AROUNDTOWN SA

ANNUAL REPORT

for the year ended December 31, 2021

2021

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2021

OFFICERS AND PROFESSIONAL ADVISORS

Board of Directors	Mr. Frank Roseen Ms. Jelena Afxentiou Mr. Ran Laufer Mr. Markus Leininger Ms. Simone Runge-Brandner Mr. Markus Kreuter
Réviseur d'Entreprises agréé	KPMG Luxembourg Société anonyme 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 annual report for the year ended December 31, 2021.

DEVELOPMENTS AND PERFORMANCE

The Company continued to prove its access to capital markets by placing new straight bonds with nominal value of above €1.25 billion via its EMTN Programme (see note 13.2 and 13.3 of the financial statements). The Company also completed the buy-back of €1.7 billion nominal value of its various straight bond series with maturities between 2022 and 2027, presenting a solid debt maturity prolongation and reduction of average cost of debt (see note 13.4 of the financial statements). A dividend of €0.22 per share was announced in the Annual General Meeting ("AGM") convened on June 30, 2021, and distributed in July 2021 (see note 12.1.3 of the financial statements). The profit for the year was €101.6 million and the total equity of the Company has increased from €7,107.3 million as at December 31, 2020 to €7,651.2 million as at December 31, 2021.

FINANCIAL RISK MANAGEMENT

The Company is exposed to liquidity, operating and other risks. For more information see note 15 of the appended 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 2021.

OWN SHARES

The Company did not acquire its own shares in 2021 and as at December 31, 2021 held directly 91,581,452 shares and additional 341,878,173 shares through its subsidiaries. There were deliveries of own shares by the Company as part of the scrip dividend distribution. For more information see note 12.1.2 of the financial statements.

CAPITAL STRUCTURE

The Company's ordinary 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.

MANAGEMENT REPORT *(continued)*

COMPLIANCE WITH TRANSPARENCY LAW

The Company is subject to, among others, 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 English 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, Extraordinary General Meetings and Ordinary Generral 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.

The standalone Aroundtown SA financial statements are published annually on the same day of Aroundtown SA consolidated annual report.

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 under note 12 (Equity) of the financial statements. 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, 2021:

Shareholder name	**Amount of shares** (1)	**Percentage of voting rights**
Aroundtown SA and its wholly owned affiliate	246,422,954	16.03% (2)
TLG Immobilien AG	183,936,137	11.97% (2)
Avisco Group PLC	153,850,513	10.01%
BlackRock Inc.	85,274,562	5.55% (3)

(1) Total number of issued and fully paid ordinary shares as of December 31, 2021: 1,537,025,609
(2) Voting rights are suspended
(3) Including 0.08% 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 ordinary shares. The voting rights attached to ordinary shares held by TLG Immobilien AG in the Company are suspended. The suspension of the voting rights applies to any other shares acquired by the Company, either directly or through subsidiaries, pursuant to its buy-back programme.

(e) With regard to article 11(1)(e) of the Takeover Law, control rights related to the issue of ordinary shares are directly exercised by the relevant employees. The key terms and conditions in relation to the Company's incentive share plan are described under note 12.3 (share-based payment agreements) of the financial statements.

(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, 2021, 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 the section "Officers and Professional Advisors" of this annual report.

According to article 14 of the Articles of Association, any amendment to the Articles of Association made by the general meeting of the 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 in the section "Officers and Professional Advisors" and "Corporate Governance" of this annual report.

<u>MANAGEMENT REPORT</u> *(continued)*

Pursuant to article 7.2 of the Articles of Association, the Board is authorized to issue shares under the authorised share capital as detailed under note 12.1.1 (share capital) and note 12.3 (Share-based payment agreements) of the financial statements. 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 shareholders' meeting of the Company held on 11 January 2022 further increased the maximum aggregate nominal amount of the shares of the Company which may be acquired under the Company's buy- back program, as approved by the ordinary general meeting of the shareholders of the Company on 6 May 2020 and as approved and firstly increased by the annual general meeting of the shareholders of the Company on 30 June 2021, from 30% to 50% of the aggregate nominal amount of the issued share capital of the Company from time to time. Further details on the Company's share buy-back program are described under note 12.1.2 (Treasury shares and share buy-back programs) of the financial statements.

(j) With regard to article 11(1)(j) of the Takeover Law, the Company's listed straight bonds, perpetual notes and security issuances (listed under notes 12.2 and 13 of the financial statements) under the EMTN programme 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 International Swaps and Derivatives Association (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 29, 2022

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

ESG – ENVIRONMENTAL, SOCIAL AND GOVERNANCE

COMMITMENT TO HIGH ESG STANDARDS

At Aroundtown, we are committed to generate sustainable value creation for all our stakeholders and in this regard, we set ourselves high ESG standards to ensure the sustainability of our business practices. We aligned our business practices with the 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 and communities. For this reason, we have incorporated ESG principles in all our departments, guided by our dedicated Sustainability Department.

During 2021, we conducted a material risk assessment, which identifies material ESG risks through evaluating their impacts on both the business and its stakeholders and guides management of these risks. Specific topics were given greater importance within the framework, namely climate change mitigation, climate change adaptation, sustainable use of resources and circular economy. Key changes from the updated material risk assessment will be discussed in the Non-Financial Report 2021 on our website which will give more details on the relevant ESG matters. An updated material risk matrix will be published in the next year's non-financial reporting. Furthermore, we have made additional progress towards achieving our long-term ESG goals and are proud to share with you some of our initiatives and accomplishments in this ESG reporting section.

With regard to **E**nvironmental, we certified a part of our Dutch portfolio with green building credentials and made further investments in our Energy Investment Program to reduce our greenhouse gases (GHG) emissions. With regard to Green Building Certifications, our ongoing pilot project in the Netherlands already certified approx. 30% of the Dutch portfolio, up from 2% in the previous year. Based on experiences gained through this pilot project, we are currently implementing this strategy in other portfolio locations. in parallel, we started the analysis for our German portfolio which aims to certify assets that need minimal upgrades. We will roll over the accumulated experience and knowledge from these projects to the rest of our portfolio. With regard to our Energy Investment Program, as a part of our ongoing pipeline, we have made further investments in energy efficient measures such as Photovoltaics (PVs), Combined Heat and Power productions (CHPs), Electric Vehicle (EV) charging stations and efficient windows, lighting, roofs, façade and heating systems.

With regards to **S**ocial, we continued to focus on establishing and maintaining strong relationships with our local communities. The Aroundtown Foundation has engaged in numerous charitable activities across our portfolio locations in order to support the development of our communities, working in close contact with local partners such as Die Arche e.V., HORIZONT e.V., Off Road Kids etc. Furthermore, following the flood disaster in the Ahr Valley in NRW, we donated funds to a local association to help those in need with the clean-up and reconstruction and several of our employees volunteered in the region. Further, in order to continue improving employee satisfaction and strengthen the knowledge base, we ramped up training and development opportunities and offered a wide range of courses to our employees.

With regard to **G**overnance, we maintained our high level of governance with a diverse mix of board composition – of which 4 out of 6 are independent / non-executive and 2 out of 6 are female – which is supported by various committees with higher level of oversight for special topics.

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

We are immensely proud that our ESG efforts are continuously recognized by international institutions. We received the EPRA Gold award for the 5th time and the EPRA sBPR Gold award for the 4th time consecutively, highlighting the high standards of financial transparency and sustainability reporting. We improved our Sustainalytics score within the low-risk category and ranked among the Top 4% globally across all industries and among Top 12% globally in real estate. We were included in the S&P Europe 350 ESG Index in May 2021, adding to our strong visibility in ESG indices such as DAX 50 ESG and GPR Green indices.

We have made updates to our sustainability reporting and all the materials can be found on our website. In our Non-Financial Report 2020, you can see our performance and impact with regards to the management of ESG matters (audited by Mazars). Under *Sustainability Insights*, you can find comprehensive accounts of a dozen individual topics forming our Sustainable Business Strategy. Lastly, in the *Sustainability – In Focus* report, you can see an overview of our sustainable activities, designed to inform various stakeholders.

Aroundtown will disclose the eligibility reporting requirements for its activities in accordance with the EU Taxonomy Regulation Article 8 within its Non-Financial Report 2021 which will be published on its website.

ENVIRONMENTAL RESPONSIBILITY

The Company and its affiliates (the "Aroundtown Group") consider environmental responsibility as an integral part of its integrated sustainable business strategy which is 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 the Company'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 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 GHG reduction potential. 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).

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 increasingly 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. The program targets 40% reduction in CO_2 emissions by 2030 by mainly investing in efficient and renewable energy generation and storage systems, electrical vehicle charging stations, smart meters and advanced energy measurement software across the portfolio. The program is focused around five core components:

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

- The installation and operation of solar PV production systems on rooftops and parking areas
- The installation of highly efficient energy generating systems based on CHP or combined cooling heat and power (CCHP)
- The implementation of electricity storage to support these solar, CHP and CCHP systems. This will enable optimal management of energy consumption and production and provide the necessary infrastructure for fast and ultrafast EV charging stations to serve the Aroundtown Group, its tenants and its clients
- The installation of EV charging stations
- The implementation of smart meters combined with a total energy management system (demand/response) to optimize the efficiencies in term of resource and costs

During 2021, the Aroundtown Group invested in energy efficient measures such as PVs, CHPs, EV charging stations and efficient windows, lighting, roofs, façade and heating systems.

