Aroundtown SA

ANNUAL FINANCIAL STATEMENTS 2018

for the year ended December 31, 2018

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for the year ended December 31, 2018

2018

AROUNDTOWN SA

OFFICERS AND PROFESSIONAL ADVISORS

Board of Directors	Mr. Frank Roseen Mr. Oschrie Massatschi Ms. Jelena Afxentiou Mr. Andrew Wallis (Resigned on June 27, 2018) Mr. Markus Kreuter Mr. Markus Leininger Dr. Axel Froese
Secretary	KKLAW Secretarial Limited
Réviseur d'Entreprises Agréé	KPMG Luxembourg Société coopérative Cabinet de révision agréé 39, Avenue John F. Kennedy L-1855 Luxembourg
Legal Advisors	GSK Luxembourg SA Koushos & Korfiotis Papacharalambous LLC
Registered Office	1 Avenue du Bois L-1251 Luxembourg

AROUNDTOWN SA

MANAGEMENT REPORT

The management of Aroundtown SA ("the Company","Aroundtown" or "AT") presents the Company's audited Financial Statements for the year ended December 31, 2018.

DEVELOPMENTS AND PERFORMANCE

The Company continued to prove its access to capital markets by placing new bonds via its EMTN programme (for further information see note 13.2). The Company also completed the conversion and redemption of its convertible bonds and as at December 31, 2018, there are no convertible bonds outstanding. Loan receivables balance has been decreased mainly due to the conversion of approximately €10.5 billion into investments in 13.68% of its subsidiary – Aroundtown Real Estate Limited (formerly known as: "Camelbay Real Estate Limited") (for further information see note 11 to the financial statements). The loss for the year is EUR 123,698 thousand and the total equity of the Company has increased from EUR 1,792,440 thousand to EUR 2,887,794 thousand.

FINANCIAL RISK MANAGEMENT

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

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 2018.

OWN SHARES

The Company did not acquire any of its own shares in 2018.

CAPITAL STRUCTURE

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

LIKELY FUTURE DEVELOPMENTS

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

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

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

(a) With regard to article 11 (1) (a) and (c) of the Takeover Law (capital structure), the relevant information is available on pages 3 and note 12 in this report. In addition, the Company's shareholding structure showing each shareholder owning 5% or more of the Company's share capital is available below and on the Company's website, where the shareholding structure chart is updated monthly.

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

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

Shareholder name	Percentage of voting rights	Amount of Shares (*)
Avisco Group PLC	28.7%	381,723,971
Blackrock Inc.	5.3%	59,795,685

(*) Total number of Aroundtown SA shares as of 31 December 2018: 1,128,581,866.
(**) Including 0.27% ot total voting rights through financials instrument.

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

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

(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 Luxembourg law of 11 January 2008 on transparency requirements for issuers, as amended (the "Transparency Law") to any shareholder (or group of shareholders) who has (or have) crossed the thresholds set out in the Transparency Law but have not notified the Company accordingly. In this case, the exercise of voting rights relating to the shares exceeding the fraction that should have been notified is suspended. The suspension of the exercise of voting rights is lifted the moment the shareholder makes the notification.

(g) With regard to article 11 (1) (g) of the Takeover Law, as of December 31, 2018, the Company was not aware of any agreements between shareholders that would lead to a restriction on the transfer of shares or voting rights.

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

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

(i) With regard to article 11 (1) (i) of the Takeover Law, the Board of Directors is endowed with wide-ranging powers to exercise all administrative tasks in the interest of the Company including the establishment of an Advisory Board, an Audit Committee, a Risk Committee, a Remuneration Committee and a Nomination Committee. Further details on the powers of the Board are described on pages 1, 9 and 10 of this annual report.

Pursuant to article 7.2 of the Articles of Association, the Board is authorized to issue shares under the authorised share capital. According to article 8.7 of the Articles of Association, the Company may redeem its own shares to the extent and under the terms permitted by law. The shareholders' meeting did not authorise yet the Board to acquire own shares pursuant to articles 430-15 (1) of the 1915 Law.

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

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

Luxembourg, March 28, 2019

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Frank Roseen

Member of the Board of Directors

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Oschrie Massatschi

Member of the Board of Directors

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Jelena Afxentiou

Member of the Board of Directors

ESG ENVIRONMENTAL, SOCIAL AND GOVERNANCE

COMMITMENT TO SUSTAINABILITY

Along the growth of the Company, we have dedicated ourselves to set high standards with regards to sustainability, as we strongly believe in generating sustainable value creation for all of our stakeholders. It is of importance to the Company's long-term success that its operations are sustainable in the long term such as ensuring a minimal environmental footprint, high standard of governance and transparency, healthy and balanced workplace environment, high standard of service quality provided to tenants, and a positive social impact on the communities in which the Company operates. AT strives to be a responsible corporate citizen, with its strong operational business success being mirrored in an equally strong corporate reputation. We place emphasis on the shared benefits of a socially responsible investment strategy where it jointly improves our society, shareholders, employees, tenants, business partners, suppliers and our communities, with leaving a minimal environmental impact.

For this reason, we have incorporated an ESG team to structure our sustainability efforts and manage processes related to these matters. Our ESG team proudly presented our first full annual corporate responsibility report for the year 2017 in line with GRI (Global Reporting Initiative) standards as well as EPRA (European Public Real Estate Association)'s sBPR (Sustainability Best Practices Recommendations). Our high sustainability standards were acknowledged by EPRA, which awarded Aroundtown the EPRA sBPR Gold award and sBPR most improved award in September 2018. In order to raise awareness for our exceptional ESG efforts, the team also collaborated with a globally recognized ESG rating agency, Sustainalytics, which has given us an Outperformer ranking in the 93rd percentile globally among 319 real estate peers, reflecting a strong improvement from the previous ranking of 88th percentile. We have also improved the transparency in our reporting procedures and consequentially, our very high standards of financial reporting and transparency brought us the EPRA BPR Gold award for the second time in September 2018.

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

The non-financial information that are based on AT´s 2017 Corporate Responsibility report is available on Aroundtown's website. It provides extensive details on key non-financial information and related figures. AT´s 2018 Corporate Responsibility report will be published in April 2019 on AT´s website.

ENVIRONMENTAL RESPONSIBILITY

The Company considers environmental responsibility as an integral part of its business strategy. The Company established a comprehensive environmental policy that reflects all aspects of energy management and environmental responsibility, with the aim to reduce environmental pollution by installing sustainable energy systems which improve energy and cost efficiency, switching to renewable energy sources, and reducing its carbon footprint. Environmental factors are included in the investment strategy, due diligence process and the business plan. Over the life cycle of our assets and as part of the repositioning process, we seek to continuously reduce the potential environmental footprint. As part of this process, we conduct regular environmental risk assessments. Environmental due diligence and risk assessments include all aspects of environmental management, such as water, climate risk and waste management, energy efficiency, and greenhouse gases (GHG) reduction.

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ENERGY, EMISSION, WATER AND WASTE MANAGEMENT

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

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

SUPPLIER ENVIRONMENTAL PROGRAMS

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

For further information of the Company's environmental responsibility, please see the 2017 Corporate Responsibility report available on Aroundtown's website. AT´s 2018 Corporate Responsibility report will be published in April 2019 on AT´s website.

SOCIAL RESPONSIBILITY

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

RESPONSIBLE EMPLOYER

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

ECONOMIC AND SOCIAL DEVELOPMENT

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

For further information of the Company's environmental responsibility, please see the 2017 Corporate Responsibility report available on Aroundtown's website. AT´s 2018 Corporate Responsibility report will be published in April 2019 on AT´s website.

CR STEERING COMMITTEE

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

CORPORATE GOVERNANCE

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

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

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

BOARD OF DIRECTORS

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

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

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

ANNUAL GENERAL MEETING

The next Annual General Meeting of the shareholders is scheduled to take place on June 26, 2019 in Luxembourg. It is expected to resolve, among others, on the approval of €0.25 dividend per share for the 2018 fiscal year.

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MEMBERS OF THE BOARD OF DIRECTORS

name	Position
Mr. Frank Roseen	Director
Mr. Oschrie Massatschi	Director
Ms. Jelena Afxentiou	Director
Mr. Markus Leininger	Independent Director
Mr. Markus Kreuter	Independent Director
Dr. Axel Froese	Independent Director

All directors have been appointed and mandate renewed at the Annual General Meeting 2018 until the Annual General Meeting 2019.

REMUNERATIONS OF THE BOARD OF DIRECTORS

Year ended 31 December, 2018							
	Executive Directors			Independent directors			
	in € thousands						
	Frank Roseen	Oschrie Massatschi	Jelena Afxentiou	Markus Leininger	Markus Kreuter	Dr. Axel Froese	Total
Salary, Directors fee and supplementary payments (*)	300.0	228.6	101.5	60.0	60.0	60.0	810.1
Share incentive program	200.0	254.0	225.3	-	-	-	679.3
Total Remuneration (**)	**500.0**	**482.6**	**326.8**	**60.0**	**60.0**	**60.0**	**1,489.4**

(*) Based on employer's costs.

