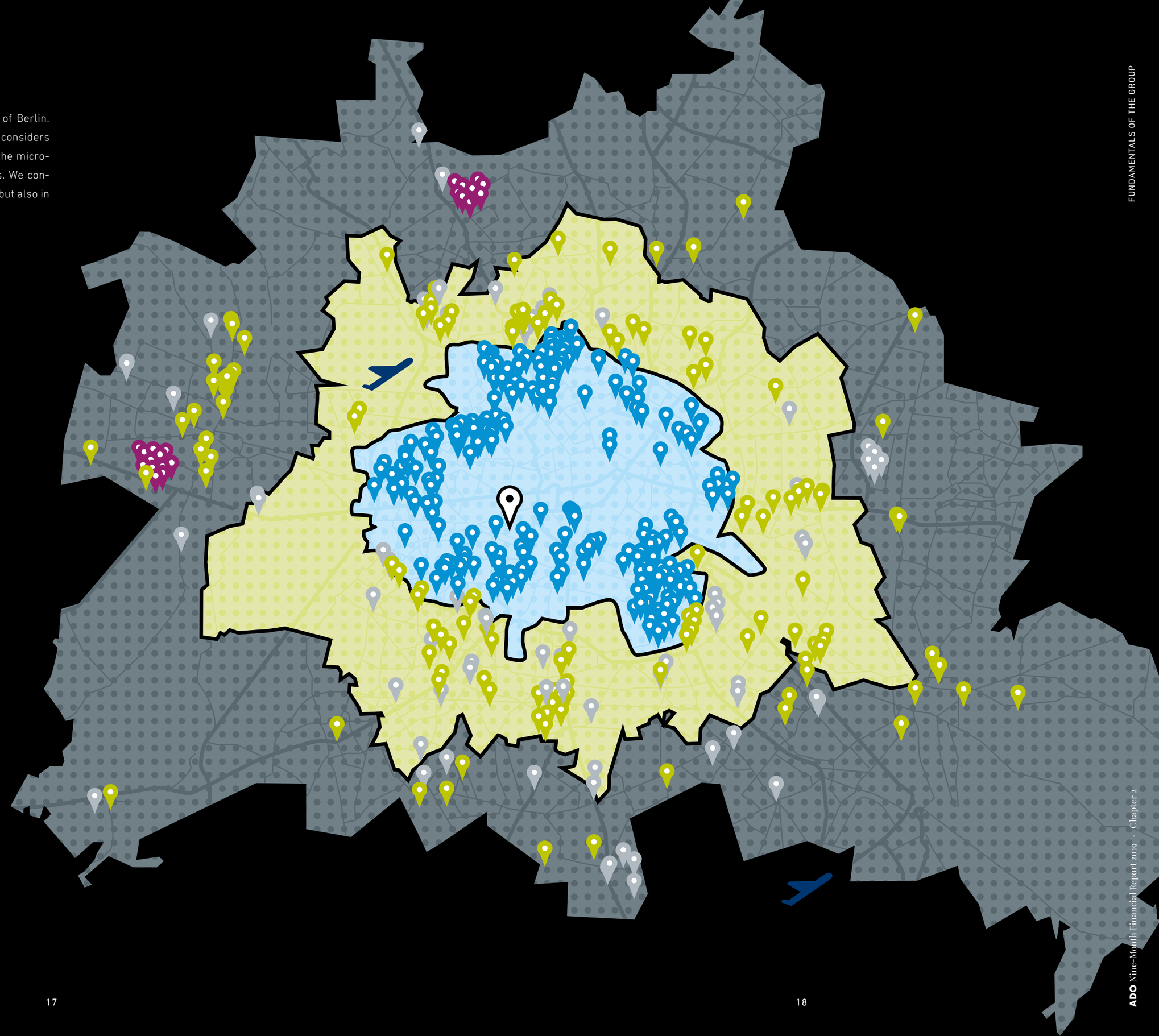
EUR
50m
FFO 1

21.0%
LTV

EUR
2,761m
EPRA NAV

Portfolio Overview

Our portfolio is located within the city borders of Berlin. Our acquisition strategy for building our portfolio considers not only 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 of Berlin.



Portfolio Valuation

Portfolio overview(*)

	Central	S-Bahn Ring	S-Bahn Ring (1960-1990)	City Ring	City Ring (1960-1990)	Total	Held for sale	Total
Fair value	1,631	524	721	333	337	3,546	920	4,466
Number of residential units	6,493	2,224	4,179	1,463	1,904	16,263	5,894	22,157
Average in-place rent (EUR/m²)	7.50	7.19	7.15	7.44	6.40	7.22	5.89	6.89
Average new letting rent (EUR/m²)(**)	13.26	11.31	10.21	9.37	8.79	11.01	7.22	10.45
Occupancy (physical)	97.8%	95.9%	97.5%	96.0%	98.7%	97.4%	97.8%	97.5%
Tenant turnover (%)(***)	8.1%	9.3%	6.9%	11.6%	6.9%	8.1%	6.7%	7.8%

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

Portfolio Performance

Residential portfolio

	Sept 30, 2019	Dec 31, 2018
Number of units	22,157	22,202
Average rent /m²/ month	EUR 6.89	EUR 6.73
Vacancy	2.5%	3.2%

The average rent per m² increased to EUR 6.89 since the beginning of the year, while the vacancy rate decreased by 70 bps to 2.5%.

EUR
4.5bn
total portfolio value

Commercial Portfolio

	Sept 30, 2019	Dec 31, 2018
Number of units	1,456	1,456
Average rent /m²/ month	EUR 9.65	EUR 9.42
Vacancy	4.6%	4.6%

The commercial part of our portfolio also confirms Berlin's positive development. It shows higher rents compared to the residential properties, having now grown to EUR 9.65 per m², which represents an increase of EUR 0.23 per m². The vacancy rate of the commercial units is 4.6%.

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

Rental Growth

In %	LTM(*) Sept 30, 2019	Jan 1 - Dec 31, 2018
New lettings after CAPEX	2.6%	2.4%
New lettings fluctuation	0.6%	0.8%
Regular rent increases	1.2%	2.3%
Total	**4.4%**	**5.6%**

(*) Last 12 months (LTM).

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

Maintenance and CAPEX

In EUR per m²	Jan 1 - Sept 30, 2019(*)	Jan 1 - Dec 31, 2018
Maintenance	7.5	7.5
Capitalized maintenance	8.4	8.1
Energetic modernization	2.9	3.6
Modernization CAPEX	22.9	20.0
Total	**41.8**	**39.2**

(*) Annualized figures based on total lettable area.