During 2021, the Aroundtown Group executed further on its efforts to certify its portfolio with green building credentials and undertook a major project in its Dutch portfolio. The goal is to increase number of green buildings within the portfolio to match AT's integrated sustainable business strategy. The pilot project was identified in the Netherlands as there is a high demand from tenants for green buildings, higher rents and occupancy can be achieved and capex for upgrades yields positively immediately. Approximately 30% of the Dutch portfolio was already certified in accordance with BREEAM standards, up from 2% in 2020. Based on experiences gained through this pilot project, the strategy is being implemented in other portfolio locations. In parallel, AT started the analysis process in its German portfolio which aims to certify assets that need minimal upgrades. Developments and major refurbishments are aimed at certification eligibility.

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 has already been switched, and further units are being switched on an ongoing basis. 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. Aroundtown has also set the goal to switch all electricity to Power Purchase Agreement (PPA) certified renewable electricity from wind, hydroelectric and solar PV sources by 2027.

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. The Company is installing remote water meters not only to detect water leaks and unusual water usages more efficiently but also to create awareness and influence tenant behavior. The Company is also implementing water-saving measures in its assets' sanitary facilities to reduce water consumption. With regards to waste management, the Company is focusing its efforts on increasing recycling rates by providing facilities to support waste separation at its sites.

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

The Company is engaging with tenants to promote better waste management practices and is exploring potential to further optimize waste and operational costs through waste management systems. In this regard, the Company has set up an initiative in some of its assets where waste disposal companies provide more detailed waste data and disposal methods used in order to increase awareness and optimize the process. It is important to note that waste management measures are efficiently incentivized in Germany and other locations of the portfolio, such as having no charges for recycled waste.

BIODIVERSITY

Protecting the biological diversity in the long term is a key task in mitigating climate change and securing food production, as well as in the purification of water and air. Therefore, AT sees it as part of its corporate responsibility to not only minimize the impacts it has on biodiversity but also to contribute positively. To minimize its impact, the Company has taken on several measures outlined in its Biodiversity Policy, such as avoiding operating in areas that are recognized to have important biodiversity or near areas with critical biodiversity, avoiding wood or wood products that have not been produced by sustainable methods and instructing facility management companies not to use herbicides or pesticides on its premises that could harm natural life. The Company contributes positively to biodiversity by integrating biodiversity assessment into its due diligence processes, working with external facility management companies to ensure the protection and promotion of biodiversity, consulting with local authorities on the topic and promoting awareness for its own employees and business partners. The Company is committed to regularly monitor and report on the implementation of its biodiversity achievements in its sustainability reporting. Some examples of the achievements on this front during 2021 are addition of green facilities in the portfolio and the ongoing “Aroundtown buzzes” project. This project ensures the survival of bees in urban areas by installing beehives on the rooftop of AT’s properties.

ENVIRONMENTAL PROGRAMS FOR BUSINESS PARTNERS

The Company’s environmental policy is further supplemented by the green procurement policy which governs the selection of and the collaboration with business partners. Business partners 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, Aroundtown is engaging its contracted business partners to take actions to improve their environmental impact, an example being certification in accordance with the environmental norm ISO 14001. Aroundtown also actively encourages business partners to innovate and present better systems, technologies and methods in order to improve the overall environmental performance of the supply chain.

For further information on the Aroundtown Group’s environmental responsibility, please see the 2020 Non-Financial Report, as well as relevant Sustainability Insights which are both available on its website. Aroundtown will update and publish its Non-Financial Report 2021 on its website which will give more details on the relevant ESG matters.

SOCIAL RESPONSIBILITY

Aroundtown Group 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. Aroundtown promotes transparency on its social responsibility measures and actions, which can be found in the sustainability reporting materials published on the Company’s website.

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

RESPONSIBLE EMPLOYER

Aroundtown Group 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 achieve 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 addition, the Company has significantly increased its efforts on employee training and development to support the employees in their personal development and improvement of competencies. Multiple training topics are offered to employees such as software training, real estate related topics, sustainability, leadership and language courses. Furthermore, The Company is committed to health, safety and security of its employees. Beyond the topic of compliance, the Company sets its own standards to increase the well-being of its employees. The Company imparts training on a variety of safety measures and preventive behaviors, carries out periodic workstation ergonomic assessments and invites employees to participate in activities to improve their health. This includes a fitness center, available free of charge to employees at the Berlin headquarters, which offers a variety of classes.

COMMUNITY DEVELOPMENT

Aroundtown Group 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 the Company 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 portfolio locations. Policies and procedures contain social and environmental impact assessments as well as periodic reviews of existing operations and stakeholder engagement.

Aroundtown Group believes that involvement with local communities and local authorities are vital to establishing long-term partnerships. On this front, the Company has taken further initiatives to increase its involvement. Building further on its previous relationships, the Aroundtown Foundation continued during 2021 to engage with local communities and participated in numerous charitable activities across the portfolio locations. The foundation aims to support the development of communities, working in close contact with local partners such as Die Arche e.V., HORIZONT e.V., Off Road Kids, EvE Foundation, children and youth fire departments of various local governments, etc. The donations were focused on supporting local institutions and associations that aim at eliminating child poverty, improving child and youth education & healthcare, providing solidarity to ethnic minorities, helping the socially disadvantaged and many more. In addition, following the flood disaster in the Ahr Valley in NRW in July 2021, the foundation donated funds to a local association to help those in need with the clean-up and reconstruction and provided accommodation to local volunteers in its hotels. Several employees of AT volunteered in the region to help with the clean-up. The Company introduced Social Days volunteering program in 2019 where employees were given opportunities to participate and volunteer in social responsibility projects.

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

The program was postponed during 2020 due to the Covid-19 related lockdown measures and during 2021 the Company directed its focus towards urgently helping those in need after the flood. 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. The Company’s activities contribute towards the United Nation’s Sustainable Developments Goals, particularly those relating to Good Health and Well-being (#3), Quality Education (#4), Gender Equality (#5), Reduced Inequality (#10), Sustainable Cities and Communities (#11) and Partnerships for the Goals (#17).

ESG COMMITTEE

The Board of Directors established an ESG Committee to review policies, stakeholder proposals and recommendations that relate to ESG topics, including foundation-related activities. In addition, the Committee reviews and assesses the Company’s initiatives and environmental, social and governance practices and reviews policies with respect to ESG. The ESG Committee consists of the Independent Directors, Mr. Markus Leininger and Mr. Markus Kreuter and is assisted by the Sustainability Department.

For further information on the Company’s social responsibility, please see the 2020 Non-Financial Report, as well as relevant Sustainability Insights which are both available on Aroundtown’s website. Aroundtown will update and publish its Non-Financial Report 2021 on its website which will give more details on the relevant ESG matters.

AROUNDTOWN SA

CORPORATE GOVERNANCE

Aroundtown places a strong emphasis on corporate governance, executed responsibly by the Board of Directors and the management broadest powers to perform in the Company's interests. All powers not expressly reserved by the Luxembourg Companies Act or by the 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 Aroundtown's shareholders and bondholders are the large international leading institutional investors and major global investment and sovereign funds.

Aroundtown follows very strict Code of Conducts which apply to its employees and business partners, and include policies for Anti-Bribery, Anti-Corruption, Anti-Discrimination, Conflict of Interest and others.

Aroundtown 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 Code, which are only applicable to domestic issuers. Nevertheless, Aroundtown 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, Justice and Strong Institutions (#16) and Partnerships for the Goals (#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 association 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 by the General Meeting and resolve on matters on the basis of a simple majority, in accordance with the articles of association. 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, but directors may be re-appointed after such term.

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

ANNUAL GENERAL MEETING

The next Annual General Meeting of the shareholders is scheduled to take place on June 29, 2022 in Luxembourg. It is expected to resolve, among others, on the approval of €0.23 dividend per share for the 2021 fiscal year.

CORPORATE GOVERNANCE *(continued)*

MEMBERS OF THE BOARD OF DIRECTORS

Name	**Position**
Mr. Frank Roseen	Executive Director
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

Mr. Ran Laufer and Ms. Simone Runge-Brandner were appointed at the Ordinary General Meeting which took place in December 2019. All remaining directors' mandates were renewed at the Ordinary General Meeting 2019 until the Annual General Meeting 2022.

SENIOR AND KEY MANAGEMENT

Name	**Position**
Mr. Barak Bar-Hen	Co-CEO and COO
Mr. Eyal Ben David	CFO
Mr. Oschrie Massatschi	CCMO (Chief Capital Markets Officer)
Mr. Klaus Krägel	CDO (Chief Development Officer)

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 (Chairman), 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 association 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	Advisory Board Deputy Chairman
Mr. Claudio Jarczyk	Advisory Board Member
Mr. David Maimon	Advisory Board Member

RISK COMMITTEE AND RISK OFFICER

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 is supported by the Risk Officer, who brings a systematic and disciplined approach to evaluate and improve the culture, capabilities, and practices integrated with strategy-setting and execution. The Risk Officer’s responsibilities are determined and monitored by the Risk Committee, whose oversight is established pursuant to the Rules of Procedure of the Risk Committee.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. Members of the Risk Committee are Mr. Markus Kreuter (Chairman), Mr. Markus Leininger, Mr. Frank Roseen and Mr. Ran Laufer.

INTERNAL CONTROLS AND RISK MANAGEMENT SYSTEMS

Aroundtown closely monitors and manages any potential risk and sets appropriate measures in order to mitigate the occurrence of any possible failure to a minimum. The risk management is led by the Risk Committee, which constructs the risk management structure, organization and processes, and coordinates risk-related training. The Risk Committee monitors the effectiveness of risk management functions throughout the organization, ensures that infrastructure, resources and systems are in place for risk management and are adequate to maintain a satisfactory level of risk management discipline. The Company categorizes the risk management systems into two main categories: internal risk mitigation and external risk mitigation. The internal controls and compliance of the Aroundtown Group 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 on 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 & CYBER SECURITY

Safeguarding the Company from any reputational damage due to error or misconduct is essential in maintaining the Company's reputation. Therefore, enforcing responsible behavior 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 behavior throughout its operations, Aroundtown implemented Code of Conducts for both its employment contracts and business partners contracts which include policies that prevent compliance violations and misconducts. These policies include Anti-Corruption, Diversity and Anti-Discrimination, Anti-Bribery, measures to prevent human right violations and Data Protection Declaration and User Policy as well as a Whistleblowing Policy.

