Aroundtown SA

ANNUAL FINANCIAL STATEMENTS

2019

for the year ended December 31, 2019

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for the year ended December 31, 2019

2019

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OFFICERS AND PROFESSIONAL ADVISORS

Board of Directors	Mr. Frank Roseen Mr. Oschrie Massatschi Ms. Jelena Afxentiou Mr. Ran Laufer (appointed on December 16, 2019) Mr. Markus Kreuter Mr. Markus Leininger Ms. Simone Runge-Brandner (appointed on December 16, 2019)
Secretary	KKLAW Secretarial Limited
Réviseur d'Entreprises Agréé	KPMG Luxembourg Société coopérative Cabinet de révision agréé 39, Avenue John F. Kennedy L-1855 Luxembourg
Legal Advisors	GSK Luxembourg SA Koushos & Korfiotis Papacharalambous LLC
Registered Office	40, Rue du Curé L-1368 Luxembourg

AROUNDTOWN SA

MANAGEMENT REPORT

The management of Aroundtown SA ("the Company" or "Aroundtown") presents the Company's standalone audited Financial Statements for the year ended December 31, 2019.

DEVELOPMENTS AND PERFORMANCE

The Company continued to prove its access to capital markets by placing new bonds via its EMTN programme (for further information see note 13.2 of the financial statements). The Company also completed the buy-back of €21.5 million nominal amount of its straight bond series D maturing in 2022 and €338.6 million nominal amount of its straight bond series F maturing in 2023, an aggregated principal amount of €255.5 million and €211.4 million of Bond D and Bond F, respectively, remained outstanding as of the reporting period, for additional information please see note 19 of the financial statements. The profit for the year is €115,334 thousand and the total equity of the Company has increased from €2,887,794 thousand to €4,324,522 thousand.

FINANCIAL RISK MANAGEMENT

The Company is exposed to liquidity, operating and other risks. For more information see note 16 of the financial statements.

ACTIVITIES IN THE FIELD OF RESEARCH AND DEVELOPMENT

Due to the nature of its business, the Company does not engage in any research and development activities.

BRANCHES OF THE COMPANY

The Company did not operate any branches in 2019.

OWN SHARES

The Company did not acquire any of its own shares in 2019.

CAPITAL STRUCTURE

The Company's shares are listed on the Frankfurt Stock Exchange – Prime Standard. The Company also has Notes and Bonds listed on the Irish Stock Exchange (in particular its EMTN Programme) and the Frankfurt Stock Exchange. There are no restrictions on the transfer of the Company's traded securities.

LIKELY FUTURE DEVELOPMENTS

The Company raising capital and borrowings mainly through its EMTN Programme to fund the acquisition and development of the underlying property portfolio held by the Company through its subsidiaries.

INFORMATION ACCORDING TO ARTICLE 11(2) OF THE LUXEMBOURG TAKEOVER LAW

The following disclosure is provided pursuant to article 11 of the Luxembourg law of May 19, 2006 transposing Directive 2004/25/EC of the European Parliament and of the Council of April 21, 2004 on takeover bids, as amended (the "Takeover Law"):

(a) With regard to article 11 (1) (a) and (c) of the Takeover Law (capital structure), the relevant information is available on page 21 and note 12 in this annual report. In addition, the Company's shareholding structure showing each shareholder owning 5% or more of the Company's share capital is available below and on the Company's website, where the shareholding structure chart is updated monthly.

(b) With regard to article 11 (1) (b) of the Takeover Law, the ordinary shares issued by the Company are admitted to trading on the regulated market of the Frankfurt Stock Exchange (Prime Standard) and are freely transferable according to the Company's articles of association (the "Articles of Association").

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In accordance with the requirements of Article 11 (1) c of the Takeover Law, the following significant shareholdings were reported to the Company:

Shareholder name	Amount of voting rights (1)	Precentage of voting rights (2)
TLG Immobilien AG	183,936,137	15.03%
Avisco Group PLC	146,746,354	11.99%
Blackrock Inc.	57,781,369	5.12%

(1) Based on last disclosed information, Total number of Aroundtown SA shares as of December 31, 2019: 1,223,574,261.

(2) Including 0.06% of total voting rights through financial instruments, based on a share capital of 1,128,679,731

(c) With regard to article 11 (1) (d) of the Takeover Law, each ordinary share of the Company gives right to one vote according to article 8.1 of the Articles of Association. There are no special control rights attaching to the shares.

(d) With regard to article 11 (1) (e) of the Takeover Law, control rights related to the issue of shares are directly exercised by the relevant employees. The key terms and conditions in relation to the Company's incentive share plan are described on note 12.H. *Share-based payment agreements* of this annual report.

(e) With regard to article 11 (1) (f) of the Takeover Law, the Articles of Association impose no voting rights limitations. However, the sanction of suspension of voting rights automatically applies, subject to the Luxembourg law of January 11, 2008 on transparency requirements for issuers, as amended (the "Transparency Law") to any shareholder (or group of shareholders) who has (or have) crossed the thresholds set out in the Transparency Law but have not notified the Company accordingly. In this case, the exercise of voting rights relating to the shares exceeding the fraction that should have been notified is suspended. The suspension of the exercise of voting rights is lifted the moment the shareholder makes the notification.

(f) With regard to article 11 (1) (g) of the Takeover Law, as of December 31, 2019, the Company was not aware of any agreements between shareholders that would lead to a restriction on the transfer of shares or voting rights.

(g) With regard to article 11 (1) (h) of the Takeover Law, according to article 15.1 of the Articles of Association, the members of the board of directors of the Company (the "Board") shall be elected by the shareholders at their annual general meeting by a simple majority vote of the shares present or represented. The term of the office of the members of the Board shall not exceed six years, but they are eligible for re-election. Any member of the Board may be removed from office with or without specifying a reason at any time. In the event of a vacancy in the office of a member of the Board because of death, retirement or otherwise, this vacancy may be filled out on a temporary basis until the next meeting of shareholders, by observing the applicable legal prescriptions. Further details on the rules governing the appointment and replacement of a member of the Board are set out in page 1 in this annual report.

According to article 14 of the Articles of Association, any amendment to the Articles of Association made by the general meeting of shareholders shall be adopted requires a quorum (i) more than one half of the share capital present and (ii) a majority of at least two-thirds of the votes are validly cast in favour of adopting the resolution. In case the first condition is not reached, a second meeting may be convened, which may deliberate regardless of the proportion of the share capital represented and at which resolutions are taken at a majority of at least two-thirds of votes validly cast.

(h) With regard to article 11 (1) (i) of the Takeover Law, the Board of Directors is endowed with wide-ranging powers to exercise all administrative tasks in the interest of the Company including the establishment of an Advisory Board, an Audit Committee, a Risk Committee, a Remuneration Committee and a Nomination Committee. Further details on the powers of the Board are described on pages 1 and 7-9 of this annual report.

Pursuant to article 7.2 of the Articles of Association, the Board is authorized to issue shares under the authorised share capital. According to article 8.7 of the Articles of Association, the Company may

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redeem its own shares to the extent and under the terms permitted by law. The shareholders' meeting did not authorise yet the Board to acquire own shares pursuant to articles 430-15 (1) of the 1915 Law.

With regard to article 11 (1) (j) of the Takeover Law, the Company's listed straight bonds, perpetual notes and security issuances under the EMTN programme (note 13) contain change of control provisions that provide noteholders with the right to require the Company to repurchase their notes upon a change of control of the issuer. The Company's ISDA master agreement securing derivate transactions with regard to its listed debts contains a termination right if the Company is financially weaker after a takeover.

(i) With regard to article 11 (1) (k) of the Takeover Law, there are no agreements between the Company and members of the Board or employees according to which, in the event of a takeover bid, the Company may be held liable for compensation arrangements if the employment relationship is terminated without good reason or due to a takeover bid.

Luxembourg, March 26, 2020

....	....	....
Frank Roseen	Oschrie Massatschi	Jelena Afxentiou
Member of the Board of Directors	Member of the Board of Directors	Member of the Board of Directors

AROUNDTOWN SA

ESG – ENVIRONMENTAL, SOCIAL AND GOVERNANCE

COMMITMENT TO SUSTAINABILITY AND GOVERNANCE

At Aroundtown, we are strongly committed towards sustainable value creation for all our stakeholders while being a responsible corporate citizen. We set ourselves high ESG standards and continue to take actions to strengthen our position. We believe that these high standards ensure sustainability of our business practices. We are of the opinion that our long-term success is tied to our corporate footprint, therefore we aim to create value while ensuring minimal environmental footprint, leaving a positive social impact and sustaining high standards of governance and transparency. We place great emphasis on the shared benefits of a socially responsible investment strategy where it jointly improves all our stakeholders: our society, shareholders, employees, tenants, business partners, suppliers and our communities. For this reason, we have incorporated ESG principles in all our departments, guided by our dedicated ESG team.

As we continuously seek ways to improve our corporate footprint and reputation, we have taken new initiatives on ESG matters and we are proud to share with you some of our accomplishments throughout this ESG reporting section.

With regards to environmental matters, we have launched a comprehensive energy investment program to reduce our environmental footprint by more efficient and renewable energy generation and storage. With regards to social matters, we established new initiatives to increase our involvement with communities which are aimed towards improving the livelihood of thosecommunities. With regards to governance matters, we have strengthened our boards with new members and improved our core policies. As we grow sustainably and responsibly, we reinforce our ability to attract new talent and professionals. Further details on our accomplishments and core policies regarding all ESG matters can be found in the following sections.

Our ESG standards and activities were recognized by international institutions. In September 2019, we received EPRA BPR Gold Award for the third consecutive year for our highest standards of financial reporting. We also received sBPR Gold Award from EPRA for the second consecutive year for our sBPR reporting initiatives. Additionally, we improved our ranking by Sustainalytics, one of the leading global sustainability rating agencies, which ranked us as Outperformer in the 94th percentile (from 93rd percentile in 2018) globally among 339 peers, received in March 2020. Particularly our high Sustainalytics ranking contributed towards the inclusion in DAX 50 ESG Index where we are the highest ESG-ranked real estate constituent and have the 10th highest ESG ranking among all constituents.

The non-financial information which is based on AT's 2018 Corporate Responsibility report is available on Aroundtown's website. It provides extensive details on key non-financial information and related figures. AT's third sustainability report for the year 2019 will be published in April 2020 on AT's website.

ENVIRONMENTAL RESPONSIBILITY

The Company considers environmental responsibility as an integral part of its business strategy. The Company established a comprehensive environmental policy that reflects all aspects of energy management and environmental responsibility, with the aim to reduce environmental pollution by installing sustainable energy systems which improve energy and cost efficiency, switching to renewable energy sources, and reducing its carbon footprint. Environmental factors are included in the investment strategy, due diligence process and the business plan. Over the life cycle of the assets and as part of the repositioning process, the Company seeks to continuously reduce the potential environmental footprint. As part of this process, the Company conducts regular environmental risk assessments. Environmental due diligence and risk assessments include all aspects of environmental management, such as water, climate risk and waste management, energy efficiency, and greenhouse gases (GHG) reduction. The Company's efforts to reduce carbon emissions and generate clean energy support the United Nations Sustainable Development Goals (UN SDGs) for Affordable and Clean Energy (#7) and Climate Action (#13).

ENERGY, EMISSION, WATER AND WASTE MANAGEMENT

The objective of the Company is to reduce energy consumption, especially of fossil fuels, by increasing the use of renewable energy, and to that end the Company sets periodic emission reduction targets. The Company has strategically decided on switching from low-efficient fossil and oil-operated heating plants to higher efficiency systems. A substantial share of the fossil and oil-operated heating plants have already been switched, and further units are being switched on an ongoing basis. Furthermore, the Company believes that water and waste management brings cost savings for the tenants, and thus enhances the attractiveness of the assets for all stakeholders.

Additionally, the Company employs strategic partnerships with energy suppliers (gas and electricity), who must possess relevant certifications. Stipulated by the contractual limits set by the Company's environmental policy, providers monitor their energy consumption and keep to a high standard. The policy also ensures that GHG emission are 100% offset.

SUPPLIER ENVIRONMENTAL PROGRAMS

The Company's environmental policy is further supplemented by the green procurement policy which governs the selection of and the collaboration with suppliers. Sup- pliers must sign a Code of Conduct as a mandatory component of their contract, which requires them to comply with all relevant legal standards and to possess relevant external certifications that helps assessing the environ- mental impact of their activities and end products. As a result, nearly all of the Company's contracted suppliers were certified in accordance with the environmental norm ISO 14001. The Company also actively encourages suppliers to innovate and present better systems, technologies and methods in order to improve the overall environmental performance of the supply chain.

For further information of the Company's environmental responsibility, please see the 2018 Corporate Responsibility report available on Aroundtown's website. AT´s 2019 Corporate Responsibility report will be published in April 2020 on AT´s website.

SOCIAL RESPONSIBILITY

The Company strongly believes in the shared benefit of aligning its investment activities with creating a positive social impact in its business relationships, by investing in the safety and well-being of its employees, tenants and communities, as well as partnering only with suppliers that hold responsible values. AT promotes transparency on social responsibility measures and actions taken by the Company, which can be found in the Corporate Responsibility report published annually on the Company's website.