Targeted investments in our portfolio are at the core of our strategy. Total investment in the portfolio amounted to EUR 51.9 million. The maintenance and CAPEX cost per m² of EUR 41.8 in the first nine months was in line with our expectations for our long-term average levels. During Q3, we significantly decreased our maintenance and CAPEX to the amount of EUR 32.2 per m² annualized, and we expect a decrease in CAPEX during the near future.

Vacancy Split

Our active asset management aims to minimize our vacancy rate while keeping the necessary flexibility for our portfolio optimization. In Q3 2019, we saw a decrease of 70 bps in the vacancy rate from the beginning of the year.

Vacancy Split

Residential	Sept 30, 2019	Dec 31, 2018
Units for sale	0.1%	0.2%
Units under construction	1.5%	2.2%
Marketing (available for letting)	0.8%	0.8%
Total vacancy (units)	**567**	**727**
Total vacancy (m²)	**36,485**	**46,721**
Total vacancy rate	**2.5%**	**3.2%**
Total EPRA vacancy rate	**2.6%**	**3.1%**

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

Economic Review

Profit Situation

Income from rental activities for the first nine months increased by 8% driven by like-for-like rental growth. The quarterly results reflect an annualized income of EUR 145 million.

EBITDA from rental activities increased by 2%. The quarterly results represent an annualized EBITDA of almost EUR 98 million. During the first nine months, we sold 49 units. The average selling price of EUR 4,047 per m² compares very positively to our current average portfolio value for Central Locations of EUR 3,256 per m².

In the first nine months, financing cost on interest-bearing debt amounted to EUR 20 million. As at the end of the third quarter, our average interest rate on all outstanding debt is 1.6%, with a weighted average maturity of approximately 4.1 years (post selling the assets and liabilities of disposal groups classified as held for sale, it will increase to 4.5).

Financial Performance(*)

	For the nine months ended		For the three months ended		For the year ended
In EUR thousand	Sept 30, 2019	Sept 30, 2018	Sept 30, 2019	Sept 30, 2018	Dec 31, 2018
Net rental income	101,727	94,637	34,278	33,050	127,982
Income from facility services	5,767	4,947	1,855	1,588	6,606
Income from rental activities	**107,494**	**99,584**	**36,133**	**34,638**	**134,588**
Cost of rental activities	(23,903)	(18,904)	(8,365)	(7,058)	(26,179)
NET OPERATING INCOME (NOI)	**83,591**	**80,680**	**27,768**	**27,580**	**108,409**
NOI from rental activites margin (%)	82.2%	85.3%	81.0%	83.4%	84.7%
Overhead costs(**)	(11,158)	(10,006)	(3,192)	(3,645)	(14,632)
EBITDA from rental activities	**72,433**	**70,674**	**24,576**	**23,935**	**93,777**
EBITDA margin from rental activities (%)	71.2%	74.7%	71.7%	72.4%	73.3%
Net profit from privatizations	1,749	2,123	683	1,326	2,478
EBITDA total	**74,182**	**72,797**	**25,260**	**25,260**	**96,255**
Net cash interest	(20,422)	(19,076)	(6,996)	(6,312)	(25,408)
Other net financial costs	3,000	(1,049)	(1,662)	(365)	(6,108)
Depreciation and amortization	(1,070)	(337)	(335)	(113)	(526)
EBT	**55,690**	**52,335**	**16,267**	**18,470**	**64,213**

(*) Excluding effects from the changes in fair value.
(**) Excluding one-off costs and depreciation and amortization.

FFO

In EUR thousand	For the nine months ended Sept 30, 2019	Sept 30, 2018	For the three months ended Sept 30, 2019	Sept 30, 2018	For the year ended Dec 31, 2018
EBITDA from rental activities	72,433	70,674	24,576	23,935	93,777
Net cash interest	(20,422)	(19,076)	(6,996)	(6,312)	(25,408)
Current income taxes	(1,592)	(708)	(591)	(333)	(1,592)
FFO 1 (from rental activities)	**50,419**	**50,890**	**16,989**	**17,289**	**66,777**
Maintenance capital expenditures(*)	(10,437)	(9,511)	(1,608)	(3,453)	(13,038)
AFFO (from rental activities)	**39,982**	**41,379**	**15,382**	**13,836**	**53,739**
Net profit from privatizations	1,749	2,123	683	1,326	2,478
FFO 2 (incl. disposal results)	**52,168**	**53,013**	**17,673**	**18,615**	**69,255**
No. of shares(**)	44,151	44,100	44,192	44,100	44,101
FFO 1 per share	**1.14**	**1.15**	**0.38**	**0.39**	**1.51**
FFO 2 per share	**1.18**	**1.20**	**0.40**	**0.42**	**1.57**

(*) Q3 2018 figures are adjusted for energetic modernization CAPEX.

(**) On December 14, 2018 the Company issued 30,757 new shares to Mr. Shlomo Zohar (the former Executive Vice Chairman of the Board) and on July 5, 2019 the Company issued 63,850 new shares to Mr. Rabin Savion (the former CEO), Mr. Florian Goldgruber (the former CFO) and Mr. Eyal Horn (the former COO).
The number of shares is calculated as weighted average for the related period.

Cash Flow

The cash flow of the Group breaks down as follows:

In EUR thousand	Jan 1 - Sept 30, 2019	Jan 1 - Dec 31, 2018
Net cash from operating activities	62,529	103,933
Net cash used in investing activities	(44,909)	(334,034)
Net cash from financing activities	11,601	136,537
Net change in cash and cash equivalents	29,221	(93,564)
Cash and cash equivalents at the beginning of the period	27,965	121,530
Cash and cash equivalents at the end of the period	57,186	27,966

Financial and Asset Position

The Company will update the fair value of the investment properties based on a third-party valuation with the next quarterly report. The current average cap rate is 2.6%.

Financial Position

In EUR thousand	Sept 30, 2019	Dec 31, 2018
Investment properties and advances in respect of investment properties	3,510,362	4,050,323
Other non-current assets	22,076	15,492
Non-current assets	**3,532,438**	**4,065,815**
Cash and cash deposits	57,186	27,966
Assets of disposal groups classified as held for sale	929,022	-
Other current assets	68,908	76,392
Current assets	**1,055,116**	**104,358**
Total assets	**4,587,554**	**4,170,173**
Interest-bearing debts	1,330,851	1,609,124
Liabilities of disposal groups classified as held for sale	432,908	-
Other liabilities	114,994	114,653
Deferred tax liabilities	221,571	249,114
Total labilities	**2,100,324**	**1,972,891**
Total equity attributable to owners of the Company	**2,436,201**	**2,150,679**
Non-controlling interests	51,029	46,603
Total equity	**2,487,230**	**2,197,282**
Total equity and liabilites	**4,587,554**	**4,170,173**

On September 30, 2019, our EPRA NAV was EUR 62.47 per share and the EPRA Triple Net Asset Value (NNNAV) was EUR 55.44 per share.