The Company agreed on binding standards to achieve an ethical business conduct within the Aroundtown Group, its employees and other personnel to expressly distance from corrupt behaviors and unethical business and such principles shall be explicitly acknowledged by its business partners, too. The Code of Conduct - which is mandatory for Aroundtown'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 labor, 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 Aroundtown Group. In addition to these general requirements, the Company also promotes diversity in many different areas, such as a 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 for 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 materials published on Aroundtown’s website.

The Company, in its employee Code of Conduct, has instruments in place to prevent and fight violations of law, such as human rights violation, corruption and 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 sub-para. 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.

The Company has established procedures to protect the confidentiality and integrity of management information and data across all business process. Furthermore, the Company had 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 Aroundtown’s sustainability website.

EXTERNAL RISK MITIGATION

As ordinary course of business, the Company is exposed to various external risks. The Risk Committee is constantly determining whether the infrastructure, resources and systems are in place and adequate to maintain a satisfactory level of risk. The potential risks and exposures are related, inter alia, to volatility of interest rate risks, inflation risk, 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.

CORPORATE GOVERNANCE *(continued)*

CLIMATE-RELATED RISKS

Climate change poses a range of material risks to individual companies and sectors and has long been recognized as a global risk. Whilst multiple forums continue discussions on how best to address this risk; governments, lenders and investors globally have come to view climate change as a systemic risk. In response, climate policies and requirements have been rolled out for companies to report climate-related financial information. An emerging set of climate policies that will impact the businesses and their operations in the EU 'Fit for 55' package, which is driving introduction of new climate-related requirements for the real estate sector at the national level in member states of the EU. In the real estate sector, the demand for sustainable buildings with embedded low carbon technologies is also increasingly coming from tenants.

To stay abreast with these demands of stakeholders, Aroundtown has already launched its own Group-wide climate-related risk assessment which will lead to development of its climate action strategy. Aroundtown is working to progressively integrate aspects linked to climate risks in the decision-making process for purchase of new assets.

In the real estate sector, and especially in the European market, one of the biggest challenges is the reduction of GHG emissions which is closely linked to the poor energy efficiency of existing buildings. The reduction of portfolio's carbon footprint requires investments in energy retrofits in the existing buildings. Aroundtown Group's Energy Investment Program is working to boost transition towards low carbon initiatives by adopting measures for increased energy efficiency through infrastructure upgrades, as described above. Furthermore, Aroundtown is planning to initiate the use of specific tools to identify assets with a heightened 'stranding risk'. One tool being considered is the Carbon Risk Real Estate Monitor (CRREM), which assesses the stranding risk of individual assets and the greater portfolio against specified climate targets. Based on the determined stranding risks, appropriate mitigation measures may be taken to safeguard the asset and to manage associated financial risks.

Aroundtown is continuously monitoring changes in climate targets and policies, taking action to meet current regulations and follow trends to anticipate and prepare for stricter regulations in the future. In doing so, Aroundtown is positioning itself to not only mitigate climate-related risks and adapt to external changes, but also to act on climate-related opportunities that will contribute to sustainable value creation over the long-term.

OTHER EXTERNAL RISKS

For information regarding the COVID-19 effect and the inflation risk see note 15.3.5 (Other risks), regarding the interest rate risk see note 15.3.1 (Market Risk) and regarding the Russia-Ukraine conflict, see note 18 (Significant Subsequent Events) of the financial statements.

CORPORATE GOVERNANCE *(continued)*

NOMINATION COMMITTEE

The Board of Directors established a Nomination Committee to identify suitable candidates for director positions and examine their skills and characteristics. The Nomination Committee consists of the Independent Directors, Mr. Markus Leininger, Mr. Markus Kreuter, and Ms. Simone Runge-Brandner.

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. The Remuneration Committee consists of the Independent Directors, Mr. Markus Leininger, Mr. Markus Kreuter and Ms. Simone Runge-Brandner.

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 general meeting of the shareholders, whereby each share is granted one vote. The voting rights attached to shares held by TLG Immobilien AG in Aroundtown SA are suspended. The suspension of the voting rights also applies to shares held and/or acquired by Aroundtown SA, either directly or through subsidiaries, pursuant to its buy-back programme. 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.

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 or loss of the Company, and the management report of the Company includes a fair review of the development of the business, and describes the main opportunities, risks and uncertainties associates with the Company.

Luxembourg

March 29, 2022

....	....
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 2021, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2021 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 "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 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 2021, investments in subsidiaries represent 88.8% 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 judgement 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 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 annual report including the Management Report, ESG – Environmental, Social and Governance and the 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 the 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 Shareholders on 30 June 2021 and the duration of our uninterrupted engagement, including previous renewals and reappointments, is five years.

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

The Corporate Governance Statement is included in the annual report. The information required by Article 68ter paragraph (1) letters c) and d) 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 or equivalent.

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 2021 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 2021, identified as 529900H4DWG3KWMBMQ39-2021-12-31-en.xhtml, have been prepared, in all material respects, in compliance with the requirements laid down in the ESEF Regulation.

Luxembourg, 29 March 2022

KPMG Luxembourg

Société anonyme

Cabinet de révision agréé

Muhammad Azeem

AROUNDTOWN SA

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	Year ended December 31, 2021	Year ended December 31, 2020
		in € thousands	
Revenue	5	584,152	330,779
Administrative and other expenses	6	(16,720)	(9,376)
Operating profit		**567,432**	**321,403**
Net finance expenses	7	(518,321)	(183,629)
Profit before tax		**49,111**	**137,774**
Current and deferred tax income (expenses)	8	52,507	(31,135)
Profit for the year		**101,618**	**106,639**
Profit attributable to:			
Owners of the Company		35,715	65,174
Perpetual notes investors		65,903	41,465
Profit for the year		**101,618**	**106,639**
Other comprehensive income (loss):			
Items that are or may be reclassified subsequently to profit or loss, net of tax:			
Cash flow hedges and cost of hedging		45,366	(*) (39,132)
Total comprehensive income for the year		**146,984**	**67,507**
Total comprehensive income attributable to:			
Owners of the Company		81,081	26,042
Perpetual notes investors		65,903	41,465
Total comprehensive income for the year		**146,984**	**67,507**

(*) reclassified

AROUNDTOWN SA

STATEMENT OF FINANCIAL POSITION

	Note	As at December 31, 2021	As at December 31, 2020
		in € thousands	
Assets			
Property, plant and equipment		43	59
Investment in subsidiaries	9	19,535,193	19,249,532
Financial assets at fair value through profit or loss	10	625,150	632,760
Other non-current assets		56,774	50,989
Loan receivables	11	874,311	1,395,630
Derivative financial assets	15	195,933	107,971
Deferred tax assets	8	28,568	-
Non-current assets		**21,315,972**	**21,436,941**
Cash and cash equivalents	15	284,884	220,020
Trade and other receivables	15	355,429	822
Derivative financial assets	15	37,867	33,348
Current assets		**678,180**	**254,190**
Total assets		**21,994,152**	**21,691,131**

AROUNDTOWN SA

STATEMENT OF FINANCIAL POSITION *(continued)*

	Note	As at December 31, 2021	2020
		in € thousands	
Equity	12		
Share capital		15,370	15,370
Share premium and other reserves		5,525,400	5,756,603
Treasury shares		(457,378)	(607,013)
Retained earnings		30,560	(5,155)
Equity attributable to the owners of the Company		**5,113,952**	**5,159,805**
Equity attributable to perpetual notes investors	12.2	2,537,280	1,947,508
Total Equity		**7,651,232**	**7,107,313**
Liabilities			
Loans and borrowings	13	3,496,948	3,288,748
Straight bonds and schuldscheins	13	10,073,287	10,360,055
Derivative financial liabilities	15	302,412	369,487
Other non-current liabilities	15	52,691	57,795
Deferred tax liabilities	8	20,678	31,074
Non-current liabilities		**13,946,016**	**14,107,159**
Loans and borrowings	13	39,056	39,744
Straight bonds	13	221,724	100,711
Dividend payable	15	-	186,527
Trade and other payables	15	1,521	1,431
Provisions and current liabilities	15	134,603	130,036
Derivative financial liabilities	15	-	18,210
Current liabilities		**396,904**	**476,659**
Total liabilities		**14,342,920**	**14,583,818**
Total equity and liabilities		**21,994,152**	**21,691,131**

The Board of Directors of Aroundtown SA authorized these financial statements for issuance on March 29, 2022

....

