Aroundtown SA

ANNUAL FINANCIAL STATEMENTS 2020

for the year ended December 31, 2020

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for the year ended December 31, 2020

2020

OFFICERS AND PROFESSIONAL ADVISORS

Board of Directors	Mr. Frank Roseen Ms. Jelena Afxentiou Mr. Oschrie Massatschi (resigned on August 25, 2020) Mr. Ran Laufer Mr. Markus Leininger Ms. Simone Runge-Brandner Mr. Markus Kreuter
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
Registered Office	40, Rue du Curé L-1368 Luxembourg

AROUNDTOWN SA

MANAGEMENT REPORT

The management of Aroundtown SA ("the Company", "Aroundtown" or "AT") presents the Company's standalone audited financial statements for the year ended December 31, 2020.

DEVELOPMENTS AND PERFORMANCE

The Company continued to prove its access to capital markets by placing new straight bonds with nominal value of above €1 bilion via its EMTN Programme (for further information see note 13.2 of the financial statements). The Company also completed the buy-back of €901.3 million nominal value of its various straight bond series with maturities between 2022 and 2024, presenting a solid debt maturity prolongation and reduction of average cost of debt. In February 2020, the Company acquired around 77.4% of the share capital of TLG Immobilien AG (TLG), and later during the year, the Company replaced TLG as the issuer and obligor of TLG's senior bond series and perpetual notes while TLG shall remain a guarantor (for further information see note 9 and 13.2 of the financial statements). During the year, the Company conducted a share buy-back of its own shares in a total amount of €0.6 billion (refer to note 12F of the financial statements for further information), that was part of a larger program (€1.0 billion in total) conducted by the Company and the Company's subsidiaries. A dividend of €0.14 per share was announced in the OGM convened on December 15, 2020, and distributed in January 2021 (refer to note 12H of the financial statements for further information). The profit for the year is €106,639 thousand and the total equity of the Company has increased from €4,324,522 thousand to €7,107,313 thousand.

FINANCIAL RISK MANAGEMENT

The Company is exposed to liquidity, operating and other risks. For more information see note 15 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 2020.

OWN SHARES

The Company acquired an amount of 121,330,106 of its own shares in 2020. For more information see note 12F of the financial statements.

CAPITAL STRUCTURE

The Company's shares are listed on the Frankfurt Stock Exchange – Prime Standard. The Company also has perpetual notes and senior straight bonds listed on the Irish Stock Exchange (in particular its EMTN Programme), Luxembourg Stock Exchange and 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.

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, as amended (the "**Transparency Law**"). In particular, the Company continuously monitors the compliance with the disclosure requirements 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 Luxembourg Stock Exchange as the officially appointed mechanism (OAM) 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.

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 in 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 as per shareholder notifications on a regular basis.

(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").

(c) In accordance with the requirements of Article 11(1)(c) of the Takeover Law, the following significant shareholdings were reported to the Company until December 31, 2020:

Shareholder name	**Amount of voting rights** (1)	**Percentage of voting rights** (1)
Avisco Group PLC	153,850,513	10.01%
TLG Immobilien AG	- (2)	0% (2)
Blackrock Inc.	79,319,380	5.16% (3)

(1) Based on last disclosed information and a total number of Aroundtown SA shares as of December 31, 2020 of 1,537,025,609 (of which 388,629,499 shares with suspended voting rights).

(2) Since the acquision of TLG by the Company, the 183,936,137 shares of the Company held by TLG are not entitled to voting rights but are entitled to dividend.

(3) Including 0.13% of total voting rights through financial instruments.

(d) 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.

(e) 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 12J of this annual report.

AROUNDTOWN SA

MANAGEMENT REPORT *(continued)*

(f) 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 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.

(g) With regard to article 11(1)(g) of the Takeover Law, as of December 31, 2020, the Company was not aware of any agreements between shareholders that would lead to a restriction on the transfer of shares or voting rights.

(h) 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 of the 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 if (i) more than one half of the share capital is present or represented and (ii) a majority of at least two-thirds of the votes validly cast are 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.

(i) 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 8-13 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 redeem its own shares to the extent and under the terms permitted by law. The ordinary general shareholders' meeting held in May 2020 authorised the Board to acquire Company own shares pursuant to articles 430-15 (1) of the 1915 Law.

(j) 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.

(k) 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 25, 2021

....	....
Frank Roseen	Jelena Afxentiou
Executive Director	Executive Director

AROUNDTOWN SA

ESG – ENVIRONMENTAL, SOCIAL AND GOVERNANCE

COMMITMENT TO ESG

At Aroundtown, we are strongly committed to maintain high standards of corporate responsibility towards our stakeholders. We aim to generate sustainable value creation for all our stakeholders and in this regard, we set ourselves high ESG standards to ensure sustainability of our business practices. We aligned our business practices with United Nations Sustainable Development Goals because we are of the opinion that our long-term success is tied to our corporate footprint. Therefore, we aim to create value while ensuring a minimal environmental footprint, leaving a positive social impact and maintaining 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.

We continuously take further initiatives on ESG matters in order to improve our corporate footprint and move us closer to achieving our ESG goals. We are proud to share with you some of our initiatives and accomplishments in this ESG reporting section.

With regard to **E**nvironmental, our efforts were focused mainly on our Energy Investment Program. We have taken further concrete steps in this program which aims at implementing highly efficient and green energy generation, storage and management systems. These initiatives support us in achieving our goal of 40% reduction in CO2 emissions by 2030. They also align our activities with relevant sustainable business practices and increase the attractiveness of our assets to tenants.

With regard to **S**ocial, our efforts were mainly focused on community investments. Our Aroundtown Foundation has engaged in nearly a dozen charitable activities across Germany and the Netherlands in order to support the development of our communities, working in close contact with local partners such as SOS Kinderdorf Berlin, Die Tafeln e.V., Die Arche e.V., etc. We aim to establish productive partnerships with local stakeholders to ensure that our corporate activities are aligned with our communities.

With regard to **G**overnance, we implemented an improved governance structure after the merger with TLG and added new members to the management team. This improved the structure with new and experienced members and positions us towards a stronger future. Currently, 3 out of 6 members in our board are independent and 2 out of 6 members are female.

We are very proud that our ESG efforts were recognized by international institutions. We are included in the new DAX 50 ESG Index, which was launched in March 2020. This was achieved thanks to our high Sustainalytics score, one of the leading global sustainability rating agencies, which ranked us in the top 8th percentile globally among 941 real estate peers. Furthermore, we received another score increase from RobecoSAM, which is now part of S&P Global, which ranked us in the 75th percentile among our peer group. Additionally, we received the EPRA BPR Gold award for the fourth consecutive year and EPRA sBPR Gold award for the third consecutive year, reflecting the highest standards for financial and sBPR reporting, both received in September 2020.

The non-financial information which is based on AT's 2019 Sustainability Report is available on Aroundtown's website. It provides extensive details on key non-financial information and related figures. AT will update and publish its sustainability reporting in April 2021 on its website which will give more details on the relevant ESG matters.

ENVIRONMENTAL RESPONSIBILITY

The Company considers environmental responsibility as an integral part of its integrated sustainable business strategy which is now complemented by the Company's ESG and energy efficiency policies. 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, with the goal of reducing its carbon footprint. Environmental factors are integral to Aroundtown's business and 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, particularly those relating to Affordable and Clean Energy (#7) and Climate Action (#13).

It is anticipated that the energy market is shifting towards more decentralized and renewable/green-based energy. This has implications for the demand side of the real estate market since more and more tenants demand sustainable solutions from their landlords. Therefore, it is important for the Company to address these changes and improve its competitive position in the market. In order to reduce its environmental footprint, as well as to improve attractiveness of its properties with regards to sustainability and advanced green technology, the Company launched a broad Energy Investment Program for the next years. The program will invest around €200 million over the next years across the portfolio in efficient and renewable energy generation and storage systems, electrical vehicle charging stations, smart meters and advanced energy measurement software. Smart meters and advance energy measurement software will optimize the efficiency of energy use and cost. This green technology will not only benefit the Company in terms of effectively monitoring the energy management system, but also help unlocking opportunities with regards to digital technology advancements in energy, building and transportation sectors.

In 2019, AT received BREEAM (Building Research Establishment Environmental Assessment Method) certificates for some of its assets. This was an important step towards reaching the highest standards. As part of its strategy to address its environmental impact, satisfy key stakeholders' demands, as well as to address the demand for green building certifications, AT is currently assessing its portfolio to certify its assets.

ENERGY, CARBON EMISSION, WATER AND WASTE MANAGEMENT

The objective of Aroundtown is to reduce consumption of energy with a high carbon footprint, 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 to higher efficiency systems. A substantial share of the fossil-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 emissions 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. Suppliers 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 help in assessing the environmental impact of their activities and end products. As a result, the majority 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.

AROUNDTOWN SA

ESG – ENVIRONMENTAL, SOCIAL AND GOVERNANCE *(continued)*

SOCIAL RESPONSIBILITY

Aroundtown 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 sustainability reporting published annually on the Company's website.