(**) On June 27, 2018, Mr. Wallis ceased to be a member of the board of directors. Until that date Mr. Wallis received remuneration in the amount of €132 thousand and €385 thousand from salary and supplementary payments and from share incentive respectively.

Senior and Key Management

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

SENIOR MANAGEMENT COMPENSATION

In 2018, Mr. Mayo received a total fixed remuneration of €612 thousand and Mr. Ben David received a total remuneration of €552 thousand of which €401 thousand were in the form of share incentives. From July 1, 2018 and until the end of the year Mr. Wallis received €542 thousand, of which €410 thousand were in the form of share incentives.

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.

ADVISORY BOARD

The Board of Directors established an Advisory Board to provide expert advice and assistance to the Board of Directors. The Board of Directors decides on the com- position, tasks and term of the Advisory Board as well as the appointment and dismissal of its members. The Advisory Board has no statutory powers under the Luxembourg companies act or the articles of incorporation of the Company, but applies rules adopted by the Board of Directors. The Advisory Board is an important source of guidance for the Board of Directors when making strategic decisions. In June 2018, Dr. Gerhard Cromme was appointed as the new Chairman of the Advisory Board.

MEMBERS OF THE ADVISORY BOARD

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

RISK COMMITTEE

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

INTERNAL CONTROLS AND RISK MANAGEMENT SYSTEMS

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

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

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

INTERNAL RISK MITIGATION

Internal controls are constructed from five main elements:

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

COMPLIANCE, CODE OF CONDUCT AND DATA PROTECTION

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

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

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

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

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

With regards to data protection, the Company had already implemented a wide range of guidelines and provisions, with the ratification of EU General Data Protection Regulation (GDPR) as of 2018. The Company has implemented Standard Operating Procedures (SOPs) to ensure that all personal data stored and processed in the course of Company's operations are safe from manipulation and misuse. The diligence of the Company with regards to all compliance issues presents itself in the pleasing level of zero compliance related violations. The Code of Conducts for employees as well as business partners can be found on the Company's website.

EXTERNAL RISK MITIGATION

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

BREXIT EFFECT

On 23 June 2016, voters in the United Kingdom voted in a referendum in favour of the United Kingdom leaving the European Union, a decision known as “Brexit”. On 29 March 2017 the United Kingdom submitted a formal departure notice to the European Council pursuant to Article 50(2) of the Treaty on European Union (the EU Treaty) and if no change will occur, the UK is due to leave the European Union.

As many questions relating to Brexit remain open, the outcome of the negotiations regarding the withdrawal of the United Kingdom from the European Union is impossible to predict. Among other consequences, departure from the European Union may result in the United Kingdom no longer having access to the European Single Market. Since the United Kingdom is currently the second largest economy in the European Union, a withdrawal from the European Single Market is expected to have significant negative impacts on the economy of the United Kingdom. If the United Kingdom no longer had access to the European Single Market, the Member States of the European Union would face greater barriers to trade and commerce with the United Kingdom, which may in turn diminish overall economic activity between the European Union and the United Kingdom, resulting in a general economic downturn throughout the United Kingdom, the European Union or both. The Brexit vote may also give rise to or strengthen tensions in other Member States regarding their membership in the European Union, potentially resulting in additional referendums or other actions in Member States regarding withdrawal from the European Union. The withdrawal of other Member States from the European Union would have unpredictable consequences and may have adverse effects on levels of economic activity in the countries in which the Issuer operates. Therefore, Brexit may have an adverse effect on the Company’s business and the portfolio may be particularly exposed to the economic and political impact of Brexit. The final outcome of Brexit may have a significant impact on the currency exchange rate between the Pound Sterling and the Euro, which should have a limited effect on AT as AT has effectively hedged a large portion of its exposure by issuing Pound Sterling debt against Pound sterling assets. It may however have an adverse effect on the net assets.

The uncertainty around the timing of Brexit and its economic and other terms cause volatility in the financial markets. Since the Company relies on access to the financial markets in order to refinance its debt liabilities and gain access to new financing, on-going political uncertainty and any worsening of the economic environment may reduce its ability to refinance its existing and future li- abilities or gain access to new financing, in each case on favourable terms or at all. Furthermore, the Company’s counterparties, in particular its hedging counterparties, may not be able to fulfil their obligations under their respective agreements due to a lack of liquidity, operational failure, bankruptcy or other reasons.

NOMINATION COMMITTEE

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

REMUNERATION COMMITTEE

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

SHAREHOLDERS' RIGHTS

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

COMPLIANCE TO THE TRANSPARENCY LAW

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

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

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

To the Shareholders of
Aroundtown SA
1, Avenue du Bois
L-1251 Luxembourg

REPORT OF THE REVISEUR D'ENTREPRISES AGREE

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Aroundtown SA (the "Company"), which comprise the statement of financial position as at December 31, 2018, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at December 31, 2018, 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 July 23, 2016 on the audit profession ("Law of July 23, 2016") and with International Standards on Auditing ("ISAs") as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier" ("CSSF"). Our responsibilities under the EU Regulation N° 537/2014, the Law of July 23, 2016 and ISAs are further described in the « Responsibilities of the "Réviseur d'Entreprises agréé" for the audit of the financial statements » section of our report. We are also independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code") as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the financial statements, and have fulfilled our other ethical responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

Impairment of Investment in subsidiaries

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

We refer to accounting policy at note 3.2 “Investment in subsidiaries” on page 30 and Note 9 “Investments in subsidiaries” on page 48 of the financial statements.

As at December 31, 2018 investments in subsidiaries represent 97.64% of the total assets of the Company. These represent the conversion of loans receivable given to the Company’s subsidiaries mainly, and represent investment of the Company in the underlying group and its underlying assets, which are investment properties. Recoverability of the investments in subsidiaries depend on the subsidiaries performances, thus management performs impairment assessment at each reporting date.

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

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

b. How the matter was addressed in our audit

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

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

Other information

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

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

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

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

The Board of Directors is responsible for the preparation and fair presentation of the financial statements in accordance with 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.

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

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

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

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report of the "Réviseur d'Entreprises agréé" to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report of the "Réviseur d'Entreprises agréé". However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

Report on other legal and regulatory requirements

We have been appointed as "Réviseur d'Entreprises agréé" by the General Meeting of the Shareholders on June 27, 2018 and the duration of our uninterrupted engagement is 2 years.

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

The accompanying Corporate Governance Statement is presented on pages 4 - 8. The information required by Article 68ter paragraph (1) letters c) and d) of the law of December 19, 2002 on the commercial and companies register and on the accounting records and annual accounts of undertakings, as amended, is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

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

Other matter

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

Luxembourg, March 28, 2019

KPMG Luxembourg
Société coopérative
Cabinet de révision agréé

Joseph de Souza

AROUNDTOWN SA

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	Year ended December 31, 2018	Year ended December 31, 2017
		in € thousands	
Revenue	5	**93,563**	**(*) 64,405**
Administrative and other expenses	6	(6,478)	(6,267)
Operating profit		**87,085**	**58,138**
Net finance (expenses) / income	7	(215,163)	(*) 1,070
(Loss) / profit before tax		**(128,078)**	**59,208**
Current and deferred tax benefit / (expense)	8	4,380	(5,200)
(Loss) / profit for the year		**(123,698)**	**54,008**
(Loss) / profit attributable to:			
Owners of the Company		(131,802)	54,008
Perpetual notes investors		8,104	-
(Loss) / profit for the year		**(123,698)**	**54,008**
Other comprehensive income (loss):			
Items that are or may be reclassified subsequently to profit or loss			
Cash flow hedges and cost of hedging		(14,489)	(661)
Tax related to the other comprehensive loss component		1,701	172
Total other comprehensive loss for the year		**(12,788)**	**(489)**
Total comprehensive (loss) / income for the year		**(136,486)**	**53,519**
Total comprehensive (loss) / income attributable to:			
Owners of the Company		(144,590)	53,519
Perpetual notes investors		8,104	-
Total comprehensive (loss) / income for the year		**(136,486)**	**53,519**

(*) reclassified

AROUNDTOWN SA

STATEMENT OF FINANCIAL POSITION

	Note	December 31, 2018	December 31, 2017
		in € thousands	
Assets			
Property plant and equipment		3	2
Investments in subsidiaries	9	10,499,679	4,135
Trade and other receivables	10	3,595	12,716
Derivative financial assets		21,980	24,644
Loan receivables	11	-	6,930,003
Deferred tax assets	8	8,867	3,205
Non-current assets		**10,534,124**	**6,974,705**
Cash and cash equivalents		234	164,667
Trade and other receivables	10	232	64
Loan receivables	11	126,487	-
Derivative financial assets		22,360	10,930
Financial assets at fair value through profit or loss		46,689	69,178
Current assets		**196,002**	**244,839**
Total assets		**10,730,126**	**7,219,544**

