AROUNDTOWN SA

Consolidated Financial Statements

For the year ended December 31, 2019

Content

This is a reduced version of Aroundtown´s 2019 FY report, any page references refer to the full version of the report

Board of Directors' Report

Key Financials

in € millions unless otherwise indicated	**1–12/2019**	change	1–12/2018
Revenue	**894.8**	20%	747.1
Net rental income	**765.7**	21%	633.0
Adjusted EBITDA 1)	**772.7**	28%	606.0
FFO I 1) 2)	**503.4**	24%	405.7
FFO I per share (in €)	**0.43**	10%	0.39
FFO I per share after perpetual notes attribution (in €)	**0.38**	12%	0.34
FFO II	**814.3**	42%	574.6
ICR	**4.8x**	0.1x	4.7x
Profit for the year	**1,709.1**	-6%	1,827.8
EPS (basic) (in €)	**1.12**	-27%	1.54
EPS (diluted) (in €)	**1.11**	-26%	1.49

1) including AT's share in GCP and other joint ventures, net of contributions from commercial assets held for sale
2) excluding minorities

	2019*	change	2018
Dividend per share (in €)	**0.28**	10%	0.2535

* 2019 dividend distribution is subject to the next AGM approval and based on a payout ratio of 65% of FFO I per share

in € millions unless otherwise indicated	**Dec 2019**	Dec 2018	Dec 2017
Total Assets	**25,444.7**	19,040.8	13,770.4
Total Equity	**13,378.9**	9,944.3	7,249.9
Cash and liquid assets 1)	**3,043.8**	1,600.6	848.7
Unencumbered assets ratio 2)	**81%**	72%	71%
Equity Ratio	**53%**	52%	53%
Loan-to-Value	**34%**	35%	36%

1) including cash and liquid assets under held for sale
2) by net rental income

Net Asset Value

in € millions unless otherwise indicated	NAV	EPRA NAV	EPRA NAV including perpetual notes	EPRA NNNAV
Dec 2019	**11,942.8**	**10,633.4**	**13,117.4**	**10,139.3**
Dec 2019 per share (in €)	**9.8**	**8.7**	**10.7**	**8.3**
Per share growth (dividend adjusted)	**+23%**	**+16%**	**+20%**	**+11%**
Per share growth	**+20%**	**+13%**	**+18%**	**+8%**
Dec 2018	9,309.5	8,742.4	10,290.1	8,730.7
Dec 2018 per share (in €)	8.2	7.7	9.1	7.7

The Board of Directors of Aroundtown SA and its investees (the "Company", "Aroundtown" or "AT"), including associates (the "Group"), hereby submits the annual report as of December 31, 2019. The figures presented are based on the consolidated financial statements as of December 31, 2019, unless stated otherwise.

Aroundtown SA is a real estate company with a focus on income generating quality properties with value-add potential in central locations in top tier European cities primarily in Germany and the Netherlands. Aroundtown invests in commercial and residential real estate which benefits from strong fundamentals and growth prospects. The commercial properties are held by Aroundtown and the residential investment is held through a holding in Grand City Properties S.A. ("GCP"). GCP is a publicly traded real estate company that focuses on investing in value-add opportunities predominantly in the German residential real estate market. As of December 2019, the Company's holdings in GCP was 39.4%. In AT's financials, GCP is accounted for as an equity-accounted investee. The Group's unique business model and experienced management team led the Company to grow continuously since 2004.

Financial Position Highlights

in € millions unless otherwise indicated	**Dec 2019**	Dec 2018
Total Assets	**25,444.7**	19,040.8
Investment property	**18,127.0**	14,174.0
Cash and liquid assets [1]	**3,043.8**	1,600.6
Total Equity	**13,378.9**	9,944.3
Straight bonds [2]	**9,138.9**	6,351.6
Loans and borrowings [3]	**889.4**	1,119.9

1) including cash and liquid assets under held for sale
2) including Schuldscheins
3) including loans and borrowings under held for sale