RESPONSIBLE EMPLOYER

Aroundtown is running high profile programs with regards to Human Capital Development which are outlined in its 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. 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 380 global companies to be included in the Bloomberg's Gender Equality Index in 2021. In addition, the Company has increased its efforts on employee training and development to support the employees in their personal development and improvement of competencies.

ECONOMIC AND SOCIAL DEVELOPMENT

Aroundtown seeks 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 since Aroundtown aims to conduct its operations while being 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. Economic and social factors are included in the investment strategy and the 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. During 2020, the Aroundtown Foundation has engaged in nearly a dozen charitable activities across Germany and the Netherlands. The foundation aims to support the development of communities, working in close contact with local partners such as SOS Kinderdorf Berlin, Die Tafeln e.V., Die Arche e.V., etc. The donations were focused on supporting local institutions that aim at eliminating child poverty, improving child and youth education & healthcare, providing solidarity to the ethnic minorities, helping homeless communities and socially disadvantaged families and many more. AT also participates in community-led initiatives that are aimed towards improving the livelihood of their locations. AT is a member of the "SINN" initiative in Frankfurt which aims to support the transformation of the 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 during 2019. Therefore, AT decided to continue with the program going forward. However, during 2020, the program was postponed due to the COVID-19 related lockdown measures but will resume when the restrictions are lifted. All these activities also contribute towards the United Nation's Sustainable Developments Goals, particularly those relating to Good Health and Wellbeing (#3), Quality Education (#4), Gender Equality (#5), Reduced Inequality (#10), Sustainable Cities and Communities (#11) and Partnerships to Achieve the Goal.

For further information of the Company's social responsibility, please see the 2019 Sustainability Report available on Aroundtown's website. AT will update and publish its sustainability reporting in April 2021 on its website which will give more details on the relevant ESG matters.

ESG – ENVIRONMENTAL, SOCIAL AND GOVERNANCE *(continued)*

ESG/CSR COMMITTEE

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

CORPORATE GOVERNANCE REPORT

Aroundtown places a strong emphasis on corporate governance, executed responsibly by the Board of Directors and the management teams. 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. Among AT's share and bond holders are the large 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 for Anti-Bribery, Anti-Corruption, Anti-Discrimination, 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 continues to take steps to implement environmental, social and corporate governance best practices throughout its business. The Company's efforts support the United Nations Sustainable Development Goals, particularly those relating to Peace and Justice Strong Institutions (#16) and Partnerships to Achieve the Goal (#17).

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 perform 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 six members, of which three are independent and one is non-executive. The members are elected through a 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 30, 2021 in Luxembourg. It is expected to resolve, among others, on the approval of €0.22 dividend per share for the 2020 fiscal year.

MEMBERS OF THE BOARD OF DIRECTORS

Name	Position
Mr. Frank Roseen	Executive Director
Mr. Oschrie Massatschi	Executive Director (resigned on August 25, 2020)
Ms. Jelena Afxentiou	Executive Director
Mr. Ran Laufer	Non-Executive Director
Mr. Markus Leininger	Independent Director
Ms. Simone Runge-Brandner	Independent Director
Mr. Markus Kreuter	Independent Director

SENIOR AND KEY MANAGEMENT

Name	Position
Mr. Barak Bar-Hen	Co-CEO and COO
Mr. Eyal Ben David	CFO
Mr. Oschrie Massatschi	CCMO
Mr. Klaus Krägel	CDO

Details about the remuneration of the Board of Directors and the senior and key management personnel can be found under note 14(ii) 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 issuing of the audit mandate to the auditor, the determination of auditing focal points and the fee agreement with the auditor. The Audit Committee consists of the independent directors, Mr. Markus Kreuter, Mr. Markus Leininger and Ms. Simone Runge-Brandner.

ADVISORY BOARD

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

MEMBERS OF THE ADVISORY BOARD

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

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 shareholders of Aroundtown SA exercise their voting rights at the annual general meeting of the shareholders, whereby each share is granted one vote. The Annual General Meeting of the shareholders takes place at such place and time as specified in the notice of the meeting. At the Annual General Meeting of the shareholders the board of directors presents, among others, the directors report as well as consolidated financial statements to the shareholders. The Annual General Meeting resolves, among others, on the financial statements of Aroundtown, the appointment of the 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 two Ordinary General Meetings, one in May and one in December 2020. The first meeting resolved upon the Company's share buyback and the latter resolved upon the dividend distribution of €0.14 per share for the fiscal year of 2019.

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.

INTERNAL CONTROL AND RISK MANAGEMENT

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.

AROUNDTOWN SA

CORPORATE GOVERNANCE STATEMENT *(continued)*

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.

The internal controls and compliance of the Company is supervised by Mr. Christian Hupfer, 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 the 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.

COMPLIANCE, CODE OF CONDUCT, DATA PROTECTION AND INFORMATION SECURITY

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, Whistleblowing 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 - which 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 discrimination 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 throughout the Company. In addition to these 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 a diversity training program during the orientation period to the employees. Additionally, Aroundtown is a signatory of the “Diversity Charter”. The details about the Company’s diversity management and key figures can be found in its sustainability reporting 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 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 Chief Compliance Officer. 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 regard to data protection, the Company had already implemented a wide range of guidelines and provisions, with the ratification of the 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 the Company’s operations are safe from manipulation and misuse. Additionally, the Company adopted an information security and privacy strategy in order to maintain a high level of controls to help minimize the potential risks. 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 sustainability website under the Employees and Suppliers sections.

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 rate risks, liquidity risks, credit risk, regulatory and legal risks, collection and tenant deficiencies, the need for unexpected capital investments, property damage risk 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

please refer to note 15.3.6 in the financial statements.

CORONAVIRUS (COVID-19) EFFECT

please refer to note 15.3.7 in the financial statements.

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 25, 2021

....	....
Frank Roseen	Jelena Afxentiou
Executive Director	Executive Director

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

Report of the Réviseur d'Entreprises Agréé

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 31 December 2020, and the statements of profit or loss, 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 31 December 2020, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with the EU Regulation N° 537/2014, the Law of 23 July 2016 on the audit profession ("Law of 23 July 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 23 July 2016 and ISAs as adopted for Luxembourg by the CSSF 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 Code of Ethics for Professional Accountants, including International Independence Standards issued by the International Ethics Standards Board for 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” and Note 9 “Investments in subsidiaries” of the financial statements.

As at 31 December 2020 investments in subsidiaries represent 89% of the total assets of the Company. These represent the partial conversion of loans receivable given to the Company’s subsidiaries, 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, ESG and Corporate Governance Report 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 IFRSs as adopted by the European Union, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Board of Directors is responsible for presenting the financial statements in compliance with the requirements set out in the Delegated Regulation 2019/815 on European Single Electronic Format ("ESEF Regulation").

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 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Our responsibility is to assess whether the financial statements have been prepared in all material respects with the requirements laid down in the ESEF Regulation.

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

- Identify and assess the risks of material misstatement of the 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, actions taken to eliminate threats or safeguards applied.

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 24 June 2020 and the duration of our uninterrupted engagement, including previous renewals and reappointments, is 4 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 8 to 13. The information required by Article 68ter paragraph (1) letters c) and d) (10) of the law of 19 December 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 N° 537/2014 were not provided and that we remained independent of the Company in conducting the audit.

We have checked the compliance of the financial statements of the Company as at 31 December 2020 with relevant statutory requirements set out in the ESEF Regulation that are applicable to financial statements.

For the Company it relates to:

- Financial statements prepared in a valid xHTML format.

In our opinion, the financial statements of Aroundtown SA as at 31 December 2020, identified as ESEF_AroundtownSA20201231.zip, have been prepared, in all material respects, in compliance with the requirements laid down in the ESEF Regulation.