RESPONSIBLE EMPLOYER

The Company is running high profile programs with regards to Human Capital Development which are outlined in our Commitment to Human Capital Development. A main part of the Company's success lies in its ability to attract, develop and retain qualified and motivated employees. To this extent the Company aims to have great leaders at all levels, and encourage the individual pursuit of a work/ life balance. The Company believes that a diverse workforce brings value to the team and therefore constantly guides its human capital to a maximum growth and performance by providing people with the means for success and keeping a focus on internal promotion. Furthermore, the Company puts additional emphasis on gender equality. The Company has implemented operating guidelines, monitoring systems and policies such as Diversity Policy and Anti-discrimination Policy to further reinforce the high standards in the workplace, a workplace that is governed by openness and respect. In this regard, AT is one of the 325 global companies to be included in the Bloomberg's Gender Equality Index.

ECONOMIC AND SOCIAL DEVELOPMENT

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

The Company believes that involvement with local communities and local authorities are vital to establishing long-term partnerships. On this front, AT has taken further initiatives to increase its involvement. As AT Foundation was recognized as a charitable foundation in 2019, Aroundtown allocates a budget per year into future programs that specifically target enhancing health, well-being and education of its communities. The Company also puts emphasis on working with local partners and believes that this will amplify the local impact of such programs. AT also participates in community-led initiatives that are aimed towards improving the livelihood of their locations. AT is a member of "SINN" initiative in Frankfurt which aims to support the transformation of Niederrad office district into a vibrant mixed-use residential and business quarter. Furthermore, the Company introduced a pilot program in 2019, called "Social Days", where employees were given opportunities to participate and volunteer in social responsibility projects. This program received positive feedback from both employees and communities, therefore it will be continued going forward. All these activities also contribute towards the United Nation's Sustainable Developments Goals (SDGs), particularly those relating to Good Health and Wellbeing (#3), Quality Education (#4), Reduced Inequalities (#10), Sustainable Cities and Communities (#11) and Partnership for the Goals (#17).

For further information of the Company's environmental responsibility, please see the 2018 Corporate Responsibility report available on Aroundtown's website. AT´s 2019 Corporate Responsibility report will be published in April 2020 on AT´s website.

CR STEERING COMMITTEE

The Board of Directors established a CR Steering Committee to review shareholder proposals and recommendations that relate to matters of Corporate Social Responsibility. In addition, the Committee reviews and assesses the Company's CSR strategy, initiatives and practices for environmental, social and governance practices and reviews policies with respect to CSR subjects.

CORPORATE GOVERNANCE

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

The Company follows very strict Code of Conducts which apply to its employees and main suppliers, and include policies such as Anti-Bribery Policy, Anti-Corruption Policy, Anti-discrimination Policy, Conflict of Interest and others.

The Company is not subject to any compulsory corporate governance code of conduct or respective statutory legal provisions and therefore not required to adhere to the "Ten Principles of Corporate Governance" of the Luxembourg Stock Exchange or to the German corporate governance regime, which are only applicable to domestic issuers. Nevertheless, the Company already complies with most of the principles and intends to comply with the remaining principles in the future, as well as continues to take steps to implement environmental, social and corporate governance best practices throughout its business.

BOARD OF DIRECTORS

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

On a regular basis, the Board of Directors evaluate the effective fulfilment of their remit and compliance with corporate governance procedures implemented by the Company. This evaluation is also performed by the Audit and Risk Committees. The Board of Directors currently consists of a total of seven members, of which three are independent and one is non-executive. The members are elected at the Annual General Meeting and resolve on matters on the basis of a simple majority, in accordance with the articles of incorporation. The number of directors, their term and their remuneration are determined by the general meeting of shareholders and the maximum term of directors' appointment per election is six years according to Luxembourg law.

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

ANNUAL GENERAL MEETING

The next Annual General Meeting of the shareholders is scheduled to take place on June 24, 2020 in Luxembourg. It is expected to resolve, among others, on the approval of €0.28 dividend per share for the 2019 fiscal year.

MEMBERS OF THE BOARD OF DIRECTORS

Name	Position
Mr. Frank Roseen	Director
Mr. Oschrie Massatschi	Director
Ms. Jelena Afxentiou	Director
Mr. Ran Laufer	Non-Executive Director
Mr. Markus Leininger	Independent Director
Ms. Simone Runge-Brandner	Independent Director
Mr. Markus Kreuter	Independent Director

Mr. Ran Laufer and Ms. Simone Runge-Brandner were appointed at the Ordinary General Meeting which took place in December 2019. All remaining directors' mandates were renewed at the Ordinary General Meeting 2019 until the Annual General Meeting 2022. Details about the remuneration of the Board of Directors can be found under Note 15 (II) on page 54 of the financial statements.

SENIOR AND KEY MANAGEMENT

Name	Position
Mr. Shmuel Mayo	**CEO**
Mr. Andrew Wallis	**Deputy CEO**
Mr. Eyal Ben David	**CFO**

Details about the remuneration of the Board of Directors and the senior and key management personnel can be found under Note 15 (II) on page 54 of the financial statements.

AUDIT COMMITTEE

The Board of Directors established an Audit Committee. The Board of Directors decides on the composition, tasks and term of the Audit Committee as well as the appointment and dismissal of its members. The responsibilities of the Audit Committee relate to the integrity of the financial statements, including reporting to the Board of Directors on its activities and the adequacy of internal systems controlling the financial reporting processes and monitoring the accounting processes, including reviewing accounting policies and updating them regularly. The Audit Committee recommends to the Board of Directors the appointment and replacement of the approved independent auditor and provides guidance to the Board of Directors on the auditing of the annual financial statements of the Company and, in particular, shall monitor the independence of the approved independent auditor, the additional services rendered by such auditor, the is- suing of the audit mandate to the auditor, the determination of auditing focal points and the fee agreement with the auditor.

ADVISORY BOARD

The Board of Directors established an Advisory Board to provide expert advice and assistance to the Board of Directors. The Board of Directors decides on the com- position, tasks and term of the Advisory Board as well as the appointment and dismissal of its members. The Advisory Board has no statutory powers under the Luxembourg companies act or the articles of incorporation of the Company, but applies rules adopted by the Board of Directors. The Advisory Board is an important source of guidance for the Board of Directors when making strategic decisions. During 2019, Mr. David Maimon joined the Advisory Board.

MEMBERS OF THE ADVISORY BOARD

Name	Position
Dr. Gerhard Cromme	**Chairman of the Advisory Board**
Mr. Yakir Gabay	**Advisory Board Deputy Chairman**
Mr. Claudio Jarczyk	**Advisory Board Member**
Mr. David Maimon	**Advisory Board Member**

RISK COMMITTEE

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

NOMINATION COMMITTEE

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

REMUNERATION COMMITTEE

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

SHAREHOLDERS' RIGHTS

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

The Company held an Ordinary General Meeting and Extraordinary General Meeting in December 2019. The Ordinary General Meeting resolved, among others, upon the appointment of new board members and mandate renewal of the existing board members. The Extraordinary General Meeting resolved, among others, upon the increase of the existing authorized share capital of the Company.

INTERNAL CONTROLS AND RISK MANAGEMENT SYSTEMS

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

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

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

INTERNAL RISK MITIGATION

Internal controls are constructed from five main elements:

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

COMPLIANCE, CODE OF CONDUCT AND DATA PROTECTION

Safeguarding the Company from any reputational damage due to error or misconduct is essential in maintaining the Company's reputation. Therefore, enforcing responsible behaviour guided by integrity is a central tool for the management in terms of its dealings. For this reason, the compliance and risk management teams are structured accordingly and supplemented by internal audit procedures, covering all steps of real estate investment and management chain. In order to stipulate ethical behaviour throughout its operations, the Company implemented Code of Conducts for both its employment contracts and supplier contracts which includes policies that prevent compliance violations and misconducts. These policies include Anti-corruption Policy, Diversity and Anti-discrimination Policy, Whistle-blowing Policy, Anti-Bribery Policy, measures to prevent human right violations and Data Protection Declaration and User Policy.

The Company agreed on binding standards to achieve an ethical business conduct within its Company, its employees and other personnel to expressly distance from corrupt behaviours and unethical business and such principles shall be explicitly acknowledged by its business partners, too. The Code of Conduct - that is mandatory for the Company's business partners- includes matters such as respecting and recognizing employees' rights pertaining to freedom of association and the exercise of collective bargaining, providing fair remuneration in wages, refraining from child, forced and compulsory labour, respecting the minimum age requirements within given countries and providing a workplace free of harassment and dis- crimination of any kind.

The Code of Conduct for employees is supplemented by topical guidelines, the Diversity Policy and Anti-discrimination policy. The diversity of perspectives from differences in nationality, ethnicity, race, culture, age, gender, religion, ideology, sexual identity, or physical ability are all respected. Discrimination on the basis of any of these characteristics constitutes an infringement of basic human rights and is explicitly prohibited at all the bodies of the Company. In addition to this general requirements, the Company also promotes diversity in many different areas, such as professional and cultural background and talent pool. The commitment to diversity is guided by the Diversity Committee which implemented diversity training program during the orientation period to the employees. Additionally, Aroundtown is a signatory of the

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"Diversity Charter". The details about the Company's diversity management and key figures can be found in the Corporate Responsibility Report published on the Company's website.

The Company, in its employee Code of Conduct, has instruments in place to prevent and fight any kind of violations of law, such as human rights violation, corruption or bribery. The employees have reporting channels to communicate through in case of a possible violation where the measures are dealt with in confidence to the full extent permitted by statutory law. Reported issues are investigated by the Compliance Manager. Besides the reporting channels, there is also a Whistleblowing Service conducted by an external service provider, enabling for full anonymity. If any violation is to be found, certain disciplinary measures are taken if preconditions in that respect are met.

The Company´s Code of Conduct includes the prohibition of insider dealing. The Company is subject to several obligations under Regulation (EU) No. 596/2014 (Market Abuse Regulation, "MAR"). The Company notifies pursuant to Article 19 para. 5 subpara. 1 sentence 1 of MAR, all person discharging managerial responsibilities of their obligations in the context of managers' transactions. Memorandums, notifications and information are distributed regularly.

With regards to data protection, the Company had already implemented a wide range of guidelines and provisions, with the ratification of EU General Data Protection Regulation (GDPR), including enhanced mandatory awareness training on GDPR. The Company has implemented Standard Operating Procedures (SOPs) to ensure that all personal data stored and processed in the course of Company's operations are safe from manipulation and misuse. The Company is currently seeking to be certified in ISO 27001. The diligence of the Company with regards to all compliance issues presents itself in the pleasing level of zero compliance related violations. The Code of Conducts for employees as well as business partners can be found on the Company's website.

EXTERNAL RISK MITIGATION

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

BREXIT EFFECT

On June 23, 2016, voters in the United Kingdom (UK) voted in a referendum in favour of the UK leaving the European Union (EU), a decision known as "Brexit". On March 29, 2017 the UK submitted a formal departure notice to the European Council pursuant to Article 50(2) of the Treaty on European Union (the EU Treaty) and on January 31, 2020, UK officially withdrew from the EU. This marked the beginning of a transition period that is due to end on December 31, 2020 during which the nature of the relationship between the UK, EU and Member States of the EU is being negotiated.

As many questions relating to Brexit remain open, the outcome of the negotiations is impossible to predict. Among other consequences, this departure may result in the UK no longer having access to the European Single Market and Customs Union. Since the UK is currently the second largest economy in Europe, the withdrawal from the European Single Market is expected to have negative impacts on the UK's economy. With no access to European Single Market, the Member States of the EU may face greater barriers to trade and commerce with the UK, and vice versa, which may in turn diminish economic activity between the EU and the UK, resulting in a general economic downturn throughout the UK, the EU or both. The Brexit may also give rise to or strengthen tensions in other Member States regarding their membership in the EU, potentially resulting in additional referendums or other actions in Member States regarding withdrawal from the EU. The withdrawal of other Member States from the EU would have unpredictable consequences and may have adverse effects on levels of economic activity in the countries in which the Group operates.

Therefore, Brexit may have an adverse effect on the Group's business and the portfolio may be particularly exposed to the economic and political impact of Brexit. The final outcome of Brexit may have a significant impact on the currency exchange rate between the Pound Sterling and the Euro, which should have a limited effect on Aroundtown as the Company has effectively hedged a large portion of its exposure by issuing Pound Sterling debt against Pound sterling assets. It may however have an adverse effect on the net assets. The uncertainty around Brexit and its economic & other impacts cause volatility in the financial markets. Since the Company relies on access to the financial markets in order to refinance its debt liabilities and gain access to new financing, on-going political uncertainty and any worsening of the economic environment may reduce its ability to refinance its existing and future liabilities or gain access to new financing, in each case on favourable terms or at all. Furthermore, the Company's counterparties, in particular its hedging counterparties, may not be able to fulfil their obligations under their respective agreements due to a lack of liquidity, operational failure, bankruptcy or other reasons.