EPRA Performance Measures

in € millions unless otherwise indicated	**2019**	change	2018
EPRA Earnings	475.8	18%	403.2
EPRA Earnings per share (in €)	0.41	8%	0.38
EPRA NAV	10,633.4	22%	8,742.4
EPRA NAV per share (in €)	8.7	13%	7.7
EPRA NAV incl. perpetual notes	13,117.4	27%	10,290.1
EPRA NAV incl. perpetual notes per share (in €)	10.7	18%	9.1
EPRA NNNAV	10,139.3	16%	8,730.7
EPRA NNNAV per share (in €)	8.3	8%	7.7
EPRA Net Initial Yield (NIY)	3.9%	-0.2%	4.1%
EPRA 'Topped-up' NIY	4.0%	-0.1%	4.1%
EPRA Vacancy - Commercial portfolio	7.7%	-1.1%	8.8%
EPRA Vacancy - Group portfolio	7.6%	-0.9%	8.5%
EPRA Cost Ratio (including direct vacancy costs)	17.6%	-2.6%	20.2%
EPRA Cost Ratio (excluding direct vacancy costs)	15.3%	-2.2%	17.5%

Letter from the Board

Dear stakeholders,

We are pleased to present to you our 2019 annual financial and management report with major accomplishments across the entire business spectrum. We continued our growth on all fronts, externally and internally, owing to continuous efforts of our teams and the high confidence of our stakeholders.

In February 2020 we successfully completed the merger with TLG Immobilien AG reflecting a strong positive feedback from the market. Together we are creating the leading Pan-European Office/Hotel/Residential real estate company, with over €30 billion in total assets, which positions us among the top 3 real estate players in Europe. We believe that the merger has a strong synergy potential which will drive FFO & NAV accretion and will support additional growth in the upcoming years. We also introduced an improved governance structure resulting from the merger which we are implementing over the next weeks. We welcome all of TLG's stakeholders and look forward to working together towards a stronger future for both companies.

Over the past several weeks the Covid-19 pandemic has spread across the world, impacting a number of countries in Europe. As the virus gradually started to spread, we put our main emphasis on the safety and well-being of our employees and took necessary precautions to make sure that everyone is safe and secure. The pandemic has impact on our tenants and therefore indirectly impacts the Group. Events such as Covid-19 reaffirms the importance of our diversification strategy and liquidity which will support our business during the current disruption. Over the years, we put great emphasis on amassing a well-diversified quality portfolio, well-located across the strongest countries in Europe; Germany and the Netherlands, well-distributed across various asset classes, and well-diversified into a large tenant base with no dependency on a single industry. 60% of our portfolio is office and residential (through our holding in GCP) which are expected to remain relatively resilient during the current market disruption. 24% of the Group's portfolio consists of 177 hotels, well-distributed in central locations across top tier cities in Europe. The rental agreements are double or triple net, fixed plus CPI linked, to over 30 different strong third-party operators, with an overall WALT of approx. 15 years. These lease agreements have no variable element or links to operational results of the hotels. Our agreements also include set of securities fitting to this sector. The hotel sector is one of the first sectors to be harmed by the almost complete shut down of the market, together with the airline industry. We are still in a process to evaluate the consequences of such shut down on our business, but due to the fact that only 24% of our portfolio is hotel assets, we are confident that the impact on our FFO will not be significant in the mid-term. Nevertheless, we reiterate the importance of our strong business and financial profile with a substantial cash balance. Our average debt maturity is long at 7.2 years with no material repayments in the upcoming years, underlining the importance of our pro-active debt management approach and enabling us to focus on the Company's business. Our current €2.8 billion cash balance (incl. TLG) and our strong cash generating portfolio will provide us with great headroom and financial flexibility. It will also provide us with a firepower to capture attractive acquisition opportunities in the future. The high liquidity, topped with €16.2 billion of unencumbered assets including TLG, speaks further to our high financial flexibility. S&P acknowledged our strong business profile and conservative financial profile and confirmed our "BBB+" rating. We believe that our merger with TLG is credit rating supportive.

On top of the merger, we continued to utilize our strong deal sources and acquired €3 billion of quality properties with value-add potential. These high quality additions enhanced our portfolio's diversification on all fronts: high quality asset types, locations and tenants. In terms of asset types, the majority of our acquisitions were in offices and hotels and with regards to locations, we continue to focus on locations with strong fundamentals. Our office acquisitions were mainly in Munich, Berlin and Frankfurt, which are the top office markets in Germany, and rank among the best in Europe. Our hotel acquisitions spanned across Europe's top destinations. With these strong additions, we have increased our European footprint and continue to be the leading landlord in our markets. Furthermore, we have maintained our strategic investment in German residential real estate with 39% stake in GCP, a high cash flow generating specialist in this asset class. Our strategic holding in GCP supports our investment thesis with further diversification into the strong and resilient German residential real estate market while benefitting from GCP's ability to consistently generate high earnings and cash flow.