Luxembourg, 25 March 2021

KPMG Luxembourg
Société coopérative
Cabinet de révision agréé

Muhammad Azeem

STATEMENT OF PROFIT OR LOSS

	Note	Year ended December 31, 2020	Year ended December 31, 2019
		in € thousands	
Revenue	5	330,779	397,962
Administrative and other expenses	6	(9,376)	(7,604)
Operating profit		**321,403**	**390,358**
Net finance expenses	7	(183,629)	(265,281)
Profit before tax		**137,774**	**125,077**
Current and deferred tax expense	8	(31,135)	(9,743)
Profit for the year		**106,639**	**115,334**
Profit attributable to:			
Owners of the Company		65,174	88,498
Perpetual notes investors		41,465	26,836
Profit for the year		**106,639**	**115,334**

AROUNDTOWN SA

STATEMENT OF OTHER COMPREHENSIVE INCOME

	Note	Year ended December 31, 2020	Year ended December 31, 2019
		in € thousands	
Profit for the year		**106,639**	**115,334**
Other comprehensive income:			
Items that are or may be reclassified subsequently to profit or loss			
Cash flow hedges and cost of hedging		(52,249)	20,063
Tax related to the other comprehensive income component	8	13,117	(4,881)
Total comprehensive income for the year		**67,507**	**130,516**
Total comprehensive income attributable to:			
Owners of the Company		26,042	103,680
Perpetual notes investors		41,465	26,836
Total comprehensive income for the year		**67,507**	**130,516**

AROUNDTOWN SA

STATEMENT OF FINANCIAL POSITION

	Note	As at December 31, 2020	As at December 31, 2019
		in € thousands	
Assets			
Property, plant and equipment		59	34
Investments in subsidiaries	9	19,249,532	15,388,036
Financial assets at fair value through profit or loss	10	632,760	-
Other non-current assets		50,989	7,508
Loan receivables	11	1,395,630	228,232
Derivative financial assets	15	107,971	158,491
Non-current assets		**21,436,941**	**15,782,301**
Cash and cash equivalents		220,020	1,236
Financial assets at fair value through profit or loss	10	-	55,351
Trade and other receivables		822	319,363
Derivative financial assets	15	33,348	44,197
Current assets		**254,190**	**420,147**
Total assets		**21,691,131**	**16,202,448**

AROUNDTOWN SA

STATEMENT OF FINANCIAL POSITION *(continued)*

	Note	As at December 31, 2020	2019
		in € thousands	
Equity	12		
Share capital		15,370	12,236
Share premium and other reserves		5,756,603	3,042,649
Treasury shares		(607,013)	-
Retained earnings		(5,155)	(70,329)
Equity attributable to the owners of the Company		**5,159,805**	**2,984,556**
Equity attributable to perpetual notes investors		1,947,508	1,339,966
Total Equity		**7,107,313**	**4,324,522**
Liabilities			
Loans and borrowings	13.1	3,288,748	(*) 2,465,639
Straight bonds and schuldscheins	13.2	10,360,055	9,142,817
Derivative financial liabilities	15	369,487	68,932
Other non-current liabilities		57,795	-
Deferred tax liabilities	8	31,074	13,061
Non-current liabilities		**14,107,159**	**11,690,449**
Loans and borrowings	13.1	39,744	(*) 37,585
Straight bond	13.2	100,711	-
Dividend payable	12H	186,527	-
Trade and other payables		1,431	(*) 6,404
Provisions and current liabilities		130,035	112,373
Derivative financial liabilities	15	18,210	31,115
Current liabilities		**476,658**	**187,477**
Total liabilities		**14,583,817**	**11,877,926**
Total equity and liabilities		**21,691,131**	**16,202,448**

(*) reclassified

The Board of Directors of Aroundtown SA authorized these financial statements for issuance on March 25, 2021.

....
Frank Roseen
Executive Director

....
Jelena Afxentiou
Executive Director

AROUNDTOWN SA

STATEMENT OF CHANGES IN EQUITY

	Note	Share capital	Share Premium and other reserves	Cashflow hedge and cost of hedge reserves	Treasury shares	Retained earnings	Total	Equity attributable to perpetual notes investors	Total equity
		Attributable to the owners of the Company							
		in € thousands							
Balance as at January 1, 2020		**12,236**	**3,040,744**	**1,905**	**-**	**(70,329)**	**2,984,556**	**1,339,966**	**4,324,522**
Profit for the year		-	-	-	-	65,174	65,174	41,465	106,639
Other comprehensive loss for the year, net of tax		-	-	(39,132)	-	-	(39,132)	-	(39,132)
Total comprehensive (loss) income for the year		-	-	**(39,132)**		**65,174**	**26,042**	**41,465**	**67,507**
<u>Transactions with the owners of the Company</u>									
Contributions and distributions									
Issuance of ordinary shares (acquision of TLG)	12C	3,127	2,745,358		-	-	2,748,485	-	2,748,485
Share buy-back program	12F	-	-	-	(607,013)	-	(607,013)	-	(607,013)
Issuance of mandatory convertible notes	12D	-	190,538	-	-	-	190,538	-	190,538
Equity settled share-based payment	12J	7	3,717	-	-	-	3,724	-	3,724
Dividend distribution	12H	-	(186,527)	-	-	-	(186,527)	-	(186,527)
Total contributions and distributions		**3,134**	**2,753,086**	-	**(607,013)**	-	**2,149,207**	-	**2,149,207**
Transactions with perpetual notes investors									
Substitution of perpetual notes from TLG		-	-	-	-	-	-	615,547	615,547
Payment to perpetual notes investors		-	-	-	-	-	-	(49,470)	(49,470)
Total transactions with perpetual notes investors		-	-	-	-	-	-	**566,077**	**566,077**
Balance as at December 31, 2020		**15,370**	**5,793,830**	**(37,227)**	**(607,013)**	**(5,155)**	**5,159,805**	**1,947,508**	**7,107,313**

AROUNDTOWN SA

STATEMENT OF CHANGES IN EQUITY *(continued)*

	Note	Attributable to the owners of the Company							
		Share capital	Share Premium and other reserves	Cashflow hedge and cost of hedge reserves	Treasury shares	Retained earnings	Total	Equity attributable to perpetual notes investors	Total equity
		in € thousands							
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	12C	840	595,357	-	-	-	596,197	-	596,197
Equity settled share-based payment	12J	1	4,612	-	-	-	4,613	-	4,613
Dividend distribution		109	(209,504)	-	-	-	(209,395)	-	(209,395)
Total contributions and distributions		**950**	**390,465**	**-**	**-**	**-**	**391,415**	**-**	**391,415**
Transactions with perpetual notes investors									
Issuance of perpetual notes, net of coupon paid		-	-	-	-	-	-	914,797	914,797
Total transactions with perpetual notes investors		**-**	**-**	**-**	**-**	**-**	**-**	**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, 2020	Year ended December 31, 2019
		in € thousands	
Cash flows from operating activities			
Profit for the year		106,639	115,334
Adjustments for the profit:			
Depreciation and amortisation		15	4
Interest income	5	(13,999)	(49,194)
Dividend income	5	(316,780)	(348,768)
Net finance expenses	7	183,629	265,281
Current and deferred tax expense	8	31,135	9,743
Equity settled share-based payment		-	140
Change in working capital		(5,151)	5,407
Dividend received		83,384	-
Tax paid		(37)	-
Net cash provided by (used in) operating activities		**68,834**	**(2,053)**
Cash flows from investing activities			
Investment in financial assets through profit or loss and others		(84,051)	2,729
Loans given to subsidiaries, net of loans repaid by subsidiaries		759,320	(3,750,389)
Net cash provided by (used in) investing activities		**675,269**	**(3,747,660)**
Cash flows from financing activities			
Buy-back of own shares, net		(607,013)	-
Proceeds from issuance of ordinary shares, net	12C	-	596,288
Proceeds from issuance of mandatory convertible notes, net		219,018	-
Proceeds (payments) from (to) perpetual notes investors, net		(49,470)	914,201
Proceeds from issuance of straight bonds, net of buy-backs	13.2	72,998	2,653,892
Proceeds from credit facility, net		(742)	(70,004)
Dividend distribution		-	(209,395)
Interest and other financial expenses paid, net		(160,111)	(134,267)
Net cash (used in) provided by financing activities		**(525,320)**	**3,750,715**
Net change in cash and cash equivalents		**218,783**	**1,002**
Cash and cash equivalents as at January 1		1,236	234
Cash and cash equivalents as at December 31		**220,020**	**1,236**

1. GENERAL

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 (formerly 1, Avenue du Bois, L-1251 Luxemburg). 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 holding company, that holds via subsidiaries and affiliates (together: "Aroundtown Group") real estate assets 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 Group invests in commercial and in residential real estate which benefits from strong fundamentals and growth prospects. The commercial properties are held by Aroundtown subsidiaries and the residential investments are held through its indirect holding in Grand City Properties S.A. ("GCP"), a publicly traded real estate company that focuses on investing in value-add opportunities predominantly in the German residential real estate market. As at December 31, 2020, Aroundtown Group holds 41.12% (December 31, 2019: 39.40%) in GCP and presents it as an equity-accounted investee 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 (IFRS) as adopted by the European Union (EU).

(b) Basis of measurement

The separate financial statements have been prepared on a going concern basis, in accordance with IAS 27 – *Separate Financial Statements* and under the historical cost convention, except for the measurement of the following:

- Financial assets at fair value through profit or loss;
- Derivative financial assets and liabilities;
- Deferred taxes assets and liabilities.

2. BASIS OF PREPARATION *(continued)*

(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.

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.

2. BASIS OF PREPARATION *(continued)*

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.

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, 2020, 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 main exchange rates versus the Euro were as follows:

	EUR/GBP	EUR/USD	EUR/CHF	EUR/NOK
December 31, 2020	**0.899**	**1.227**	**1.080**	**10.756**
December 31, 2019	0.851	1.123	1.085	10.091
Average rate 2020	0.890	1.142	1.071	10.723
Changes (%) during the year:				
Year ended December 31, 2020	5.6%	9.3%	(0.5%)	6.1%
Year ended December 31, 2019	(4.9%)	(1.9%)	(3.7%)	(0.8%)

3. SIGNIFICANT ACCOUNTING POLICIES

3.1. Changes in accounting policies and disclosures

The following amendments were adopted for the first time in the financial statements of the Company with effective date of January 1, 2020. These amendments had no material impact on these financial statements.