AROUNDTOWN SA
STATEMENT OF FINANCIAL POSITION (CONTINUED)

	Note	December 31, 2018	December 31, 2017
		in € thousands	
Equity	12		
Share capital		11,286	9,478
Share premium and other reserves		2,637,002	1,809,987
Retained earnings		(158,827)	(27,025)
Equity attributable to the owners of the Company		**2,489,461**	**1,792,440**
Equity attributable to perpetual notes investors		398,333	-
Total Equity		**2,887,794**	**1,792,440**
Liabilities			
Loans and borrowings	13.1	1,274,879	(*) 1,195,130
Straight Bonds	13.2	6,356,390	(*) 3,830,852
Convertible Bonds		-	(*) 293,776
Derivative financial liabilities	16	61,023	44,871
Deferred tax liabilities	8	7,304	7,723
Non-current liabilities		**7,699,596**	**5,372,352**
Loans and borrowings	13.1	238	623
Provisions and current liabilities	13.2	81,065	44,082
Trade and other payables	14	61,423	10,037
Tax payable		10	10
Current liabilities		**142,736**	**54,752**
Total liabilities		**7,842,332**	**5,427,104**
Total equity and liabilities		**10,730,126**	**7,219,544**

(*) reclassified

The Board of Directors of Aroundtown SA authorised these financial statements for issuance on March 28, 2019.

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

AROUNDTOWN SA

STATEMENT OF CHANGES IN EQUITY

	Note	Share capital	Share Premium and other capital reserves	Hedge reserves	Retained earnings	Total	Equity attributable to perpetual notes investors	Total equity
		Attributable to the owners of the Company						
		in € thousands						
Balance as at January 1, 2017		6,763	633,214		73,460	**713,437**	-	**713,437**
Profit for the year		-	-	-	54,008	54,008	-	54,008
Other comprehensive loss for the year, net of tax		-	-	(489)	-	(489)	-	(489)
Total comprehensive income (loss) for the year		**6,763**	**633,214**	**(489)**	**127,468**	**766,956**	-	**766,956**
Transactions with the owners of the Company contributions and distributions								
Issuance of ordinary shares	12	2,713	1,175,637	-	-	1,178,350	-	1,178,350
Equity settled share-based payment	12	2	1,625	-	-	1,627	-	1,627
Dividend distribution		-	-	-	(154,493)	(154,493)	-	(154,493)
Total contributions and distributions		**2,715**	**1,177,262**	-	**(154,493)**	**1,025,484**	-	**1,025,484**
Balance as at December 31, 2017		**9,478**	**1,810,476**	**(489)**	**(27,025)**	**1,792,440**	-	**1,792,440**
Balance as at January 1, 2018		**9,478**	**1,810,476**	**(489)**	**(27,025)**	**1,792,440**	-	**1,792,440**
(Loss) / profit for the year		-	-	-	(131,802)	(131,802)	8,104	(123,698)
Other comprehensive income (loss) for the year, net of tax		-	-	(12,788)	-	(12,788)	-	(12,788)
Total comprehensive income (loss) for the year		-	-	**(12,788)**	**(131,802)**	**(144,590)**	**8,104**	**(136,486)**
Transactions with the owners of the Company contributions and distributions								
Issuance of ordinary shares	12	1,771	1,064,099	-	-	1,065,870	-	1,065,870
Equity settled share-based payment	12	3	1,367	-	-	1,370	-	1,370
Dividend distribution	12	34	(225,663)	-	-	(225,629)	-	(225,629)
Total contributions and distributions		**1,808**	**839,803**	-	-	**841,611**	-	**841,611**
Issuance of perpetual notes, net	12	-	-	-	-	-	390,229	390,229
Balance as at December 31, 2018		**11,286**	**2,650,279**	**(13,277)**	**(158,827)**	**2,489,461**	**398,333**	**2,887,794**

STATEMENT OF CASH FLOWS

	Note	2018	2017
		Year ended December 31,	
	Note	**in € thousands**	
Cash flows from operating activities			
Profit/(loss) for the year		(123,698)	54,008
Adjustments for the profit:			
Depreciation and amortisation		1	39
Interest income, net	5	(93,148)	(55,888)
Other income	5	(415)	(8,517)
Net finance expenses / (income)	7	215,163	(*) (1,070)
Current and deferred tax (benefit) / expense	8	(4,380)	5,200
Equity settled share-based payment		140	140
Change in working capital		4,570	4,526
Dividend received		3,783	953
Tax paid		-	(100)
Net cash provided by / (used in) operating activities		**2,016**	**(709)**
Cash flows from investing activities			
Investment in subsidiaries	9	-	(1,973)
Investment in financials assets thourgh profit or loss		(66,269)	(18,397)
Loans given to subsidiaries, net		(3,322,468)	(1,906,020)
Net cash used in investing activities		**(3,388,737)**	**(1,926,390)**
Cash flows from financing activities			
Proceeds from issuance of ordinary shares, net		600,549	866,077
Proceeds from issuance of bonds, net		2,455,543	1,085,101
Proceeds from perpetual notes investors, net		390,229	-
Proceeds from credit facility, net		69,880	-
Dividend distribution		(225,663)	(154,493)
Interest and other financial expenses, net		(68,250)	(13,107)
Net cash provided by financing activities		**3,222,288**	**1,783,578**
Net change in cash and cash equivalents		**(164,433)**	**(143,521)**
Cash and cash equivalents as at January 1		164,667	308,188
Cash and cash equivalents as at December 31		**234**	**164,667**

(*) reclassified.

1. GENERAL

(a) Incorporation and principal activities

Aroundtown SA ("the Company") was incorporated on May 7, 2004 as a private limited liability company under the Cyprus Companies Law, Cap. 113. On September 13, 2017, the Company transferred its registered office and principal place of business from Cyprus to Luxembourg, and continued as a Société Anonyme (public limited liability company), incorporated under the laws of the Grand Duchy of Luxembourg, having its registered office at 1, Avenue du Bois, L-1251, Luxembourg. The Company's name was changed from "Aroundtown Property Holdings Plc" to "Aroundtown SA".

Aroundtown is a specialist real estate company, with a focus on value-add and income generating properties primarily in the German, Dutch and the United Kingdom real estate markets. Aroundtown invests in commercial and residential real estate which benefit from strong fundamentals and growth prospects. The commercial properties are held by Aroundtown and additionally, as at December 2018, Aroundtown holds a significant interest of 38.75% (2017: 37.66%) in Grand City Properties S.A., a publicly traded real estate company that focuses on investing in value-add opportunities in the German residential real estate market.

2. BASIS OF PREPARATION

(a) Statement of compliance

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

(b) Basis of measurement

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

(c) Use of estimates and judgments

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

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

2. BASIS OF PREPARATION

Measurement of fair values

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

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

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

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

Impairment of investments in subsidiaries

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

Impairment of investments financial assets

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

Tax and deferred tax expenses

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

2. BASIS OF PREPARATION

Going concern

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

(d) Functional and presentation currency

The financial statements are presented in euro, which is the functional currency of the Company, and reported in thousands of euros, except when otherwise indicated. As at December 31, 2018, the Company has financial instruments in British Pound (GBP), US Dollar (USD), Swiss Franc (CHF), Australian Dollar (AUD), Canadian Dollar (CAD) and Norwegian Krone (NOK). The exchange rates versus the euro were as follows:

	EUR/GBP	EUR/USD	EUR/CHF	EUR/AUD	EUR/CAD	EUR/NOK
Average rate 2018	0.885	1.181	1.155	1.580	1.529	9.597
As at December 31, 2018	0.895	1.145	1.127	1.622	1.561	9.948
As at December 31, 2017	0.887	1.199	1.170	1.535	1.504	9.840
Change during the year:						
Year ended December 31, 2018	0.8%	(4.5%)	(3.7%)	5.7%	3.8%	1.1%
Year ended December 31, 2017	3.6%	13.7%	9.0%	5.2%	6.0%	8.3%

3. SIGNIFICANT ACCOUNTING POLICIES

3.1. Changes in accounting policies and disclosures

The Company applied IFRS 9 and IFRS 15 in these financial statements for the first time. The nature and effect of the changes as a result of adoption of these new standards are described below.

- **IFRS 9 Financial Instruments**

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on January 1, 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurements; impairment; and hedge accounting.

With the exception of hedge accounting, which the Company applied prospectively, the Company has applied IFRS 9 retrospectively, with the initial application date of January 1, 2018 using an exemption not to restate comparative information for prior periods.

(a) Classification and measurement

Under IFRS 9, debt instruments are subsequently measured at fair value through profit or loss, amortized cost, or fair value through OCI. The classification is based on two criteria: The Company's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding.