We have proven over the years that our portfolio embeds various growth drivers and that our teams are able to identify and execute acquisitions with significant upside potential. We continuously analyze our portfolio to identify upside potential through operational improvements. Our solid performance in transforming potential into strong growth is reflected in high like-for-like rental income growth of 4.2%. €1.2 billion of revaluation gains for the year 2019 testifies to our continuous efforts in value creation. Our portfolio's quality was further improved by our capital recycling initiatives. We disposed €745 million of non-core and mature assets, at a high disposal margin of 72% over total costs, testifying to significant value creation achieved in these properties and increasing our firepower towards attractive acquisition opportunities.

Our strong operational performance and acquisitions resulted in a 24% growth of FFO I reflecting a FFO I per share for the full year of €0.43. Based on our dividend payout policy of 65% of FFO I per share this results in a dividend proposal of €0.28 for the next AGM, a 10% increase from last year's dividend. This reflects a 9.7% FFO I yield and 6.3% dividend yield as of the date of this report. High shareholder value creation was not only prevalent in dividend growth but also in EPRA NAV growth. We have achieved an EPRA NAV of €10.6 billion and €8.7 per share, growing 22% and 13% respectively since 2018. Including dividends the total shareholder return for 2019 was 16%. EPRA NAV including perpetual notes amounted to €13.1 billion and €10.7 per share, growing 27% and 18% respectively.

We had significant growth in our equity base in 2019, fueled by profit generation, value creation and issuances, increasing to €13.4 billion. Apart from two perpetual notes issuances totaling approx. €1 billion, we have also issued €0.6 billion of equity capital at €7.15 per share. In addition, we were included in DAX 50 ESG index in March 2020. We are the highest ESG-ranked real estate constituent and have the 10th highest ESG ranking among all constituents. We were also included in 2019 in S&P Europe 350 Index, and FTSE Eurofirst 300 Index on top of our inclusion in MSCI Index series, MDAX, FTSE EPRA Index series, STOXX 600 and many other indices.

We reinforced our conservative financial profile by benefitting from our best-in-class capital market access. €3.1 billion bond issuances during 2019 not only funded our growth but also allowed for debt optimization activities. Subsequently, we have prepaid €826 million of bonds and loans. Such activities supported us in maintaining a long average debt maturity of 7.2 years and a low average cost of debt of 1.7%. They also allowed us to comfortably spread out our debt obligations over a long-term period with no significant maturities until 2022. Our bond issuances were in 7 different currencies, with currency hedges in place, demonstrating our diverse investor base as well as the strong demand for our instruments. Diversity in issuances allows us to eliminate dependency on a single market/instrument/currency and gives us the flexibility to tap various markets when others are not as favorable. Such diversity and flexibility is facilitated by our EMTN programme. Issuances and disposals also fueled our liquidity position which totaled €3.0 billion, amounting to 12% of our total balance sheet.

We are strongly committed to sustainable business practices. As we aim to create long-term value for all our stakeholders, we have set ourselves high ESG standards and continue to take actions to strengthen our position. We are proud to share with you some of our accomplishments on this front. With regards to environmental matters, we launched a broad Energy Investment Program for the next years. This program aims to invest up to around €200 million in efficient and renewable energy generation and storage systems, charging stations and advanced energy technology. Our purpose is to reduce our environmental footprint, as well as to improve attractiveness of our properties with regards to sustainability and advanced green technology. In the previous year, we entered the German Sustainable Building Council with green building certifications for some of our assets and we aim to align our activities with such sustainable building standards.

Our efforts in ESG matters and transparency were recognized by international institutions. In September 2019, we received the EPRA BPR Gold Award for the third consecutive year for our highest standards of financial reporting. We also received the sBPR Gold Award from EPRA for the second consecutive year for our sBPR reporting initiatives. Additionally, we improved our ranking by Sustainalytics, one of the leading global sustainability rating agencies, which ranked us as Outperformer in the 94th percentile (from 93rd percentile in 2018) globally among 339 peers, received in March 2020. Such awards are the results of our combined efforts throughout the entire organization, guided by our dedicated ESG team. Particularly our high Sustainalytics ranking contributed towards the inclusion in DAX 50 ESG Index.