- Amendments to IFRS 16: Covid-19-Related Rent Concessions
- Amendments to IFRS 9, IAS 39 & IFRS 7: Interest Benchmark reform (phase 1)
- Amendments to IAS 1 and IAS 8: Definition of Material
- Amendments to References to Conceptual Framework in IFRS Standards

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.

- 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. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 items recognized directly in equity or in other comprehensive income ("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 recognized 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 *(continued)*

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.

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.

3.7. Dividends

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

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.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 OCI (debt instruments)

The Company measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling, 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.

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in consolidated statement of profit or loss and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in OCI. Upon de-recognition, the cumulative fair value change recognized in OCI is recycled to profit or loss.

Financial assets at fair value through OCI (equity instruments)

Upon initial recognition, the Compnay can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as other financial results in the consolidated statement of profit or loss when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 recognize the transferred asset to the extent of its continuing involvement. In that case, the Company also recognizes 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 or at amortaized cost.

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:

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

3.9 Share capital

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

3.10 Mandatory convertible notes

Mandatory convertible notes are classified as equity, and coupon related to the noteholders is recognized in the statement of changes in shareholders' equity. Both the noteholders and the Company may convert the notes into Company's shares using a fixed ratio that does not vary with changes in fair value. At maturity, the unconverted notes are mandatorily converted into shares. The Company may, at its sole discretion, elect to defer the payment of interest on the notes (Arrears of Interest). Arrears of Interest are presented as liability, and must be paid by the Company upon conversion event and should not compound interest. Issuance costs incurred are deducted from the initial carrying amount of the notes.

3.11 Treasury shares

When shares recognized as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs, is recognized as a deduction from equity. Repurchased shares are classified as treasury shares and are presented in the treasury share reserve. When treasury shares are sold or reissued subsequently, the amount received is recognized as an increase in equity and the resulting surplus or deficit on the transaction is presented within share premium.

SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.12 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.

3.13 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.

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

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. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.14 Comparatives

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

3.15 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 IFRS 9, IAS 39, IFRS 7 and IFRS 16 Interest Rate Benchmark Reform – Phase 2**

  The Phase 2 amendments address issues that arise during the reform of an interest rate benchmark, including the replacement of one benchmark with an alternative one. Given the pervasive nature of IBOR-based contracts, the reliefs could affect companies in all industries.

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

4.1 Fair value hierarchy

The following tables present the Company's financial assets and liabilities measured and recognized at fair value as at December 31, 2020 and December 31, 2019 on a recurring basis under the relevant fair value hierarchy. Also presented are the financial assets and liabilities that are not measured at fair value and which their carrying amount significantly differs from its fair value:

	As at December 31, 2020			
		Fair value measurement using		
	Carrying amount	Total fair value	Quoted prices in active market (Level 1)	Significant observable inputs (Level 2)
	in € thousands			
Financial assets				
Financial assets at fair value through profit or loss	632,760	632,760	-	632,760
Derivative financial assets	141,319	141,319	-	141,319
	774,079	**774,079**	**-**	**774,079**
Financial liabilities				
Derivative financial liabilities	387,697	387,697	-	387,697
Straight bonds and schuldscheins (*)	10,567,592	11,391,780	10,999,073	392,707
	10,955,289	**11,779,477**	**10,999,073**	**780,404**

	As at December 31, 2019			
		Fair value measurement using		
	Carrying amount	Total fair value	Quoted prices in active market (Level 1)	Significant observable inputs (Level 2)
	in € thousands			
Financial assets				
Financial assets at fair value through profit or loss	55,351	55,351	55,351	-
Derivative financial assets	202,688	202,688	-	202,688
	258,039	**258,039**	**55,351**	**202,688**
Financial liabilities				
Derivative financial liabilities	100,047	100,047	-	100,047
Straight bonds and schuldscheins (*)	9,255,190	9,800,342	9,413,238	387,104
	9,355,237	**9,900,389**	**9,413,238**	**487,151**

(*) the carrying amount includes accrued interest.

4. FAIR VALUE MEASUREMENT *(continued)*

Level 1: the fair value of financial instruments traded in active markets (such as debt and equity securities) is based on quoted market prices at the end of the reporting period.

Level 2: the fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximize the use of observable market data and rely as little as possible on entity-specific estimates. If all significant input required to fair value of financial instrument are observable, the instrument is included in level 2.

Level 3: if one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

The Company's policy is to recognize transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

There were no transfers between level 1 and level 2 during the reporting period.

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 flow (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.

4.2 Valuation techniques used to determine fair values

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 flow method with observable inputs.

- There's an active market for the Company's listed equity investments and quoted debt instruments.

- 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 includes 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.

5. REVENUE

	Year ended December 31,	
	2020	2019
	in € thousands	
Interest income from related parties	13,999	49,194
Dividend income (*)	316,780	348,768
	330,779	**397,962**

(*) for the dividend income stemming from related parties, see note 14.

6. ADMINISTRATIVE AND OTHER EXPENSES

	Year ended December 31,	
	2020	2019
	in € thousands	
Legal and professional fees	4,285	2,986
Audit fees (*)	631	614
Other administrative expenses	4,459	4,004
	9,376	**7,604**

(*) the Company's fees in 2020 for KPMG Luxembourg audit firm for legal annual audit and other non-audit services was €497 thousand (2019: €270 thousand) and €164 thousand (2019: €344 thousand), respectively.

As at December 31, 2020 the Company had 4 employees (2019: 3 employees). During the year, the Company had between 3-4 employees (2019: between 3-4 employees).

7. NET FINANCE EXPENSES

	Year ended December 31,	
	2020	2019
	in € thousands	
Finance expenses from banks, bonds and schuldscheins	155,560	146,128
Interest expenses from related parties	56,663	57,111
Changes in fair value and foreign currency translations of financial assets and liabilities, net	(54,471)	46,677
Finance-related costs	25,877	15,365
	183,629	**265,281**

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% (2019: 24.94%).

Deferred tax assets and liabilities

The deferred tax assets and liabilities represent the expected tax impact on the temporary difference between the 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:

	Year ended December 31,	
	2020	**2019**
	in € thousands	
Balance as at January 1	**(13,061)**	**1,563**
Deferred tax charged to profit or loss	(31,130)	(9,743)
Deferred tax (charged) credited to other comprehensive income	13,117	(4,881)
Balance as at December 31	**(31,074)**	**(13,061)**

Reconciliation of effective tax rate

	Year ended December 31,	
	2020	**2019**
	in € thousands	
Profit before tax	137,774	125,077
Effective tax rate	24.94%	24.94%
Total tax calculated at the statutory tax rate	(34,361)	(31,194)
Tax effect of expenses not deductible for tax purposes	3,226	21,451
Tax and deferred tax expenses	**(31,135)**	**(9,743)**

Based on the most recent available information, the Company has unused tax losses of approximately €12 million.

9. INVESTMENTS IN SUBSIDIARIES

	As at December 31,	
	2020	2019
	in € thousands	
Balance as at January 1	15,388,036	10,499,679
Additions (*)	3,861,496	4,888,357
Balance as at December 31	**19,249,532**	**15,388,036**

(*) of which €882.9 million represent conversion of loan receivables into investments.

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

Name	Note	Place of incorporation	Principal activities	As at December 31, 2020 Holding %	2019 Holding %
TLG Immobilien AG	a	Germany	Holding of investments	77.42%	-
Edolaxia Group Limited	b	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%	100%
AT Securities B.V.		Netherlands	Financing	100%	100%
ATF Netherlands B.V.		Netherlands	Financing	100%	100%

(a) On February 19, 2020, the Company completed the acquision of around 77.4% of the share capital and voting rights of TLG Immobilien AG ("TLG"), a German publicly listed real estate company (Frankfurt Stock Exchange, Prime Standard), specializing in commercial properties in Germany. The transaction was done by voluntary acquision share to share offer published in December 2019, enabling the shareholders of TLG to tender their holdings in TLG against a consideration of 3.6 Aroundtown shares for each TLG share. On February 13, 2020, the Company announced the final result of the offer according to which the Company received TLG shares representing 77.4% of TLG (86,857,831 shares) against 312,688,188 new ordinary shares of the Company issued to TLG shareholders who tendered their shares (see note 12). Consequently, Aroundtown obtained control over TLG that led it to conduct a business combination in its consolidated financial statements, as defined in IFRS 3. The high acceptance rate underlines the investors' support and confidence in the synergies and value-add potential of the combined companies.