Frank Roseen
Executive Director

Jelena Afxentiou
Executive Director

AROUNDTOWN SA

STATEMENT OF CHANGES IN EQUITY

	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	Equity attributable to the owners of the Company	Equity attributable to perpetual notes investors	Total equity
		in € thousands							
Balance as at January 1, 2021		**15,370**	**5,793,830**	**(37,227)**	**(607,013)**	**(5,155)**	**5,159,805**	**1,947,508**	**7,107,313**
Profit for the year		-	-	-	-	35,715	35,715	65,903	101,618
Other comprehensive income for the year, net of tax		-	-	45,366	-	-	45,366	-	45,366
Total comprehensive income for the year		-	-	**45,366**	-	**35,715**	**81,081**	**65,903**	**146,984**
Transactions with the owners of the Company									
Contributions and distributions									
Equity settled share-based payment	12.3	-	2,155	-	2,641	-	4,796	-	4,796
Dividend distributions	12.1.3	-	(278,724)	-	146,994	-	(131,730)	-	(131,730)
Total contributions and distributions		-	**(276,569)**	-	**149,635**	-	**(126,934)**	-	**(126,934)**
Transactions with perpetual notes investors									
Issuance of perpetual notes, net of perpetual notes buy-back	12.2	-	-	-	-	-	-	585,265	585,265
Payment to perpetual notes investors		-	-	-	-	-	-	(61,396)	(61,396)
Total transactions with perpetual notes investors		-	-	-	-	-	-	**523,869**	**523,869**
Balance as at December 31, 2021		**15,370**	**5,517,261**	**8,139**	**(457,378)**	**30,560**	**5,113,952**	**2,537,280**	**7,651,232**

AROUNDTOWN SA

STATEMENT OF CHANGES IN EQUITY *(continued)*

		Attributable to the owners of the Company							
	Note	Share capital	Share premium and other reserves	Cashflow hedge and cost of hedge reserves	Treasury shares	Retained earnings	Equity attributable to the owners of the Company	Equity attributable to perpetual notes investors	Total equity
		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**
Transactions with the owners of the Company									
Contributions and distributions									
Issuance of ordinary shares (acquision of TLG Immobilien AG – "TLG")	12.1.1	3,127	2,745,358		-	-	2,748,485	-	2,748,485
Share buy-back program	12.1.2	-	-	-	(607,013)	-	(607,013)	-	(607,013)
Issuance of mandatory convertible notes		-	190,538	-	-	-	190,538	-	190,538
Equity settled share-based payment	12.3	7	3,717	-	-	-	3,724	-	3,724
Dividend distribution	12.1.3	-	(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**

STATEMENT OF CASH FLOWS

	Note	Year ended December 31, 2021	2020
		in € thousands	
Cash flows from operating activities			
Profit for the year		101,618	106,639
Adjustments for the profit:			
Depreciation and amortization		19	15
Interest income	5	(41,729)	(13,999)
Dividend income	5	(542,423)	(316,780)
Net finance expenses	7	518,321	183,629
Current and deferred tax expense	8	(52,507)	31,135
Change in working capital		1,403	(5,151)
Dividend received	14.1	92,378	83,384
Tax paid		(5)	(37)
Net cash from operating activities		**77,075**	**68,835**
Cash flows from investing activities			
Investment in financial assets through profit or loss and others		(117,468)	(84,051)
Loans given to subsidiaries, net of loans repaid by subsidiaries		570,360	759,320
Net cash from investing activities		**452,892**	**675,269**
Cash flows from financing activities			
Share buy-back program		-	(607,013)
Payments to mandatory convertible notes investors and proceeds from issuance, net		(10,453)	219,018
Proceeds (payments) from (to) perpetual notes investors, net of buy-back		523,869	(49,470)
Buy-back of bonds, net of proceeds from issuance of straight bonds		(516,737)	72,998
Dividend distributions		(318,280)	-
Interest and other financial expenses paid, net		(147,765)	(160,853)
Net cash used in financing activities		**(469,366)**	**(525,320)**
Net change in cash and cash equivalents		**60,601**	**218,784**
Cash and cash equivalents as at January 1		220,020	1,236
Effect of movements in exchange rates on cash held		4,263	-
Cash and cash equivalents as at December 31		**284,884**	**220,020**

AROUNDTOWN SA

NOTES TO THE FINANCIAL STATEMENTS
for the year ended December 31, 2021

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. Aroundtown's ordinary 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 residential real estate which benefits from strong fundamentals and growth prospects.

Aroundtown also prepares consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) that are approved for issuance and available on the same day of these financial statements.

Company rating

Aroundtown's credit rating is 'BBB+' with a stable outlook given by Standard and Poor's (S&P). The rating of 'BBB+' also applies to the Company's unsecured debt. The Company's subordinated perpetual notes' rating is 'BBB-'.

As at December 31, 2021, and as of the date of these consolidated financial statements, Aroundtown's rating remained unchanged, as described above.

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 ("FVTPL");
- Derivative financial assets and liabilities – measured at fair value;
- Deferred taxes assets and liabilities – measured at the amount expected to be paid to (recovered from) the tax authorities, using the tax rates and tax laws that have been enacted or substantially enacted by the end of the repoting period.

2. BASIS OF PREPARATION *(continued)*

(c) Use of estimates and judgments

The preparation of financial statements in accordance with IFRS, as adopted by the European Union (EU), 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 an asset or liability 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 asset or liability 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 the investment is not recoverable. If facts and circumstances indicate that investment in subsidiaries may be impaired, the recoverable amount associated with this investment (being the higher of fair value less costs of disposal and value in use, that is the present value of the future cash flows expected to be derived from the investment) would be compared to its 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.

Current 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 provisions in the period in which such determination is made.

Interest rate benchmark reform ("IBOR reform")

Economically equivalent - IBOR reform Phase 2 requires, as a practical expedient, for changes to the basis for determining contractual cash flows that are necessary as a direct consequence of IBOR reform to be treated as a change to a floating rate of interest, provided the transition from IBOR to risk-free rates ("RFR") takes place on a basis that is 'economically equivalent'. To qualify as 'economically equivalent', the terms of the financial instrument must be the same before and after transition except for the changes required by IBOR reform. For changes that are not required by IBOR reform, the Group applies judgement to determine whether they result in the financial instrument being derecognized. Therefore, as financial instruments transition from IBOR to RFRs, the Group applies judgement to assess whether the transition has taken place on an economically equivalent basis. In making this assessment, the Group considers the extent of any changes to the contractual cash flows as a result of the transition and the factors that have given rise to the changes, with consideration of both quantitative and qualitative factors. Factors of changes that are economically equivalent include: changing the reference rate from an IBOR to a RFR; changing the reset days between coupons to align with the RFR; adding a fallback to automatically transition to an RFR when the IBOR ceases; and adding a fixed credit spread adjustment based on that calculated by the International Swaps and Derivatives Association (ISDA) or which is implicit in the market forward rates for the RFR.

Hedge accounting - The Group applies the temporary reliefs provided by the IBOR reform Phase 1 amendments, which enable its hedge accounting to continue during the period of uncertainty, before the replacement of an existing interest rate benchmark with an RFR. For the purpose of determining whether a forecast transaction is highly probable, the reliefs require it to be assumed that the IBOR on which the hedged cash flows are based is not altered as a result of IBOR reform. The reliefs end when the Group judges that the uncertainty arising from IBOR reform is no longer present for the hedging relationships that are referenced to IBORs. This applies when the hedged item has already transitioned from IBOR to an RFR and also to exposures that will transition via fallback to an RFR when certain benchmark interest rate ceases on January 1, 2022.

2. BASIS OF PREPARATION *(continued)*

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 of and for the year ended December 31, 2021, there were no breaches in covenants identified (see note 13.5). 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, 2021, 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 ("British Pound")	EUR/USD ("US Dollar")
December 31, 2021	**0.840**	**1.133**
December 31, 2020	0.899	1.227
Average rate 2021	0.860	1.183
Changes (%) during the year:		
Year ended December 31, 2021	(6.5%)	(7.7%)
Year ended December 31, 2020	5.6%	9.3%

3. SIGNIFICANT ACCOUNTING POLICIES

3.1. Changes in accounting policies and disclosures

The following amendments were adopted for the first time in the Company's financial statements with effective date of January 1, 2021. These amendments had no material impact on these financial statements.

- Amendments to IFRS 4 Insurance Contracts – deferral of IFRS 19
- Interest Rate Benchmark Reform – Phase 2 Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16.
  The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). The amendments include the following practical expedients:
  - A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest
  - Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued
  - Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

  These amendments have not had a material impact on the financial statements. See note 15.3.1.

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.

At each reporting date, the Company reviews the carrying amount of its investments in subsidiaries, and to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and an impairment loss is recognized immediately in profit or loss. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized immediately in profit or loss to the extent that it eliminates the impairment loss which has been recognized for the asset in prior years. Any increase in excess of this amount is treated as a revaluation increase.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 financial assets
  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 rate (EIR) method.

3.4. Finance costs

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

3.5. Foreign currency translation

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

3.6. Tax

Income tax expense comprises current and deferred tax. It is recognized in profit or loss except for instances relating to 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(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.

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 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 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 statement of profit or loss and other comprehensive income 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 statement of profit or loss and other comprehensive income 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 and other comprehensive income.

Dividends on equity instruments are recognized as revenue in the statement of profit or loss and other comprehensive income 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 financial assets 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. These costs are subsequently expensed to the profit or loss via EIR method.

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 and other comprehensive income.

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 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 including direct acquisition costs is recognized as a deduction from equity. Repurchased shares are classified as treasury shares, presented in the treasury share reserve and are not revaluated after the acquisition. When treasury shares are subsequently sold or reissued, the amount received is recognized as an increase in equity and the resulting surplus or deficit on the transaction is presented in the 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 and other comprehensive income. 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 and other comprehensive income.

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 and other comprehensive income 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 Cash and cash equivalents

Cash and cash equivalents in the consolidated statement of financial position and in the consolidated statement of cash flow comprise cash at banks and on hand and short-term highly liquid deposits with an original maturity of three months or less, that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

3.15 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.

- IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts
- Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- Amendments to IAS 1 – Classification of Liabilities as Current or Non-current
- Amendments to IFRS 3 – Reference to the Conceptual Framework
- Amendments to IAS 16 – Property, Plant and Equipment: Proceeds before Intended Use
- Annual Improvements to IFRS Standards 2018 - 2020 – Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IFRS 16 Leases, and IAS 41 Agriculture
- Amendments to IAS 1 and IFRS Practice Statement 2 – Disclosure of Accounting Policies
- Amendments to IAS 8 – Definition of Accounting Estimates
- Amendments to IAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction
- Amendments to IAS 37 – Onerous Contracts – Cost of Fulfilling a Contract

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, and does not expect that the adoption of these will have a material impact on the financial statements.