CORONAVIRUS (COVID-19) EFFECT

Coronaviruses are defined by WHO as a large family of viruses which may cause illness such as respiratory infections ranging from the common cold to more severe diseases. The most recently discovered coronavirus causes coronavirus disease COVID-19 which began in Wuhan, China in December 2019 and is currently affecting over 100 countries, some of which are countries where the Group operates. The Company and its investees (the "Group") believe that the COVID-19 pandemic does not have a direct impact on its internal operations but may have an impact on its employees and tenants. The Group's daily operations are not materially dependent on a supply chain or production chain that may be disrupted due to the virus. The pandemic is likely to have an impact on the tenants' businesses which may slow down their revenue streams and render them unable to fulfil their obligations. It may particularly have an impact on the tourism sector which could result in lower revenues for hotel operators. Since the Group's hotel portfolio is predominantly leased to third party hotel operators with long-term and fixed leases, the Group will not be impacted by the pandemic directly but may be impacted only indirectly if the tenants are unable to pay their rents. The Group's portfolio is diversified through various asset types and locations with large and granular tenant base which should mitigate the impact through its low dependency on single markets, asset types or tenants.

Continued uncertainty may also weigh on the financial markets further, leading to a limited credit and liquidity supply, and to increasing cost of equity and debt. The current high level of aggregated cash and liquid assets in the amount of over €3 billion as of December 2019 in the Company's investees accounts, mitigates this risk significantly. Moreover, the low leverage of the Group, in combination with the clear debt maturity schedule (of both the Group's and the Company's financial liabilities), provide significant financial comfort.

The Group has taken necessary precautions to make sure employees are safe and secure which includes encouraging for home-office, which could slow down the daily operations. Similar precautions in the market may also cause delay in the Group's development projects. The Group believes that the authorities are working their best to counteract the disease and its economic impact, and it will follow the authorities' guidelines to act appropriately if needed.

COMPLIANCE TO THE TRANSPARENCY LAW

The Company is committed to adhere to best practices in terms of corporate governance by applying, among others, rules arising from the Luxembourg law of January 11, 2008 on transparency requirements for issuers (the "**Transparency Law**"). In particular, the Company continuously monitors the compliance with the disclosure re- quirements with respect to regulated information within the meaning of article 1 (10) (the "**Regulated Information**") of the Transparency Law and therefore publishes, stores with the OAM of the Luxembourg Stock Exchange and files with the Commission de Surveillance du Secteur Financier (the "**CSSF**") the Regulated Information on an ongoing basis.

The quarterly, half-yearly and annual financial reports, investor presentations, press releases and ad-hoc notifications are available in the English language on the Company´s website. In addition, the Company provides on its website information about its organization, its management and upcoming and past shareholder meetings, such as its annual general meetings. The Company´s website further provides a financial calendar announcing the financial reporting dates as well as other important events. The financial calendar is published before the beginning of a calendar year and is regularly updated.

These financial statements are published annually in the same day of Aroundtown SA consolidated financial statements.

AROUNDTOWN SA

RESPONSIBILITY STATEMENT

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

Luxembourg, March 26, 2020

....	....	....
Frank Roseen	Oschrie Massatschi	Jelena Afxentiou
Member of the Board of Directors	Member of the Board of Directors	Member of the Board of Directors

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To the Shareholders of
Aroundtown SA
40, Rue de Curé
L-1368 Luxembourg

REPORT OF THE REVISEUR D'ENTREPRISES AGREE

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Aroundtown SA (the "Company"), which comprise the statement of financial position as at December 31, 2019, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at December 31, 2019, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

Basis for Opinion

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

Key audit matters

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

Impairment of Investment in subsidiaries

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

We refer to accounting policy at note 2.c) “Impairment of investments in subsidiaries” on page 25 and Note 9 “Investments in subsidiaries” on page 42 of the financial statements.

As at December 31, 2019 investments in subsidiaries represent 95% of the total assets of the Company. These represent the conversion of loans receivable given to the Company’s subsidiaries mainly, and represent investment of the Company in the underlying group and its underlying assets, which are investment properties. Recoverability of the investments in subsidiaries depend on the subsidiaries performances, thus management performs impairment assessment at each reporting date.

The identification of impairment indicators and the determination of the impairment charge require application of significant judgment by management. There is a risk that the management records an impairment charge that did not occur, or that they fail to identify an impairment event and the impairment charge is therefore incomplete.

Therefore, we consider impairment of investments in subsidiaries as a key audit matter.

b. How the matter was addressed in our audit

Our procedures concerning the impairment of the investments in subsidiaries included, but were not limited to, the following:

- We obtained an understanding of the impairment assessment process through inquiries with management, based on their knowledge of the recent developments in the financial position and cash flows of the subsidiaries;
- We assessed the design and implementation of the key controls around the identification of triggers and assessment of impairment;
- We challenged management’s assessment related to the timing and recognition of the impairment events and charges and corroborated them with the underlying data;
- We performed a reconciliation of the investments recorded by the Company and the equity position of the subsidiaries as per their audited financial information;
- We assessed the impairment calculation for the investments in subsidiaries by reviewing the subsidiaries’ financial information. This to ensure that their net assets are sufficient to recover the value of the participations.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information stated in the management report and the Corporate Governance Statement but does not include the financial statements and our report of the “Réviseur d’Entreprises agréé” thereon.

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

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

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

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

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

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Responsibilities of the Réviseur d'Entreprises agréé for the audit of the financial statements

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

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

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

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

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

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

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

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

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

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

Report on other legal and regulatory requirements

We have been appointed as "Réviseur d'Entreprises agréé" by the General Meeting of the Shareholders on June 26, 2019 and the duration of our uninterrupted engagement is 3 years.

The management report is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

The accompanying Corporate Governance Statement is presented on pages 5 to 13. The information required by Article 68ter paragraph (1) letters c) and d) of the law of December 19, 2002 on the commercial and companies register and on the accounting records and annual accounts of undertakings, as amended, is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

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

Other matter

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

Luxembourg, March 26, 2020

KPMG Luxembourg
Société coopérative
Cabinet de révision agréé

Joseph de Souza

AROUNDTOWN SA

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	Year ended December 31, 2019	Year ended December 31, 2018
		in € thousands	
Revenue	5	397,962	(*) 158,404
Administrative and other expenses	6	(7,604)	(6,478)
Operating profit		**390,358**	**151,926**
Net finance expenses	7	(265,281)	(*) (280,004)
Profit / (loss) before tax		**125,077**	**(128,078)**
Current and deferred tax (expense) / benefit	8	(9,743)	4,380
Profit / (loss) for the year		**115,334**	**(123,698)**
Profit / (loss) attributable to:			
Owners of the Company		88,498	(131,802)
Perpetual notes investors		26,836	8,104
Profit / (loss) for the year		**115,334**	**(123,698)**
Other comprehensive income (loss):			
Items that are or may be reclassified subsequently to profit or loss			
Cash flow hedges and cost of hedging		20,063	(14,489)
Tax related to the other comprehensive loss component		(4,881)	1,701
Total other comprehensive income / (loss) for the year		**15,182**	**(12,788)**
Total comprehensive income / (loss) for the year		**130,516**	**(136,486)**
Total comprehensive income / (loss) attributable to:			
Owners of the Company		103,680	(144,590)
Perpetual notes investors		26,836	8,104
Total comprehensive income / (loss) for the year		**130,516**	**(136,486)**

(*) reclassified – see note 3.10

AROUNDTOWN SA

STATEMENT OF FINANCIAL POSITION

	Note	December 31, 2019	December 31, 2018
		in € thousands	
Assets			
Property plant and equipment		34	3
Investments in subsidiaries	9	15,388,036	10,499,679
Trade and other receivables	10	7,508	3,595
Loan receivables	11	228,232	-
Derivative financial assets	16	158,491	21,980
Deferred tax assets	8	-	8,867
Non-current assets		**15,782,301**	**10,534,124**
Cash and cash equivalents		1,236	234
Financial assets at fair value through profit or loss		55,351	46,689
Trade and other receivables	10	319,363	232
Loan receivables	11	-	126,487
Derivative financial assets	16	44,197	22,360
Current assets		**420,147**	**196,002**
Total assets		**16,202,448**	**10,730,126**

AROUNDTOWN SA

STATEMENT OF FINANCIAL POSITION (CONTINUED)

	Note	December 31, 2019	December 31, 2018
		in € thousands	
Equity	12		
Share capital		12,236	11,286
Share premium and other reserves		3,042,649	2,637,002
Retained earnings		(70,329)	(158,827)
Equity attributable to the owners of the Company		**2,984,556**	**2,489,461**
Equity attributable to perpetual notes investors		1,339,966	398,333
Total Equity		**4,324,522**	**2,887,794**
Liabilities			
Loans and borrowings	13.1	2,503,224	1,274,879
Straight bonds and schuldscheins	13.2	9,142,817	6,356,390
Derivative financial liabilities	16	68,932	61,023
Deferred tax liabilities	8	13,061	7,304
Non-current liabilities		**11,728,034**	**7,699,596**
Loans and borrowings	13.1	-	238
Trade and other payables	14	6,398	61,423
Provisions and current liabilities	13.2	112,373	81,065
Derivative financial liabilities	16	31,115	-
Tax payable		6	10
Current liabilities		**149,892**	**142,736**
Total liabilities		**11,877,926**	**7,842,332**
Total equity and liabilities		**16,202,448**	**10,730,126**

The Board of Directors of Aroundtown SA authorised these financial statements for issuance on March 26, 2020.

....	....	....
Frank Roseen	Oschrie Massatschi	Jelena Afxentiou
Member of the Board of Directors	Member of the Board of Directors	Member of the Board of Directors

AROUNDTOWN SA

STATEMENT OF CHANGES IN EQUITY

	Note	Attributable to the owners of the Company						
		Share capital	Share Premium and other capital reserves	Hedge reserves	Retained earnings	Total	Equity attributable to perpetual notes investors	Total equity
		in € thousands						
Balance as at January 1, 2018		**9,478**	**1,810,476**	**(489)**	**(27,025)**	**1,792,440**	**-**	**1,792,440**
(Loss) / profit for the year		-	-	-	(131,802)	(131,802)	8,104	(123,698)
Other comprehensive loss for the year, net of tax		-	-	(12,788)	-	(12,788)	-	(12,788)
Total comprehensive income (loss) for the year		**-**	**-**	**(12,788)**	**(131,802)**	**(144,590)**	**8,104**	**(136,486)**
Transactions with the owners of the Company								
Contributions and distributions								
Issuance of ordinary shares	12A	1,771	1,064,099	-	-	1,065,870	-	1,065,870
Equity settled share-based payment	12A	3	1,367	-	-	1,370	-	1,370
Dividend distribution		34	(225,663)	-	-	(225,629)	-	(225,629)
Total contributions and distributions		**1,808**	**839,803**	-	-	**841,611**	-	**841,611**
Issuance of perpetual notes, net		-	-	-	-	-	390,229	390,229
Balance as at December 31, 2018		**11,286**	**2,650,279**	**(13,277)**	**(158,827)**	**2,489,461**	**398,333**	**2,887,794**
Balance as at January 1, 2019		**11,286**	**2,650,279**	**(13,277)**	**(158,827)**	**2,489,461**	**398,333**	**2,887,794**
Profit for the year		-	-	-	88,498	88,498	26,836	115,334
Other comprehensive income for the year, net of tax		-	-	15,182	-	15,182	-	15,182
Total comprehensive income for the year		**-**	**-**	**15,182**	**88,498**	**103,680**	**26,836**	**130,516**
Transactions with the owners of the Company								
Contributions and distributions								
Issuance of ordinary shares	12A	840	595,357	-	-	596,197	-	596,197
Equity settled share-based payment	12A	1	4,612	-	-	4,613	-	4,613
Dividend distribution	12F	109	(209,504)	-	-	(209,395)	-	(209,395)
Total contributions and distributions		**950**	**390,465**	-	-	**391,415**	-	**391,415**
Issuance of perpetual notes, net of coupon paid	12D	-	-	-	-	-	914,797	914,797
Balance as at December 31, 2019		**12,236**	**3,040,744**	**1,905**	**(70,329)**	**2,984,556**	**1,339,966**	**4,324,522**

STATEMENT OF CASH FLOWS

	Note	Year ended December 31, 2019	Year ended December 31, 2018
		in € thousands	
Cash flows from operating activities			
Profit / (loss) for the year		115,334	(123,698)
Adjustments for the profit:			
Depreciation and amortisation		4	1
Interest income		(49,194)	(*) (152,582)
Dividend income	5	(348,768)	(*) (5,407)
Other income	5	-	(415)
Net finance expenses	7	265,281	(*) 280,004
Current and deferred tax (benefit) / expense	8	9,743	(4,380)
Equity settled share-based payment		140	140
Change in working capital		5,407	4,570
Dividend received		-	3,783
Net cash (used in) / provided by operating activities		**(2,053)**	**2,016**
Cash flows from investing activities			
Investment in financials assets thourgh profit or loss		2,729	(66,269)
Loans given to subsidiaries, net		(3,750,389)	(3,322,468)
Net cash used in investing activities		**(3,747,660)**	**(3,388,737)**
Cash flows from financing activities			
Proceeds from issuance of ordinary shares, net	12(C)	596,288	600,549
Proceeds from issuance of bonds, net	13.2	2,653,892	2,455,543
Proceeds from perpetual notes investors, net	12(D)	914,201	390,229
Proceeds from credit facility, net		(70,004)	69,880
Dividend distribution	12(F)	(209,395)	(225,663)
Interest and other financial expenses, net		(134,267)	(68,250)
Net cash provided by financing activities		**3,750,715**	**3,222,288**
Net change in cash and cash equivalents		**1,002**	**(164,433)**
Cash and cash equivalents as at January 1		234	164,667
Cash and cash equivalents as at December 31		**1,236**	**234**

(*) reclassified

1. GENERAL

(a) Incorporation and principal activities

Aroundtown SA ("the Company" or "Aroundtown"), a public limited liability company (Société Anonyme), incorporated under the laws of the Grand Duchy of Luxembourg, having its registered office at 40, Rue du Curé, L-1368, Luxembourg. Aroundtown's shares are listed on the Prime Standard of the Frankfurt Stock Exchange and included in the MDAX index of the Deutsche Börse.