The total acquisition price for the shares of TLG amounted to €2,978.5 million. This amount includes the 312,688,188 of Aroundtown shares newly issued for an amount of €2,755.4 million, creating share premium in the amount of €2,752.3 million, and €223.1 million liability in relation to an indemnification agreement ("Indemnification Agreement"). The fair value of the ordinary shares issued against contribution in kind was based on the listed share price of the Company on February 19, 2020 that amounted to €8.812 per share.

9. INVESTMENTS IN SUBSIDIARIES *(continued)*

As part of the acquision of TLG, the Company and a third party (“the TP”) entered into an Indemnification Agreement, in which the TP has agreed to refrain from tendering a number of 11,670,823 of TLG shares (“Irrevocable Shares”) or otherwise dispose them only upon the Company`s request, but instead to continue to hold them for a period of maximum five years and in certain conditions, up to ten years. As consideration for such obligation, the TP shall receive for the period it holds the Irrevocable Shares an agreed minimum gross return over the EPRA NAV relates to the Irrevocable Shares (with an agreed minimum and maximum (“Capped NAV”)) minus any dividend distributed for the Irrevocable Shares in the relevant fiscal year (“Custody Interest”). The TP has the right to dispose of the Irrevocable Shares in a window period of 34 - 60 months from the acquision date. If decided to do so, the Company agreed to indemnify the TP for the difference (if any) between the consideration of

such sale and the Capped NAV (“Indemnification”). Under certain conditions, the Company has the right to postpone such disposal for a period of up to 5 years from the acquision date. Upon the acquision date, the Company recognized the fair value of the discounted annual Custody Interest as a non-current liability to be amortized during the agreement. The Indemnification amount is presented as a derivative financial liability measured at fair value through profit or loss.

The Company incurred acquisition-related costs of €2.3 million on legal fees and due diligence costs. These costs were presented as Administrative expenses in the statement of profit or loss. Additionally, an amount of €6.9 million incurred as part of the capital increase process and is presented net from the share premium, see note 12.

(b) As at December 31, 2020, the Company held indirectly, via its holdings in Edolaxia Group Limited, 41.12% in GCP (2019: 39.40%).

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 in full. 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. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at December 31,	
	2020	**2019**
	in € thousands	
Financial assets at fair value through profit or loss	632,760	55,351
Non-current portion	632,760	-
Current portion	-	55,351

Subsequently to the acquisition of TLG, on September 29, 2020, the Company was substituted as the issuer of €600 million nominal value of TLG perpetual notes (see also note 12E). In return for the substitution, TLG Finance S.à r.l., a fully held subsidiary of TLG, has issued an intra-group perpetual notes with the same nominal value and characteristics as the substituted one, that was acquired by the Company. This intra-group perpetual notes possess the same interest rates and step-ups as of the substituted perpetual notes’, with additional arms-length margin, and are accounted for as financial asset measured at fair value through profit or loss in the Company’s standalone financial statements, measured using DCF as the valuation technique.

11. LOAN RECEIVABLES

	As at December 31, 2020	2019
	in € thousands	
Balance as at January 1	228,232	126,487
New loans granted, net	1,153,399	3,372,725
Interest charged	13,999	49,194
Conversions to redeemable preference shares	-	(3,320,174)
Balance as at December 31	**1,395,630**	**228,232**

	As at December 31, 2020	2019
	in € thousands	
Loans to related companies (note 14)	1,395,630	228,232

The main terms of the significant loans receivable are as follows:

Borrower	Principal in € thousands	Rate (%)	Maturity
TLG Immobilien AG	1,341,500	0.4 - 1.5	(*) 2022-2026
Camelbay Limited	42,423	3.5	2029

(*) back-to-back loan receivables to the substituted straight bonds (see note 13.2II), having the same maturity and interest rate plus an arms-length margin.

The exposure of the Company to credit risk is reported in note 15.

12. EQUITY

A. Share capital

	Note	2020 Number of shares	2020 in € thousands	2019 Number of shares	2019 in € thousands
Authorized					
Ordinary shares of €0.01 each	B	3,000,000,000	30,000	3,000,000,000	30,000
Issued and fully paid					
Balance as at January 1		1,223,574,261	12,236	1,128,581,866	11,286
Capital increases	C (2,3)	312,688,188	3,127	84,000,000	840
Issuance of shares as part of the scrip dividend	C (1)	-	-	10,894,530	109
Share-based payment and other issuances	C (4)	763,160	7	97,865	1
Balance at the end of the year		**1,537,025,609**	**15,370**	**1,223,574,261**	**12,236**

12. EQUITY *(continued)*

B. Authorized capital

On December 16, 2019, the Extraordinary General Meeting approved the increase of the authorized ordinary shares from 2,000,000,000 to 3,000,000,000.

C. Issued capital

1. In July 2019, the Company issued 10,894,530 new ordinary shares in connection with the scrip dividend distributed to the shareholders.

2. 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 €4.3 million.

3. On February 19, 2020, the Company increased its share capital by 312,688,188 new ordinary shares against contribution in kind, that was received against 86,857,831 of TLG shares and led to obtaining control over TLG. See note 9.

4. During the year 2020, the Company issued a net amount of 360,271 new ordinary shares (2019: 80,000) in connection with incentive share-based plan – see note 12J.

D. Issuance of mandatory convertible notes

In March 2020, the Company issued $250 million nominal value of mandatory convertible notes maturing in 2023, bearing coupon of 5% p.a., payable semi-annually and convertible at the discretion of the Company and the noteholders at an initial fixed conversion price of $9.214 (€8.5) per ordinary share. The notes were presented as part of the share premium and capital reserves.

E. Substitution of perpetual notes

As part of the acquisition of TLG, the Company was substituted as the issuer of €600 million nominal value of TLG perpetual notes – in August 2020, the holders of TLG's perpetual notes voted in favor of replacing the original issuer of the perpetual notes with the Company. The substitution process has been completed in September 2020, whereby the Company recognizd €600 million principal and €15.5 million accrued coupon in the statement of changes in shareholders' equity.

The notes have a first reset date in September 2024 (the "First Reset Date") and carry 3.375% coupon p.a. from and including interest commencement date to but excluding First Reset Date. The notes will carry the relevant 5-year fix-for-floating EURIBOR swap rate plus a margin of 398 basis points p.a. from the First Reset Date until but excluding December 23, 2029 (the "Step-up Date"). The notes will carry an interest, from and including the Step-up Date to but excluding December 23, 2044 (the "Additional Step-up Date"), at the reference rate for the relevant reset period plus a margin of 423 basis points p.a. and from and including the Additional Step-up Date at the reference rate for the relevant reset period plus a margin of 498 basis points p.a.

F. Treasury shares and share buy-back program

On June 2, 2020, the Company's Board of Directors resolved on a share buy-back program ("SBBP") for its own shares with a volume of up to 120 million shares for a total purchase price of up to €500 million. The SBBP began on June 3, 2020 and finalized by December 31, 2020, followed the shareholder authorization received by the OGM in May 2020 and resulted in buy-back of 83,363,256 shares that were acquired by an indirect subsidiary of the Company.

12. EQUITY *(continued)*

Additionally, on September 1, 2020, the Company announced a public share purchase offer ("the Offer") to buy-back its own shares. Consequently, the volume of the entire share buy-back executed by the Company (buy-back program and the Offer) has been set at an amount of up to €1 billion. The Offer was concluded on September 16, 2020 and resulted in an accepted buy-back of 121,330,106 shares for a final purchase price of €5 per share (a total amount of €607.0 million including costs incurred) that was settled during October 2020 by the Company.

The shares acquired as part of the SBBP and the Offer have suspended voting rights and are not entitled to dividend.

G. Share premium and other capital reserves

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

H. Resolution of dividend distribution

On December 15, 2020, the shareholders' Ordinary General Meeting resolved upon the distribution of a dividend in the amount of €0.14 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. The dividend was distributed in January 2021. For additional information, see note 18(a).

I. 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.

12. EQUITY *(continued)*

J. Share based payment agreement

a. Description of share-based payment arrangements

On December 31, 2020 and 2019, 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
January 2017 - November 2024	2,433	Up to 4 years

b. Reconciliation of outstanding share options

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

	2020	2019
	Number of shares	Number of shares
	in thousands	
Outstanding on January 1	2,383	1,677
Granted during the year	646	806
Exercised during the year	(596)	(100)
Outstanding on December 31	**2,433**	**2,383**

During the year, in accordance with the terms and conditions of the incentive share plan, the Company withheld 236 thousand (2019: 20 thousand) shares, equal to the monetary value of the employees' tax obligation from the total number of shares exercised. As a result, only 360 thousand (2019: 80 thousand) shares were issued to employees across the Aroundtown Group.

13. LOANS AND BORROWINGS, STRAIGHT BONDS AND SCHULDSCHEINS

13.1 Composition

	Weighted average interest rate	Maturity date	As at December 31	
			2020	**2019**
			in € thousands	
Loans from related companies	1.1%	2023-2030	3,288,748	(*) 2,465,639
Straight bonds and schuldscheins	1.5%	2022-2038	10,360,055	9,142,817
Total non-current loans and borrowings, straight bonds and schuldscheins			**13,648,803**	**11,608,456**
Loans from related companies			39,744	(*) 37,585
Current portion of straight bond	1.5%	2021	100,711	-
Total current loans and borrowings and straight bond			**140,455**	**37,585**

(*) reclassified.