EUR
62.47
EPRA NAV per share

NAV

In EUR thousand	Sept 30, 2019	Dec 31, 2018
Total equity attributable to owners of the Company	2,436,201	2,150,679
Fair value of derivative financial instruments	10,488	16,339
Deferred tax liabilities	299,669	249,114
Revaluation of trading properties	14,366	13,412
EPRA NAV	**2,760,725**	**2,429,544**
No. of shares	44,195	44,131
EPRA NAV per share	**62.47**	**55.05**

EPRA Triple Net Asset Value (NNNAV)

In EUR thousand	Sept 30, 2019	Dec 31, 2018
EPRA NAV	2,760,725	2,429,544
Fair value of derivative financial instruments	(10,488)	(16,339)
Fair value of debt	(348)	(4,975)
Deferred taxes	(299,669)	(249,114)
EPRA NNNAV	**2,450,219**	**2,159,116**
No. of shares	44,195	44,131
EPRA NNNAV per share	**55.44**	**48.93**

Funding

We fund our properties based on a conservative financing strategy with a mix of secured mortgage loans and capital market instruments.

Financing

In EUR thousand	Sept 30, 2019	Dec 31, 2018
Bonds, other loans and borrowings and other financial liabilities	1,377,697	1,651,151
Cash and cash equivalents	(57,186)	(27,966)
Assets and liabilities of disposal groups classified as held for sale, net	(496,114)	–
Deferred taxes related to liabilities held for sale	(78,098)	–
Net financial liabilities	746,299	1,623,185
Fair value of properties (including advances)	3,553,794	4,098,763
Loan-to-value ratio(*)	21.0%	39.6%
Average interest rate	1.6%	1.7%

(*) Without the effect of the disposal of the assets and liabilities of disposal groups classified as held for sale the LTV is 37.3%.

As at the reporting date, our Loan-to-Value (LTV) was 21.0% with an average interest rate of all outstanding debts of 1.6% and a weighted average maturity of approximately 4.1 years, which post disposal will be 4.5 years. Almost all of our loans have a fixed interest rate or are hedged.

EPRA Key Figures

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

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

EPRA Performance Measure	Definition	Purpose	Sept 30, 2019	Dec 31, 2018	Change
EPRA NAV (in EUR thousand)	EPRA NAV represents the fair value of net assets on an ongoing, long-term basis. Assets and liabilities that are not expected to crystallize in normal circumstances, such as the fair value of financial derivatives and deferred taxes on property valuation surpluses, are therefore excluded. Similarly, trading properties are adjusted to their fair value under the EPRA NAV measure.	Makes adjustments to IFRS NAV to provide stakeholders with the most relevant information on the fair value of the assets and liabilities within a true real estate investment company with long-term investment strategy.	2,760,725	2,429,544	14%
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.	2,450,219	2,159,116	13%
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.	2.6%	3.1%	50 bps

Other information

A. On July 22, 2019, the contract of Mr. Rabin Savion as Chief Executive Officer (CEO) expired. The Company and Mr. Savion agreed by mutual consent not to extend his appointment as CEO of the Company. According to the mutual termination agreement signed on June 13, 2019, Mr. Savion was entitled to receive a total amount of EUR 1,332 thousand to be settled in cash (EUR 82 thousand for the period between January 1, 2019 and July 22, 2019, based on the short-term incentive plan, and the rest as termination fees). On July 24, 2019, the Company paid to Mr. Savion an amount of EUR 645 thousand. The rest of the termination fees will be payable in twelve equal monthly installments. In addition, on July 5, 2019, based on the long-term incentive plan, the Company issued 31,412 shares free of charge to Mr. Savion.

B. On June 21, 2019, the Company's Board appointed Mr. Ran Laufer as Chief Executive Officer of the Company. He joined the Company in his role as CEO on July 23, 2019, and the initial term of his service agreement extends through July 22, 2023.

Subsequent Events

A. On October 1, 2019, Mr. Eyal Merdler and Mr. Eran Amir joined the Company in their roles as CFO and COO.

Forecast Report

For the full year 2019, we expect our FFO 1 run rate to be approximately EUR 65 million (without the effect of the assets and liabilities of disposal groups classified as held for sale).

Given the uncertainties regarding whether and in what form the "Berliner Mietendeckel" will be adopted, we are currently not providing guidance on our anticipated like-for-like rental growth.

We also expect the dividend payout ratio for the dividend to be paid in 2020 with respect to the full year 2019, approximately 50% of FFO 1 maintaining at least EUR 0.75 per share as paid out over 2019.

We are also confident that in the medium to long-term, ADO Properties will continue to increase the value of its assets, its NAV and its NAV per share.

Risk Report

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

Proposed Rental Law

On October 22, 2019, the Berlin Senate, the city's government, passed a bill for a proposed new law intended to limit residential rents for non-subsidized multi-facility properties in Berlin (excluding newly constructed properties and publicly subsidized housing).

The principal aim of the proposed legislation is stated as fixing rents at the level of June 18, 2019, with a number of measures proposed to achieve this. The key elements of these measures, if the bill was passed into law in its currently published form, include the following:

- "Rent freeze" – No increases in rent under existing residential lease agreements would be permitted for a period of five years, i.e. rent would remain at the level of June 18, 2019. This would also apply where the lease agreement provides for a rent adjustment mechanism such as an indexation clause or stepped rent. Rent would also be limited to the level of June 18, 2019 for any new lease agreements. From 2022 onwards, rent adjustments to account for inflation would be permitted, capped at a maximum increase of 1.3% p.a.
- "Rent cap" – Rents would be made subject to a monetary cap. Depending on the time of construction and the fit-out of the relevant apartment, caps range between EUR 3.92/m²/month and EUR 10.80/m²/month. The highest cap would apply for apartments with a construction date after 2003 that meet certain additional criteria to qualify as having "modern equipment" under the bill. The caps would be further adjusted to account for the location of the apartment, as classified by the Berlin administration. In a "simple" residential area, EUR 0.28/m²/month would be deducted from the caps, in "average" residential areas EUR 0.09/m²/month would be deducted, while in "preferred" residential areas, rent caps would be increased by EUR 0.74/m²/month. The caps are to be adjusted from 2022 onwards to reflect the development of average real wages in Berlin.
- "Information obligations" – Landlords would be under an obligation to inform existing and prospective tenants of the rent which applied on June 18, 2019 and of the circumstances for determining the applicable rent cap in each individual case. For existing tenants, the information on the circumstances for determining the applicable rent cap would need to be provided to tenants within two months of the effectiveness of the proposed law.
- "Rent reduction" – Starting nine month after effectiveness of the law, tenants could apply for a rent reduction

to the capped level, provided their rent would exceed the capped rent by more than 20%. The Berlin authorities could then lower the rent so that it no longer would exceed the applicable cap by more than 20%. Rent reductions would apply from the time a respective application was submitted, but would not apply retroactively.