Aroundtown is a real estate company with a focus on income generating quality properties with value-add potential in central locations in top tier European cities, primarily in Germany and the Netherlands. Aroundtown invests in commercial and indirectly in residential real estate which benefits from strong fundamentals and growth prospects. The commercial properties are held by Aroundtown and the residential investments is held through a holding in Grand City Properties S.A., a publicly traded real estate company that focuses on investing in value-add opportunities predominantly in the German residential real estate market. As of December 2019, Aroundtown holds 39.40% in Grand City Properties S.A (2018: 38.75%), and accounts it for as equity-accounted investee in its consolidated financial statements.

2. BASIS OF PREPARATION

(a) Statement of compliance

The separate financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU).

(b) Basis of measurement

The financial statements have been prepared applying IAS 27 – Separate Financial Steatements and under the historical cost convention, except in the case of certain financial assets, which are measured at their fair value through profit or loss, derivative financial assets and liabilities and deferred taxes on fair value losses or gains on derivative financial assets or liabilities, respectively.

(c) Use of estimates and judgments

The preparation of financial statements in accordance with IFRS requires from Management the exercise of judgment, to make estimates and assumptions that influence the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and underlying assumptions are based on historical experience and various other factors that are deemed to be reasonable based on knowledge available at that time. Actual results may deviate from such estimates.

The estimates and underlying assumptions are revised on a continuous basis. Revisions in accounting estimates are recognized in the period during which the estimate is revised, if the estimate affects only that period, or in the period of the revision and future periods, if the revision affects the present as well as future periods.

2. BASIS OF PREPARATION

Measurement of fair values

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

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

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

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

Impairment of investments in subsidiaries

The Company periodically evaluates the recoverability of investments in subsidiaries whenever indicators of impairment are present. Indicators of impairment include such items as declines in revenues, earnings or cash flows or material adverse changes in the economic or political stability of a particular country, which may indicate that the carrying amount of an asset is not recoverable. If facts and circumstances indicate that investment in subsidiaries may be impaired, the estimated future undiscounted cash flows associated with these investments would be compared to their carrying amounts to determine if a write-down to fair value is necessary.

Impairment of investments financial assets

When measuring expected credit losses (ECLs) for financial assets not measured at fair value, the Company uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other. Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

Tax and deferred tax expenses

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

2. BASIS OF PREPARATION

Going concern

Management has made an assessment, which was based upon the long term loan contracts, and has not identified uncertainties related to events or conditions that may cast significant doubt upon the Company's ability to act as a going concern. As a result, these financial statements have been prepared on the basis of the going concern assumption.

(d) Functional and presentation currency

The financial statements are presented in euro, which is the functional currency of the Company, and reported in thousands of euros, except when otherwise indicated. As at December 31, 2019, the Company has financial instruments in British Pound (GBP), US Dollar (USD), Swiss Franc (CHF), Norwegian Krone (NOK), Canadian Dollar (CAD), Australian Dollar (AUD), Japanese Yen (JPY) and Hong Kong Dollar (HKD). The exchange rates versus the euro were as follows:

	EUR/GBP	EUR/USD	EUR/CHF	EUR/NOK	EUR/CAD	EUR/AUD	EUR/JPY	EUR/HKD
Average rate 2019	0.878	1.120	1.112	9.851	1.486	1.611	122.01	8.772
As at December 31, 2019	0.851	1.123	1.085	9.864	1.460	1.600	121.94	8.747
As at December 31, 2018	0.895	1.145	1.127	9.948	1.561	1.622	125.85	8.968
Change during the year:								
Year ended December 31, 2019	(4.9%)	(1.9%)	(3.7%)	(0.8%)	(6.5%)	(1.4%)	(3.1%)	(2.5%)
Year ended December 31, 2018	0.8%	(4.5%)	(3.7%)	1.1%	3.8%	5.7%	(6.8%)	(4.3%)

AROUNDTOWN SA

NOTES TO THE FINANCIAL STATEMENTS
for the year ended December 31, 2019

3. SIGNIFICANT ACCOUNTING POLICIES

3.1. Changes in accounting policies and disclosures

The following new amendments and interpretations are applicable for the first time in 2019, but either not relevant or do not have a material impact on the financial statements of the Company.

- IFRS 16 – Leases: The Company does not have material leases in its separate financial statements.
- IFRIC Interpretation 23 Uncertainty over Income Tax Treatments
- Amendments to IFRS 9: Prepayment Features with Negative Compensation
- Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures
- Amendments to IAS 19: Plan Amendment, Curtailment or Settlement
- Annual Improvements to IFRS standards 2015-2017 Cycle:
- Amendments to IFRS 3 Business Combinations - Previously held Interests in a joint operation
- Amendments to IFRS 11 Joint Arrangements - Previously held Interests in a joint operation
- Amendments to IAS 12 Income Taxes - Income tax consequences of payments on financial instruments classified as equity
- Amendments to IAS 23 Borrowing Costs - Borrowing costs eligible for capitalization
  The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

3.2. Investments in subsidiaries

Subsidiaries are entities controlled by the Company. Control exists where the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Investments in subsidiaries are stated at cost, which includes transaction costs, less provision for impairment, which is recognized as an expense in the period in which the impairment is identified.

3.3. Revenue recognition

Revenues earned by the Company are recognized on the following bases:

- Rendering of services

Revenue from rendering of services is measured based on the consideration to which the Company expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. Depending on the terms of each contract, the Company determines whether control is transferred at a point in time or over time.

- Dividend income and fair value gain from investments

Dividend income is recognized when the right to receive payment is established. Fair value gains on financial assets and financial liabilities are recognized from the moment the Company becomes a party to a contractual provision of the instrument.

3. SIGNIFICANT ACCOUNTING POLICIES

- Interest income

Interest income is recognized on a time-proportion basis using the effective interest method.

3.4. Finance costs

Interest expense and other borrowing costs are recognized in profit or loss using the effective interest method.

3.5. Foreign currency translation

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the reporting date exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value is determined. Translation differences on non-monetary items such as equities held at fair value through profit or loss are reported as part of the fair value gain or loss.

3.6. Tax

Income tax expense comprises current and deferred tax. It is recognized in profit or loss except for instances relating to a business combination, or items recognized directly in equity or in OCI.

(i) Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

(ii) Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit or loss.
- In respect of taxable temporary differences associated with investments in subsidiaries, branches and associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

3. SIGNIFICANT ACCOUNTING POLICIES

Deferred tax assets are recognized for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilized, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of deductible temporary differences associated with investments in subsidiaries, branches and associates and interests in joint arrangements, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognized subsequently if there is new information about changes in facts and circumstances. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognized in profit or loss.

The Company offsets deferred tax assets and deferred tax liabilities if, and only if, it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

3. SIGNIFICANT ACCOUNTING POLICIES

3.7. Dividends

Dividend distribution to the Company's shareholders is recognized in the Company's financial statement of changes in equity in the year in which it is approved by the Company's shareholders.

3.8. Financial instruments

A financial instrument is any contract that gives right to a financial asset of one entity and a financial liability or equity instrument of another entity.

I. Financial assets

i. Initial recognition and measurement

Financial assets are classified at initial recognition as subsequently measured at amortized cost, fair value through other comprehensive income (OCI), or fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under IFRS 15. See note 3.8.

In order for a financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

3. SIGNIFICANT ACCOUNTING POLICIES

ii. Subsequent measurement

For the purposes of subsequent measurement, financial assets are classified in four categories:

1. Financial assets at amortized cost (debt instruments)
2. Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
3. Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon de-recognition (equity instruments)
4. Financial assets at fair value through profit or loss

Financial assets at amortized cost (debt instruments)

This category is the most relevant to the Company. The Company measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows, and

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains or losses are recognized in profit or loss when the asset is derecognized, modified or impaired refer to expected credit loss model in determined impairment.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognized in the statement of profit or loss.

Dividends on equity instruments are recognized as revenue in the statement of profit or loss when the right of payment has established.

3. SIGNIFICANT ACCOUNTING POLICIES

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognized in profit or loss. Reassessment only occurs if there is either a change in the term of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified entirely as a financial asset at fair value through profit or loss.

iii. De-recognition

Financial asset (or, where applicable, part of a financial asset or part of a group of similar financial assets) is primarily de-recognized (i.e., removed from the Company's statement of financial position) when:

- The rights to receive cash flows from the asset have expired, or

- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

  When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on the basis that reflects the rights and obligations that the Company has retained.

  Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

3. SIGNIFICANT ACCOUNTING POLICIES

iv. Impairment of financial assets

The Company recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from defaults events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL). The Company presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Company has reasonable and supportable information that demonstrates otherwise.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12‑month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

The Company considers a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company or when there is a breach of financial covenants by the debtor. Irrespective of the above analysis, the Company considers that default has occurred when a financial asset is more than 90 days past due unless the Company has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

II. Financial liabilities

i. Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables or as derivative financial liabilities, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

ii. Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

3. SIGNIFICANT ACCOUNTING POLICIES

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognized in the statement of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Company has not designated any financial liability as at fair value through profit or loss.

Financial liabilities at amortized cost

This is the category most relevant to the Company. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are de-recognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR.

iii. De-recognition

A financial liability is de-recognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of profit or loss.

III. Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

3. SIGNIFICANT ACCOUNTING POLICIES

IV. Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognized as a deduction from equity, net of any tax effects.

V. Perpetual notes

Perpetual notes have no maturity date and may be only redeemed by the Company, at its sole discretion, on certain dates. The Perpetual notes are recognized as equity attributable to its holders, which forms part of the total equity of the Company. The Company may, at its sole discretion, elect to defer the payment of interest on the notes (referred to as Arrears of Interest). Arrears of Interest must be paid by the Company upon the occurrence of certain events, including but not limited to, dividends, distributions or other payments made to instruments such as the Company's ordinary shares, which rank junior to the Perpetual notes. Upon occurrence of such an event, any Arrears of Interest would be re-classified as a liability in the Company's financial statements. The deferred amounts shall not bear interest.

3.9. Hedging activities and derivatives

Initial recognition and subsequent measurement

The Company uses derivative financial instruments, such as forward currency contracts, interest rate swap and cross-currency swap contracts, to hedge its foreign currency risks, interest rate risks and fair value risks. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

For the purpose of hedge accounting, hedges are classified as:

- Fair value hedges when hedging the exposure to changes in the fair value of a recognized asset or liability or an unrecognized commitment.
- Cash flow hedges when hedging the exposures to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognized firm commitment.
- Hedges of a net investment in a foreign operation.

At the inception of a hedge relationship, the Company formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

3. SIGNIFICANT ACCOUNTING POLICIES

The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Company will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ration is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is 'an economic relationship' between the hedged item and the hedging instrument.
- The effect of credit risk does not 'dominate the value changes' that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Company actually hedges and the quantity of the hedging instrument that the Company actually uses to hedge that quantity of hedge item.

Hedges that meet all the qualifying criteria for hedge accounting are accounted for and further described below:

- Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognized in OCI and accumulated in a separate component of equity under hedge reserve, while any ineffective portion is recognized immediately in the financial statement of profit or loss. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

The forward element is recognized in OCI and accumulated in a separate component of equity under other reserve.

The amounts accumulated in OCI are accounted for, depending on the nature of the underlying hedged transaction. If the hedged transaction subsequently results in the recognition of a non-financial item, the amount accumulated in equity is removed from the separate component of equity and included in the initial cost or other carrying amount of the hedged asset or liability. This is not a reclassification adjustment and will not be recognized in OCI for the period. This also applies where the hedged forecast transaction of a non-financial asset or non-financial liability subsequently become a firm commitment for which fair value hedge accounting is applied.

For any other cash flow hedges, the amount accumulated in OCI is reclassified to profit or loss as a reclassification adjustment in the same period or periods during which the hedged cash flows affect profit or loss.

If cash flow hedge accounting is discontinued, the amount that has been accumulated in OCI must remain in accumulated OCI if the hedged future cash flows are still expected to occur. Otherwise, the amount will be immediately reclassified to profit or loss as a reclassification adjustment. After discontinuation, once the hedge cash flows occurs, any amount remaining in accumulated OCI must be accounted for depending on the nature of the underlying transaction as described above.