13. LOANS AND BORROWINGS, STRAIGHT BONDS AND SCHULDSCHEINS *(continued)*

13.2 Straight bonds and schuldscheins composition

Set out below, is an overview of the Company's straight bonds and schuldscheins as at December 31, 2020 and December 31, 2019:

Series	Note	Currency	Nominal amount in original currency	Nominal amount in euro	Coupon rate (p.a.)	Maturity	Carrying amount as at December 31, 2020	Carrying amount as at December 31, 2019
			in millions	in millions	%		in € thousands	
Non-current portion								
Series D	(k)	EUR	102.0	102.0	1.5	05/2022	-	253,858
Series E	(k)	EUR	228.7	228.7	1.5	07/2024	223,660	629,125
Series F	(k)	EUR	-	-	2.125	03/2023	-	209,340
Series H	(a) (b) (c)	USD	400.0	326.0	1.365	03/2032	309,153	337,883
Series NOK	(a) (b) (c)	NOK	750.0	71.6	0.818	07/2027	70,634	74,891
Series I		EUR	500.0	500.0	1.875	01/2026	489,050	487,047
Series J		GBP	500.0	556.2	3.0	10/2029	540,672	569,595
Series K		EUR	700.0	700.0	1.0	01/2025	688,128	685,306
Series L	(b) (c)	USD	150.0	122.2	1.75	02/2038	121,473	132,662
Series M	(c)	CHF	250.0	231.4	0.732	01/2025	230,790	229,526
Series N		EUR	800.0	800.0	1.625	01/2028	780,458	777,706
Series O		EUR	500.0	500.0	2.0	11/2026	491,704	489,837
Series P	(b) (c)	AUD	250.0	157.3	1.605	05/2025	155,686	154,265
Series Q		GBP	400.0	444.9	3.25	07/2027	433,520	456,516
Series R	(b) (c)	CAD	250.0	159.9	1.7	09/2025	158,551	166,223
Series S	(e)	EUR	100.0	100.0	0.75 + Euribor (6m)	08/2023	99,808	99,704
Series T	(b)	EUR	150.0	150.0	2.0	09/2030	149,902	149,892
Series U		EUR	75.0	75.0	2.97	09/2033	73,338	73,237
Series V		EUR	50.0	50.0	2.7	10/2028	49,581	49,536
Series W		EUR	76.0	76.0	3.25	11/2032	74,589	74,497
Series X		CHF	200.0	185.2	1.72	03/2026	184,543	183,537
Series Y	(e)	EUR	100.0	100.0	1.35 + Euribor (6m)	02/2026	98,667	98,388
Series Z	(e)	EUR	125.0	125.0	0.9 + Euribor (6m)	02/2024	124,074	123,756
Series 27	(b) (c)	HKD	430.0	45.2	1.62	03/2024	45,130	49,074
Series 28	(b) (c)	USD	600.0	489.0	1.75	03/2029	483,066	527,093
Series 29	(b) (c)	NOK	1,735.0	165.7	1.75	03/2029	165,208	175,325
Series 30	(b) (c)	GBP	400.0	444.9	1.75	04/2031	434,051	457,784
Series 31	(c)	JPY	7,000.0	55.3	1.42	05/2029	55,057	57,080
Series 32		EUR	800.0	800.0	0.625	07/2025	785,155	781,945
Series 33		EUR	600.0	600.0	1.45	07/2028	589,483	588,189
Series 34	(b) (c) (f)	NOK	500.0	47.8	1.055	07/2025	47,651	-
Series 35	(h) (k)	EUR	30.4	30.4	1.375	11/2024	30,400	-
Series 36	(i)	EUR	600.0	600.0	1.5	05/2026	600,000	-
Series 37	(j)	EUR	600.0	600.0	0.375	09/2022	600,000	-
Series 38	(g)	EUR	1,000.0	1,000.0	0.0	07/2026	976,873	-
Total non-current portion							**10,360,055**	**9,142,817**
Current portion								
Series D	(k)	EUR	102.0	102.0	1.5	01/2021	**100,711**	**-**
Total straight bonds and schuldscheins							**10,460,766**	**9,142,817**
Total accrued interest on straight bonds and schuldscheins	(d)						**106,826**	**112,373**

13. LOANS AND BORROWINGS, STRAIGHT BONDS AND SCHULDSCHEINS *(continued)*

(a) Coupon and principal are linked to Consumer Price Index ("CPI") through derivative instruments.
(b) Effective coupon in euro.
(c) The Company hedged the currency risk of the principal amount until maturity.
(d) Presented as part of the provisions and current liabilities in the statement of financial position.
(e) Schuldschein.

I. Issuance of straight bonds during the reporting period

(f) In July 2020, the Company completed the placement of a NOK 500 million (approximately €46 million) Series 34 bond, maturing in 2025, 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 1.055% p.a. The bond was issued under the EMTN Programme.

(g) In December 2020, the Company completed the placement of a €1,000 million Series 38 bond, maturing in 2026 and carrying a 0.0% annual coupon, for a consideration that reflected 98.145% of the principal amount. The bond was issued under the EMTN Programme.

II. Substitution of senior bonds of TLG with the Company

As part of the acquisition of TLG, and with effect from August 1, 2020, the Company substituted TLG as the issuer and obligor of 3 straight bond series (for which TLG shall remain a guarantor) with the characteristics as set below:

(h) €141.5 million nominal value of "2024 straight bond" (after the substitution were named "Straight bond series 35") maturing in 2024 and carrying 1.375% interest rate p.a.
(i) €600 million nominal value of "2026 straight bond" (after the substitution were named "Straight bond series 36") maturing in 2026 and carrying 1.5% interest rate p.a.
(j) €600 million nominal value of "2022 straight bond" (after the substitution were named "Straight bond series 37") maturing in 2022 and carrying 0.375% nominal interest rate p.a.

III. Buyback of straight bonds

(k) During the financial year, the Company completed the early redemption and buy-back of some of its straight bonds in a total nominal value of €901.3 million as described in the table below:

Bond	Original maturity	Nominal value redeemed / bought back during the financial year	Outstanding nominal value as at December 31, 2020	Outstanding nominal value as at December 31, 2019
			in € millions	
Series D	05/2022	157.5	(*) 102.0	259.5
Series E	07/2024	421.3	(**) 228.7	650.0
Series F	03/2023	211.4	Fully redeemed	211.4
Series 35	11/2024	111.1	30.4	-
Total redeemed / bought back		**901.3**		

(*) in December 2020, the Company exercised its option to redeem the outstanding amount of straight bond series D (originally maturing in May 2022), that has been eventually redeemed on January 28, 2021 at its principal amount together with accrued but unpaid interest. Therefore, presented as a current liability as of December 31, 2020.
(**) presented net of €7.3 million nominal value that is held in treasury.

13. LOANS AND BORROWINGS, STRAIGHT BONDS AND SCHULDSCHEINS *(continued)*

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 *(continued)*

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 15. 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 *(continued)*

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			
	31.12.2019	**Financing cash flows (1)**	**Foreign exchange effect**	**Other (2)**	**Other changes (3)**	**31.12.2020**
			In € thousands			
Straight bonds and schuldscheins (4)	9,255,190	(86,320)	(188,995)	1,373,648	214,071	**10,567,594**
Loans and borrowings	2,503,224	-	(53,776)	879,044	-	**3,328,492**
Net derivative financial (assets) liabilities	(102,641)	68,678	94,869	185,472	-	**246,378**
Total	**11,655,773**	**(17,642)**	**(147,902)**	**2,438,164**	**214,071**	**14,142,464**

			Non-cash changes			
	31.12.2018	**Financing cash flows (1)**	**Foreign exchange effect**	**Other (2)**	**Other changes (3)**	**31.12.2019**
			In € thousands			
Straight bonds and schuldscheins (4)	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 (assets)	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**

(1) Financing cash flows include interest payments and proceeds from (repayment / buy-back of) financial instruments, net.
(2) Other non-cash changes include substitution of bonds from TLG to the Company, discount and issuance cost, amortization for the bonds, unrealized revaluation gains.
(3) Other changes include interest accruals and results on early repayment of debt.
(4) Including accrued interest.

14. RELATED PARTY TRANSACTIONS

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

	As at December 31,	
	2020	**2019**
	in € thousands	
Receivables from related companies	7,461	324,316
Loans to related companies (*)	1,395,630	228,232
Payables to related companies	381	2,142
Loans from related companies (*)	3,328,492	2,503,224

	Year ended December 31,	
	2020	**2019**
	in € thousands	
Dividend income from related parties (**)	316,780	348,768
Professional fees expenses to related parties	(2,318)	(4,797)

No provisions have been made for doubtful debts in respect of the amounts owed by related parties.