- "Investment cap" – There would be a cap of EUR 1/m²/month for rent increases as a result of landlords' CAPEX measures for increasing the energy efficiency or the accessibility of a property. In addition, landlords would be under an obligation to notify the Berlin authorities of the costs of the CAPEX measures.
- "Fines" – Violations of the provisions of the law could be punished by fines of up to EUR 500,000 for each violation.

The bill provides that the proposed legislation would be effective for a period of five years and be automatically terminated thereafter.

The bill is currently still in an early status of the actual legislative process. Therefore, the actual point in time by which the proposed legislation would become effective and the form it will finally take are uncertain at this point in time. In addition, the constitutionality of the proposed legislation has been called into question by various legal scholars, and it does not seem unlikely that further adjustments to the bill will be made in the legislative process.

The adoption of a law that includes one or more of the above key elements could have a negative impact on the Company's results of operations, cash flows (including FFO 1) and financial condition, which impact could be material. In addition, such law could have a negative impact on the valuation of the Company's real estate portfolio.

Responsibility Statement

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

CHIEF EXECUTIVE OFFICER	CHIEF FINANCIAL OFFICER	CHIEF OPERATING OFFICER
Ran Laufer	**Eyal Merdler**	**Eran Amir**

ADO

9Month Report

2019

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

BERLIN INSIDERS

3

Contents

To the Shareholders of

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

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

Introduction

We have reviewed the accompanying condensed consolidated interim statement of financial position of ADO Properties S.A. ("the Company") as at September 30, 2019, the condensed consolidated interim statements of profit or loss, comprehensive income, changes in equity and cash flows for the three and nine month periods ended September 30, 2019, and notes to the interim financial information ("the condensed consolidated interim financial information"). Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with IAS 34 *Interim Financial Reporting* as adopted by the European Union. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information as at September 30, 2019 is not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting* as adopted by the European Union.

Luxembourg, November 12, 2019

KPMG Luxembourg
Société coopérative
Cabinet de révision agréé

Bobbi Jean Breboneria
Associate Partner

Condensed Consolidated Interim Statement of Financial Position

Assets

In EUR thousand	Note	Sept 30, 2019 (Unaudited)	Sept 30, 2018 (Unaudited)	Dec 31, 2018 (Audited)
Assets				
Non-current assets				
Investment properties	4A	3,504,062	3,802,448	4,044,023
Advances in respect of investment properties		6,300	9,037	6,300
Property and equipment		10,752	3,020	3,495
Other financial asset	5B	6,628	6,203	6,615
Restricted bank deposits		2,921	-	3,859
Deferred expenses	4E	750	776	791
Right-of-use asset	3A	1,025	-	732
		3,532,438	**3,821,484**	**4,065,815**
Current assets				
Trading properties	4B	27,882	37,990	35,028
Restricted bank deposits		26,003	27,352	24,752
Trade receivables		12,442	8,074	13,313
Other receivables		2,581	6,719	3,299
Cash and cash equivalents		57,186	32,130	27,966
Assets of disposal groups classified as held for sale	7A	929,022	-	-
		1,055,116	**112,265**	**104,358**
Total assets		**4,587,554**	**3,933,749**	**4,170,173**

Equity and liabilities

In EUR thousand	Note	Sept 30, 2019 (Unaudited)	Sept 30, 2018 (Unaudited)	Dec 31, 2018 (Audited)
Shareholders' equity	4C			
Share capital		55	55	55
Share premium		500,608	498,607	499,209
Reserves		319,493	328,354	324,877
Retained earnings		1,616,045	1,144,196	1,326,538
Total equity attributable to owners of the Company		**2,436,201**	**1,971,212**	**2,150,679**
Non-controlling interests		**51,029**	**42,929**	**46,603**
Total equity		**2,487,230**	**2,014,141**	**2,197,282**
Liabilities				
Non-current liabilities				
Corporate bonds	4D	397,302	396,806	396,899
Convertible bonds	4D	155,805	-	154,252
Other loans and borrowings	4E	743,477	931,830	1,040,909
Other financial liabilities	4F	45,311	38,214	40,492
Derivatives	5B	10,385	2,355	16,236
Lease liabilities	3A	466	-	-
Deferred tax liabilities		221,571	219,808	249,114
		1,574,317	**1,589,013**	**1,897,902**
Current liabilities				
Commercial papers		-	249,000	-
Other loans and borrowings	4E	34,267	30,889	17,064
Other financial liabilities	4F	1,535	331	1,535
Trade payables		15,098	15,726	18,497
Other payables		41,375	34,559	37,790
Lease liabilities	3A	721	-	-
Derivatives	5B	103	90	103
Liabilities of disposal groups classified as held for sale	7A	432,908	-	-
		526,007	**330,595**	**74,989**
Total equity and liabilities		**4,587,554**	**3,933,749**	**4,170,173**

CHIEF EXECUTIVE OFFICER

Ran Laufer

CHIEF FINANCIAL OFFICER

Eyal Merdler

Date of approval: November 12, 2019

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

Condensed Consolidated Interim Statement of Profit or Loss

In EUR thousand	Note	For the nine months ended Sept 30, 2019 (Unaudited)	Sept 30, 2018 (Unaudited)	For the three months ended Sept 30, 2019 (Unaudited)	Sept 30, 2018 (Unaudited)	For the year ended Dec 31, 2018 (Audited)
Revenue	6A	119,625	115,833	39,929	42,445	154,853
Cost of operations	6B	(32,573)	(31,605)	(11,002)	(12,739)	(41,996)
Gross profit		**87,052**	**84,228**	**28,927**	**29,706**	**112,857**
General and administrative expenses		(14,666)	(11,543)	(5,487)	(4,604)	(18,451)
Other expenses	7A	(10,815)	–	(10,815)	–	–
Changes in fair value of investment properties	7A	342,766	197,785	84,037	(1,246)	404,936
Results from operating activities		**404,337**	**270,470**	**96,662**	**23,856**	**499,342**
Finance income		6,561	965	174	262	1,399
Finance costs		(23,983)	(21,090)	(8,832)	(6,939)	(32,915)
Net finance costs	6C	**(17,422)**	**(20,125)**	**(8,658)**	**(6,677)**	**(31,516)**
Profit before tax		**386,915**	**250,345**	**88,004**	**17,179**	**467,826**
Income tax expense		(58,843)	(39,368)	(13,653)	(2,489)	(70,362)
Profit for the period		**328,072**	**210,977**	**74,351**	**14,690**	**397,464**
Profit attributable to:						
Owners of the Company		323,646	204,151	74,064	14,605	386,964
Non-controlling interests		4,426	6,826	287	85	10,500
Profit for the period		**328,072**	**210,977**	**74,351**	**14,690**	**397,464**
Basic earnings per share (in EUR)		**7.33**	**4.63**	**1.68**	**0.33**	**8.77**
Diluted earnings per share (in EUR)		**6.85**	**4.63**	**1.59**	**0.33**	**8.77**