The assessment of the Company's business model was made as of the date of initial application, January 1, 2018, and then applied retrospectively to those financial assets that were not derecognized before January 1, 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The classification and measurement requirements of IFRS 9 did not have any impact on the Company.

- The Company continued measuring at fair value through profit or loss all financial assets and financial liabilities held at fair value through profit or loss under IAS 39.

- Trade and other receivables and loan receivables previously classified as Loans and receivables are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are now classified and measured as debt instruments at amortized cost. The measurement basis has not been changed compared to prior year.

- The Company has not elected to classify irrevocably any of its equity instruments as equity instruments at fair value through OCI.

- The Company has not designated any financial liabilities as at fair value through profit or loss. There are no changes in classification and measurement for the Company's financial liabilities.

3. SIGNIFICANT ACCOUNTING POLICIES

(b) Impairment

The adoption of IFRS 9 has fundamentally changed the Company's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. IFRS 9 requires the Company to recognize an allowance for ECLs for all debt instruments not held at fair value through profit or loss and contract assets.

The adoption of IFRS 9 did not have material impact on the Company.

(c) Hedge accounting

All hedging relationships designated under IAS 39 at 31 December, 2017 met the criteria for hedge accounting under IFRS 9 at January 1, 2018 and are therefore regarded as continuing hedging relationships.

- **IFRS 15 Revenues from Contracts With Customers**

Effective from January 1 2018, IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers.

IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires revenue to be recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

IFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires further disclosures.

The Company identified several performance obligations which include rendering of services to customers and allocated the transaction price between the performance obligations based on their estimated relative selling prices. These performance obligations are satisfied over-time, that is, as services are rendered. As there are no changes regarding the period-based recognition of income from services or the total amount recognized as income from rendering of services, the initial application of IFRS 15 did not have any impact in terms of amount or timing on the revenue recognition of income from rendering of services, and therefore no adjustment was required to any financial statement line item.

The Company has elected to make use of the following practical expedients:

a. Contract costs incurred related to contracts with an amortization period of less than one year have been expensed as incurred.

b. The Company applies the practical expedient in paragraph 121 of IFRS 15 and does not disclose information about remaining performance obligations for contracts in which the Company has a right to consideration from customers in an amount that corresponds directly with the value to the customer of the Company's performance completed to date.

3. SIGNIFICANT ACCOUNTING POLICIES

c. The Company does not adjust the transaction price for the effects of significant financing component since at contract inception it is expected that the period between when the entity transfers the services to tenants and when the tenants pay for these services will be one year or less.

The following amendment to IFRS and interpretations also applies for the first time in 2018:

- **Amendments to IFRS 2 - Classifications and Measurement of Share-based Payment Transactions**

  The issued amendments to IFRS 2 Share-based payment that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity settled. On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. These amendments affected the Company's share-based payment agreements with net settlement features for withholding tax obligation. For the year ended December 31, 2018, €1,470 thousand of withholding tax related to share-based payment were recognized in equity.

3.2. Investments in subsidiaries

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

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

3.3. Revenue recognition

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

- Rendering of services

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

- Dividend income and fair value gain from investments

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

3. SIGNIFICANT ACCOUNTING POLICIES

- Interest income

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

3.4. Finance costs

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

3.5. Foreign currency translation

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

3.6. Tax

Income tax expense comprises current and deferred tax. It is recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in OCI.

(i) Current tax

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

(ii) Deferred tax

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;

- temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and

- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognized for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Unrecognized deferred tax assets are reassessed at each reporting date and recognized to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

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

3.7. Dividends

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

3.8. Financial instruments

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

I. **Financial assets**

i. Initial recognition and measurement

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

3. SIGNIFICANT ACCOUNTING POLICIES

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under IFRS 15. See note 3.1.

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

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.

3. SIGNIFICANT ACCOUNTING POLICIES

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

Financial assets at fair value through OCI (debt instruments)

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

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

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

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

Financial assets at fair value through OCI (equity instruments)

Upon initial recognition, the Company 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 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

Financial assets at fair value through profit or loss

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

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

Dividends on listed equity instruments are also recognized as other financial results in the statement of profit or loss when the right of payment has established.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

iii. De-recognition

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

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

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

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

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

iv. Impairment of financial assets

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

II. Financial liabilities

i. Initial recognition and measurement

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

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

ii. Subsequent measurement

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

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.

3. SIGNIFICANT ACCOUNTING POLICIES

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

Financial liabilities at amortized cost

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

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

iii. De-recognition

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

III. Offsetting of financial instruments

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

IV. Share capital

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

V. Convertible bonds

Convertible bonds, that can be converted to share capital at the option of the holder and the number of shares to be issued is fixed are separated into liability and equity component based on the terms of the contract.

On issuance of the convertible bonds, the fair value of the liability component is determined using a market rate for an equivalent non-convertible instrument. This amount is classified as a financial liability measured at amortized cost (net of transaction costs) until it is extinguished on conversion or redemption.

3. SIGNIFICANT ACCOUNTING POLICIES

The remainder of the proceeds is allocated to the conversion option that is recognized and included in equity. Transaction costs are deducted from equity, net of associated income tax. The carrying amount of the conversion option is not re-measured in subsequent years.

Transaction costs are apportioned between the liability and equity components of the convertible bonds, based on the allocation of the proceeds to the liability and equity components when the instruments are initially recognized.

On conversion, the financial liability is reclassified to equity and no gain or loss is recognized in the statement of profit or loss.

VI. **Perpetual notes**

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

3.9. Hedging activities and derivatives

<u>Initial recognition and subsequent measurement</u>

The Company uses derivative financial instruments, such as, 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.

3. SIGNIFICANT ACCOUNTING POLICIES

Beginning January 1, 2018, the documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Company will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ration is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

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

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

- <u>Cash flow hedges</u>

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 amounts accumulated in hedge reserve 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 hedge reserve 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 hedge reserve must remain in hedge reserve 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 hedge reserve must be accounted for depending on the nature of the underlying transaction as described above.

3. SIGNIFICANT ACCOUNTING POLICIES

- Fair value hedges

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

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

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

3.10. Comparatives

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year.

3. SIGNIFICANT ACCOUNTING POLICIES

3.11. New International Financial Reporting Standards (IFRS), amendments to IFRS and Interpretations

The following new standards, interpretations and amendments to standards, which are relevant to the Company, are in issue and endorsed by the EU but are not yet effective for these financial statements:

- **IFRS 16 - Leases**

IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements for both lessors and lessees. IFRS 16 will supersede the current lease guidance including IAS 17 Leases and the related interpretations when it becomes effective for accounting periods beginning on or after January 1, 2019. The date of initial application of IFRS 16 for the Company will be January 1, 2019.

In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17.

The change in definition of a lease mainly relates to the concept of control. IFRS 17 distinguishes between leases and service contracts on the basis of whether the use of an identified asset is controlled by the customer. Control is considered to exist if the customer has:

- The right to obtain substantially all of the economic benefits from the use of an identified asset; and

- The right to direct the use of that asset.

The Company will apply the definition of a lease and related guidance set out in IFRS 16 to all lease contracts entered into or modified on or after January 1, 2019 (whether it is a lessor or a lessee in the lease contract).

The preliminary assessment indicates that there is no material impact of the initial application of IFRS 16 on the Company as a lessor or as a lessee.

3. SIGNIFICANT ACCOUNTING POLICIES

- **Amendments to IFRS 9: Prepayment Features with Negative Compensation**

  Under IFRS 9, a debt instrument can be measured at amortized cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstances that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. The amendments should be applied retrospectively and are effective from January 1, 2019, with earlier application permitted. The Company has not early adopted these amendments. The amendments will not have any impact on the financial statements.

- **IFRIC 23 Uncertainty over Income Tax Treatments**

  The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 and does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

  - Whether an entity considers uncertain tax treatment separately

  - The assumptions an entity makes about the examination of tax treatments by taxation authorities

  - How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates

  - How an entity considers changes in facts and circumstances

  An entity has to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed. The interpretation is effective for annual reporting periods beginning on or after January 1, 2019, but certain transitions reliefs are available. The Company will apply the interpretation from its effective date. The interpretation does not have any material impact on the financial statements.

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

4. FAIR VALUE MEASUREMENT

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

4.1 Fair values

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

	December 31,			
	2018		2017	
	Carrying amount	Fair value	Carrying amount	Fair value
	in € thousands			
Financial assets				
Financial assets at fair value through profit or loss	46,689	46,689	69,178	69,178
Derivative financial assets	44,340	44,340	35,574	35,574
Total	**91,029**	**91,029**	**104,752**	**104,752**
Financial liabilities				
Convertible bonds	-	-	295,850	386,000
Straight bonds	6,437,455	6,276,551	3,872,860	4,078,000
Derivative financial liabilities	61,023	61,023	44,871	44,871
Total	**6,498,478**	**6,337,574**	**4,213,581**	**4,508,871**

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

Valuation methods assumptions

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

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

- The fair values of the quoted bonds are based on price quotations at the reporting date. The fair value of unquoted bonds is measured using the discounted cash flows method with observable inputs.