With regards to social matters, our Aroundtown Foundation is officially recognized as a charitable entity and we aim to allocate funding towards the well-being of our communities. Additionally, our pilot program "Social Days" from 2019, where we provided our employees with opportunities to volunteer in various social responsibility projects, received positive feedback from our communities and employees. Therefore, we are happy to continue this program going forward. We believe that involvement with our local communities and local authorities are vital to establishing long-term partnerships. It is of great importance to the Company to promote diversity and gender equality in the workplace. In this regard, we are happy to be one of the 325 companies globally to be included in Bloomberg's Gender Equality Index. With regards to governance matters, we had strong additions to our Board of Directors and Advisory Board: Ms. Simone Runge-Brandner joined our Board as an independent director, Mr. Ran Laufer joined our Board as a non-executive director and Mr. David Maimon joined our Advisory Board. Our management team will also be strengthened by two members nominated by TLG. Their addition enrichens the wealth of experience of our boards and testifies to our ability to attract experienced professionals. As the merger strengthens our position in the industry, it will render us more appealing towards new talent and professionals.

In our path of becoming a reputable industry leader, we seek ways to reinforce our corporate identity and brand value. Consequently, we became the main sponsor of FC Union Berlin, a Bundesliga football team based in Berlin, for the Season 2019/2020. We have already had long-standing relationship with Union Berlin prior to this sponsorship and we believe that supporting a local team fits with our corporate values. Union Berlin has a strong and supportive community within Berlin and with this support, despite only having been promoted to the Bundesliga this year, they have been exceeding expectations in the league. We are proud of their strong performance.

As we conclude 2019 with major accomplishments across the board, we believe that we have a strong base to confront with the Covid-19 pandemic in 2020. With your trust in us and efforts of our exceptional teams, we will manage to overcome the challenges the current market brings us and find the right opportunities to enable our continuing accretive growth and value creation.

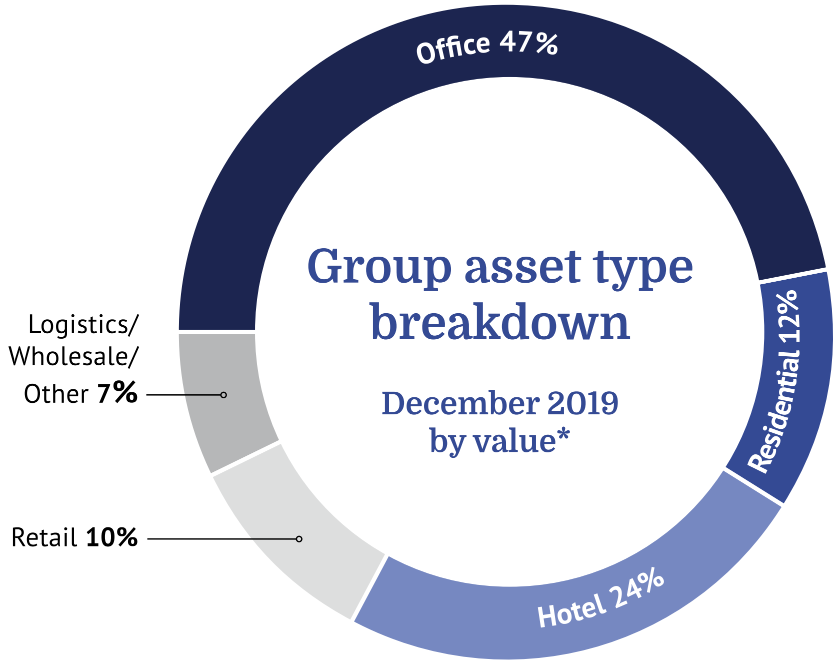
Frank Roseen
Member of the Board of Directors