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

Condensed Consolidated Interim Statement of Comprehensive Income

In EUR thousand	For the nine months ended Sept 30, 2019 (Unaudited)	Sept 30, 2018 (Unaudited)	For the three months ended Sept 30, 2019 (Unaudited)	Sept 30, 2018 (Unaudited)	For the year ended Dec 31, 2018 (Audited)
Profit for the period	**328,072**	**210,977**	**74,351**	**14,690**	**397,464**
Items that may be reclassified subsequently to profit or loss					
Hedging reserve classified to profit or loss, net of tax	–	10	–	–	10
Effective portion of changes in fair value of cash flow hedges	(673)	530	(17)	420	200
Related tax	106	(85)	3	(66)	(33)
Total other comprehensive income (loss)	**(566)**	**455**	**(14)**	**354**	**177**
Total comprehensive income for the period	**327,506**	**211,432**	**74,337**	**15,044**	**397,641**
Total comprehensive income attributable to:					
Owners of the Company	323,080	204,606	74,050	14,959	387,141
Non-controlling interests	4,426	6,826	287	85	10,500
Total comprehensive income for the period	**327,506**	**211,432**	**74,337**	**15,044**	**397,641**

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

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Condensed Consolidated Interim Statement of Cash Flows

In EUR thousand	Note	For the nine months ended Sept 30, 2019 (Unaudited)	For the nine months ended Sept 30, 2018 (Unaudited)	For the three months ended Sept 30, 2019 (Unaudited)	For the three months ended Sept 30, 2018 (Unaudited)	For the year ended Dec 31, 2018 (Audited)
Cash flows from operating activities						
Profit for the period		328,072	210,977	74,351	14,690	397,464
Adjustments for:						
Depreciation		1,065	337	318	113	527
Change in fair value of investment properties	4A, 7A	(342,766)	(197,785)	(84,037)	1,246	(404,936)
Net finance costs	6C	17,422	20,125	8,658	6,677	31,516
Income tax expense		58,843	39,368	13,653	2,489	70,362
Share-based payment		358	415	95	138	546
Change in short-term restricted bank deposits related to tenants		(1,904)	(1,068)	(484)	658	(1,624)
Change in short-term restricted bank deposits from condominium sales		(2,887)	(2,013)(*)	(246)	(547)(*)	(3,320)
Change in trade receivables		(536)	2,313	(2,557)	1,322	(2,926)
Change in other receivables		(2,408)	(1,052)	(1,475)	(1,451)	2,427
Change in trading properties		7,146	10,622	2,298	4,963	13,585
Change in trade payables		(1,714)	68	536	1,693	4,623
Change in other payables		8,925	(1,509)	8,730	(1,901)	(156)
Income tax paid		(7,087)	(1,928)	(495)	(1,122)	(4,155)
Net cash from operating activities		**62,529**	**78,870**	**19,345**	**51,368**	**103,933**
Cash flows from investing activities						
Purchase of and CAPEX on investment properties	4A	(42,436)	(101,216)	(11,079)	(28,146)	(117,118)
Advances paid for investment property purchase		–	(1,900)	–	(1,900)	–
Purchase of property and equipment		(2,719)	(517)	(271)	(152)	(1,182)
Interest received		20	121	14	74	143

In EUR thousand	Note	For the nine months ended Sept 30, 2019 (Unaudited)	For the nine months ended Sept 30, 2018 (Unaudited)	For the three months ended Sept 30, 2019 (Unaudited)	For the three months ended Sept 30, 2018 (Unaudited)	For the year ended Dec 31, 2018 (Audited)
Acquisition of subsidiaries, net of acquired cash		–	(197,605)	–	(774)	(216,685)
Change in short-term restricted bank deposits, net		226	205(*)	8	405(*)	808
Net cash used in investing activities		**(44,909)**	**(302,925)**	**(11,328)**	**(31,040)**	**(334,034)**
Cash flows from financing activities						
Proceeds from issue of bonds, net	4D	–	–	–	–	163,740
Long-term loans received	4E	79,427	7,695	–	–	121,637
Repayment of long-term loans	4E	(13,173)	(73,645)	(5,079)	(57,795)	(93,283)
Proceeds from issuance of commercial papers		–	534,000	–	294,000	673,000
Repayment of commercial papers		–	(285,000)	–	(205,000)	(673,000)
Repayment of short-term loans	4E	–	(2,300)	(30,000)	–	(2,300)
Upfront fees paid for credit facilities		(443)	(1,236)	(138)	(143)	(1,377)
Interest paid		(20,561)	(19,865)	(11,251)	(10,663)	(24,873)
Compensation fee payments in respect of other financial liabilities	4F	–	(537)	–	–	(537)
Payment of lease liabilities		(551)	–	(193)	–	–
Payment from settlement of derivatives		–	(10)	–	–	(10)
Dividend distributed	4C	(33,098)	(26,460)	–	–	(26,460)
Net cash from financing activities		**11,601**	**132,642**	**(46,661)**	**20,399**	**136,537**
Change in cash and cash equivalents during the period		**29,221**	**(89,400)**	**(38,644)**	**18,874**	**(93,564)**
Cash and cash equivalents at the beginning of the period		**27,965**	**121,530**	**95,830**	**13,256**	**121,530**
Cash and cash equivalents at the end of the period		**57,186**	**32,130**	**57,186**	**32,130**	**27,966**

(*) Immaterial adjustment of compareative data.