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

4. FAIR VALUE MEASUREMENT

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

4.2 Fair value measurement hierarchy

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

Fair value measurement hierarchy for assets as at December 31, 2018 and 2017:

	December 31, 2018				**December 31, 2017**			
	Fair value measurement using				**Fair value measurement using**			
	Total	**Quoted prices in active market (Level 1)**	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**	**Quoted prices in active market (Level 1)**	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
	in € thousands							
Assets measured at fair value:								
Financial assets at fair value through profit or loss	46,689	46,689	-	-	69,178	69,178	-	-
Derivative financial assets	44,340	-	44,340	-	35,574	-	35,574	-

There have been no transfers between Level 1, Level 2 and Level 3 during 2018 and 2017

4. FAIR VALUE MEASUREMENT

Fair value measurement hierarchy for liabilities as at December 31, 2018 and 2017:

	December 31, 2018				December 31, 2017			
	Fair value measurement using				Fair value measurement using			
	Total	Quoted prices in active market (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total	Quoted prices in active market (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
	in € thousands							
Liabilities measured at fair value:								
Derivative financial liabilities	61,023	-	61,023	-	44,871	-	44,871	-
Liabilities for which fair values are disclosed:								
Convertible bonds	-	-	-	-	386,000	386,000	-	-
Straight bonds	6,276,551	6,102,914	173,637	-	4,078,000	4,078,000	-	-

There have been no transfers between Level 1, Level 2 and Level 3 during 2018 and 2017.

5. REVENUE

	Year ended December 31,	
	2018	(*) 2017
	in € thousands	
Interest income, net	93,148	55,888
Other income	415	8,517
	93,563	64,405

(*) reclassified.

6. ADMINISTRATIVE AND OTHER EXPENSES

	Year ended December 31,	
	2018	2017
	in € thousands	
Legal and professional fees	4,647	4,963
Audit fees (*)	503	213
Other administrative expenses	1,328	1,091
	6,478	6,267

(*) the Company's fees in 2018 for KPMG Luxembourg audit firm for legal annual audit and other non-audit services was €316 thousand (2017: €175 thousand) and €187 thousand (2017: €30 thousand), respectively.

As at December 31, 2018, the Company had 2 employees (2017: 2 employees).

7. NET FINANCE (EXPENSES) / INCOME

	Year ended December 31,	
	2018	(*) 2017
	in € thousands	
Finance expenses from credit institutions, net	(512)	-
Finance expenses from straight and convertible bonds, net	(95,706)	(18,726)
Changes in fair value of financial assets and liabilities, net	(113,294)	31,350
Finance-related costs	(5,651)	(11,554)
	(215,163)	1,070

(*) reclassified.

8. TAXATION

Tax rates applicable to the Company

The Company is subject to taxation under the laws of Luxembourg. The corporation tax rate for Luxembourg companies is 26.01% (2017: 27.08%).

Deferred tax assets and liabilities

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

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

	2018	2017
	in € thousands	
Balance as at January 1,	(4,518)	-
Credited / (charged) to profit or loss	4,380	(4,690)
Charged to other comprehensive income	1,701	172
Balance as at December 31,	1,563	(4,518)

Reconciliation of effective tax rate

	Year ended December 31,	
	2018	2017
	in € thousands	
(Loss) / profit before tax	(128,078)	59,208
Tax calculated at the applicable tax rates in Cyprus (*)	-	5,551
Tax calculated at the applicable tax rates in Luxembourg (**)	33,313	4,008
Total tax calculated at the statutory tax rate	33,313	9,559
Tax effect of expenses not deductible for tax purposes	(37,693)	5,778
Tax effect of allowances and income not subject to tax	-	(10,137)
Tax and deferred tax (benefit) / expenses	**(4,380)**	**5,200**

8. TAXATION

(*) Until September 13, 2017, the Company's tax rate was under the Cyprus Companies law (12.5%). Under certain conditions, interest income may be subject to defence contribution at the rate of 30%. In such cases, this interest will be exempt from corporation tax. In certain cases, dividends received from abroad may be subject to defence contribution at the rate of 17%.

(**) On September 13, 2017, the Company transferred its registered office and principle place of business from Cyprus to Luxembourg, and continued as a public limited liability company (Société Anonyme), incorporated under the laws of the Grand Duchy of Luxembourg with a tax rate of 26.01% (2017: 27.08%).

As at December 31, 2018 the Company does not have unused tax losses.

9. INVESTMENTS IN SUBSIDIARIES

	December 31,	
	2018	2017
	in € thousands	
Balance as at January 1,	4,135	2,162
Additions (*)	10,495,544	1,973
Balance as at December 31,	10,499,679	4,135

(*) See note 11.

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

Name	Place of incorporation	Principal activities	December 31, 2018 Holding %	December 31, 2017 Holding %
Edolaxia Group Ltd	Cyprus	Holding of investments	100%	100%
Alfortia Ltd	Cyprus	Holding of investments	100%	100%
Camelbay Ltd	Cyprus	Holding of investments	100%	100%
Bluestyle Ltd	Cyprus	Holding of investments	100%	100%
AT Securities B.V.	Netherlands	Financing	100%	100%
AT Financial Services B.V.	Netherlands	Financing	100%	100%
ATF Netherlands B.V.	Netherlands	Financing	100%	100%

As at December 31, 2018, the Company holds indirectly 38.75% (2017: 37.66%) and 98.2% (2017: 98.2%) of Grand City Properties S.A. and Primecity Investment Plc, respectively.

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

10. TRADE AND OTHER RECEIVABLES

	December 31, 2018	December 31, 2017
	in € thousands	
Receivables from related companies (note 15)	3,595	12,716
Other receivables	232	64
	3,827	12,780
Non-current portion	3,595	12,716
Current portion	232	64
	3,827	12,780

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

11. LOAN RECEIVABLES

	December 31, 2018	December 31, 2017
	in € thousands	
Balance as at January 1	6,930,003	2,270,213
New loans granted, net	3,543,625	4,547,498
Interest charged	148,403	112,292
Conversions to Redeemable Preference Shares (see explanation below)	(10,495,544)	-
Balance as at December 31	126,487	6,930,003

	December 31, 2018	December 31, 2017
	in € thousands	
Loans to third party	-	52,705
Loans to related companies (note 15)	126,487	6,877,298
	126,487	6,930,003

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

Borrower	Facility in € thousands	Rate (%)	Maturity
Aroundtown Real Estate Ltd (formerly known as: “Camelbay Real Estate Ltd”)	126,487	3% + Euribor	2019

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

On November 13, 2018, the Company entered into an agreement with Camelbay Ltd to convert €600,000 thousand of its outstanding loans granted to Camelbay Ltd into 10 redeemable preference shares in Camelbay Ltd ("Redeemable Preference Shares"). The Redeemable Preference Shares have similar rights as the ordinary shares have, and that the Preference shares are redeemable at the sole discretion of Camelbay Ltd. On November 13, 2018, the Company entered into an agreement with Aroundtown Real Estate Ltd to convert €7,000,000 thousand of its outstanding loans granted to Aroundtown Real Estate Ltd (including accrued interest of €167,414 thousand) into 11 redeemable preference shares in Aroundtown Real Estate Ltd ("Redeemable Preference Shares"). The Redeemable Preference Shares have similar rights as the ordinary shares have, and that they are redeemable at the sole discretion of Aroundtown Real Estate Ltd.

11. LOANS RECEIVABLE

On December 31, 2018, the Company entered into an agreement with Aroundtown Real Estate Ltd to convert €2,895,543 thousand of its outstanding loans granted to Aroundtown Real Estate Ltd (including accrued interest of €8,852 thousand) into 5 redeemable preference shares in Aroundtown Real Estate Ltd ("Redeemable Preference Shares"). The Redeemable Preference Shares have similar rights as the ordinary shares have, and that the Preference shares are redeemable at the sole discretion of Aroundtown Real Estate Ltd.

As at December 31, 2018 there are no commitments on the loan receivables.

12. EQUITY

A. Share capital

		Year ended December 31,			
	Note	2018		2017	
		Number of shares	in € thousands	Number of shares	in € thousands
Authorized					
Ordinary shares of €0.01 each	B	2,000,000,000	20,000	2,000,000,000	20,000
Issued and fully paid					
Balance as at January 1		947,808,641	9,478	676,268,473	6,763
Capital increases	C (1,2)	95,000,000	950	168,000,000	1,680
Exercise of convertible bonds series B and series C into shares	C (3,4)	75,310,961	753	103,367,565	1,033
Issuance of shares as part of the scrip dividend	C (5)	3,392,129	34	-	-
Issuance of shares in connection with a buy-back of perpetual notes	C (6)	6,818,781	68	-	-
Share-based payment	C (7)	251,354	3	172,603	2
Balance at the end of the year		1,128,581,866	11,286	947,808,641	9,478

B. Authorized capital

Under its Memorandum of Association, the Shareholders set the authorized share capital at 50,000 ordinary shares of nominal value of €1.71 each. In February 2015, as part of a capital restructuring process, the Company increased its authorized ordinary shares to 1,500,000,000, of which the issued and fully paid was increased to 500,000,000, with an adjusted par value of €0.01 for each share. In September 2017, the Company increased its authorized ordinary shares from 1,500,000,000 to 2,000,000,000, with a par value of €0.01 for each share.