Oschrie Massatschi
Member of the Board of Directors

Jelena Afxentiou
Member of the Board of Directors

Group portfolio - Pro forma including TLG

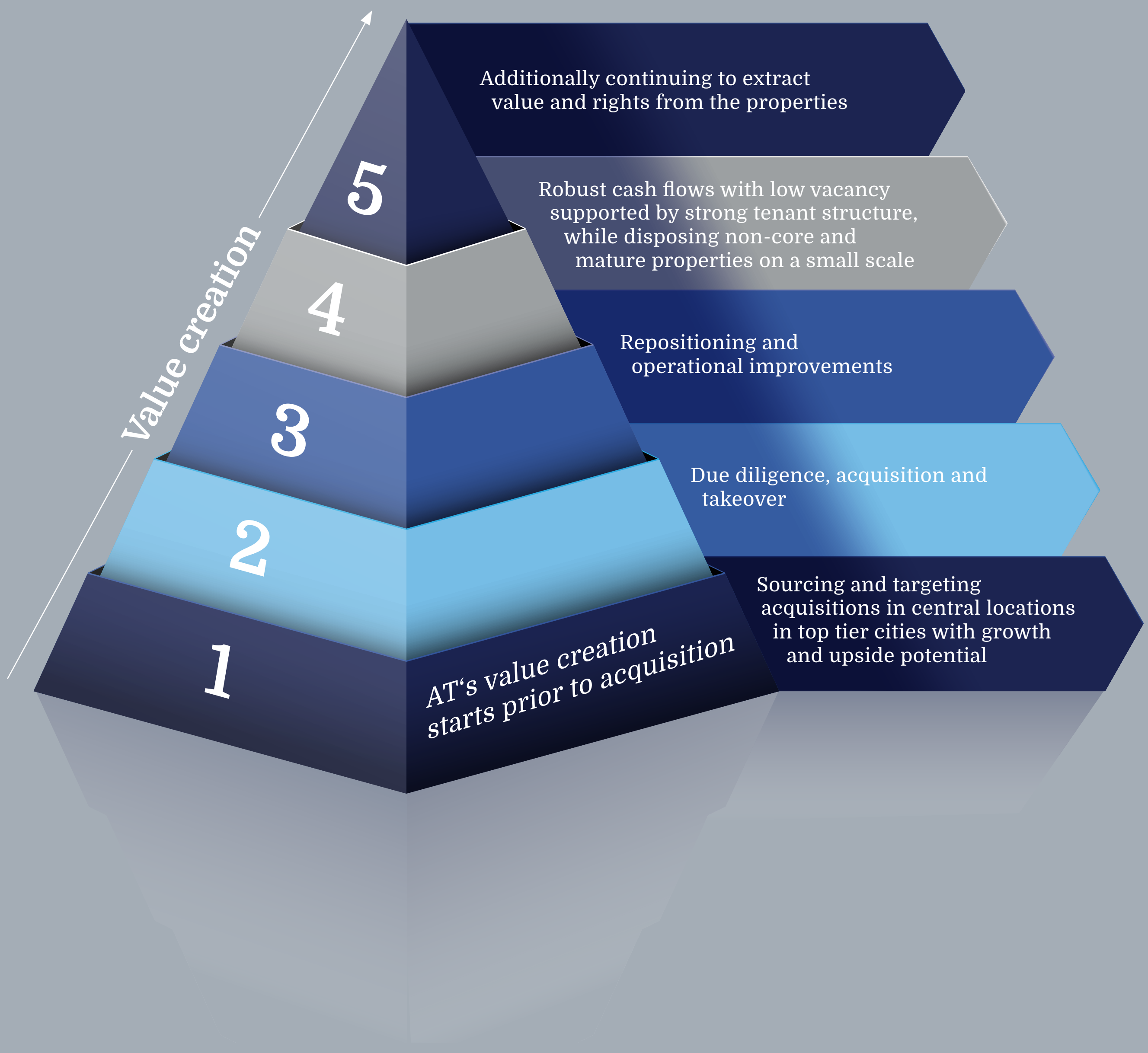
Strong diversification among asset classes with different fundamental drivers



* Pro forma including TLG portfolio and proportion in GCP including land for development & other rights

- As of February 2020, AT successfully completed the TLG merger.
- The combination enhances the Group's scale with total assets of over €30 billion and reinforces the Group's portfolio's strength and diversification.
- The largest asset type is office and together with resilient portfolio of mainly German residential, it makes up around 60% of the Group's portfolio.
- The portfolio is focused on the strongest economies in Europe, Germany and the Netherlands, both AAA rated countries.
- The focus is on central locations in top tier cities with Top 3 cities being Berlin, Munich and Frankfurt.
- Within each asset class, the Group focuses on a very high tenant diversification, as well as industry diversification of its tenants.
- The commercial portfolio has over 4,000 tenants and together with highly granular tenant base of the residential portfolio, the Group has no tenant dependency.
- Each location has different key industries and fundamentals driving the demand. Therefore, the Group's tenants have strong presence in a diverse universe of key sectors, eliminating industry dependency.