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, 2021 and as at December 31, 2020 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 whose carrying amount significantly differs from their fair value:

	As at December 31, 2021			
		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	625,150	625,150	-	625,150
Derivative financial assets	233,800	233,800	-	233,800
	858,950	**858,950**	**-**	**858,950**
Financial liabilities				
Derivative financial liabilities	302,412	302,412	-	302,412
Straight bonds and schuldscheins (*)	10,295,011	10,843,149	10,451,173	391,976
	10,597,423	**11,145,561**	**10,451,173**	**694,388**

(*) the carrying amount excludes accrued interest

	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 (*)	10,460,766	11,391,780	10,999,073	392,707
	10,848,463	**11,779,477**	**10,999,073**	**780,404**

(*) the carrying amount excludes 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.

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 is 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, 2021	Year ended December 31, 2020
	in € thousands	
Interest income from related parties (*)	41,729	13,999
Dividend income from related parties (*)	542,423	316,780
	584,152	**330,779**

(*) see note 14.1

6. ADMINISTRATIVE AND OTHER EXPENSES

	Year ended December 31, 2021	Year ended December 31, 2020
	in € thousands	
Legal and professional fees	6,958	4,285
Audit fees (*)	683	631
Other administrative expenses	9,079	4,460
	16,720	**9,376**

(*) the Company's fees in 2021 for KPMG Luxembourg audit firm for legal annual audit and other non-audit services was €573 thousand (2020: €497 thousand) and €110 thousand (2020: €164 thousand), respectively.

As at December 31, 2021 the Company had 4 employees (2020: 4 employees). During the year, the Company had 4 employees (2020: between 3-4 employees).

7. NET FINANCE EXPENSES

	Year ended December 31, 2021	Year ended December 31, 2020
	in € thousands	
Finance expenses to banks, bonds and schuldscheins	148,856	155,560
Interest expenses to related parties	48,385	56,663
Changes in fair value and foreign currency translations of financial assets and liabilities, net	274,371	(54,471)
Finance-related costs	46,709	25,877
	518,321	**183,629**

8. TAXATION

Tax rate applicable to the Company

The Company is subject to taxation under the laws of Luxembourg. The corporate tax rate in Luxembourg is 24.94% (2020: 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:

	Assets / (Liabilities), net
	in € thousands
Balance as at January 1, 2020	**(13,061)**
Deferred tax charged to profit or loss	(31,130)
Deferred tax credited to other comprehensive income	13,117
Balance as at December 31, 2020	**(31,074)**
Deferred tax charged to profit or loss	52,486
Deferred tax charged to other comprehensive income	(13,522)
Balance as at December 31, 2021	**7,890**

Based on the most recent available information, the Company has unused tax losses of €96.8 million.

Deferred tax assets and liabilities are netted against each other when the same taxation authority is involved, as well as the realization period and tax nature legally allow to set off current tax assets against current tax liabilities.

Reconciliation of effective tax rate

	Year ended December 31,	
	2021	2020
	in € thousands	
Profit before tax	49,111	137,774
Tax using domestic rate	24.94%	24.94%
Total tax calculated at the statutory tax rate	(12,248)	(34,361)
Decrease in taxes on income resulting from the following factors:		
Tax-exempt income (**)	12,248	(*) 34,361
Recognition of deferred tax on temporary differences	52,507	(*) (31,135)
Tax and deferred tax income (expenses)	**52,507**	**(31,135)**

(*) reclassified

(**) The main source of the Company's revenue is dividend income from its subsidiaries. This income is tax exempt and considered to the extent that it reduces the "Total tax calculated at statutory tax rate" to €0.

9. INVESTMENTS IN SUBSIDIARIES

	2021	2020
	in € thousands	
Balance as at January 1	**19,249,532**	**15,388,036**
Additions (*)	285,661	3,861,496
Balance as at December 31	**19,535,193**	**19,249,532**

(*) of which €168.2 million (2020: €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	Place of incorporation	Principal activities	As at December 31, 2021 Holding %	2020 Holding %
TLG Immobilien AG (1)	Germany	Holding of investments	84.89%	77.42%
Edolaxia Group Limited (2)	Cyprus	Holding of investments	100%	100%
Alfortia Limited	Cyprus	Holding of investments	100%	100%
Aroundtown Limited (3)	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%

(1) On November 5, 2021, the Company announced the delisting tender offer to shareholders of TLG Immobilien AG. Under the offer, the Company offered a cash consideration of €31.67 for each TLG share tendered. As a public delisting tender offer, it was not subject to any closing conditions, and did not include a minimum acceptance threshold. Consequently, the Company acquired 3.7 million of TLG shares for a total amount of €117.5 million.

(2) As at December 31, 2021, the Company held indirectly, via its holdings in Edolaxia Group Limited (together: "the Group"), 48.80% in Grand City Properties S.A. ("GCP") (excluding own shares of GCP held in treasury) (2020: 41.12%). During July, 2021, the Group concluded on obtaining de facto control over GCP. The de facto control arises despite holding less than 50% of the voting rights and followed a thorough analysis of several cumulative circumstances that indicated on the sustainable ability of the Group to control GCP. These circumstances included, inter alia, the continuous increase in the holding rate by the Group over time, the Group's historical attendance levels in GCP's annual general meeting, and the composition of GCP's shareholding structure that has been widely dispersed.

(3) Formerly known as "Camelbay Limited" and renamed on January 20, 2021.

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 recoverable amount of these subsidiaries would be compared to their carrying amounts to determine if a write-down is necessary. The Company's assessment for impairment did not identify any indication for impairment.

10. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at December 31,	
	2021	**2020**
	in € thousands	
Financial assets at fair value through profit or loss	625,150	632,760

The Company invested in TLG's perpetual notes having €600 million of nominal value.

11. LOAN RECEIVABLES

	2021	**2020**
	in € thousands	
Balance as at January 1	**1,395,630**	**228,232**
New loans (repaid) granted, net	(563,048)	1,153,399
Interest charged	41,729	13,999
Balance as at December 31 (see note 14.1)	**874,311**	**1,395,630**

The main terms of the significant loan receivables are as follows:

Borrower	**Principal** in € thousands	**Rate** (%)	**Maturity**
TLG Immobilien AG (*)	600,000	1.5	2026
Aroundtown Limited (formerly known as Camelbay Limited)	267,985	3.5	2030

(*) back-to-back loan receivables to the substituted straight bonds from TLG, having the same maturity and interest rate like the correlated bonds plus an arms-length margin.

The exposure of the Company to credit risk is reported in note 15.3.2.

12. EQUITY

12.1. Equity attributable to the owners of the Company

12.1.1. Share capital

	2021		2020	
	Number of shares	**in € thousands**	**Number of shares**	**in € thousands**
Authorized				
Ordinary shares of €0.01 each	3,000,000,000	30,000	3,000,000,000	30,000
Issued and fully paid				
Balance as at January 1	1,537,025,609	15,370	1,223,574,261	12,236
Capital increases	-	-	312,688,188	3,127
Share-based payment and other issuances	-	-	763,160	7
Balance at the end of the year	**1,537,025,609**	**15,370**	**1,537,025,609**	**15,370**

Issued capital

There were no movements in the share capital during the year. The last change was on February 19, 2020, where the Company increased its share capital by 312,688,188 new ordinary shares for contribution in kind, that was received as 86,857,831 of TLG shares and led to obtaining control over TLG.

12.1.2. Treasury shares

Following are the own shares held by the Company:

	2021	2020
	Number of shares	
Balance at January 1	**121,330,106**	-
Acquired during the year	-	121,330,106
Delivered as part of scrip dividend distributions (see note 12.1.3)	(29,381,291)	-
Delivered for share-based payment (see note 12.3.1)	(367,363)	-
Balance at December 31	**91,581,452**	**121,330,106**

<u>Share buy-back programs</u>
In June 2020, the Company's Board of Directors resolved on a share buy-back program for its own shares with a volume of up to 120 million shares for a total purchase price of up to €500 million. The program completed in December 2020. As part of this program, an indirect wholly owned subsidiary of the Company acquired 83,363,256 of the Company own shares for a total amount of €393.8 million.

In March 2021, the Company's Board of Directors resolved on a new share buy-back program with the volume of up to €500 million and a limit of 100 million shares. The program started in March 2021 was expected to be finalized by December 31, 2021 but has been extended until June 30, 2022. As part of this program, by December 31, 2021, an indirect wholly owned subsidiary of the Company acquired 71,478,246 of the Company own shares for a total amount of €444.1 million.

12. EQUITY *(continued)*

Public share purchase offer
On September 1, 2020, the Company announced a public share purchase offer to buy-back its own shares. 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 public share purchase offer as well as the share buy-back programs follow the shareholders authorization received by the ordinary general meeting ("OGM") held in May 2020. The shares acquired as part of the buy-back programs and the purchase offer that are outstanding in the Company's and its affiliates accounts have suspended voting rights and are not entitled to dividend.

12.1.3. Dividend distributions

Settlement of dividend announced in December 2020

On December 15, 2020, the shareholders' OGM resolved upon the distribution of a dividend attributed to 2019 financial year in the amount of €0.14 per share from the Company's share premium, in accordance with the proposal of the Company's Board of Directors. The Company provided the shareholders with the option to receive up to 85% of their dividend in the form of the Company's shares ("Scrip Dividend"). In January 2021, the Scrip Dividend was settled by paying €128.1 million in cash and delivering 11,257,157 shares from the Company's treasury shares.