12. EQUITY

C. Issued capital

1. On May 9, 2017 and October 20, 2017, the Company issued 93,000,000 and 75,000,000 new ordinary shares (of €0.01 nominal value each) through a capital increase at a placement price of €4.58 per share and €4 per share, resulting in an issue volume of approximately €426 million and approximately €450 million, respectively.

2. On March 9, 2018, the Company issued 95,000,000 new ordinary shares (of €0.01 nominal value each) through a capital increase at a placement price of €6.38 per share, resulting in an issue volume of approximately €600 million.

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

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

5. In July 2018, the Company issued 3.4 million new ordinary shares in connection with the scrip dividend distributed to the shareholders. See also note 12F.

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

7. During the year, the Company issued 251,354 new ordinary shares in total value of €1.9 million in connection with incentive share-based plan. See note 12(H).

D. Issuance of perpetual notes

In January 2018, the Company successfully placed €400 million (nominal value) of perpetual subordinated notes. These notes were issued at a price of 98.174% of the principal amount, are of unlimited duration and can only be called back by the Company on certain contractually fixed dates or occasions. Up until the first call date in January 2024, the perpetual notes shall bear an annual coupon of 2.125% p.a. In case the Company does not exercise its call right at that point, the coupon rate applied until the next call date (January 2029) shall correspond to the five-year swap rate plus a margin of 200 basis points p.a. The mark-up will increase by 25 basis points as of January 2029 and by another 75 basis points commencing on January 2045.

E. Share premium and other reserves

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

12. EQUITY *(continued)*

F. Resolution of dividend distribution

On June 27, 2018, the shareholders' Annual General Meeting resolved upon the distribution of a dividend in the amount of €0.234 per share from the share premium in accordance with the proposal of the Board of Directors. The Company provided the shareholders with the option to receive their dividend through a "Scrip Dividend", i.e. the shareholders may elect to receive up to 70% of their dividend in the form of the Company's shares, with the remainder paid in cash. Shareholders of 142.7 million shares opted to receive their dividend in the form of new ordinary shares of the Company. Accordingly, 3.4 million new shares were issued. The cash dividend was paid in July 2018 and amounted to €225.7 million.

Based on the results of 2018 and based of its dividend policy the Company is expected to propose to the Annual General Meeting which will take place on June 26, 2019 to distribute dividend of €0.25 per share.

As at December 31, 2018, the Company did not make a provision to this amount nor recognized the proposed dividend amount as a distribution to the shareholders.

G. Legal reserve

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

12. EQUITY

H. Share based payment agreement

a. Description of share-based payment arrangements

On December 31, 2018 and 2017, 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 Aroundtown 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
During 2016 and 2018	1,677	Up to 4 years

b. Reconciliation of outstanding share options

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

	2018	2017
	Number of shares	Number of shares
	in € thousands	
Outstanding on January 1	1,417	1,073
Granted during the year, net (*)	692	517
Exercised during the year (*)	(432)	(173)
Outstanding on December 31	**1,677**	**1,417**

(*) In accordance with the terms and conditions of the incentive share plan, the Company withheld 181 thousand shares equal to the monetary value of the employees' tax obligation from the total number of shares exercised. As a result, only 251 thousand shares were issued to employees across the Group.

13. LOANS AND BORROWINGS, STRAIGHT AND CONVERTIBLE BONDS

13.1 Loans and borrowings composition

	Weighted average interest rate	Maturity date	December 31 2018	December 31 2017
			in € thousands	
Loans from related companies	4.65%	2023	1,204,961	1,195,130
Credit facility from financial institutions	1.53%	2020	69,918	-
Total non-current loans and borrowings			**1,274,879**	**1,195,130**
Current portion of credit facility and loans from related companies	1.53%	2019	238	623

13. LOANS AND BORROWINGS, STRAIGHT AND CONVERTIBLE BONDS

13.2 Straight and convertible bonds composition

Set out below, is an overview of the Company's straight and convertible bonds as at December 31, 2018 and December 31, 2017:

		Currency	Nominal amount in original currency	Nominal amount in euro	Coupon rate (p.a.)	Issuance - Maturity	December 31, 2018	December 31, 2017
			in millions	in € millions	%		in € thousands	
Straight bonds								
Series D	(a)	EUR	281	281	1.5	05/2016-05/2022	272,395	576,422
Series E		EUR	650	650	1.5	07/2016-07/2024	624,793	620,557
Series F		EUR	550	550	2.125	12/2016-03/2023	542,138	540,412
Series H		USD	400	372	1.365 (q) (r)	03/2017-03/2032	329,828	312,762
Series NOK		NOK	750	79	0.818 (q) (r)	07/2017-07/2027	74,100	74,744
Series I		EUR	500	500	1.875	07/2017-01/2026	485,096	483,195
Series J	(h)	GBP	500	557	3.0	10/2017-10/2029	540,504	542,889
Series K		EUR	700	700	1.0	11/2017-01/2025	682,531	679,871
Series L	(b)	USD	150	125	1.75 (r)	02/2018-02/2038	130,153	-
Series M	(c)	CHF	250	213	0.732	01/2018-01/2025	220,916	-
Series N	(d)	EUR	800	800	1.625	01/2018-01/2028	775,401	-
Series O	(e)	EUR	500	500	2.0	05/2018-11/2026	488,982	-
Series P	(f)	AUD	250	158	1.605 (r)	05/2018-05/2025	151,798	-
Series Q	(g)	GBP	400	449	3.25	07/2018-07/2027	432,757	-
Series R	(j)	CAD	250	164	1.7 (r)	09/2018-09/2025	158,455	-
Series S	(i)	EUR	100	100	0.75 + Euribor (6m)	08/2018-08/2023	99,624	-
Series T	(k)	EUR	150	150	2.0 (r)	09/2018-09/2030	149,882	-
Series U	(l)	EUR	75	75	2.97	09/2018-09/2033	73,138	-
Series V	(m)	EUR	50	50	2.7	10/2018-10/2028	49,491	-
Series W	(n)	EUR	76	76	3.25	11/2018-11/2032	74,408	-
Total straight bonds							**6,356,390**	**3,830,852**
Convertible bonds								
Series B	(o) (p)	EUR	-	-	-	fully converted	-	5,818
Series C	(o) (p)	EUR	-	-	-	fully converted	-	287,958
Total convertible bonds							-	**293,776**
Total accrued in terest on straight bonds (s)							81,065	42,008
Total accrued interest on convertible bonds (s)							-	2,074
							81,065	**44,082**

The weighted average interest rate on the outstanding bonds is 1.8%.

13. LOANS AND BORROWINGS, STRAIGHT AND CONVERTIBLE BONDS

(a) During the first quarter of 2018, the Company repurchased €319 million nominal amount of the outstanding Series D Bonds at a purchase price of 103.938% of the nominal amount excluding any accrued interest.

(b) In January 2018, the Company successfully completed the placement of USD 150 million (approximately €125 million) Series L Bonds, maturing in 2038, for a consideration that reflected 100% of the principal amount. The Company hedged the currency risk of the principal amount and coupon with a cross-currency swap; the effective semi–annual euro coupon is 1.75% p.a. for the first 5 years and 1.78% p.a. plus Euribor (6M) for the following 15 years. The bonds were issued under the EMTN Programme.

(c) In January 2018, the Company successfully completed the placement of Swiss Franc (CHF) 250 million (approximately €216 million) Series M Bonds, maturing in 2025 and carrying a 0.732% annual coupon, for a consideration that reflected 100% of the principal amount. The Company hedged the currency risk of the principal amount until maturity. The bonds were issued under the EMTN Programme.

(d) In January 2018, the Company successfully completed the placement of €800 million Series N Bonds, maturing in 2028 and carrying a 1.625% annual coupon, for a consideration that reflected 97.179% of the principal amount. The bonds were issued under the EMTN Programme.

(e) In May 2018, the Company successfully completed the placement of €500 million Series O Bonds, maturing in 2026 and carrying a 2.0% annual coupon, for a consideration that reflected 98.09% of the principal amount. The bonds were issued under the EMTN Programme.