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

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Condensed Consolidated Interim Statement of Changes in Equity

For the nine months ended September 30, 2019 (Unaudited)

In EUR thousand	Share capital	Share premium	Hedging reserves	Capital reserve from trans-actions with controlling shareholder	Retained earnings	Total	Non-con-trolling interests	Total equity
Balance as at January 1, 2019	**55**	**499,209**	**(859)**	**325,736**	**1,326,538**	**2,150,679**	**46,603**	**2,197,282**
Total comprehensive income for the period								
Profit for the period	–	–	–	–	323,646	323,646	4,426	328,072
Other comprehensive income for the period, net of tax	–	–	(566)	–	–	(566)	–	(566)
Total comprehensive income (loss) for the period	**–**	**–**	**(566)**	**–**	**323,646**	**323,080**	**4,426**	**327,506**
Transactions with owners, recognized directly in equity								
Issuance of ordinary shares, net (see note 4C)	(*)	1,399	–	–	(1,399)	–	–	–
Changes in put option (see note 4F)	–	–	–	(4,819)	–	(4,819)	–	(4,819)
Dividend distributed (see note 4C)	–	–	–	–	(33,098)	(33,098)	–	(33,098)
Share-based payment	–	–	–	–	358	358	–	358
Balance as at Sept 30, 2019	**55**	**500,608**	**(1,424)**	**320,917**	**1,616,045**	**2,436,201**	**51,029**	**2,487,230**

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

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

For the nine months ended September 30, 2018 (Unaudited)

In EUR thousand	Share capital	Share premium	Hedging reserves	Capital reserve from trans-actions with controlling shareholder	Retained earnings	Total	Non-con-trolling interests	Total equity
Balance as at January 1, 2018	**55**	**498,607**	**(1,036)**	**331,674**	**966,090**	**1,795,390**	**36,103**	**1,831,493**
Total comprehensive income for the period								
Profit for the period	–	–	–	–	204,151	204,151	6,826	210,977
Other comprehensive income for the period, net of tax	–	–	455	–	–	455	–	455
Total comprehensive income for the period	**–**	**–**	**455**	**–**	**204,151**	**204,606**	**6,826**	**211,432**
Transactions with owners, recognized directly in equity								
Changes in put option (see note 4F)	–	–	–	(2,739)	–	(2,739)	–	(2,739)
Dividend distributed	–	–	–	–	(26,460)	(26,460)	–	(26,460)
Share-based payment	–	–	–	–	415	415	–	415
Balance as at Sept 30, 2018	**55**	**498,607**	**(581)**	**328,935**	**1,144,196**	**1,971,212**	**42,929**	**2,014,141**

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

For the three months ended September 30, 2019 (Unaudited)

In EUR thousand	Share capital	Share premium	Hedging reserves	Capital reserve from trans-actions with controlling shareholder	Retained earnings	Total	Non-con-trolling interests	Total equity
Balance as at July 1, 2019	**55**	**499,209**	**(1,411)**	**321,390**	**1,543,285**	**2,362,528**	**50,742**	**2,413,270**
Total comprehensive income for the period								
Profit for the period	–	–	–	–	74,064	74,064	287	74,351
Other comprehensive income for the period, net of tax	–	–	(14)	–	–	(14)	–	(14)
Total comprehensive income for the period	**–**	**–**	**(14)**	**–**	**74,064**	**74,050**	**287**	**74,337**
Transactions with owners, recognized directly in equity								
Issuance of ordinary shares, net (see note 4C)	(*)	1,399	–	–	(1,399)	–	–	–
Changes in put option (see note 4F)	–	–	–	(473)	–	(473)	–	(473)
Share-based payment	–	–	–	–	95	95	–	95
Balance as at Sept 30, 2019	**55**	**500,608**	**(1,424)**	**320,917**	**1,616,045**	**2,436,201**	**51,029**	**2,487,230**

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

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

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three months ended September 30, 2018 (Unaudited)

In EUR thousand	Share capital	Share premium	Hedging reserves	Capital reserve from trans-actions with controlling shareholder	Retained earnings	Total	Non-con-trolling interests	Total equity
Balance as at July 1, 2018	**55**	**498,607**	**(935)**	**329,246**	**1,129,453**	**1,956,426**	**42,844**	**1,999,270**
Total comprehensive income (loss) for the period								
Profit (loss) for the period	–	–	–	–	14,605	14,605	85	14,690
Other comprehensive income for the period, net of tax	–	–	354	–	–	354	–	354
Total comprehensive income (loss) for the period	**–**	**–**	**354**	**–**	**14,605**	**14,959**	**85**	**15,044**
Transactions with owners, recognized directly in equity								
Changes in put option (see note 4F)	–	–	–	(311)	–	(311)	–	(311)
Share-based payment	–	–	–	–	138	138	–	138
Balance as at Sept 30, 2018	**55**	**498,607**	**(581)**	**328,935**	**1,144,196**	**1,971,212**	**42,929**	**2,014,141**

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

For the year ended December 31, 2018 (Audited)

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

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

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

Note 1 – ADO Properties S.A.

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

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

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

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

The Condensed Consolidated Interim Financial Statements of the Company as at September 30, 2019 and for the three and nine-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, 2018.

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

These condensed consolidated interim financial statements were authorized for issue by the Company's Board of Directors on November 12, 2019.

B. Use of estimates and judgments

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

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

Note 3 – Accounting Policies

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

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

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

- IFRS 16 *Leases*

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

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

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

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

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

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

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

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

As a result of initially applying IFRS 16, in relation to the leases that were previously classified as operating leases, the Group recognized EUR 1,553 thousand of right-of-use assets and a EUR 1,553 thousand lease liability as at January 1, 2019.

As at September 30, 2019, the balance of right-of-use assets amounted to EUR 1,025 thousand and of the lease liability to EUR 1,187 thousand. Also in relation to those leases under IFRS 16, the Group recognized depreciation and interest costs instead of operating lease expense. During the nine months ended September 30, 2019, the Group recognized EUR 528 thousand of depreciation changes and EUR 185 thousand interest costs from these leases.

- IFRIC 23 *Uncertainty Over Income Tax Treatments*

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

B. New IFRS standards and interpretations not yet adopted

- IFRS 3 *Business Combinations*

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

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

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

A. Investment properties

In EUR thousand	Sept 30, 2019 (Unaudited)	Sept 30, 2018 (Unaudited)	Dec 31, 2018 (Audited)
Balance as at 1 January	**4,044,023**	**3,271,298**	**3,271,298**
Additions by way of acquiring subsidiaries	-	209,409	229,077
Additions by way of acquiring assets	-	87,150	87,150
Capital expenditure	42,373	36,807	51,562
Transfer from investment properties to Property and equipment (1)	(5,100)	-	-
Transfer from investment properties to Assets of disposal group classified as held for sale (see note 7A)	(920,000)	-	-
Fair value adjustments	342,766	197,785	404,936
Total	**3,504,062**	**3,802,448**	**4,044,023**

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

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 September 30, 2019 was determined based on valuations as at June 30, 2019 performed by valuation expert CBRE, an industry specialist that has appropriate, recognized professional qualifications and up-to-date experience regarding the location and category of the properties. For the purpose of these condensed consolidated interim financial statements, the appropriateness of these valuations is monitored on an ongoing basis. According to the Company assessments, there were no material changes to the parameters that were used for the June 30, 2019 valuations. For changes in fair value as a result of non-current assets and liabilities of disposal groups classified as held for sale see note 7A.