(*) during the year, the Company recorded an interest income on loans to related companies in the amount of €13,999 thousand (2019: €49,194 thousand) and an interest expenses on loans from related parties in the amount of €56,663 thousand (2019: €57,111 thousand).

(**) the dividend from related parties arrived from the following subsidiaries:

Camelbay Limited	€230,000 thousand (2019: €316,793 thousand)
TLG Immobilien AG	€83,384 thousand (2019: nil)
Keystreet Investments Limited	€3,246 thousand (2019: nil)
Aroundtown Real Estate Limited	€150 thousand (2019: €16,479 thousand)
Alfortia Limited	nil (2019: €15,496 thousand)

14. RELATED PARTY TRANSACTIONS *(continued)*

ii. Significant agreements with management

Board of Directors

	Year ended December 31, 2020							
	Executive Directors			**Non-executive director**	**Independent directors**			
	in € thousands							
Fixed and variable incentive	Mr. Frank Roseen	Ms. Jelena Afxentiou	Mr. Oschrie Massatschi (**)	Mr. Ran Laufer	Mr. Markus Leininger	Ms. Simone Runge-Brandner	Mr. Markus Kreuter	**Total**
Salary, Directors fee and supplementary payments (*)	317	181	181	60	100	100	100	1,039
Share incentive program (***)	200	225	216	-	-	-	-	641
Total Remuneration	**517**	**406**	**397**	**60**	**100**	**100**	**100**	**1,680**

(*) Based on employer's costs, excluding VAT.
(**) Mr. Oschrie Massatschi ceased to serve as an Executive Director on August 25, 2020.
(***) Multi-year fixed and variable share incentive program.

Senior and Key Management

Mr. Barak Bar-Hen began to serve as the Company's Co-CEO and COO on November 1, 2020 and was entitled to a total fixed remuneration of €96 thousand.

Mr. Eyal Ben David, the Company's CFO, was entitled to a total remuneration of €581 thousand, of which €306 thousand was in the form of share incentives.

Mr. Oschrie Massatschi began to serve as the Company's CCMO on August 25, 2020 and was entitled to a total remuneration of €215 thousand, of which €108 thousand was in the form of share incentives.

Mr. Klaus Kraegel began to serve as the Company's CDO on November 1, 2020 and was entitled to a total fixed remuneration of €72 thousand.

Mr. Shmuel Mayo stepped down from his position as the Company's Co-CEO on November 25, 2020 and was entitled to a total fixed remuneration of €558 thousand.

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

15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

15.1 Financial Assets

Set out below, is an overview of financial assets, other than investments in subsidiries, held by the Company as at December 31, 2020 and December 31, 2019:

	As at December 31,	
	2020	**2019**
	in € thousands	
Financial assets at amortized cost:		
Cash and cash equivalents	220,020	1,236
Trade and other receivables and other non-current assets	51,811	326,871
Loan receivables (*)	1,395,630	228,232
Financial assets at fair value through profit or loss:		
Financial assets at fair value through profit or loss	632,760	55,351
Derivative financial assets (**)	26,677	39,267
Total	**2,326,898**	**650,957**

(*) the Company has not recognized any impairment for expected credit losses and assessed that the impact on these financial assets is immaterial.

(**) excluding derivative financial assets designated as hedging instruments in hedge relationships in the amount of €114,642 thousand (2019: €163,421 thousand).

15.2 Financial liabilities

Set out below, is an overview of financial liabilities, held by the Company as at December 31, 2020 and December 31, 2019:

	As at December 31,	
	2020	**2019**
	in € thousands	
Financial liabilities at amortized cost:		
Loans and borrowings	3,328,492	2,503,224
Straight bonds and schuldscheins	10,460,766	9,142,817
Accrued interest on straight bonds	106,826	112,373
Other non-current liabilities	57,795	-
Dividend payable	186,527	-
Trade and other payables	1,431	(*) 6,404
Financial liabilities at fair value through profit or loss:		
Derivative financial liabilities (**)	275,304	49,034
Total	**14,417,141**	**11,813,852**

(*) reclassified

(**) excluding derivative financial liabilities designated as hedging instruments in hedge relationships amounted to €112,393 thousand (2019: €51,013 thousand).

15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT *(continued)*

15.3 Risks management objectives and policies

The Company is exposed to market risk (including interest rate risk, currency risk and price risk), credit risk and liquidity risk. The Company seeks to minimize the effects of these risks by using derivative financial instruwemnts to hedge these risk exposures. The use of financial derivatives is governed by the Company’s policies approved by the Board of Directors, which provide written principles on mitigating the various risks, the use of financial derivaties and non-derivative financial instruments and the investment of excess liquidity. 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 exposure limits and controls, monitor risks and adherence to limits. Risk management policy and systems are reviewed regularly to reflect changes in market conditions and in the Company's activities.

15.3.1 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.

15.3.1.1 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.

	As at December 31,	
	2020	**2019**
	in € thousands	
Fixed rate	13,426,966	11,324,193
Floating rate	322,548	321,848
	13,749,514	**11,646,041**

15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT *(continued)*

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.

15.3.1.2 Foreign currency risk

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

During the year, the Company issued one series of straight bond in foreign currency 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 15.4.2.

15.3.1.3 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.

15.3.2 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 and investing activities (primarily loan receivables) and from its financing activities, including cash and cash equivalents held in banks, derivatives and other financial instruments.

Loan 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 15.1.

15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT *(continued)*

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 policies. Investments of surplus of 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.

15.3.3 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 revolving credit facilities that are available for use.

The following are the remaining contractual maturities at the end of the reporting period and at the end of 2019 of financial liabilities, including estimated interest payments, the impact of derivatives and excluding the impact of netting agreements:

As at December 31, 2020

		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 and schuldscheins (*)	10,567,592	11,949,034	137,365	118,761	752,596	252,433	10,687,879
Trade and other payables	1,431	1,431	239	1,192	-	-	-
Total	**10,569,023**	**11,950,465**	**137,604**	**119,953**	**752,596**	**252,433**	**10,687,879**

(*) including accrued interest

15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT *(continued)*

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 and schuldscheins (*)	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 accrued interest

15.3.4 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.

15.3.5 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.

15.3.6 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 which ended on December 31, 2020. Thereafter, a Trade and Cooperation Agreement (TCA) between the EU and the UK came into effect provisionally which provides for free trade in goods and services, as well as for cooperation mechanisms in a range of policy areas. On the other hand, compared to the UK’s previous status as an EU member state, certain measures ended as they were not incorporated in the TCA such as free movement of persons between the parties, the UK’s membership in the European Single Market and Customs Union and the UK’s participation in most of the EU programs, as well as a range of other policies.

15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT *(continued)*

The final consequences of Brexit are impossible to predict as no other member state of the EU has previously chosen to leave the EU. Such negative impact may be exacerbated by the economic impacts of the COVID-19 pandemic. The member states of the EU will face greater barriers to trade and commerce with the United Kingdom, which may in turn diminish overall economic activity between the EU and the United Kingdom, resulting in a general economic downturn throughout the United Kingdom, the EU or both. Aroundtown Group's real estate portfolio in the United Kingdom consist primarily of hotel properties and, to a lesser extent, office properties. Aroundtown believes that its real estate portfolio in the United Kingdom is well-diversified, with its hotel portfolio attracting both international and domestic business and leisure travellers. However, an overall downturn in the United Kingdom's economy may significantly impact the demand for business travel within, and to, the United Kingdom, and hence reduce demand for hotel rooms. During the Brexit negotiations, a number of large companies and financial institutions announced that they intend to move departments and business units from the United Kingdom to other parts of the European Union. Although this may have positive implications for Aroundtown Group's other locations since the Company is well-diversified within Europe, this could negatively impact the demand for hotel rooms and office space in the United Kingdom, in particular in its business centres. Any of these factors may negatively affect the profitability of hotel operators, which are tenants of Aroundtown Group's hotel properties. The uncertain consequences of Brexit have already caused and are likely to continue to cause volatility in the financial markets. Since Aroundtown relies on access to the financial markets in order to refinance its debt liabilities and gain access to new financing, ongoing political uncertainty and any worsening of the economic environment may limit its ability to refinance its existing and future liabilities or gain access to new financing, on favourable terms or at all. Furthermore, Aroundtown's counterparties, in particular its hedging counterparties, may not be able to fulfil their obligations under their respective agreements due to a lack of liquidity, operational failure, bankruptcy, or for other reasons. Moreover, Brexit may have a material currency effect, devaluing the GBP; Aroundtown has effectively hedged a portion of its exposure by issuing GBP debt against GBP Group assets, as well as issued debt denominated in GBP to naturally mitigate this exposure, but this devaluation may have an impact on the Aroundtown Group's net assets. The occurrence of any of the aforementioned risks may have a material adverse effect on Aroundtown and Aroundtown Group's business, net assets, financial condition, cash flow and results of operations.