(f) In May 2018, the Company successfully completed the placement of Australian Dollar (AUD) 250 million (approximately €158 million) Series P Bonds, maturing in 2025, for a consideration that reflected 98.98% of the principal amount. The Company hedged the currency risk of the principal amount and coupon with a cross-currency swap; the effective semi–annual euro coupon is 1.6045% p.a. for the first 5 years and 1.244% p.a. plus Euribor (6M) for the following 2 years. The bonds were issued under the Company's Australian debt issuance programme.

(g) In July 2018, the Company successfully completed the placement of GBP 400 million (approximately €449 million) Series Q Bonds, maturing in 2027 and carrying a 3.25% annual coupon, for a consideration that reflected 97.09% of the principal amount. The bonds were issued under the EMTN Programme.

(h) In August 2018, the Company paid €11 million to wind-up the cross-currency swap it had on its Series J Bonds.

(i) In August 2018, the Company successfully completed the placement of a €100 million Schuldschein issuance, referred to as the Series S Bonds, maturing in 2023 and carrying a semi-annual coupon of 0.75% p.a. plus Euribor (6M) floored at zero, for a consideration that reflected 99.8% of the principal amount.

(j) In September 2018, the Company successfully completed the placement of Canadian Dollar (CAD) 250 million (approximately €164 million) Series R Bonds, maturing in 2025, for a consideration that reflected 99.59% of the principal amount. The Company hedged the currency risk of the principal amount and coupin with a cross-currency swap; the effective semi-annual euro coupon is 1.7% p.a. for the first 5 years and 2.72% p.a. plus Euribor (6M) for the following 2 years. The bonds were issued under the EMTN Programme.

(k) During 2018, the Company successfully completed the placement of €150 million Series T Bonds, maturing in 2030, for a consideration that reflected 100% of the principal amount. and carrying an annual coupon linked to the CMS index. The Company hedged the interest rate into a fixed 2.0% annual coupon for the first 5 years, and a semi-annual coupon of 2.27% p.a. plus Euribor (6M) for the following 7 years. The bonds were placed under the EMTN Programme.

(l) In September 2018, the Company successfully completed the placement of €75 million Series U Bonds, maturing in 2033 and carrying a 2.97% annual coupon, for a consideration that reflected 100% of the principal amount. The bonds were issued under the EMTN Programme.

(m) In October 2018, the Company successfully completed the placement of €50 million Series V Bonds, maturing in 2028 and carrying a 2.7% annual coupon, for a consideration that reflected 99.594% of the principal amount. The bond were issued under the EMTN Programme.

(n) In November 2018, the Company successfully completed the placement of €76 million (nominal value) Series W Bonds, maturing in 2032 and carrying a 3.25% annual coupon, for a consideration that reflected 98.351% of the principal amount. The bonds were issued under the EMTN Programme.

(o) During the year, a total amount of €6.0 million nominal value of Series B Bonds and €300.0 million nominal value of Series C Bonds were converted into 1.9 million shares and 56.0 million shares, respectively, as per the terms and conditions of the relevant bonds. Additionally, during the year, €31.5 million nominal value of Series B Bonds held by the Company was sold for its fair value (€61 million) and was then converted into 9.6 million shares.

13. LOANS AND BORROWINGS, STRAIGHT AND CONVERTIBLE BONDS

(p) Due to the dividend distribution which took place in July 2018, the conversion prices relating to the Series B Bonds and the Series C Bonds were adjusted from €3.2746 to €3.1671 and from €5.5148 to €5.3338, respectively, effective July 5, 2018. As at the end of the year both convertible bond series were fully converted into shares.
(q) Coupon and principal are linked to CPI through derivative instruments.
(r) Effective coupon in euro.
(s) Presented as part of the provisions and current liabilities in the statement of financial position.

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

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

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

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

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

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

The Company has also undertaken that on each Reporting Date, the Interest Coverage Ratio will be at least 1.5, 1.8, 1.86 or 2.0 (depending on the relevant series of bond).

The Company's outstanding series of bonds also generally prohibit the Company from issuing additional bonds with the benefit of security interests unless the same security is granted to the Company's outstanding unsecured bonds equally and rateably.

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NOTES TO THE FINANCIAL STATEMENTS
for the year ended December 31, 2018

13. LOANS AND BORROWINGS, STRAIGHT AND CONVERTIBLE BONDS (continued)

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

- The Company will, up to and including the Final Discharge Date, procure that Net Debt shall not exceed: (a) at any time, 55% of the Portfolio Value; and (b) 50% of the Portfolio Value for a period of more than six (6) months.

- The Company will:

  (a) up to and including the Final Security Discharge Date, not pay any dividend unless the Net Assets of the Company are higher than €400,000,000 and provided that any such dividend shall be payable only out of available profits on the basis of audited financial statements of the Company prepared in accordance with IFRS;
  (b) up to and including the Final Discharge Date, not, and will not permit any Subsidiary (excluding any listed Entity) (the "Restricted Subsidiaries") to, directly or indirectly, create or permit to exist or become effective any consensual and encumbrance or restriction on the ability of any of the Restricted Subsidiaries to (a) make or pay dividends or any other distributions on its share capital to the Company or any of the Company's other Restricted Subsidiaries or grant to the Company or any of the Company's Restricted Subsidiaries any other interest or participation in itself; or (b) pay any indebtness owed to the Company or any of the Company's other Restricted Subsidiaries; or
  (c) make loans or advances to the Company or any of the Company's other Restricted Subsidiaries; or
  (d) transfer any of its properties or assets to the Company or any of the Company's other Restricted Subsidiaries.

- up to and including the Final Discharge Date, the Company undertakes that, on each Reporting Date, the Interest Coverage Ratio will be at least 1.86.

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

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NOTES TO THE FINANCIAL STATEMENTS
for the year ended December 31, 2018

13. LOANS AND BORROWINGS, STRAIGHT AND CONVERTIBLE BONDS

13.4 Reconciliation of liabilities arising from financing activities

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

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

(i) Financing cash flows include interest payments and proceeds from (repayment of) financial instruments, net.
(ii) Other non-cash changes include substitution of bonds to the Company (see note 13.4)), discount and issuance cost, amortization for the bonds, unrealized revaluations gain net of derivative financial instruments.
(iii) Other changes include interest accruals and loss from buyback of bonds.

			Non-cash changes				
	31.12.2016	**Financing cash flows (i)**	**Foreign exchange effect**	**Conversion to shares**	**Other (ii)**	**Other changes (iii)**	**31.12.2017**
	In € thousands						
Convertible bonds	682,280	(88,810)	-	(334,463)	45,498	(8,655)	295,850
Straight bonds	37,521	1,176,377	7,660	-	2,648,747	2,555	3,872,860
Loans and borrowings	1,178,306	(39,929)	-	-	57,376	-	1,195,753
Net derivative financial liabilities	-	(1,780)	-	-	11,077	-	9,297

(i) Financing cash flows include interest payments and proceeds from (repayment of) financial instruments, net.
(ii) Other non-cash changes include substitution of bonds to the Company (see note 13.4)), discount and issuance cost, amortization for the bonds, unrealized revaluations gains net of derivative financial instruments.
(iii) Other changes include interest accruals and loss from buyback of bonds.

14. TRADE AND OTHER PAYABLES

	December 31,	
	2018	**2017**
	in € thousands	
Accruals and other creditors	1,492	2,862
Payables to related companies (note 15)	59,931	7,175
	61,423	10,037

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

15. RELATED PARTY TRANSACTIONS

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

	December 31,	
	2018	**2017**
	in € thousands	
Trade receivables from related companies	3,596	12,716
Loans to related companies (*)	126,487	6,877,298
Payable to related companies	59,931	7,175
Loans from related companies (*)	1,228,335	1,195,753

During the year the Company recorded an interest income on loans to related companies in the amount of €152,582 thousand (2017: €111,525 thousand) and an interest expenses on loans from related parties in the amount of €59,433 (2017: €56,404) thousand.

ii. Significant agreements with management

Year ended 31 December, 2018							
	Executive Directors			Independent directors			
	in € thousands						
	Frank Roseen	Oschrie Massatschi	Jelena Afxentiou	Markus Leininger	Markus Kreuter	Dr. Axel Froese	Total
Salary, Directors fee and supplementary payments (*)	300.0	228.6	101.5	60.0	60.0	60.0	810.1
Share incentive program	200.0	254.0	225.3	-	-	-	679.3
Total Remuneration	**500.0**	**482.6**	**326.8**	**60.0**	**60.0**	**60.0**	**1,489.4**

(*) Based on employer costs

(**) On June 27, 2018, Mr. Wallis ceased to be a member of the Board of Directors. until that date Mr. Wallis received remuneration in the amount of €132 thousand and €385 thousand from salary and supplementary payments and from share incentive, respectively.

15. RELATED PARTY TRANSACTIONS

Senior and Key Management

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

Senior Management Compensation

In 2018, Mr. Mayo received a total fixed remuneration of €612 thousand and Mr. Ben David received a total remuneration of €552 thousand of which €401 thousand were form share incentives. From July 1, 2018, and until the end of the year Mr. Wallis received €542 thousand, of which €410 thousand were form share incentives.