Strategy and Business Model



1 Sourcing and targeting acquisitions in central locations in top tier cities with growth and upside potential

Aroundtown's property sourcing success stems from its unique network as well as its reputation as a reliable real estate acquisition partner. The Group focuses on value-add properties in central locations of top tier cities characterized by below market rent levels, inefficient cost or lease structure and/or vacancy reduction potential. With over 16 years of experience in the real estate markets, the Group benefits from a preferred buyer status across its sourcing network. The Group sources deals from a large and diverse deal sourcing base, such as receivers, banks, loan funds, broker networks, distressed owners, private and institutional investors and court auctions. The Group's primary focus is on major cities and metropolitan areas with positive demographic prospects.

The Group follows acquisition criteria which ensure that newly acquired properties align with its business model. These criteria include:

- Acquisition focus on central locations in top tier EU cities
- Value-add potential through operational improvements
- Cash flow generating assets
- Rent level per sqm below market level (under-rented properties)
- Purchase price below replacement cost and below market values
- Potential to reduce the cost per sqm significantly

Due to the experience and knowledge of its board and management, the Group is able to consider all possible uses for properties that it acquires, including altering the property's primary use in order to target specific supply shortages in the market. The Group believes that its business model provides it with a strong and sustainable competitive advantage.

2 Due diligence, acquisition and takeover

After a potential property passes an initial screening, the property is further assessed in order to take into account the specific features of each project while ensuring that the acquisition is in line with the Group's overall business strategy. AT believes that its experience in analyzing properties with value creation potential, and in identifying both the potential risks and the upside potential of each property, results in fast, but thorough and reliable, screening procedures.

During the due diligence phase, the Group's construction team analyses potential capex requirements for the property. These are subsequently priced in the valuation process in order to provide a fair assessment of the property's acquisition cost. A detailed business plan is created for each property in the due diligence phase, including the identification of feasible tenants. Beginning to identify potential tenants prior to acquisition of the property not only decreases operational risk but also accelerates the property's repositioning process.

Due to a thorough cross-organizational process in the due diligence phase, once a property is acquired, the actual takeover occurs swiftly and efficiently. Because liquidity plays a significant role in the acquisition of value-add properties, AT benefits strongly from its solid liquidity position and its ability to acquire properties with existing resources and refinance the acquisition at a later stage. The Group also benefits from a strong and experienced legal department, which, combined with close and longstanding relationships with external law firms, enables AT to complete multiple deals simultaneously.

3 Repositioning and operational improvements

As a specific tailored business plan is constructed for each property, and the weaknesses and strengths are identified pre-acquisition, the execution of the repositioning process becomes smoother and faster. The business plan input is integrated into AT's proprietary IT/software platform which enables the management to monitor all operational and financial parameters and fully control the repositioning progress. The success of the repositioning of the properties is the result of the following functions:

Operational and marketing initiatives

The initial repositioning activities aim at minimizing the time until the profitability of the acquired properties is improved. Targeted marketing activities are implemented to increase occupancy and thereby rental income. Vacancy reduction initiatives are tailored to the specific property type. Procedures applied to AT's commercial properties include establishing a network of internal and external, as well as local and nationwide letting brokers, offering promotional features and building a reputation in the market for high service standards. For the Group's hotel assets, optimal operators are selected and a fixed long-term lease contract is entered into once the hotel is repositioned. Initiatives for the Group's residential properties target relationship building with potential tenants and the local community by collaborating with local municipalities, supporting community initiatives and advertising on key real estate platforms.

Rent increase and tenant restructuring, assessed during the due diligence process, are executed according to the property's business plan. Furthermore, the operational improvements the Group initiates improve the living quality or business environment for existing and future tenants, resulting in increased demand for these repositioned assets.