3. SIGNIFICANT ACCOUNTING POLICIES

- Fair value hedges

The change in the fair value of a hedging instrument is recognized in the statement of profit or loss. The change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item and is also recognized in the statement of profit or loss.

In case where the Company designates only the spot element of swap contracts as a hedging instrument, the forward element is recognized in OCI and accumulated in a component of equity under hedge reserves as time period related element and amortized to the statement of profit or loss over the hedged period.

If the hedged item is derecognized, the unamortized fair value is recognized immediately in profit or loss.

3.10. Comparatives

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year, and marked as “reclassified”.

Significant reclassification

The interest expenses from related parties were presented in 2018 under the revenue caption, net from the interest income from related parties. This figure is now reclassified to net finance expenses to enhance comparability.

The dividend income is included in the revenue and was netted from finance expenses in 2018.

3.11. Standards issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company’s financial statements are disclosed below, if they are expected to have an impact on the Company’s financial statements. The Company intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

Amendments to IAS 1 and IAS 8: Definition of Material

In October 2018, the IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of ‘material’ across the standards and to clarify certain aspects of the definition. The new definition states that, ’Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.’ The amendments to the definition of material is not expected to have a significant impact on the Group’s consolidated financial statements.

The Company has not early adopted any standards, interpretations or amendments that have been in issued but are not yet effective and adopted by the EU.

4. FAIR VALUE MEASUREMENT

The Company measures financial instruments such as derivatives, at fair value at each balance sheet date.

4.1 Fair values

Set out below is a comparison of the carrying amounts and fair values of the Company's financial instruments, other than those with carrying amounts that are reasonable approximation of fair values:

	December 31, 2019		2018	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
	in € thousands			
Financial assets				
Financial assets at fair value through profit or loss	55,351	55,351	46,689	46,689
Derivative financial assets	202,688	202,688	44,340	44,340
Total	**258,039**	**202,688**	**91,029**	**91,029**
Financial liabilities				
Straight bonds and schuldscheins (*)	9,255,190	9,800,342	6,437,455	6,276,551
Derivative financial liabilities	100,047	100,047	61,023	61,023
Total	**9,355,237**	**9,900,389**	**6,498,478**	**6,337,574**

(*) The carrying amount includes accrued interest.

When the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flows (DCF) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of input such as liquidity risk, credit risk and volatility. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments and is discussed further below.

<u>Valuation methods assumptions</u>

The management assessed that cash and cash equivalents, trade and other receivables, trade and other payables and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

The following methods and assumptions were used to estimate the fair values:

- The fair values of the quoted bonds are based on price quotations at the reporting date. The fair value of unquoted bonds is measured using the discounted cash flows method with observable inputs.
- There's an active market for the Company's listed equity investments and quoted debt instruments.

4. FAIR VALUE MEASUREMENT

- The Company enters into derivative financial instruments with various counterparties, principally financial institutions with investment grade credit ratings. Interest rate and foreign exchange swap and forward contracts are valued using valuation techniques, which employ the use of market observable inputs. The most frequently applied valuation technique include forward pricing and swap models using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates, yield curves of the respective currencies, currency basis spreads between the respective currencies, interest rate curves and forward rate curves.

4.2 Fair value measurement hierarchy

The following tables provide the fair value measurement hierarchy of the Company's assets and liabilities:

Fair value measurement hierarchy for assets as at December 31, 2019 and 2018:

	December 31, 2019				December 31, 2018			
	Fair value measurement using				Fair value measurement using			
	Total	Quoted prices in active market (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total	Quoted prices in active market (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
	in € thousands							
Assets measured at fair value:								
Financial assets at fair value through profit or loss	55,351	55,351	-	-	46,689	46,689	-	-
Derivative financial assets	202,688	-	202,688	-	44,340	-	44,340	-

There have been no transfers between Level 1, Level 2 and Level 3 during 2019 and 2018

4. FAIR VALUE MEASUREMENT

Fair value measurement hierarchy for liabilities as at December 31, 2019 and 2018:

	December 31, 2019				December 31, 2018			
	Fair value measurement using				Fair value measurement using			
	Total	Quoted prices in active market (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total	Quoted prices in active market (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
	in € thousands							
Liabilities measured at fair value:								
Derivative financial liabilities	100,047	-	100,047	-	61,023	-	61,023	-
Liabilities for which fair values are disclosed:								
Straight bonds	9,800,342	9,413,238	387,104	-	6,276,551	6,102,914	173,637	-

There have been no transfers between Level 1, Level 2 and Level 3 during 2019 and 2018.

5. REVENUE

	Year ended December 31,	
	2019	2018
	in € thousands	
Interest income	49,194	(*) 152,582
Dividend income	(**) 348,768	(*) 5,407
Other income	-	415
	397,962	158,404

(*) reclassified – see note 3.10
(**) Dividend income in 2019 stems from related parties. See note 15.

6. ADMINISTRATIVE AND OTHER EXPENSES

	Year ended December 31,	
	2019	2018
	in € thousands	
Legal and professional fees	2,986	4,647
Audit fees (*)	614	503
Other administrative expenses	4,004	1,328
	7,604	6,478

(*) the Company's fees in 2019 for KPMG Luxembourg audit firm for legal annual audit and other non-audit services was €270 thousand (2018: €316 thousand) and €344 thousand (2018: €187 thousand), respectively.

As at December 31, 2019 the Company has 3 employees (2018: 2 employees). On Average, the Company had 3.5 employees during the year (2018: 1.8).

7. NET FINANCE EXPENSES

	Year ended December 31,	
	2019	**2018**
	in € thousands	
Finance expenses from banks and bonds	146,128	(*) 96,218
Intercompany finance expenses	57,111	(*) 59,433
Changes in fair value of financial assets and liabilities, net	46,677	(*) 118,702
Finance-related costs	15,365	5,651
	265,281	280,004

(*) reclassified.

8. TAXATION

Tax rate applicable to the Company

The Company is subject to taxation under the laws of Luxembourg. The corporation tax rate in Luxembourg is 24.94% (2018: 26.01%).

Deferred tax assets and liabilities

The deferred tax assets and liabilities represent the expected tax impact on the temporary difference between the hedge instruments' carrying amount as of the balance sheet date and their value for taxation purposes.

The movement in net deferred tax assets (liabilities) during the year was as follows:

	2019	**2018**
	in € thousands	
Balance as at January 1	1,563	(4,518)
(Charged) / credited to profit or loss	(9,743)	4,380
(Charged) / credited to other comprehensive income	(4,881)	1,701
Balance as at December 31	(13,061)	1,563

Reconciliation of effective tax rate

	Year ended December 31,	
	2019	**2018**
	in € thousands	
(Profit) / loss before tax	(125,077)	128,078
Effective tax rate	24.94%	26.01%
Total tax calculated at the statutory tax rate	31,194	(33,313)
Tax effect of expenses not deductible / (income not taxable) for tax purposes	(40,937)	37,693
Tax and deferred tax (expenses) / benefit	**(9,743)**	**4,380**

8. TAXATION

Based on the most recent available information, the Company has unused tax losses of approximately €2 million.

9. INVESTMENTS IN SUBSIDIARIES

	December 31,	
	2019	2018
	in € thousands	
Balance as at January 1	10,499,679	4,135
Additions	4,888,357	10,495,544
Balance as at December 31	15,388,036	10,499,679

The details of the significant subsidiaries held directly by the Company are as follows:

Name	Place of incorporation	Principal activities	December 31, 2019 Holding %	December 31, 2018 Holding %
Edolaxia Group Limited	Cyprus	Holding of investments	100%	100%
Alfortia Limited	Cyprus	Holding of investments	100%	100%
Camelbay Limited	Cyprus	Holding of investments	100%	100%
Bluestyle Limited	Cyprus	Holding of investments	100%	100%
Aroundtown Holdings B.V.	Netherlands	Holding of investments	100%	-
AT Securities B.V.	Netherlands	Financing	100%	100%
ATF Netherlands B.V.	Netherlands	Financing	100%	100%

As at December 31, 2019, the Company holds indirectly 39.40% (2018: 38.75%) and 98.8% (2018: 98.2%) of Grand City Properties S.A. and Primecity Investment Plc, respectively.

The Company periodically evaluates the recoverability of its investments in subsidiaries whenever indicators of impairment are present. Indicators of impairment include items such as declines in revenues, earnings or cash flows or material adverse changes in the economic or political stability of the particular country, which may indicate that the carrying amount of an asset is not recoverable. If the circumstances indicate that investment in subsidiaries might be impaired, the estimated future discounted cash flows associated with these subsidiaries would be compared to their carrying amounts to determine if a write-down to fair value is necessary.

10. TRADE AND OTHER RECEIVABLES

	December 31, 2019	December 31, 2018
	in € thousands	
Receivables from related companies (note 15)	324,316	3,595
Other receivables	2,555	232
	326,871	3,827
Non-current portion	7,508	3,595
Current portion	319,363	232
	326,871	3,827

The exposure of the Company to credit risk and impairment losses in relation to trade and other receivables is reported in note 16 to the financial statements.

11. LOAN RECEIVABLES

	December 31, 2019	December 31, 2018
	in € thousands	
Balance as at January 1	126,487	6,930,003
New loans granted, net	3,372,725	3,543,625
Interest charged	49,194	148,403
Conversions to Redeemable Preference Shares (see explanation below)	(3,320,174)	(10,495,544)
Balance as at December 31	228,232	126,487

	December 31, 2019	December 31, 2018
	in € thousands	
Loans to related companies (note 15)	228,232	126,487
	228,232	126,487

The terms and conditions of the significant loans receivable are as follows:

Borrower	Facility in € thousands	Rate (%)	Maturity
Camelbay Limited	226,000	3.5	2029

The exposure of the Company to credit risk is reported in note 16 to the financial statements.

On December 30, 2019, the Company entered into an agreement with Aroundtown Real Estate Limited (“ATRE”) to convert €3,320,174 thousand of its outstanding loans granted to ATRE and an additional €1,179,826 thousand indebted to ATRE into 5 redeemable preference shares in ATRE ("Redeemable Preference Shares"). The Redeemable Preference Shares have similar rights as the ordinary shares, and are redeemable at the sole discretion of ATRE.

As at December 31, 2019 there are no commitments on the loan receivables.

12. EQUITY

A. Share capital

		Year ended December 31,			
	Note	2019		2018	
		Number of shares	in € thousands	Number of shares	in € thousands
Authorized					
Ordinary shares of €0.01 each	B	3,000,000,000	30,000	2,000,000,000	20,000
Issued and fully paid					
Balance as at January 1		1,128,581,866	11,286	947,808,641	9,478
Capital increases	C (1,8)	84,000,000	840	95,000,000	950
Exercise of convertible bonds series B and series C into shares	C (2,3)	-	-	75,310,961	753
Issuance of shares as part of the scrip dividend	C (4,7)	10,894,530	109	3,392,129	34
Issuance of shares in connection with a buy-back of perpetual notes	C (5)	-	-	6,818,781	68
Share-based payment	C (6,9)	97,865	1	251,354	3
Balance at the end of the year		1,223,574,261	12,236	1,128,581,866	11,286

B. Authorized capital

Since September 2017, the Company's authorized ordinary shares amounted to 2,000,000,000, with a par value of €0.01 for each share. On December 16, 2019, the Extraordinary General Meeting approved the increase of the authorized ordinary shares to 3,000,000,000.

C. Issued capital

1. On March 9, 2018, the Company issued 95,000,000 new ordinary shares (of €0.01 nominal value each) through a capital increase at a placement price of €6.38 per share, resulting in an issue volume of approximately €606 million gross proceeds. Issuance costs amounted to €5.5 million.

2. During 2018, a total amount of €62.3 million nominal value of the Convertible bond series B was converted into shares. According to the convertible bond's terms, 19,323,747 new ordinary shares were issued.

3. During 2018, a total amount of €300 million nominal value of the Convertible bond series C was converted into shares. According to the convertible bond's terms, 55,987,214 new ordinary shares were issued.

4. In July 2018, the Company issued 3,392,129 new ordinary shares in connection with the scrip dividend distributed to the shareholders.

5. On December 19, 2018, the Company issued 6,818,781 new ordinary shares (of €0.01 nominal value each), reflecting value of €7.50 per share, for the purchase of USD 58.5 million (nominal value) of its subsidiary's USD perpetual notes valued USD 58.2 million (€51.1 million).

12. EQUITY

6. During 2018, the Company issued 251,354 new ordinary shares in total value of €1.9 million in connection with incentive share-based plan.

7. In July 2019, the Company issued 10,894,530 new ordinary shares in connection with the scrip dividend distributed to the shareholders. See also note 12F.

8. On July 15, 2019, the Company issued 84,000,000 new ordinary shares (of €0.01 nominal value each) through a capital increase at a placement price of €7.15 per share, resulting in an issue volume of approximately €600 million gross proceeds. Issuance costs amounted to €4.4 million.

9. During the year 2019, the Company issued 97,865 new ordinary shares in total value of €0.7 million in connection with incentive share-based plan. See note 12(H).