Dividend announcement in June 2021

On June 30, 2021, the shareholders' annual general meeting ("AGM") resolved upon the distribution of a dividend attributed to 2020 financial year in the amount of €0.22 per share from the Company's share premium, in accordance with the proposal of the Company's Board of Directors. The Company provided the shareholders with the option of Scrip Dividend. The results and payment took place in July 2021 and concluded in delivering 18,124,134 shares from the Company's treasury shares and cash payment of €190.2 million.

12.1.4. 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.

12.1.5. 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 appropriation to legal reserve is affected after approval of the annual general meeting of the shareholders. This reserve is presented under Share premium and other reserves in the statement of financial position and cannot be distributed. As of December 31, 2021, the legal reserve amounted to nil, as the last available statutory accounts showed on accumulated loss.

12. EQUITY *(continued)*

12.2. Perpetual notes

Issuance of perpetual notes

On January 15, 2021, the Company issued €600 million nominal value of perpetual notes with a first reset date on July 15, 2026 ("First Reset Date"). The notes carry 1.625% coupon p.a. from and including interest commencement date up to but excluding the First Reset Date. The notes will carry the relevant 6-month fix-for-floating EURIBOR plus a margin of 2.419 per cent from the First Reset Date ending on but excluding July 15, 2031. A margin of 2.669 per cent for each reset period which falls in the period commencing on and including July 15, 2031 and ending on (but excluding) July 15, 2046, and a margin of 3.419 per cent for each reset period which falls on or after July 15, 2046.

12.3. Share-based payment agreements

12.3.1. Description of share-based payment arrangements

As at December 31, 2021, 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 2018 - August 2025	2,924	Up to 4 years

12.3.2. Reconciliation of outstanding share options

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

	2021	2020
	Number of shares	Number of shares
	in thousands	
Outstanding on January 1	2,433	2,383
Granted during the year	1,138	646
Exercised during the year (*)	(647)	(596)
Outstanding on December 31	**2,924**	**2,433**

(*) During the year, in accordance with the terms and conditions of the incentive share plan, the Company withheld 280 thousand (2020: 236 thousand) shares, equal to the monetary value of the employees' tax obligation from the total number of shares entitlement. As a result, only 367 thousand (2020: 360 thousand issued by the Company) shares were delivered from the Company's treasury shares 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 2021	2020
			in € thousands	
Loans from related companies	0.9%	2023	3,496,948	3,288,748
Straight bonds and schuldscheins	1.3%	2023-2038	10,073,287	10,360,055
Total non-current loans and borrowings, straight bonds and schuldscheins			**13,570,235**	**13,648,803**
Loans from related companies	0.9%	2022	39,056	39,744
Current portion of straight bonds	0.4%	2022	221,724	100,711
Total current loans and borrowings and straight bonds			**260,780**	**140,455**

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, 2021 and as at December 31, 2020:

Series	Note	Currency	Nominal amount in original currency	Nominal amount in euro	Coupon rate (p.a.)	Maturity	Carrying amount as at December 31, 2021	Carrying amount as at December 31, 2020
			in millions	in millions	%		in € thousands	
Non-current portion								
Series E	13.4	-	-	-	-	-	-	223,660
Series H	(a) (b) (c)	USD	400.0	372.4	1.365	03/2032	337,737	309,153
Series NOK	(a) (b) (c)	NOK	750.0	79.3	0.818	07/2027	74,235	70,634
Series I	13.4	EUR	251.0	251.0	1.875	01/2026	246,526	489,050
Series J		GBP	500.0	557.2	3.0	10/2029	580,122	540,672
Series K		EUR	700.0	700.0	1.0	01/2025	690,975	688,128
Series L	(b) (c)	USD	150.0	125.2	1.75	02/2038	131,633	121,473
Series M	(c)	CHF	250.0	223.6	0.732	01/2025	241,478	230,790
Series N		EUR	800.0	800.0	1.625	01/2028	783,055	780,458
Series O	13.4	EUR	305.2	305.2	2.0	11/2026	301,003	491,704
Series P	(b) (c)	AUD	250.0	157.6	1.605	05/2025	158,843	155,686
Series Q	13.4	GBP	81.1	91.0	3.25	07/2027	94,294	433,520
Series R	(b) (c)	CAD	250.0	164.3	1.7	09/2025	172,434	158,551
Series S	(e)	EUR	100.0	100.0	0.75 + Euribor (6m)	08/2023	99,901	99,808
Series T	(b)	EUR	150.0	150.0	2.0	09/2030	149,912	149,902
Series U		EUR	75.0	75.0	2.97	09/2033	73,442	73,338
Series V		EUR	50.0	50.0	2.7	10/2028	49,628	49,581
Series W		EUR	76.0	76.0	3.25	11/2032	74,685	74,589
Series X	(c) 13.4	CHF	100.0	91.5	1.72	03/2026	96,545	184,543
Series Y	(e)	EUR	100.0	100.0	1.35 + Euribor (6m)	02/2026	98,950	98,667
Series Z	(e)	EUR	125.0	125.0	0.9 + Euribor (6m)	02/2024	124,394	124,074
Series 27	(b) (c)	HKD	430.0	48.3	1.62	03/2024	48,632	45,130
Series 28	(b) (c)	USD	600.0	530.9	1.75	03/2029	523,962	483,066
Series 29	(b) (c)	NOK	1,735.0	179.0	1.75	03/2029	173,214	165,208
Series 30	(b) (c)	GBP	400.0	468.6	1.75	04/2031	465,318	434,051
Series 31	(c)	JPY	7,000.0	61.3	1.42	05/2029	53,445	55,057
Series 32		EUR	800.0	800.0	0.625	07/2025	788,353	785,155
Series 33		EUR	600.0	600.0	1.45	07/2028	590,768	589,483
Series 34	(b) (c)	NOK	500.0	45.9	1.055	07/2025	49,975	47,651
Series 35	13.4	-	-	-	-	-	-	30,400
Series 36		EUR	600.0	600.0	1.5	05/2026	600,000	600,000
Series 37	13.4	EUR	221.7	221.7	0.375	09/2022	-	600,000
Series 38		EUR	1,000.0	1,000.0	0.0	07/2026	981,041	976,873
Series 39	13.3	EUR	1,250.0	1,250.0	0.375	04/2027	1,218,787	-
Total non-current portion							**10,073,287**	**10,360,055**
Current portion								
Series D	13.4	-	-	-	-	-	**-**	**100,711**
Series 37	13.4	EUR	221.7	221.7	0.375	09/2022	**221,724**	**-**
Total straight bonds and schuldscheins							**10,295,011**	**10,460,766**
Total accrued interest on straight bonds and schuldscheins	(d)						**96,295**	**106,826**

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.

13.3. Issuance of bonds during the year

In December 2021, the Company completed the placement of a €1,250 million straight bonds Series 39, maturing in April 2027 and carrying a 0.375% annual coupon, for a consideration that reflected 97.965% of the principal amount. The bond was issued under the EMTN Programme.

13.4. Buyback of bonds

During the financial year, the Company completed the repurchase of some of its straight bonds. The purpose of the repurchase follows the utilization of the real estate disposal proceeds by its group affiliate companies and is part of the Company's pro-active debt optimization strategy with the aim to extend the average debt maturity and reduce the cost of debt, as described in the table below:

Straight bond	**Currency**	**Original maturity**	**Nominal value bought-back**		**Outstanding nominal value as at December 31, 2021**
			In millions (original currency)	**In € millions**	**In millions (original currency)**
Series D	EUR	05/2022	102.0	102.0	Fully redeemed
Series E	EUR	07/2024	236.0	236.0	Fully redeemed
Series I	EUR	01/2026	249.0	249.0	251.0
Series O	EUR	11/2026	194.8	194.8	305.2
Series Q	GBP	07/2027	318.9	371.8	(*) 81.1
Series X	CHF	03/2026	100.0	93.2	100.0
Series 35	EUR	11/2024	30.4	30.4	Fully redeemed
Series 37	EUR	09/2022	378.3	378.3	221.7
Total redeemed / bought back				**1,655.5**	

(*) presented net of €11.7 million nominal value that is held in treasury.

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

13.5. Main security, pledge and negative pledge as defined in the bonds' term 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 (measured using the consolidated numbers):

(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 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 1.8.

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)*

Negative pledge: the Company undertakes, so long as the applicable bonds are outstanding, not to create or permit to subsist, and to procure that none of its Material Subsidiaries will create or permit to subsist, any security interest in rem over its assets to secure any Capital Market Indebtedness other than Securitized Capital Market Indebtedness unless, subject to certain conditions, the Issuer's obligations under the Notes are secured equally with (or, in case such Capital Market Indebtedness is subordinated debt, senior in priority to) the Capital Market Indebtedness secured by such security interest.

The exposure of the Company to interest rate risk in relation to financial instruments is reported in note 15.3.1.1. 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)*

13.6. 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			
	31.12.2020	**Financing cash flows (1)**	**Foreign exchange effect**	**Other (2)**	**Other changes (3)**	**31.12.2021**
	In € thousands					
Straight bonds and schuldscheins (4)	10,567,594	(680,007)	225,141	26,276	252,302	**10,391,306**
Loans and borrowings	3,328,492	-	48,182	12,065	147,265	**3,536,004**
Net derivative financial (assets) liabilities	246,378	68,034	(169,196)	(76,604)	-	**68,612**
Dividend payable	186,527	(128,116)	-	(58,411)	-	-
Total	**14,328,991**	**(740,089)**	**104,127**	**(96,674)**	**399,567**	**13,995,922**

			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**
Dividend payable	-	-	-	186,527	-	**186,527**
Total	**11,655,773**	**(17,642)**	**(147,902)**	**2,624,691**	**214,071**	**14,328,991**

(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 and tranfers in exchange of dividend payable.
(3) Other changes include interest payments, results on early repayment of debt and drawdown/ repayment of loans to related parties.
(4) Including accrued interest.