Having identified areas for operational improvements, the Group drills down on cost saving opportunities on a per unit basis, making use of modern technologies such as consumption-based meters. These efforts, combined with cost savings achieved through vacancy reductions and economies of scale, enable the Company to benefit from a significant improvement of the cost base and therefore higher profitability.

AT manages its entire real estate value chain across acquisition, letting, upkeep and refurbishment. This integrated approach brings further efficiency benefits, a preferred landlord status and fast response times to its tenants.

Smart capex investments when required

AT addresses capex needs to keep the properties' high standards and addresses the requirements of its existing and prospective tenants. Capital improvements are discussed in close coordination with committed tenants, allowing an efficient and cost effective implementation of the investments. The carried out investments are followed up by AT's experienced construction team.

The financial feasibility of the proposed alterations is balanced against the lease term, rental income and property acquisition cost and bears quick returns over the investment period.

Relationship management

Aroundtown puts great emphasis on establishing strong relationships with its tenants to reduce churn rates, to predict as well as strengthen the tenant structure and thereby positively affect its cash flows in the future. The Company aims to offer high quality services for both potential and existing tenants. The Group pays great attention to the industry in which its commercial tenants operate and to their individual success factors. The Group also offers direct support to its tenants through add-on facilities at its rental properties such as space extensions to facilitate growth and smart space redesign to match modern office layouts. For its residential tenant base, GCP supports its tenants through a TÜV- and ISO 9001:2015-certified Service Center with 24/7 availability via various channels. Further, the Group aims to establish personal relationships between its tenants and its asset and property managers, providing them with personal contact points, which allows the Group to react promptly to problems and proactively prolonging existing contracts in order to optimize and secure long-term revenues.

4 Robust cash flows with low vacancy supported by strong tenant structure

Secure cash flows are continuously strengthened by ongoing cost controls and profitability improvements. Given vacancy and rents below market rents, AT's portfolio exhibits further strong and lasting growth after the implementation of initial repositioning activities. In line with the Group's primarily buy and hold strategy, with a strong focus on creating a long-term stream of secure cash flows, this continuous internal growth ensures that AT can continue to grow organically without relying on further acquisitions.

Capital recycling by selling non-core and mature assets

While AT's main focus is on extracting the potential of its portfolio, the Company also pursues an accretive capital recycling of non-core or mature properties on an opportunistic basis. AT continuously analyzes its portfolio in terms of upside potential to lift and focuses its resources on properties with higher upside. AT seeks to dispose properties where most of the potential has been lifted or which are not in the core locations of AT. The disposal of such properties enables capital recycling and provides firepower to pursue new accretive acquisitions with high upside potential on one hand, and increases the quality of the portfolio on the other. AT believes that it will continue to recycle a limited amount of properties in the future.

5 Extracting unused or underutilized building rights from existing and new land & buildings

As part of the value creation process, Aroundtown identifies and extracts unused or underutilized building rights from existing and new land and buildings, providing additional internal growth. AT assesses internally the best use for the rights and advances on to maintain the discussion with authorities, engineers and architects in order to realize plans into permits. Once the planning and permit phases are completed, Aroundtown analyzes each project individually and decides the best way to realize the value into proceeds. This is either through materializing these building rights into actual sellable permits or proceeding to transform the rights into actual development. Aroundtown does not intend to fully build and develop all of the rights, and estimates that part of the rights will be disposed at high gains. In certain assets, Aroundtown considers development of the rights where Aroundtown believes to have low risk and such projects enable the Company to unlock further potential through pre-let long-term agreements with strong tenants.

Experienced board and management

AT's board and management can draw on a wealth of experience in the real estate market and associated sectors. This enables the Group to continuously innovate, make strategic decisions quickly and accurately, and successfully grow. The Company's remarkable growth in recent years has created two key benefits in this regard: on one hand, the ability to attract managers and employees that redefine the industry, and on the other hand the internalization of a knowledge and experience pool at a fraction of the cost in relation to its portfolio.

This knowledge is communicated and utilized across the Company and its business units which shapes its processes and operational improvements, such as automated cost saving measures and automated rent increase processes.