D. Issuance of perpetual notes

In June 2019, the Company successfully placed GBP 400 million (nominal value) of perpetual subordinated notes issued through its EMTN Programme. These notes were issued at a price of 97.85% of the principal amount, are of unlimited duration and can be called back by the Company on or after the First Reset Date with appropriate notice. Up until the First Reset Date of June 25, 2024, the Company hedged the currency risk of the principal amount and coupon with a cross-currency swap; the effective annual euro coupon is 3.00% p.a. Subsequent reset reference rates shall correspond to the mid swap rate plus a specified margin. With respect to the Reset Period ending on (but excluding) June 25, 2029, the margin shall be 4.377 per cent; each Reset Period which falls in the period commencing on and including June 25, 2029 and ending on but excluding June 25, 2044, 4.627 per cent; and each Reset Period which falls on or after June 2044, 5.377 per cent.

In July 2019, the Company successfully placed €500 million (nominal value) of perpetual subordinated notes through its EMTN Programme. These notes were issued at a price of 98.149% of the principal amount, are of unlimited duration and can be called back by the Company on or after the First Reset date with appropriate notice. Up until the First Reset Date of January 12, 2025, the perpetual notes shall bear an annual coupon of 2.875% p.a. Subsequent reset reference rates shall correspond to the mid swap rate plus a specified margin. With respect to the Reset Period ending on but excluding January 12, 2030, the margin shall be 3.46 per cent; each Reset Period which falls in the period commencing on and including January 12, 2030 and ending on but excluding January 12, 2045, 3.71 per cent; and each Reset Period which falls on or after January 12, 2045, 4.46 per cent.

E. Share premium and other reserves

The capital reserves include share premium derived directly from the capital increases that took place since the date of incorporation, and from conversions of convertible bonds into ordinary shares, and can be distributed at any time. The account also consists of the equity component of the convertible bonds until their full conversion, the share-based payment reserve, and the other comprehensive income components arising from the hedge accounting, which temporarily cannot be distributed.

12. EQUITY

F. Resolution of dividend distribution

On June 26, 2019, the shareholders' Annual General Meeting resolved upon the distribution of a dividend in the amount of €0.2535 per share from the share premium in accordance with the proposal of the Board of Directors. The Company provided the shareholders with the option to receive their dividend through a "Scrip Dividend", i.e. the shareholders may elect to receive up to 85% of their dividend in the form of the Company's shares, with the remainder paid in cash. Shareholders of 356.9 million shares opted to receive their dividend in the form of new ordinary shares of the Company. Accordingly, 10.9 million new shares were issued. The cash dividend was paid in July 2019 and amounted to €209.4 million.

Based on the results of 2019 and based of its dividend policy the Company is expected to propose to the Annual General Meeting which will take place on June 24, 2020 to distribute dividend of €0.28 per share.

As at December 31, 2019, the Company did not make a provision to this amount nor recognized the proposed dividend amount as a distribution to the shareholders.

G. Legal reserve

The Company is required to allocate a minimum of 5% of its annual net increase to a legal reserve after deduction of any losses brought forward, until this reserve equals 10% of the subscribed share capital. The reserve is non-distributable during the life of the Company. The appropriation to legal reserve is affected after approval of the annual general meeting of the shareholders.

H. Share based payment agreement

a. Description of share-based payment arrangements

On December 31, 2019 and 2018, the Company had the following share-based payment arrangements:

Incentive Share plan

The annual general meeting has approved to authorize the Board of Directors to issue up to 8.5 million shares for an incentive plan for the board of directors, key management and senior employees. The incentive plan has up to 4 years vesting period with specific milestones to enhance management long term commitment to the Company's strategic targets.

The key terms and conditions related to program are as follows:

Grant date	**Number of shares (in thousands)**	**Contractual life of the incentive**
March 2016 - September 2019	2,383	Up to 4 years

12. EQUITY

b. Reconciliation of outstanding share options

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

	2019	2018
	Number of shares	**Number of shares**
	in € thousands	
Outstanding on January 1	1,677	1,417
Granted during the year, net	806	692
Exercised during the year	(100)	(432)
Outstanding on December 31	**2,383**	**1,677**

In accordance with the terms and conditions of the incentive share plan, the Company withheld 20 thousand shares equal to the monetary value of the employees' tax obligation from the total number of shares exercised. As a result, only 80 thousand shares were issued to employees across the Group.

13. LOANS AND BORROWINGS, STRAIGHT BONDS AND SCHULDSCHEINS

13.1 Composition

			December 31	
	Weighted average interest rate	**Maturity date**	**2019**	**2018**
			in € thousands	
Loans from related companies	2.24%	2023	2,503,224	1,204,961
Straight bonds and schuldscheins	1.7%	2022-2038	9,142,817	6,356,390
Credit facility from financial institution	-	-	-	69,918
Total non-current loans and borrowings, straight bonds and schuldscheins			**11,646,041**	**7,631,269**
Current portion of credit facility and loans from related companies	-	-	-	238

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for the year ended December 31, 2019

13. LOANS AND BORROWINGS, STRAIGHT BONDS AND SCHULDSCHEINS

13.2 Straight bonds and schuldscheins composition

Set out below, is an overview of the Company's straight and convertible bonds as at December 31, 2019 and December 31, 2018:

	Note	Currency	Nominal amount in original currency	Nominal amount in euro	Coupon rate (p.a.)	Maturity	December 31, 2019	December 31, 2018
			in millions	in € millions	%		in € thousands	
Straight bonds and schuldscheins								
Series D	(k) (q)	EUR	259.5	259.5	1.5	05/2022	253,858	272,395
Series E		EUR	650	650	1.5	07/2024	629,125	624,793
Series F	(l) (q)	EUR	211.4	211.4	2.125	03/2023	209,340	542,138
Series H		USD	400	372	1.365 (m) (n)	03/2032	337,883	329,828
Series NOK		NOK	750	79	0.818 (m) (n)	07/2027	74,891	74,100
Series I		EUR	500	500	1.875	01/2026	487,047	485,096
Series J		GBP	500	557	3.0	10/2029	569,595	540,504
Series K		EUR	700	700	1.0	01/2025	685,306	682,531
Series L		USD	150	125	1.75 (n)	02/2038	132,662	130,153
Series M (o)		CHF	250	213	0.732	01/2025	229,526	220,916
Series N		EUR	800	800	1.625	01/2028	777,706	775,401
Series O		EUR	500	500	2.0	11/2026	489,837	488,982
Series P		AUD	250	158	1.605 (n)	05/2025	154,265	151,798
Series Q		GBP	400	449	3.25	07/2027	456,516	432,757
Series R		CAD	250	164	1.7 (n)	09/2025	166,223	158,455
Series S (*)		EUR	100	100	0.75 + Euribor (6m)	08/2023	99,704	99,624
Series T		EUR	150	150	2.0 (n)	09/2030	149,892	149,882
Series U		EUR	75	75	2.97	09/2033	73,237	73,138
Series V		EUR	50	50	2.7	10/2028	49,536	49,491
Series W		EUR	76	76	3.25	11/2032	74,497	74,408
Series X	(c)	CHF	200	176	1.72	03/2026	183,537	-
Series Y (*)	(a)	EUR	100	100	1.35 + Euribor (6m)	02/2026	98,388	-
Series Z (*)	(b)	EUR	125	125	0.9 + Euribor (6m)	02/2024	123,756	-
Series 27	(d)	HKD	430	48	1.62(n)	03/2024	49,074	-
Series 28	(e)	USD	600	531	1.75(n)	03/2029	527,093	-
Series 29	(f)	NOK	1,735	179	1.75(n)	03/2029	175,325	-
Series 30	(g)	GBP	400	469	1.75(n)	04/2031	457,784	-
Series 31	(h)	JPY	7,000	57	1.42	05/2029	57,080	-
Series 32	(i)	EUR	800	800	0.625	07/2025	781,945	-
Series 33	(j)	EUR	600	600	1.45	07/2028	588,189	-
Total straight bonds and schuldscheins							**9,142,817**	**6,356,390**
Total accrued interest on straight bonds and schuldscheins	(p)						**112,373**	**81,065**

13. LOANS AND BORROWINGS, STRAIGHT BONDS AND SCHULDSCHEINS

(a) In February 2019, the Company successfully completed the placement of a €100 million Schuldschein issuance, referred to as the Series Y Bonds, maturing in 2026 and carrying a semi-annual coupon of 1.35% p.a. plus Euribor (6M) floored at zero, for a consideration that reflected 98.431% of the principal amount.
(b) In February 2019, the Company successfully completed the placement of a €125 million Schuldschein issuance, referred to as the Series Z Bonds, maturing in 2024 and carrying a semi-annual coupon of 0.90% p.a. plus Euribor (6M) floored at zero, for a consideration that reflected 99.017% of the principal amount.
(c) In March 2019, the Company successfully completed the placement of Swiss Franc (CHF) 200 million (approximately €176 million) Series X Bonds, maturing in 2026 and carrying a 1.72% annual coupon, for a consideration that reflected 100% of the principal amount. The Company hedged the currency risk of the principal amount until maturity. The bonds were issued under the EMTN Programme. During the year, the Company unwound the hedging instrument on CHF 60 million of the bond's principal amount.
(d) In March 2019, the Company successfully completed the placement of HKD 430 million (approximately €48 million) Series 27 Bonds, maturing in 2024, for a consideration that reflected 100% of the principal amount. The Company hedged the currency risk of the principal amount and coupon with a cross-currency swap; the effective annual euro coupon is 1.62% p.a. The bonds were issued under the EMTN Programme.
(e) In March 2019, the Company successfully completed the placement of USD 600 million (approximately €531 million) Series 28 Bonds, maturing in 2029, for a consideration that reflected 99.22% of the principal amount. The Company hedged the currency risk of the principal amount and coupon with a cross-currency swap; the effective annual euro coupon is 1.75% for the first 4 years and 2.64% plus Euribor (6M) for the following 6 years. The bonds were issued under the EMTN Programme.
(f) In March 2019, the Company successfully completed the placement of Norwegian Krone (NOK) 1,735 million (approximately €179 million) Series 29 Bonds, maturing in 2029, for a consideration that reflected 100% of the principal amount. The Company hedged the currency risk of the principal amount and coupon with a cross-currency swap; the effective annual euro coupon is 1.75% p.a. for the first 4 years and 2.52% p.a. plus Euribor (6M) for the following 6 years. The bonds were issued under the EMTN Programme.
(g) In April 2019, the Company successfully completed the placement of GBP 400 million (approximately €469 million) Series 30 Bonds, maturing in 2031, for a consideration that reflected 97.819% of the principal amount. The Company hedged the currency risk of the principal amount and coupon with a cross-currency swap; the effective annual euro coupon is 1.75% p.a. for the first 4 years and 2.11% p.a. plus Euribor (6M) for the following 8 years. The bonds were issued under the EMTN Programme.
(h) In May 2019, the Company successfully completed the placement of Japanese Yen (JPY) 7,000 million (approximately €57 million) Series 31 Bonds, maturing in 2029, for a consideration that reflected 100% of the principal amount. The Company hedged the currency risk of the principal amount; the semi-annual coupon is 1.42% p.a. The bonds were issued under the EMTN Programme.
(i) In July 2019, the Company successfully completed the placement of €800 million Series 32 Bonds, maturing in 2025 and carrying a 0.625% annual coupon, for a consideration that reflected 98.039% of the principal amount. The bonds were issued under the EMTN Programme.
(j) In July 2019, the Company successfully completed the placement of €600 million Series 33 Bonds, maturing in 2028 and carrying a 1.45% annual coupon, for a consideration that reflected 98.422% of the principal amount. The bonds were issued under the EMTN Programme.
(k) During the third quarter of 2019, the Company repurchased €21.5 million nominal amount of the outstanding Series D Bonds at a purchase price of 103.986% of the nominal amount excluding any accrued interest.
(l) During the third quarter of 2019, the Company repurchased €338.6 million nominal amount of the outstanding Series F Bonds at a purchase price of 107.15% of the nominal amount excluding any accrued interest.
(m) Coupon and principal are linked to CPI through derivative instruments.
(n) Effective coupon in euro.
(o) The Company hedged the currency risk of the principal amount until maturity.
(p) Presented as part of the provisions and current liabilities in the statement of financial position.
(q) After the reporting period, the Company issued a tender offer to the holders of bonds D and F. See note 19.
(*) Schuldschein

13. LOANS AND BORROWINGS, STRAIGHT BONDS AND SCHULDSCHEINS

13.3 MAIN SECURITY, PLEDGE AND NEGATIVE PLEDGE AS DEFINED IN THE BONDS' TERMS AND CONDITIONS

This note provides an overview of certain of the covenants applicable to the Company under its outstanding series of bonds. The complete terms and conditions of each series of bonds are set forth in the relevant bond documentation. Capitalized terms used in this note have the meanings set forth in the terms and conditions of the relevant series of bond.