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

The expected net cash flows are discounted using risk-adjusted discount rates. Among other factors, the discount rate

estimation considers the quality of a building and its location (prime vs. secondary), tenant credit quality and lease terms.

The current average capitalization rate (cap rate) is 2.6% (as at September 30, 2018: 2.9% and as at December 31, 2018: 2.8%) and was calculated based on the Net Operating Income (NOI) for the last month of the reporting period on an annualized basis, divided by the fair value.

During October 2019 the Berlin Senate of the governing coalition proposed an edict to freeze rents of existing and new leases of existing residential apartments (except for subsidized or newly constructed apartments) in Berlin for five years (the "Berliner Mietendeckel").

From CBRE point of view the realization of the "Berliner Mietendeckel" in detail as of September 30, 2019 is still uncertain. By now, economical and legal effects / outcomes of the "Berliner Mietendeckel" are not predictable. CBRE states that in terms of market sentiment from the direct investors' side, they so far haven't seen any decreases in pricing. Also, CBRE states that they are continuing to monitor the pricing of recent transactions, which will be relevant for the valuation as of December 31, 2019. So far, CBRE did not incorporate any changes in the cash flow of the DCF model as there is no existing legal framework for it. Further, CBRE carried out a survey based on real transaction prices from the local land valuation board and asking prices, both for multifamily houses in Berlin. By comparing July to October 2019 with the first half of 2019 the result of our analysis is that both sources of information indicate stable to slightly increasing prices despite the announcement of the rental freeze proposition. However, the valuer noted, that investors are more cautious and sometimes transactions are on hold. Therefore, the discount and exit cap rates, as of the date of approving these financial statements, remain stable.

B. Trading properties

During the nine months ended September 30, 2019, the Group completed the sale of 49 condominium units for a total consideration of EUR 12.1 million (during the first nine months of 2018: 50 units for EUR 16.2 million and during the full year 2018: 66 units for EUR 20.3 million) recorded under revenues in this condensed consolidated interim statement of profit or loss.

C. Equity

A dividend in the amount of EUR 33 million (EUR 0.75 per share) was paid based on a decision of the Annual General Meeting which took place on June 20, 2019.

(1) On July 5, 2019, based on their long-term incentive plan, the Company issued 63,850 shares without nominal value free of charge to Mr. Rabin Savion (the former CEO), Mr. Florian Goldgruber (the former CFO) and Mr. Eyal Horn (the former COO).

D. Corporate bonds and convertible bonds

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

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

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

As at September 30, 2019, the Company is fully compliant with all covenant requirements.

E. Other loans and borrowings

Loans and borrowings have increased in comparison with December 31, 2018 mainly due to the following:

On June 28, 2019, the Group received a bank loan in the amount of EUR 80 million to finance existing assets. The new loan carries an annual fixed interest rate of 1.07% per annum for an 8-year term.

As at September 30, 2019, other loans and borrowings carry an average effective interest rate (i.e. considering the swap interest hedging effect from variable to fixed interest) of 1.8% per annum (as at September 30, 2018: 1.8% and as at December 31, 2018: 1.8%). The average maturity of other loans and borrowings is 4.4 years (as at September 30, 2018: 4.5 years and as at December 31, 2018: 4.3 years).

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

As at September 30, 2019, under the existing loan agreements, the Group is fully compliant with its obligations (including loan covenants) to the financing banks.

On March 9, 2018, the Group signed a EUR 200 million revolving credit facility with a 2-year term and two extension options, each for one year. The relating upfront fees were recognized under deferred expenses in the condensed consolidated interim statement of financial position and will be amortized over four years. On January 30, 2019, the Group exercised one extension option for one year. On June 20, 2019, the Group drew down an amount of EUR 30 million from the revolving credit facility for a one-month term. The amount was repaid in July 2019. At the time of the approval of these condensed consolidated interim financial statements, no amounts were borrowed by the Group under the revolving credit facility.

F. Other financial liabilities

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

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

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

In EUR thousand	Sept 30, 2019 (Unaudited)	Sept 30, 2018 (Unaudited)	Dec 31, 2018 (Audited)
Current liabilities			
Compensation fee	1,535	331	1,535
Non-current liabilities			
Compensation fee	1,766	785	1,766
Put option	43,542	37,429	38,726
Total	**46,843**	**38,545**	**42,027**

Note 5 - Financial Instruments

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

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

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

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

	September 30, 2019 (Unaudited)		September 30, 2018 (Unaudited)		Dec 31, 2018 (Audited)	
In EUR thousand	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Corporate Bonds	397,302	402,380	396,806	389,188	396,899	375,992
Convertible bonds	155,805	172,348	-	-	154,252	156,387
Commercial papers	-	-	249,000	249,000	-	-
Variable rate loans and borrowings(*)	76,066	79,013	75,178	76,859	76,895	79,207
Fixed rate loans and borrowings(*)	701,678	714,754	887,541	887,845	981,078	1,002,513
Total	**1,330,851**	**1,368,495**	**1,608,525**	**1,602,892**	**1,609,124**	**1,614,099**

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

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

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

	September 30, 2019 (Unaudited)		September 30, 2018 (Unaudited)		Dec 31, 2018 (Audited)	
In EUR thousand	Level 2	Level 3	Level 2	Level 3	Level 2	Level 3
Other financial asset (1)	-	6,628	-	6,203	-	6,615
Derivative financial liabilities (2)	10,385	-	2,445	-	16,339	-
Other long-term liabilities (3)	-	45,311	-	38,545	-	42,027

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

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

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

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

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

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

A. Revenue

	For the nine months ended		For the three months ended		For the year ended
In EUR thousand	Sept 30, 2019 (Unaudited)	Sept 30, 2018 (Unaudited)	Sept 30, 2019 (Unaudited)	Sept 30, 2018 (Unaudited)	Dec 31, 2018 (Audited)
Net rental income	101,727	94,637	34,278	33,050	127,982
Selling of condominiums	12,131	16,249	3,796	7,807	20,265
Income from facility services	5,767	4,947	1,855	1,588	6,606
Total	**119,625**	**115,833**	**39,929**	**42,445**	**154,853**