15.3.7 Coronavirus (COVID-19) effect

Coronaviruses are defined by World Health Organization ("WHO") as a large family of viruses which may cause illnesses 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 200 countries, some of which are countries where the Aroundtown Group operates.

15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT *(continued)*

As a reaction to COVID-19, authorities in many countries have imposed severe restrictions on travel, quarantines, and prolonged closures of workplaces, curfews and other social distancing measures. The restrictive administrative measures vary from country to country and sometimes regionally. In Germany and the Netherlands, federal and state governments have among other things ruled the preliminary closure of businesses, primarily those with high consumer attendance, such as hotels, restaurants, bars, clubs, retail stores, and others. The implications of the COVID-19 pandemic and measures aimed at mitigating a further expansion depend on a number of factors and there is no guarantee that such measures are effective means to combat such an outbreak which may result in an increase of credit risk, liquidity risk and operational risk for Aroundtown and Aroundtown Group.

As economic activity has been drastically reduced for several months, a number of factors already have shown negative effects on the global economy and international financial markets. As a result, many companies were forced to adopt short-time work for their employees, implement work-from-home models or even implement mass redundancies or close permanently which in the end has lead or will continue to lead to an increase in unemployment. As businesses and unemployed workers may no longer have the income to pay their outstanding debts, the number of defaults and insolvencies could significantly increase.

The measures taken against the spread of the virus causing COVID-19 such as business lockdowns and travel restrictions have led to a partial or total loss of revenues for some of Aroundtown Group's tenants, in particular hotel tenants who have faced considerable downturn in bookings. Even after hotel operators are able to reopen hotels, there remains considerable uncertainty as to the time it will take to see an increase in travel demand. This in turn could lead to a loss of rental payments or in late or reduced payments due to a lack of Aroundtown Group's tenants' liquidity, operational failure, bankruptcy or for other reasons. The COVID-19 pandemic, the measures imposed by authorities to mitigate the crisis and the resulting economic implications could have material negative effects on the valuation of Aroundtown Group's real estate properties and therefore on its assets. In particular, Aroundtown Group observed devaluation in some of its hotel properties during 2020 which was more than offset by positive results in other properties. Declines in value of Aroundtown Group's properties and loss of income may have a negative impact on the compliance with the financial covenants in Aroundtown's debt financing arrangements including the straight bonds and perpetual notes which in the event of breaches of financial covenants could trigger substantial early repayment obligations.

Aroundtown's access to financing and liquidity may also be affected by the COVID-19 pandemic. As a result of increased levels of defaults, banks may have reduced liquidity, which could make it harder for Aroundtown to obtain bank financing the Company may desire for future acquisitions or refinancing purposes. Also, if the capital markets continue to be more volatile as a result of the COVID-19 pandemic, Aroundtown may face difficulties in accessing the capital markets for new financing. Adverse capital market conditions may lead to increased costs of funding, resulting in an adverse impact on Aroundtown's earnings and financial position and on Aroundtown's ability to refinance maturing liabilities may be limited. Nevertheless, Aroundtown maintains a conservative debt profile with long average debt maturities and low cost of debt as at year-end 2020, giving it sufficient headroom to continue its operations. Aroundtown's relatively high level of cash and liquid assets also support the resilience and coping the afformentioned impact of COVID-19.

15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Lower economic activity could also make it more difficult to sell properties should Aroundtown Group decide to dispose properties. On the contrary, demand in real estate remained high during 2020 and Aroundtown Group was able to dispose of a significant amount of properties with a profit above their book values.

While in the summer of 2020 authorities had begun to ease or partially abolish COVID-19 related restrictions, strict lockdowns have been reintroduced during winter in European countries including Germany, the Netherlands and the United Kingdom due to spikes in infections rates. Even if the current lockdowns are lifted in the future, it is expected that provisions on social distancing in European countries will continue to prevent many businesses from running their business on a normal basis which in turn could prevent tenants from being able to pay due rents and other expenses, that could have a negative impact on Aroundtown Group's cash flow. In addition, variants of the virus that cause COVID-19, ineffectiveness and/or low stock in availability of newly developed vaccines or issues relating to vaccine distribution, further "waves of infection" of COVID-19 or comparable spread of diseases could trigger the reintroduction of some, all or even more severe governmental measures with corresponding negative effects on the economy, the real estate market and Aroundtown Group's business operations. Against this background, the COVID-19 related risk factors may continue to prevail for an unforeseeable period and the ultimate impact of the COVID-19 pandemic on the economy and the Group's operations remains highly uncertain. The occurrence of any of these risks may have a material adverse effect on the Group's future business, net assets, financial condition, cash flow and results of operations.

The Aroundtown Group has taken necessary precautions to make sure employees are safe and secure which include encouraging working from home. With its high liquidity, financial strength, financial flexibility and robust debt structure, Aroundtown Group believes to be in a strong position to withstand the rest of the pandemic. Aroundtown 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.

15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

15.4 Hedging activities and derivatives

15.4.1 Derivative financial instruments

	Note	As at December 31,	
		2020	2019
		in € thousands	
Derivative financial assets			
Derivatives that are designated and effective as hedging instruments	15.4.2	114,642	163,421
Derivatives that are not designated in hedge accounting relationships		26,677	39,267
		141,319	**202,688**
Derivative financial liabilities			
Derivatives that are designated and effective as hedging instruments	15.4.2	112,393	51,013
Derivatives that are not designated in hedge accounting relationships		275,304	49,034
		387,697	**100,047**

15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT *(continued)*

15.4.2 Hedge accounting relationships

15.4.2.1 Cash flow hedges

As at December 31, 2020, 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
Series 34	FX-Swap	Norwegian Krone	500,000	45,922

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

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

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.

15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT *(continued)*

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

	Carrying amount			
Risk category	**Assets**	**Liabilities**	**Line item in the financial statements**	**Net change in fair value used for measuring ineffectiveness for the period**
	in € thousands			**in € thousands**
As at December 31, 2020				
Foreign exchange rate and interest rate swaps	17,621	94,122	Derivative financial assets/ liabilities	(87,717)
As at December 31, 2019				
Foreign exchange rate and interest rate swaps	50,340	38,628	Derivative financial assets/ liabilities	35,187

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

	Carrying amount	**Line item in the financial statements**	**Net change in fair value used for measuring ineffectiveness for the period**
	in € thousands		**in € thousands**
As at December 31, 2020			
Straight bonds	472,568	Straight bonds	87,762
As at December 31, 2019			
Straight bonds	461,848	Straight bonds	(35,395)

The ineffectiveness recognized in the statement of profit or loss was a profit of €124 thousand (2019: loss of €286 thousand).

15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT *(continued)*

15.4.2.2 Fair value hedges

As at December 31, 2020, 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' maturities.

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.

15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT *(continued)*

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			
Risk category	**Assets**	**Liabilities**	**Line item in the financial statements**	**Net change in fair value used for measuring ineffectiveness for the period**
	in € thousands			**in € thousands**
As at December 31, 2020				
Foreign exchange rate and interest rate swaps	97,021	18,271	Derivative financial assets/ liabilities	(15,495)
As at December 31, 2019				
Foreign exchange rate and interest rate swaps	113,081	12,385	Derivative financial assets/ liabilities	102,569

15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT *(continued)*

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

	Carrying amount	Line item in the financial statements	Net change in fair value used for measuring ineffectiveness for the period
	in € thousands		in € thousands
As at December 31, 2020			
Straight bonds	1,988,425	Straight bonds	15,599
As at December 31, 2019			
Straight bonds	2,083,495	Straight bonds	(101,930)

The ineffectiveness recognized in the statement of profit or loss was a profit of €104 thousand (2019: profit of €275 thousand).

15.5 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.

16. CONTINGENT ASSETS AND LIABILITIES

The Company had no significant contingent liabilities as at December 31, 2020.

17. COMMITMENTS

The Company granted unconditional and irrevocable guarantees on its wholly owned subsidiaries ATF Netherlands B.V. and AT Securities B.V.'s obligations and to others in an aggregarted amount of up to €1.4 billion. The guarantee to the subsidiaries was granted as part of their issued perpetual note.

18. EVENTS AFTER THE REPORTING PERIOD

1) In January 2021, the Company published the results of its scrip dividend whereby shareholders of approximately 491 million shares opted to receive their dividend in the form of shares of the Company. Accordingly, during January 2021, an amount of 11,257,157 shares of the Company were delivered to the shareholders in connection with the scrip dividend, and a cash amout of €100.1 million was paid.
2) In January 2021, the Company issued €600 million nominal value of perpetual notes bearing interest of 1.625% p.a. until the "First Reset Date" in July 2026. The Company simultaneously launched a buyback tender offer for ATF Netherlands B.V.'s 3.75% perpetual notes, after which a nominal amount of €231.1 million were redeemed.
3) After the reporting period, the Company redeemed the remaining €132.6 million outstanding nominal value of straight bonds series D and series 35 at their principal value together with accrued but unpaid interest.