Under the terms of its outstanding series of bonds, the Company has undertaken that it will not, and will procure that none of its Restricted Subsidiaries will, incur any Indebtedness if, immediately after giving effect to the incurrence of such additional Indebtedness and the application of the net proceeds of such incurrence: the sum of:

(i) the Indebtedness (less Cash and Cash Equivalents) as at the Last Reporting Date; and (ii) the Net Indebtedness (less Cash and Cash Equivalents) incurred since the Last Reporting Date would exceed 50 per cent or 60 per cent. (depending on the relevant series of bonds) of the sum of (without duplication): (i) the Total Assets (less Cash and Cash Equivalents) as at the Last Reporting Date; and (ii) the purchase price of any Real Estate Property acquired or contracted for acquisition by the Company since the Last Reporting Date; and (iii) the proceeds of any Indebtedness incurred since the Last Reporting Date (but only to the extent that such proceeds were not used to acquire Real Estate Property or to reduce Indebtedness); and

(i) the Secured Indebtedness (less Cash and Cash Equivalents) as at the Last Reporting Date; and (ii) the Net Secured Indebtedness (less Cash and Cash Equivalents) incurred since the Last Reporting Date shall not exceed 45 per cent. of the sum of (without duplication): (i) the Total Assets (less Cash and Cash Equivalents) as at the Last Reporting Date; (ii) the purchase price of any Real Estate Property acquired or contracted for acquisition by the Company since the Last Reporting Date; and (iii) the proceeds of any Indebtedness incurred since the Last Reporting Date (but only to the extent that such proceeds were not used to acquire Real Estate Property or to reduce Indebtedness).

The Company has also undertaken that the sum of: (i) the Unencumbered Assets (less Cash and Cash Equivalents) as at the Last Reporting Date; and (ii) the Net Unencumbered Assets (less Cash and Cash Equivalents) newly recorded since the Last Reporting Date will at no time be less than 125 per cent. of the sum of: (i) the Unsecured Indebtedness (less Cash and Cash Equivalents) at the Last Reporting Date; and (ii) the Net Unsecured Indebtedness (less Cash and Cash Equivalents) incurred since the Last Reporting Date.

The Company has also undertaken that on each Reporting Date, the Interest Coverage Ratio will be at least 1.5, 1.8 or 2.0 (depending on the relevant series of bond).
The Company's outstanding series of bonds also generally prohibit the Company from issuing additional bonds with the benefit of security interests unless the same security is granted to the Company's outstanding unsecured bonds equally and rateably.

13. LOANS AND BORROWINGS, STRAIGHT BONDS AND SCHULDSCHEINS

Certain of the Company's bond series also limit the ability of Restricted Subsidiaries to encumber or restrict their ability to (i) pay dividends to the Company, (ii) make payments on indebtedness owed to the Company, (iii) make loans or advances to the Company or other Restricted Subsidiaries, or (iv) transfer their properties or assets to the Company or any other Restricted Subsidiaries, subject, in each case, to certain carve-outs without respect to, among other things, (a) Subsidiary Project Financing, (b) Project Financing Debt, (c) purchase money obligations for property acquired in the ordinary course of business, (d) customary provisions in joint venture, asset sale and other types of agreements, (e) security granted in connection with Relevant Indebtedness, and (f) the granting of guarantees or indemnities in connection with the issue of Further Bonds by other members of the Company.

- The Company will:

  (a) up to and including the Final Discharge Date, not, and will not permit any Subsidiary (excluding any listed Entity) (the "Restricted Subsidiaries") to, directly or indirectly, create or permit to exist or become effective any consensual and encumbrance or restriction on the ability of any of the Restricted Subsidiaries to (a) make or pay dividends or any other distributions on its share capital to the Company or any of the Company's other Restricted Subsidiaries or grant to the Company or any of the Company's Restricted Subsidiaries any other interest or participation in itself; or (b) pay any indebtness owed to the Company or any of the Company's other Restricted Subsidiaries; or
  (b) make loans or advances to the Company or any of the Company's other Restricted Subsidiaries; or
  (c) transfer any of its properties or assets to the Company or any of the Company's other Restricted Subsidiaries.

- up to and including the Final Discharge Date, the Company undertakes that, on each Reporting Date, the Interest Coverage Ratio will be at least 1.5.

The exposure of the Company to interest rate risk in relation to financial instruments is reported in note 16 to the financial statements. There have been no breaches in covenants during the year and up to the date of approval of these financial statements.

13. LOANS AND BORROWINGS, STRAIGHT BONDS AND SCHULDSCHEINS

13.4 Reconciliation of liabilities arising from financing activities

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

			Non-cash changes				
	31.12.2018	**Financing cash flows (i)**	**Foreign exchange effect**	**Conversion to shares**	**Other (ii)**	**Other changes (iii)**	**31.12.2019**
	In € thousands						
Straight bonds and schuldscheins	6,437,455	2,653,892	96,520	-	(164,039)	231,362	**9,255,190**
Loans and borrowings	1,275,117	-	36,101	-	1,192,006	-	**2,503,224**
Net derivative financial liabilities	16,683	55,435	(39,910)	-	(134,849)	-	**(102,641)**
Total	**7,729,255**	**2,709,327**	**92,711**		**893,118**	**231,362**	**11,655,773**

			Non-cash changes				
	31.12.2017	**Financing cash flows (i)**	**Foreign exchange effect**	**Conversion to shares**	**Other (ii)**	**Other changes (iii)**	**31.12.2018**
	In € thousands						
Convertible bonds	295,850	(9,052)	-	(296,288)	2,513	6,977	**-**
Straight bonds and schuldscheins	3,872,860	2,397,600	27,200	-	22,295	117,500	**6,437,455**
Loans and borrowings	1,195,753	-	24,485	-	54,879	-	**1,275,117**
Net derivative financial liabilities	9,297	(15,327)	(27,576)	-	50,289	-	**16,683**
Total	**5,373,760**	**2,373,221**	**24,109**	**(296,288)**	**129,976**	**124,477**	**7,729,255**

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

14. TRADE AND OTHER PAYABLES

	December 31, 2019	December 31, 2018
	in € thousands	
Accruals and other creditors	4,256	1,492
Payables to related companies (note 15)	2,142	59,931
	6,398	61,423

The exposure of the Company to liquidity risk in relation to financial instruments is reported in note 16 to the financial statements.

15. RELATED PARTY TRANSACTIONS

i. The transactions and balances with related parties are as follows:

	December 31, 2019	December 31, 2018
	in € thousands	
Receivables from related companies	324,316	3,595
Loans to related companies (*)	228,232	126,487
Payables to related companies	2,142	59,931
Loans from related companies (*)	2,503,224	1,228,335

	Year ended December 31, 2019	Year ended December 31, 2018
	in € thousands	
Dividend income from related parties (**)	348,768	-
Professional fees expenses to related parties	(4,797)	(3,957)

(*) During the year the Company recorded an interest income on loans to related companies in the amount of €49,194 thousand (2018: €152,582 thousand) and an interest expenses on loans from related parties in the amount of €57,111 thousand (2018: €59,433 thousand).

(**) The dividend from related parties during 2019 was from the following subsidiaries of the Company: Camelbay Limited (€316,793 thousand), Aroundtown Real Estate Limited (€16,479 thousand) and Alfortia Limited (€15,496 thousnad).

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for the year ended December 31, 2019

15. RELATED PARTY TRANSACTIONS

ii. Significant agreements with management

	Year ended December 31, 2019					
	Executive Directors			**Independent directors**		
	in € thousands					
	Frank Roseen	Oschrie Massatschi	Jelena Afxentiou	Markus Leininger	Markus Kreuter	**Total**
Salary, Directors fee and supplementary payments (*)	300	294	188	100	100	**982**
Share incentive program	200	325	373	-	-	**898**
Total Remuneration	**500**	**619**	**561**	**100**	**100**	**1,880**

(*) Based on employer costs

Ms. Simone Runge-Brandner was appointed on December 16, 2019, to be Independent Director.
Mr. Ran Laufer was appointed on December 16, 2019, to be Independent Non-Executive Director.

Senior and Key Management

Name	**Position**
Mr. Shmuel Mayo	CEO
Mr. Andrew Wallis	Deputy CEO
Mr. Eyal Ben David	CFO

Senior Management Compensation

	Year ended December 31, 2019			
	Shmuel Mayo CEO	Andrew Wallis Deputy CEO	Eyal Ben David CFO	**Total**
	in € thousands			
Salary, Director fee and supplementary payments (*)	595	399	266	**1,260**
Share incentive program	-	820	401	**1,221**
Total Remuneration	**595**	**1,219**	**667**	**2,481**

There were no other transactions between the Company and its directors and executive management, except as described in note 12H.

16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

16.1 Financial Assets

Set out below, is an overview of financial assets, other than investment in subsidiries, held by the Company as at December 31, 2019 and December 31, 2018:

	December 31,	
	2019	**2018**
	in € thousands	
Financial assets at amortized cost:		
Cash and cash equivalents	1,236	234
Trade and other receivables	326,871	3,827
Loan receivables	228,232	126,487
Financial assets at fair value through profit or loss:		
Financial assets at fair value through profit or loss	55,351	46,689
Derivative financial assets (*)	39,267	2,123
Total	**650,957**	**179,360**

(*) excluding derivative financial assets designated as hedging instruments in hedge relationships in the amount of €163,421 thousand (2018: €42,217 thousand).

16.2 Financial liabilities

Set out below, is an overview of financial liabilities, held by the Company as at December 31, 2019 and December 31, 2018:

	December 31,	
	2019	**2018**
	in € thousands	
Financial liabilities at amortized cost:		
Trade and other payables	6,398	61,423
Tax payable	6	10
Straight bonds	9,142,817	6,356,390
Accrued interest on straight bonds	112,373	81,065
Financial liabilities at fair value through profit or loss:		
Derivative financial liabilities (*)	49,034	11,319
Total	**9,310,628**	**6,510,207**

16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

(*) excluding derivative financial liabilities designated as hedging instruments in hedge relationships amounted to €51,013 thousand (2018: €49,704 thousand).

16.3 Risks management objectives and policies

The Company's principal financial liabilities, other than derivatives, comprise loans and borrowings, convertible and straight bonds, trade and other payable, tax payable and non-current liabilities. The Company's principal financial assets include trade and other receivables, cash and cash equivalent and other non-current asset. The Company also holds investments in debt and equity instruments and enters into derivative transactions.

The Company is exposed to market risk, credit risk and liquidity risk. The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The board of directors is supported by a risk committee that advises on financial risks and the appropriate financial risk governance framework for the Company. The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and in the Company's activities.

16.3.1 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk, such as equity price risk.

16.3.1.1 Interest rate risk

The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's long-term debt obligations with floating interest rates. The Company manages its interest rate risk by hedging long-term debt with floating rate using swap, contracts.

	December 31,	
	2019	**2018**
	in € thousands	
Fixed rate	11,324,193	7,550,252
Floating rate	321,848	169,542
	11,646,041	**7,719,794**

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Interest rate sensitivity

The Company's sensitivity to possible change of +/-100 basis points in interest rates on that portion of long-term debt affected, after the impact of hedging, is immaterial.

16.3.1.2 Foreign currency risk

The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's straight bonds issued in a foreign currency.

During the year, the Company issued several straight bonds in currencies other than euro and with fixed as well as floating interest rates. The Company used cross-currency swap contracts to hedge the fair value and cash flow risk derived from the changes in exchange rates and interest rates as explained in note 16.4.2.

16.3.1.3 Equity price risk

The Company's listed equity investments are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Company manages the equity risk through diversification and by placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Company's senior management on a regular basis. For fair value hierarchy see note 4.2.

16.3.2 Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily trade and other receivables) and from its financing activities, including cash and cash equivalents held in banks, derivatives and other financial instruments.

Trade and other receivables

An impairment analysis is performed at each reporting date using a provision to measure expected credit loss. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic condition may also not be representative of customer's actual default in the future.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in note 16.1

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Financial instruments and cash and cash equivalents

Credit risk from balances with banks and financial institutions is managed by the Company's treasury department in accordance with the Company's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through a counterparty's potential failure to make payments.

The Company's investment in debt instruments at fair value through profit or loss consist of quoted debt securities that are graded in the investment category and in hybrid instrument with a collateral on a quoted debt securities with very low credit risk.

The Company holds its cash and cash equivalents and its derivative instruments with high-rated banks and financial institutions with high credit ratings. Concentration risk is mitigated by not limiting the exposure to a single counter party.

16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

16.3.3 Liquidity risk

Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match. An unmatched position potentially enhances profitability, but can also increase the risk of loss. The Company has procedures with the objective of minimizing such losses such as maintaining sufficient cash and other highly liquid current assets and by having available an adequate amount of committed credit facilities.

The following are the remaining contractual maturities at the end of the reporting period and at the end of 2018 of financial liabilities, including estimated interest payments, the impact of derivatives and excluding the impact of netting agreements:

As at December 31, 2019

		Contractual cash flows including interest					
	Carrying amount	Total	2 months or less	2-12 months	1-2 years	2-3 years	More than 3 years
	in € thousands						
Financial liabilities							
Straight bonds	9,255,190	10,644,885	33,811	124,007	157,818	417,318	9,911,931
Trade and other payables (*)	6,404	6,404	1,072	5,332	-	-	-
Total	**9,261,594**	**10,651,289**	**34,883**	**129,339**	**157,818**	**417,318**	**9,911,931**

(*) including tax payable.