B. Cost of operations

	For the nine months ended		For the three months ended		For the year ended
In EUR thousand	Sept 30, 2019 (Unaudited)	Sept 30, 2018 (Unaudited)	Sept 30, 2019 (Unaudited)	Sept 30, 2018 (Unaudited)	Dec 31, 2018 (Audited)
Salaries and other expenses	9,551	7,037	3,214	2,535	10,320
Cost of utilities recharged, net	1,461	976	690	390	1,843
Sale of condominiums – cost	8,670	12,701	2,637	5,681	15,817
Property operations and maintenance	12,891	10,891	4,461	4,133	14,016
Total	**32,573**	**31,605**	**11,002**	**12,739**	**41,996**

C. Net finance costs

In EUR thousand	For the nine months ended Sept 30, 2019 (Unaudited)	For the nine months ended Sept 30, 2018 (Unaudited)	For the three months ended Sept 30, 2019 (Unaudited)	For the three months ended Sept 30, 2018 (Unaudited)	For the year ended Dec 31, 2018 (Audited)
Interest on bonds	7,985	4,893	2,678	1,638	6,927
Change in fair value of derivative component of convertible bond	(6,528)	-	(160)	-	3,896
Interest on other loans and borrowings	14,310	14,607	4,966	4,844	19,214
One-off refinance costs	-	440	-	-	613
Other net finance expenses (income)	1,655	185	1,174	195	866
Total	**17,422**	**20,125**	**8,658**	**6,677**	**31,516**

Note 7 - Non-Current Assets and Liabilities of Disposal Groups classified as held for Sale

On September 26, 2019 the Company has announced the entering into of a share purchase agreement for the sale of 100% of the shares of certain subsidiaries owning 23 properties consisting in aggregate of approximately 5,900 residential apartment units. The sale price for the shares is EUR 920 million, less approximately EUR 350 million of net debt of the companies being sold, as a result, the company recognized increase in fair value of investment property in an amount of 84m. The assets are located in the Spandau and Reinickendorf districts in the West and the North of Berlin, most of which were acquired in 2015. The Company recognized transaction costs in a total amount of EUR 10.8 million including broker fees, bonuses and professional services related to the sale.

A. Assets and liabilities of disposal groups classified as held for sale

Assets of disposal groups classified as held for sale

In EUR thousand	Sept 30, 2019 (Unaudited)
Cash and cash equivalent and restricted cash	4,302
Trade and other receivables	4,720
Investment property	920,000
Total	**929,022**

Liabilities of disposal groups classified as held for sale

In EUR thousand	Sept 30, 2019 (Unaudited)
Trade payables and other payables	6,758
Loans and borrowings	348,052
Deferred tax liabilities	78,098
Total	**432,908**

B. Income and expenses recognized in other comprehensive income

The Group does not have any income and expenses recognized directly in other comprehensive income and, relating to non-current assets and disposal groups, classified as held for sale.

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, 2018.

A. Information about reportable segments

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

In EUR thousand	For the nine months ended September 30, 2019 (Unaudited) Residential property management	Privatization	Total consolidated
External income from residential property management	107,059	435	107,494
External income from selling condominiums	-	12,131	12,131
Consolidated revenue	**107,059**	**12,566**	**119,625**
Reportable segment gross profit	**83,206**	**3,846**	**87,052**
General and administrative expenses			(14,666)
Other expenses			(10,815)
Changes in fair value of investment properties			342,766
Finance income			33
Finance expense			(17,455)
Consolidated profit before tax			**386,915**
Income tax expense			(58,843)

	For the nine months ended September 30, 2018 (Unaudited)		
In EUR thousand	Residential property management	Privatization	Total consolidated
External income from residential property management	98,916	668	99,584
External income from selling condominiums	–	16,249	16,249
Consolidated revenue	**98,916**	**16,917**	**115,833**
Reportable segment gross profit	**80,213**	**4,015**	**84,228**
General and administrative expenses			(11,543)
Changes in fair value of investment properties			197,785
Finance income			965
Finance expense			(21,090)
Consolidated profit before tax			**250,345**
Income tax expense			(39,368)

	For the three months ended September 30, 2019 (Unaudited)		
In EUR thousand	Residential property management	Privatization	Total consolidated
External income from residential property management	35,990	143	36,133
External income from selling condominiums	–	3,796	3,796
Consolidated revenue	**35,990**	**3,939**	**39,929**
Reportable segment gross profit	**27,631**	**1,296**	**28,927**
General and administrative expenses			(5,487)
Other expenses			(10,815)
Changes in fair value of investment properties			84,037
Finance income			174
Finance expense			(8,832)
Consolidated profit before tax			**88,004**
Income tax expense			(13,653)

	For the three months ended September 30, 2018 (Unaudited)		
In EUR thousand	Residential property management	Privatization	Total consolidated
External income from residential property management	34,432	206	34,638
External income from selling condominiums	–	7,807	7,807
Consolidated revenue	**34,432**	**8,013**	**42,445**
Reportable segment gross profit	**27,433**	**2,273**	**29,706**
General and administrative expenses			(4,604)
Changes in fair value of investment properties			(1,246)
Finance income			262
Finance expense			(6,939)
Consolidated profit before tax			**17,179**
Income tax expense			(2,489)

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

Note 9 – Other Information

A. On July 22, 2019, the contract of Mr. Rabin Savion as Chief Executive Officer (CEO) expired. The Company and Mr. Savion agreed by mutual consent not to extend his appointment as CEO of the Company. According to the mutual termination agreement signed on June 13, 2019, Mr. Savion was entitled to receive a total amount of EUR 1,332 thousand to be settled in cash (EUR 82 thousand for the period between January 1, 2019 and July 22, 2019, based on the short-term incentive plan, and the rest as termination fees). On July 24, 2019, the Company paid to Mr. Savion an amount of EUR 645 thousand. The rest of the termination fees will be payable in twelve equal monthly installments. In addition, on July 5, 2019, based on the long-term incentive plan, the Company issued 31,412 shares free of charge to Mr. Savion.

B. On June 21, 2019, the Company's Board appointed Mr. Ran Laufer as Chief Executive Officer of the Company. He joined the Company in his role as CEO on July 23, 2019, and the initial term of his service agreement extends through July 22, 2023.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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9Month Report

2019

FINANCIAL CALENDAR & IMPRINT

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Financial Calendar 20

March 18, 2020	May 20, 2020	June 10, 2020
Publication Annual Report 2019	Publication Three-Month Financial Report (Q1 2020)	Annual General Meeting 2020
August 12, 2020	**November 11, 2020**	
Publication Half-Year Financial Report (Q2 2020)	Publication Nine-Month Financial Report (Q3 2020)	

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