14. RELATED PARTY TRANSACTIONS

Related party transactions (as defined in IAS 24 *Related Party Disclosures)* performed by / with the Company and its affiliated undertakings and key management personnel are set out below, as well as the identity and nature of the related party and transaction.

14.1. The transactions and balances with related party entities are as follows:

	As at December 31,	
	2021	**2020**
	in € thousands	
Receivables from related companies – see note 15	363,370	7,461
Financial assets at fair value through profit or loss – see note 10	625,150	632,760
Loans to related companies (1) – see note 11	874,311	1,395,630
Payables to related companies	39,056	381
Loans from related companies (1)	3,536,004	3,328,492

	Year ended December 31,	
	2021	**2020**
	in € thousands	
Dividend income from related parties (2)	542,423	316,780
Professional fees expenses to related parties	(4,182)	(2,318)

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

(1) during the year, the Company recorded an interest income on loans to related companies in the amount of €41,729 thousand (2020: €13,999 thousand) and an interest expenses on loans from related parties in the amount of €48,385 thousand (2020: €56,663 thousand). See also note 5.

(2) the dividend from related parties derived from the following subsidiaries:

Aroundtown Limited (formerly: Camelbay Limited)	€450,000 thousand (2020: €230,000 thousand)
TLG Immobilien AG	€92,378 thousand (2020: 83,384 thousand)
Keystreet Investments Limited	nil (2020: 3,246 thousand)
Aroundtown Real Estate Limited	€45 thousand (2020: €150 thousand)

14. RELATED PARTY TRANSACTIONS *(continued)*

14.2. Significant agreements with management

At Aroundtown, the key management personnel defined as related parties to the Company pursuant to IAS 24 are the members of the Board of Directors and the Senior and Key Management. The remuneration to and transactions with key management personnel are set out below:

Board of Directors

	Year ended December 31, 2021						
	Executive Directors		Non-executive director	Independent directors			
	in € thousands						
Fixed and variable incentive	Mr. Frank Roseen (3)	Ms. Jelena Afxentiou	Mr. Ran Laufer (3)	Mr. Markus Leininger	Ms. Simone Runge-Brandner (4)	Mr. Markus Kreuter	**Total**
Salary, Directors fee and supplementary payments (1)	377	272	128	100	137	100	1,114
Share incentive program (2)	200	135	-	-	-	-	335
Total Remuneration	**577**	**407**	**128**	**100**	**137**	**100**	**1,449**

(1) Based on employer's costs, excluding VAT
(2) Multi-year fixed and variable share incentive program
(3) includes also the remuneration for the position as a director in TLG
(4) includes also the remuneration for the position as an independent director in GCP

Senior and Key Management

Mr. Barak Bar-Hen, the Company's Co-Chief Executive Officer and Chief Operating Officer, was entitled to a total remuneration of €585 thousand, of which nil was in the form of share incentives. The Company and Mr. Bar-Hen are currently in discussions about the new remuneration scheme to be agreed for 2022 and onwards.

Mr. Eyal Ben David, the Company's Chief Financial Officer, was entitled to a total remuneration of €2,047 thousand, of which €1,628 thousand was in the form of share incentives.

Mr. Oschrie Massatschi, the Company's Chief Capital Markets Officer, was entitled to a total remuneration of €661 thousand, of which €325 thousand was in the form of share incentives.

Mr. Klaus Krägel, the Company's Chief Development Officer, was entitled to a total remuneration of €432 thousand, of which nil was in the form of share incentives.

There were no other transactions between the Company and its directors and Senior and Key Management, except as described in note 12.3.

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, 2021 and as at December 31, 2020:

	As at December 31,	
	2021	2020
	in € thousands	
Financial assets at amortized cost:		
Cash and cash equivalents	284,884	220,020
Trade and other receivables and other non-current assets	412,203	51,811
Loan receivables (*)	874,311	1,395,630
Financial assets at fair value through profit or loss:		
Financial assets at fair value through profit or loss	625,150	632,760
Derivative financial assets (**)	38,065	26,677
Total financial assets	**2,234,613**	**2,326,898**

(*) the Company has not recognized any impairment for expected credit losses on loan receivables 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 €195,735 thousand (2020: €114,642 thousand).

15.2. Financial liabilities

Set out below, is an overview of financial liabilities, held by the Company as at December 31, 2021 and as at December 31, 2020:

	As at December 31,	
	2021	2020
	in € thousands	
Financial liabilities at amortized cost:		
Loans and borrowings	3,536,004	3,328,492
Straight bonds and schuldscheins	10,295,011	10,460,766
Accrued interest on straight bonds (*)	96,295	106,826
Accrued interest on mandatory convertible notes and current portion of custody interest (*)	38,308	23,210
Other non-current liabilities	52,691	57,795
Dividend payable	-	186,527
Trade and other payables	1,521	1,431
Financial liabilities at fair value through profit or loss:		
Derivative financial liabilities (**)	255,049	275,304
Total financial liabilities	**14,274,879**	**14,440,351**

(*) presented as part of provisions and current liabilities in the statement of financial position.
(**) excluding derivative financial liabilities designated as hedging instruments in hedge relationships amounted to €47,363 thousand (2020: €112,393 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 instruments 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. The Company had no long-term debt for which the benchmark rate had been replaced with an alternative benchmark rate as at December 31, 2021.

	As at December 31,	
	2021	**2020**
	in € thousands	
Fixed rate	13,468,714	13,426,966
Floating rate	323,245	322,548
	13,791,959	**13,749,514**

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 issued in a foreign currency. The Company uses cross-currency swap contracts to hedge the foreign currency exchange rates fluctuation, that minimize the expose to that risk (see 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. The Company's maximum credit risk is represented by the financial assets' carrying amount.

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 with respect to the loan receivables with its affiliate undertakings resulted in an immaterial impairment.

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 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. Concentration risk is mitigated by not limiting the exposure to a single counter party. The Company has performed an expected credit loss calculation on the cash and cash equivalents accounts and presented the current balance net of the ECL provision. The composition of cash and cash equivalents as at December 31, 2021 included solely cash at banks and at hand (2020: the same).

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 2020 of financial liabilities with external parties, including estimated interest payments, the impact of derivatives and excluding the impact of netting agreements:

As at December 31, 2021

		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 (*)	10,391,306	11,044,156	29,245	99,326	132,952	307,839	10,474,794
Trade and other payables	1,521	1,521	253	1,268	-	-	-
Total	**10,392,827**	**11,045,677**	**29,498**	**100,594**	**132,952**	**307,839**	**10,474,794**

(*) including accrued interest

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

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	-	-	-
Dividend payable	186,527	186,527	186,527	-	-	-	-
Total	**10,755,550**	**12,136,992**	**324,131**	**119,953**	**752,596**	**252,433**	**10,687,879**

(*) 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.

Coronavirus effect

The coronavirus (COVID-19) pandemic started in December 2019 and has disrupted the global economy, affected supply chains, lowered equity market valuations, created significant volatility and disruption in financial markets, and increased unemployment levels. In Europe, potential future changes to monetary policy, renewed doubts about the future of the Eurozone, political uncertainty arising from populist movements, insufficient deleveraging in the private and public sectors, a halt in implementing structural and financial reforms and an elevated level of political uncertainty could adversely affect the real estate markets as well as Aroundtown's operations. The extent, duration and magnitude of the COVID-19 pandemic's effects will depend on future developments, all of which are highly uncertain and difficult to predict, including the impact of the pandemic on global and regional economies, travel, and economic activity, as well as actions taken by governments, businesses and individuals in response to the pandemic or any future resurgence.

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

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 a recovery in travel demand. This in turn could lead to further 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. Nevertheless, Aroundtown maintains a conservative debt profile with long average debt maturities and low cost of debt as at year-end 2021, giving it sufficient headroom to continue its operations. Aroundtown's high level of cash and liquid assets as well as diversified portfolio also support the resilience and coping the aforementioned impact of COVID-19. Lower economic activity could also make it more difficult to sell properties should Aroundtown Group decide to dispose of properties. However, demand in real estate remained high during 2020 and 2021 and the Group was able to dispose of a significant amount of properties with a profit above their book values.

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

Inflation and interest rates

The Coronavirus pandemic disruption of the global economy affecting significant supply and demand shocks, have further resulted in higher inflationary pressures in most of 2021 as well as into 2022. The inflationary pressure is further driven by monetary policies and economic stimulus which have been provided to mitigate the negative economic impact of the pandemic. Inflationary pressure has been particularly strong in material costs and energy prices in 2021 and there is uncertainty as to the development of prices in the coming periods. Higher levels of inflation particularly for materials and energy may have an impact on the Aroundtown Group's ability to acquire materials for Capex measures at a reasonable price and increase utility costs across its operations. Furthermore, higher levels of inflation across the economy may result in higher personnel expenses and expenses for external services, which could have a negative impact on the profitability. In addition, high levels of inflation are expected to lead to increases in interest rates, which could in turn adversely impact borrowing costs and put upward pressure on discount rates and cap rates, which may have a negative impact on the valuations of Aroundtown Group's assets and on the Company's share price performance.