As at December 31, 2018

		Contractual cash flows including interest					
	Carrying amount	Total	2 months or less	2-12 months	1-2 years	2-3 years	More than 3 years
	in € thousands						
Financial liabilities							
Credit facility	70,156	71,278	36	813	70,429	-	-
Straight bonds	6,437,455	7,611,380	33,658	88,518	121,009	121,009	7,247,186
Trade and other payables (*)	61,433	61,433	10,247	51,186	-	-	-
Total	**6,569,044**	**7,744,091**	**43,941**	**140,517**	**191,438**	**121,009**	**7,247,186**

(*) including tax payable.

16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

16.3.4 Operating Risk

Operational risk is the risk that derives from the deficiencies relating to the Company's information technology and control systems as well as the risk of human error and natural disasters. The Company's systems are evaluated, maintained and upgraded continuously.

16.3.5 Other risks

The general economic environment prevailing internationally may affect the Company's operations to a great extent. Economic conditions such as inflation, unemployment, and development of the gross domestic product are directly linked to the economic course of every country and any variation in these and the economic environment in general may create chain reactions in all areas hence affecting the Company.

The Company's portfolio is located in major cities and strong markets mainly throughout Germany, the Netherlands and the United Kingdom. The current regional distribution structure enables the Company on one hand to benefit of economic scale, and on the other provides a diverse, well allocated and risk-averse portfolio.

16.3.6 Brexit

On June 23, 2016 voters in the United Kingdom (UK) voted in a referendum in favour of the UK leaving the European Union (EU), a decision known as "Brexit". On March 29, 2017 the UK submitted a formal departure notice to the European Council pursuant to Article 50(2) of the Treaty on European Union (the EU Treaty) and on January 31, 2020 UK officially withdrew from the EU. This marked the beginning of a transition period that is due to end on December 31, 2020 during which the nature of the relationship between the UK, EU and Member States of the EU is being negotiated.

As many questions relating to Brexit remain open, the outcome of the negotiations is impossible to predict. Among other consequences, this departure may result in the UK no longer having access to the European Single Market and Customs Union. Since the UK is currently the second largest economy in Europe, the withdrawal from the European Single Market is expected to have negative impacts on the UK's economy. With no access to European Single Market, the Member States of the EU may face greater barriers to trade and commerce with the UK, and vice versa, which may in turn diminish economic activity between the EU and the UK, resulting in a general economic downturn throughout the UK, the EU or both. The Brexit may also give rise to or strengthen tensions in other Member States regarding their membership in the EU, potentially resulting in additional referendums or other actions in Member States regarding withdrawal from the EU. The withdrawal of other Member States from the EU would have unpredictable consequences and may have adverse effects on levels of economic activity in the countries in which the Group operates.

16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Therefore, Brexit may have an adverse effect on the Group's business and the portfolio may be particularly exposed to the economic and political impact of Brexit. The final outcome of Brexit may have a significant impact on the currency exchange rate between the Pound Sterling and the Euro, which should have a limited effect on Aroundtown as the Company has effectively hedged a large portion of its exposure by issuing Pound Sterling debt against Pound sterling assets. It may however have an adverse effect on the net assets. The uncertainty around Brexit and its economic & other impacts cause volatility in the financial markets. Since the Company relies on access to the financial markets in order to refinance its debt liabilities and gain access to new financing, on-going political uncertainty and any worsening of the economic environment may reduce its ability to refinance its existing and future liabilities or gain access to new financing, in each case on favourable terms or at all. Furthermore, the Company's counterparties, in particular its hedging counterparties, may not be able to fulfil their obligations under their respective agreements due to a lack of liquidity, operational failure, bankruptcy or other reasons.

16.3.7 Coronavirus (COVID-19) effect

Coronaviruses are defined by WHO as a large family of viruses which may cause illness such as respiratory infections ranging from the common cold to more severe diseases. The most recently discovered coronavirus causes coronavirus disease COVID-19 which began in Wuhan, China in December 2019 and is currently affecting over 100 countries, some of which are countries where the Group operates. The Company and its investees (the "Group") believe that the COVID-19 pandemic does not have a direct impact on its internal operations but may have an impact on its employees and tenants. The Group's daily operations are not materially dependent on a supply chain or production chain that may be disrupted due to the virus. The pandemic is likely to have an impact on the tenants' businesses which may slow down their revenue streams and render them unable to fulfil their obligations. It may particularly have an impact on the tourism sector which could result in lower revenues for hotel operators. Since the Group's hotel portfolio is predominantly leased to third party hotel operators with long-term and fixed leases, the Group will not be impacted by the pandemic directly but may be impacted only indirectly if the tenants are unable to pay their rents. The Group's portfolio is diversified through various asset types and locations with large and granular tenant base which should mitigate the impact through its low dependency on single markets, asset types or tenants.

Continued uncertainty may also weigh on the financial markets further, leading to a limited credit and liquidity supply, and to increasing cost of equity and debt. The current high level of aggregated cash and liquid assets in the amount of over €3 billion as of December 2019 in the Company's investees accounts, mitigates this risk significantly. Moreover, the low leverage of the Group, in combination with the clear debt maturity schedule (of both the Group's and the Company's financial liabilities), provide significant financial comfort.

The Group has taken necessary precautions to make sure employees are safe and secure which includes encouraging for home-office, which could slow down the daily operations. Similar precautions in the market may also cause delay in the Group's development projects. The Group believes that the authorities are working their best to counteract the disease and its economic impact, and it will follow the authorities' guidelines to act appropriately if needed.

16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

16.4 Hedging activities and derivatives

16.4.1 Derivative financial instruments

	Note	December 31,	
		2019	2018
		in € thousands	
Derivative financial assets			
Derivatives that are designated and effective as hedging instruments	16.4.2	163,421	42,217
Derivatives that are not designated in hedge accounting relationships		39,267	2,123
		202,688	**44,340**
Derivative financial liabilities			
Derivatives that are designated and effective as hedging instruments	16.4.2	51,013	49,704
Derivatives that are not designated in hedge accounting relationships		49,034	11,319
		100,047	**61,023**

16.4.2 Hedge accounting relationships

16.4.2.1 Cash flow hedges

As at December 31, 2019, the Company had foreign exchange rate and interest rate swap agreements in place, as follows:

Bond	Hedging instrument (*)	Currency	Company receives (in notional currency thousands)	Company pays (in € thousands)
Series H	FX-Swap	United States Dollar	400,000	372,439
Series NOK	FX-Swap	Norwegian Krone	750,000	79,316
Series 27	FX-Swap	Hong Kong Dollar	430,000	48,324

(*) all swaps are linked to bonds' maturity.

In addition, the Company has entered into several interest rate swap agreements. For further information regarding the effective coupon rate see note 13.2.

16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Under cross-currency swap contracts, the Company agrees to exchange cash flows in different currencies calculated on agreed notional principal amounts. Such contracts enable the Company to mitigate the risk of foreign exchange rates on its cash flows.

The fair value of cross currency and interest rate swaps at the reporting date is determined by discounting the future cash flows using the curves at the reporting date and the credit risk inherent in the contract and is disclosed below.

As the critical terms of the cross-currency swap contracts and their corresponding hedged items are the same, the Company performs a qualitative assessment of effectiveness and it is expected that the value of the cross-currency swap contracts and the value of the corresponding hedged items will systematically change in opposite direction in response to movements in foreign exchange rates. The main sources of hedge ineffectiveness in these hedge relationships are minor initial fair values of the hedging instruments and the effect of the counterparty and the Company's own credit risk on the fair value of the cross-currency swap contracts, which is not reflected in the fair value of the hedged item attributable to the change in foreign exchange rates.

The impact of the hedging instruments on the statement of financial position is, as follows:

	Carrying amount		**Line item in the consolidated financial statements**	**Net change in fair value used for measuring ineffectiveness for the period**
Risk category	**Assets**	**Liabilities**		
	in € thousands			**in € thousands**
As at December 31, 2019				
Foreign exchange rate and interest rate swaps	50,340	38,628	Derivative financial assets/ liabilities	35,187
As at December 31, 2018				
Foreign exchange rate and interest rate swaps	23,816	46,936	Derivative financial assets/ liabilities	10,090

16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The impact of the hedged items on the statement of financial position is, as follows:

	Carrying amount	**Line item in the consolidated financial statements**	**Net change in fair value used for measuring ineffectiveness for the period**
	in € thousands		**in € thousands**
As at December 31, 2019			
Straight bonds	461,848	Straight bonds	(35,395)
As at December 31, 2018			
Straight bonds	403,930	Straight bonds	(10,377)

The ineffectiveness recognised in the statement of profit or loss was a loss of €286 thousand (2018: 11,684 thousand).

16.4.2.2 Derivatives designated as hedging instruments in fair value hedge

As at December 31, 2019, the Company had foreign exchange rate and interest rate swap agreements in place, as follows:

Bond	Hedging instrument (*)	Currency	Company receives (in notional currency thousands)	Company pays (in € thousands)
Series L	FX-Swap	United States Dollar	150,000	125,156
Series M	FX-Swap	Swiss Franc	250,000	223,600
Series P	FX-Swap	Australian Dollar	250,000	157,550
Series R	FX-Swap	Canadian Dollar	250,000	164,322
Series X	FX-Swap	Swiss Franc	140,000	128,091
Series 28	FX-Swap	United States Dollar	600,000	530,903
Series 29	FX-Swap	Norwegian Krone	1,735,000	179,032
Series 30	FX-Swap	British Pound	400,000	468,603
Series 31	FX-Swap	Japanese Yen	7,000,000	61,253

(*) all swaps are linked to bonds' maturity.

In addition, the Company has entered into several interest rate swap agreements. For further information regarding the effective coupon rate see note 13.2.

The swaps are being used to hedge the exposure to changes in fair value of the Company's straight bonds which arise from foreign exchange rate and interest rate risks.

16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

There is an economic relationship between the hedged items and the hedging instruments as the terms of foreign exchange rate swaps match the terms of the hedged items. The Company has established a hedge ratio of 1:1 for the hedging relationships as the underlying risk of the foreign exchange rate swaps is identical to hedged risk component. To test the hedge effectiveness, the Company uses the hypothetical derivative method and compares the changes in the fair value of the hedging instruments against the changes in fair value of the hedged items attributable to the hedged risk.

The hedge ineffectiveness may arise from:

- Different foreign exchange and interest rates' curve applied to the hedge items and hedging instruments.
- Differences in timing of cash flows of the hedged items and hedging instruments.
- The counterparties' credit risk differently impacting the fair value movements of the hedging instruments and hedged items.

The impact of the hedging instruments on the statement of financial position is, as follows:

	Carrying amount		Line item in the consolidated financial statements	Net change in fair value used for measuring ineffectiveness for the period
Risk category	**Assets**	**Liabilities**		
	in € thousands			**in € thousands**
As at December 31, 2019				
Foreign exchange rate and interest rate swaps	113,081	12,385	Derivative financial assets/ liabilities	102,569
As at December 31, 2018				
Foreign exchange rate and interest rate swaps	18,401	2,769	Derivative financial assets/ liabilities	8,944

16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The impact of the hedged items on the statement of financial position is, as follows:

	Carrying amount	**Line item in the consolidated financial statements**	**Net change in fair value used for measuring ineffectiveness for the period**
	in € thousands		**in € thousands**
As at December 31, 2019			
Straight bonds	2,083,495	Straight bonds	(101,930)
As at December 31, 2018			
Straight bonds	661,334	Straight bonds	(8,669)

The ineffectiveness recognised in the statement of profit or loss was a profit of €275 thousand (2018: profit of 2,805 thousand).

16.5 Capital management

The Company manages its capital to ensure that it will be able to continue as a going concern while increasing the return to shareholders through the strive to improve the debt to equity ratio. The Company's overall strategy remains unchanged from last year.

17. CONTINGENT LIABILITIES

The Company grants an unconditional and irrevocable guarantee on its wholly owned subsidiaries ATF Netherlands B.V. and AT Securities B.V.'s obligations under the perpetual notes totally amounted to approximately €600 million and $700 million, respectively.

18. COMMITMENTS

The Company had no significant commitments as at December 31, 2019.

19. EVENTS AFTER THE REPORTING PERIOD

a) After the reporting period, the Company bought back an amount of €49.0 million, €150.2 million and €60.4 million nominal value of its straight bonds series D, E and F, respectively, by way of a tender offers to the bondholders. The outstanding nominal value of straight bonds series D, E and F post the buyback is €210.5 million, €499.8 million and €151.0 million, respectively.

b) In February 2020, the Company announced the result of the voluntary public takeover offer for all shares in TLG Immobilien AG ("TLG") with an acceptance rate of 77.5%. The high acceptance rate underlines investors' support and confidence in the value-add potential of the combined companies. The takeover was performed by way of issuing the Company's shares in return to TLG's shares in a conversion ratio of 1:3.6 based on the two companies' EPRA NAV per share as of the agreement date. The Company will hold 77.8% of the shares in TLG following the settlement, that occurred on February 19, 2020.

c) In March 2020, the Company issued $250 million nominal value of Mandatory convertible note maturing in 2023 and bearing interest of 5% p.a. payable semi-annually. The initial conversion price will be $9.214 (€8.5) per ordinary share. The Mandatory convertible notes are convertible in the discretion of the Company and notes holders.

d) For information relating to COVID-19 please see note 16.3.7.