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

16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

16.1 Financial Assets

Set out below, is an overview of financial assets, other than investment in subsidiaries, held by the Company as at December 31, 2018 and December 31, 2017:

	December 31,	
	2018	2017
	in € thousands	
Financial assets at amortized cost:		
Cash and cash equivalents	234	164,667
Trade and other receivables	3,827	12,780
Loan receivables	126,487	6,930,003
Financial assets at fair value through profit or loss:		
Financial assets at fair value through profit or loss	46,689	69,178
Derivative financial assets (*)	2,213	33,105
Total	**179,450**	**7,209,733**

(*) excluding derivative financial assets designated as hedging instruments in hedge relationships in the amount of €42,217 thousand (2017: €2,469 thousand).

16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

16.2 Financial liabilities

Set out below, is an overview of financial liabilities, held by the Company as at December 31, 2018 and December 31, 2017:

	December 31,	
	2018	**2017**
	in € thousands	
Financial liabilities at amortized cost:		
Trade and other payables	61,423	10,037
Tax payable	10	10
Straight bonds	6,356,390	3,830,852
Accrued interest on straight bonds	81,065	42,008
Convertible bond	-	293,776
Accrued interest on convertible bonds	-	2,074
Financial liabilities at fair value through profit or loss:		
Derivative financial liabilities (*)	11,319	9,192
Total	**6,510,207**	**4,187,949**

(*) excluding derivative financial liabilities designated as hedging instruments in hedge relationships amounted to €49,704 thousand (2017: €35,679 thousand).

16.3 Risks management objectives and polices

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

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

16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

16.3.1 Market risk

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

16.3.1.1 Interest rate risk

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

As at December 31, 2018, after taking into account the effect of the hedging, the interest profile of the Company's interest-bearing debt was as follows:

	December 31,	
	2018	**2017**
	in € thousands	
Fixed rate	7,550,252	5,022,135
Floating rate	169,542	-
	7,719,794	**5,022,135**

Interest rate sensitivity

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

16.3.1.2 Foreign currency risk

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

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

16.3.1.3 Equity price risk

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

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

16.3.2 Credit risk

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

Trade and other receivables

Customer credit risk is managed by the property managers subject to the Company's established policy, procedures and control relating to customer credit risk management. Outstanding customer receivables are regularly monitored.

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

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

Financial instruments and cash and cash equivalents

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

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

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

16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

16.3.3 Liquidity risk

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

The following are the remaining contractual maturities at the end of the reporting period and at the end of 2017 of financial liabilities, including estimated interest payments, the impact of derivatives and excluding the impact of netting agreements:

As at December 31, 2018

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

(*) including hedging impact.
(**) including tax payable.

As at December 31, 2017

		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						
Non-derivative financial liabilities							
Straight bonds	3,872,860	4,505,244	4,688	44,528	62,093	60,903	4,333,032
Convertible bonds	295,850	322,200	2,250	2,430	4,680	10,590	302,250
Trade and other payables	2,862	2,862	477	2,385	-	-	-
Total	**4,171,572**	**4,830,306**	**7,415**	**49,343**	**66,773**	**71,493**	**4,635,282**

(*) including hedging impact.

16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

16.3.4 Operating Risk

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

16.3.5 Other risks

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

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

16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

16.3.6 Brexit

On June 23, 2016, voters in the United Kingdom voted in a referendum in favor of the United Kingdom leaving the European Union, a decision known as “Brexit”. On March 29, 2017, the United Kingdom submitted a formal departure notice to the European Council pursuant to Article 50(2) of the Treaty on European Union (the EU Treaty) and to the date of writing this report if no change will occur till the of March 29, 2019, the UK is due to leave the European Union.

As many questions relating to Brexit remain open, the outcome of the negotiations regarding the withdrawal of the United Kingdom from the European Union is impossible to predict. Among other consequences, departure from the European Union may result in the United Kingdom no longer having access to the European Single Market. Since the United Kingdom is currently the second largest economy in the European Union, a withdrawal from the European Single Market is expected to have significant negative impacts on the economy of the United Kingdom. If the United Kingdom no longer had access to the European Single Market, the Member States of the European Union would face greater barriers to trade and commerce with the United Kingdom, which may in turn diminish overall economic activity between the European Union and the United Kingdom, resulting in a general economic downturn throughout the United Kingdom, the European Union or both. The Brexit may also give rise to or strengthen tensions in other Member States regarding their membership in the European Union, potentially resulting in additional referendums or other actions in Member States regarding withdrawal from the European Union. The withdrawal of other Member States from the European Union would have unpredictable consequences and may have adverse effects on levels of economic activity in Germany. Therefore, Brexit may have an adverse effect on the Company’s business.

The uncertainty around the timing of Brexit and its economic and other terms cause volatility in the financial markets. Since the Company relies on access to the financial markets in order to refinance its debt liabilities and gain access to new financing, on-going political uncertainty and any worsening of the economic environment may reduce its ability to refinance its existing and future liabilities or gain access to new financing, in each case on favorable terms or at all. Furthermore, the Company’s counterparties, in particular its hedging counterparties, may not be able to fulfil their obligations under their respective agreements due to a lack of liquidity, operational failure, bankruptcy or other reasons.

16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

16.4 Hedging activities and derivatives

16.4.1 Derivative financial instruments

	Note	December 31, 2018	December 31, 2017
		in € thousands	
Derivative financial assets			
Derivatives that are designated and effective as hedging instruments	16.4.2	42,217	2,469
Derivatives that are not designated in hedge accounting relationships		2,213	33,105
		44,340	**35,574**
Derivative financial liabilities			
Derivatives that are designated and effective as hedging instruments	16.4.2	49,704	35,679
Derivatives that are not designated in hedge accounting relationships		11,319	9,192
		61,023	**44,871**

16.4.2 Hedge accounting relationships

16.4.2.1 Cash flow hedges

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.

16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The following tables detail various information regarding cross currency and interest rate swap contracts outstanding at the end of the reporting period and their related hedged items.

	Carrying amount	
	Assets	**Liabilities**
	in € thousands	
Hedging instrument	23,816	46,936

During the year, the Company recognized a loss of € 11,684 thousand in cash flow hedges in the financial statement of comprehensive income.

16.4.2.2 Fair value hedges

The Company used cross-currency swap, interest rate swap and forwards contracts to hedge the exposure to changes in fair value of the Company's Straight bonds which arise from foreign exchange rate risk.

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

The hedge ineffectiveness can arise from:

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

	Carrying amount	
	Assets	**Liabilities**
	in € thousands	
Hedging instrument	18,402	2,769

The forward element of the swap contracts which has been recognized as cost of hedging in the statement of comprehensive income amounted to €2,805 thousand.

16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

16.5 Capital management

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

17. CONTINGENT LIABILITIES

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

18. COMMITMENTS

The Company had no significant commitments as at December 31, 2018.

19. EVENTS AFTER THE REPORTING PERIOD

a) In February 2019, the Company successfully completed the placement of a €100 million (nominal value) Schuldschein series Y, maturing in 2026 and carrying a semi-annual coupon rate of Euribor (6M) floored at zero plus 1.35% p.a., for a consideration that reflected 98.43% of its principal amount.

b) In February 2019, the Company successfully completed the placement of a €125 million (nominal value) Schuldschein series Z, maturing in 2024 and carrying semi-annual coupon rate of Euribor (6M) floored at zero plus 0.90% p.a., for a consideration that reflected 99.02% of its principal amount.

c) In March 2019, the Company successfully completed the placement of a CHF 200 million (nominal value) (€175 million) straight bond series X, maturing in 2026 and carrying 1.72% annual coupon. The Company hedged the currency risk of the principal amount until maturity. The bond was placed under the EMTN Programme.

d) In March 2019, the Company successfully completed the placement of a HKD 430 million (nominal value) (€48 million) straight bond series 27, maturing in 2024. The Company fully hedged the currency risk of the principal amount and coupon with a cross-currency swap; the effective annual euro coupon is 1.62%. The bond was placed under the EMTN Programme.

e) In March 2019, the Company successfully completed the placement of a USD 600 million (nominal value) (€531 million) straight bond series 28, maturing in 2029, for a consideration that reflected 99.22% of the principal amount. The Company fully hedged the currency risk with a cross-currency swap; the effective annual euro coupon is 1.75% for the first 4 years and 2.64% plus Euribor (6M) for the following 6 years. The bond was placed under the EMTN Programme.

19. EVENTS AFTER THE REPORTING PERIOD

f) In March 2019, the Company successfully completed the placement of a NOK 1,735 million (nominal value) (€179 million) straight bond series 29, maturing in 2029. The Company fully hedged the currency risk with a cross-currency swap; the effective annual euro coupon is 1.75% for the first 4 years and 2.52% plus Euribor (6M) for the following 6 years. The bond was placed under the EMTN Programme.