Increases in material costs will have an impact on the cost of Capex projects for the Company. However, material costs generally form a relatively smaller component of total Capex and maintenance expenses and a large share of Capex projects are executed at the Company's discretion. These projects can usually be deferred if costs increase to such an extent that they become uneconomical. The Company is able to offset some of these expenses due to its economies of scale. In general, energy prices are not a material cost in the Group's operations and therefore the Company does not expect a material impact on the profits from increasing energy prices. The Company believes that, while increases in personnel expenses are likely to have an impact on its cost structure, efficiency gains and internal growth, as well as cost recovery from tenants, will be able to offset such higher expenses. Regarding potentially higher interest rates, the Company maintains a high ratio of hedged fixed interest, hence having limited exposure. Furthermore, due to balanced and long maturity schedule with limited near-term maturities and a strong liquidity position, the Company does not face material refinancing risk at higher rates in the near term.

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

15.4. Hedging activities and derivatives

15.4.1. Derivative financial instruments

	Note	As at December 31,	
		2021	**2020**
		in € thousands	
Derivative financial assets			
Derivatives that are designated and effective as hedging instruments	15.4.2	195,735	114,642
Derivatives that are not designated in hedge accounting relationships		38,065	26,677
		233,800	**141,319**
Derivative financial liabilities			
Derivatives that are designated and effective as hedging instruments	15.4.2	47,363	112,393
Derivatives that are not designated in hedge accounting relationships		255,049	275,304
		302,412	**387,697**

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

15.4.2. Hedge accounting relationships

15.4.2.1. Cash flow hedges

As at December 31, 2021, 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.

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:

Risk category	Carrying amount: Assets	Carrying amount: 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, 2021				
Foreign exchange rate and interest rate swaps	45,646	31,766	Derivative financial assets/ liabilities	90,170
As at December 31, 2020				
Foreign exchange rate and interest rate swaps	17,621	94,122	Derivative financial assets/ liabilities	(87,717)

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, 2021			
Straight bonds	510,579	Straight bonds	(90,159)
As at December 31, 2020			
Straight bonds	472,568	Straight bonds	87,762

The ineffectiveness recognized in the statement of profit or loss and other comprehensive income was a profit of €11 thousand (2020: profit of €45 thousand).

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

15.4.2.2. Fair value hedges

As at December 31, 2021, the Company had foreign exchange rate and interest rate swap agreements in place as follows:

Bond	Hedging instrument (*)	Note	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	(a)	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	(a)	Swiss Franc	100,010	91,484
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	468,604
Series 31	FX-Swap	(a)	Japanese Yen	7,000,000	61,253

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

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

Risk category	Carrying amount: Assets	Carrying amount: 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, 2021				
Foreign exchange rate and interest rate swaps	150,089	15,597	Derivative financial assets/ liabilities	52,269
As at December 31, 2020				
Foreign exchange rate and interest rate swaps	97,021	18,271	Derivative financial assets/ liabilities	(15,495)

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, 2021			
Straight bonds	2,016,872	Straight bonds	(52,347)
As at December 31, 2020			
Straight bonds	1,988,425	Straight bonds	15,599

The ineffectiveness recognized in the statement of profit or loss was a loss of €78 thousand (2020: profit of €104 thousand).

(a) For these series, the Company designates the spot element of forward foreign exchange contracts to hedge its currency risk and applies a hedge ratio of 1:1. The forward elements of forward exchange contracts are excluded from the designation of the hedging instrument and are separately accounted for as a cost of hedging, which is recognized in equity in cost of hedging reserve. The Compnay's policy is for the critical terms of the forward exchange contracts to align with the hedge item.

The Company determines the existence of an economic relationship between the hedging instrument and hedged item based on the currency, amount and timing of their respective cash flows. The Company assesses whether the derivative designated in each hedging relationship is expected to be and has been effective in offsetting changes in cash flows of the hedged item using the hypothetical derivative method.

In these hedge relationships, the main sources of ineffectiveness are:

- The effect of the counterparties' and Company's own credit risk on their fair value of the forward foreign exchange contracts, which is not reflected in the change in fair value of the hedged cash flows attributable to the change in exchange rates; and
- Changes in timing of the hedged transactions.

The ineffectiveness recognized in the statement of profit or loss and other comprehensive income was immaterial.

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 monitored on a consolidated basis. The Company's overall strategy remains unchanged from last year. The management closely monitors the bond covenants, in order to ensure that it remains within its quantitative thresholds and maintain a strong credit rating. The Company seeks to preserve its and the Aroundtown Group's conservative capital structure. As at December 31, 2021 the Company did not breach any of its debt covenants, nor did it default on any other of its obligations under its debt agreements. The Company regularly reviews compliance with Luxembourg and local regulations regarding restrictions on minimum capital. During the years covered by these financial statements, the Company complied with all externally imposed capital requirements.

16. CONTINGENT ASSETS AND LIABILITIES

The Company had no significant contingent liabilities as at December 31, 2021.

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 €1.2 billion. The guarantee to the subsidiaries was granted as part of their issued perpetual note.

18. SIGNIFICANT SUBSEQUENT EVENTS

1. In January 2022, the Company announced the voting results of the OGM held on January 11, 2022 that resolved on increasing the maximum aggregate nominal amount of shares of the Company which may be acquired under the Company's share buy-back program from 30% to 50% of the aggregate nominal amount of the issued and fully paid share capital. Following that, in February 2022, the Company announced the Board of Director's resolution to increase the volume of the current ongoing share buy-back program commenced in March 2021, of which over 90% had been executed, by an additional €500 million, up to a maximum of additional 100 million shares, and to extend the duration of the program until December 31, 2022. After the reporting period and until the reporting date, more than 23 million of the Company's own shares were bought back by the Company indirect wholly owned subsidiary.
2. After the reporting period, the Company repaid debt in a total amount of €316.0 million as follows:
    - early repayment of €225 million nominal value of the Company's series Y and series Z schuldscheins, by way of termination notices;
    - early repayment of the GBP 81.1 million (€91.0 million) nominal value of the Company's outstanding bond series Q, by way of further buybacks and a clean up call.
3. Geopolitical situation around Russia-Ukraine conflict
On February 24, 2022, following several months of increasing escalation, the Russian Federation (Russia) announced the beginning of a "special military operation" in Ukraine. Following the announcement, Russia started moving military forces into Ukraine, initiating a full-scale invasion of Ukraine (the "Invasion" or the "Conflict"). The Invasion received wide-spread international condemnation and on March 2, 2022 the General Assembly of the United Nations, under an Emergency Special Sessions, adopted resolution A/RES/ES-11/1, among others, condemning the Invasion by Russia and demanding immediate ceasing of hostilities and withdrawal of military forces from the territory of Ukraine. As of the date of this report hostilities continue. In a reaction to Russian hostilities many nations and organizations, including Germany and the European Union (EU), have announced sanctions against Russia, Russian companies, and individuals in and from Russia. These sanctions, as well as increased uncertainty resulting from the conflict, have so far resulted in increased volatility in financial markets and increases in prices for a range of commodities, particularly in energy prices, among others. A large number of Ukrainian refugees are fleeing the country since the start of the conflict, seeking asylum in the EU. In response to this the EU invoked the Temporary Protection Directive (the "Directive"), granting expanded rights to Ukrainian citizens in the EU, granting such citizens residence permits in the EU for the duration of the Directive as well as, among others, access to employment, accommodation, social welfare or means of subsistence, access to medical treatment, access to education for minors, and more.

18. SIGNIFICANT SUBSEQUENT EVENTS *(continued)*

The Aroundtown Group is not directly impacted by the Conflict, as neither its portfolio nor its operations have direct exposure to Ukraine or Russia. However, Aroundtown may be impacted by the indirect consequences of the Conflict. Firstly, the Aroundtown Group's tenants or business partners may have exposure to Ukraine or Russia and the Conflict may disrupt their cash flow streams which come from either of these countries. Continued loss of cash flow may deteriorate their ability to fulfil their obligations to Aroundtown. Secondly, as a result of the Conflict inflationary pressures may increase, specifically heating and energy costs, which could have an impact on the operating costs of the Aroundtown Group. Such pressures may also have an impact on the ability of the Aroundtown Group's tenants to pay rent and/or for Aroundtown to recover expenses related to recoverable expenses from tenants. Furthermore, higher levels of inflation may result in higher interest rates increasing its financing costs on one hand, while increased volatility in the capital markets may reduce the Companys's ability to raise capital at attractive prices, further increasing its cost of capital and potentially limiting its growth opportunities. Due to its conservative financial policy, the Company has accumulated a high level of liquidity and long-term debt maturities with limited dependency on short-term financing, which is expected to mitigate the risk of deteriorating access to capital markets. In addition, the Company has sufficient headroom to meet its covenants which can, to a certain degree, absorb losses that may occur from indirect consequences.

As a result of the large number of refugees that have entered and are expected to enter the EU, the Company expects large numbers of refugees to enter Germany as well. This is likely to result in increased strain on the residential real estate market in Germany, similar to what has been seen as a result of the height of the refugee crisis in relation to the Syrian civil war in 2015. This may further exacerbate the supply and demand mismatch, increase political pressure for home construction and higher utilization of already limited construction capacity, which may result in increased construction costs and delays, particularly in the event that the crisis will be prolonged. The full effects are currently still unclear and will depend significantly on the duration and final outcome of the conflict as well as the distribution of refugees across the EU.

While the conflict is currently limited to Ukraine on one side and Russia and several of its allies on the other, continued escalation, particularly in relation to levels of violence against civilians, threatening to use unconventional weapons and risk of accidents involving NATO military or civilian assets, may result in other countries joining the conflict. The Company currently assesses this as an unlikely scenario, but in the event that NATO, and as a result Germany, the Netherlands and the UK, are drawn into the conflict, the impact on the Aroundtown Group may be significant, impacting its operations and portfolio. However, at this point it is too early to understand the full impact of such a scenario, and the likelihood of its occurrence, and as a result the measures required to mitigate this risk.