AT's management possesses the knowledge that makes up its main competitive advantage, the ability to extract the operational and value potential from its assets. This includes the ability to execute the business plan successfully, which includes executing vacancy reduction activities, establishing cost efficiency measures, setting rent increase processes, understanding tenant structures and optimizing rental contracts in terms of lease maturity and income security. Cross-sector experience enables the extraction of the full value of the properties and operational experience improves the monitoring and reduction of costs.

Deal sourcing and the ability to create accretive growth

The Group's acquisition track record over the past 16 years has led it to become a market leader and have a preferred acquirer status, primarily due to its professional approach, fast and high execution rates, and reliability.

The Group has a proven track record of acquiring properties with various value-add drivers and successfully extracting the upside potential. This activity is accompanied by a continuous pipeline and acquisition of attractive properties and the successful transition of the existing properties into mature assets, generating secure long-term cash flows.

Quality locations in top tier cities

Aroundtown's assets are primarily located in two of Europe's strongest economies with AAA sovereign ratings: Germany and the Netherlands. Within these countries, the Company mainly focuses on central locations in top tier cities including Germany's capital, Berlin, the financial center Frankfurt, the wealthiest cities Hamburg and Munich, the large metropolitan area of North Rhine-Westphalia, as well as the Netherlands' financial center and capital Amsterdam and Europe's biggest port, Rotterdam. Aroundtown's assets are further diversified into other top cities with strong economic fundamentals, such as Europe's largest financial center and most popular touristic destination, London.

Proprietary IT/software platform

Aroundtown emphasizes the internalization of relevant skills to support innovation and improve processes. Its operations and growth are supported by scalable proprietary IT/software systems, enabling efficient monitoring and implementation of value-add measures. The platform constantly monitors vacancy and rents across AT's portfolio, ensuring yields are optimized and a strict cost discipline is implemented.

Conservative financing structure

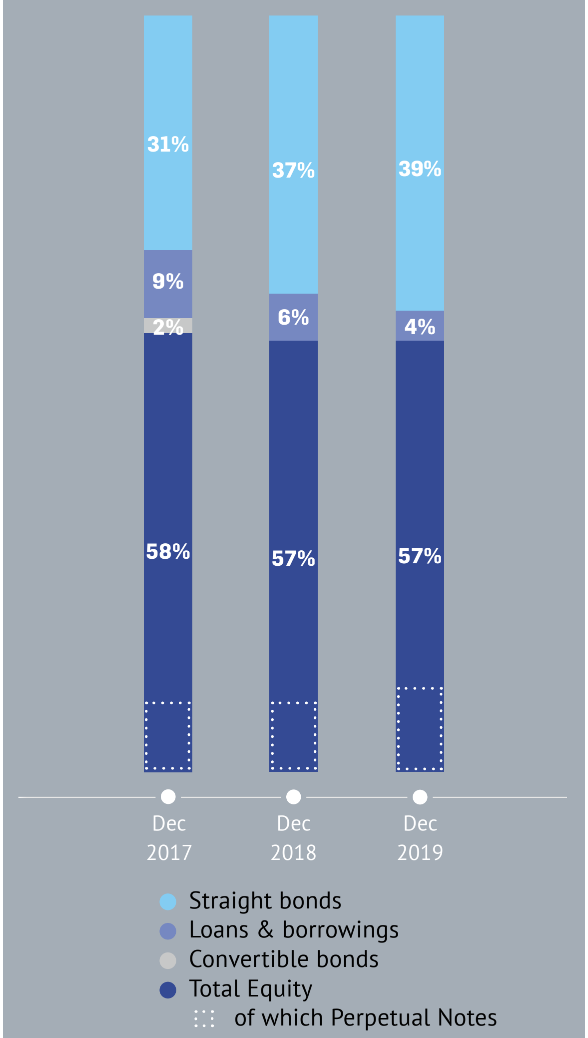
AT's conservative capital structure approach is reflected in a low LTV of 34% as of December 31, 2019, well below the limit of 45% established by the Board of Directors. Aroundtown's management views the conservative debt metrics as vital to secure long-term financial strength and implements policies to keep financing costs low and the share of unencumbered assets high. The low leverage of the Group enables further external growth, while still maintaining a conservative capital structure. This conservative capital structure stems from AT's diversified financing sources with long debt maturities.

Financial policy

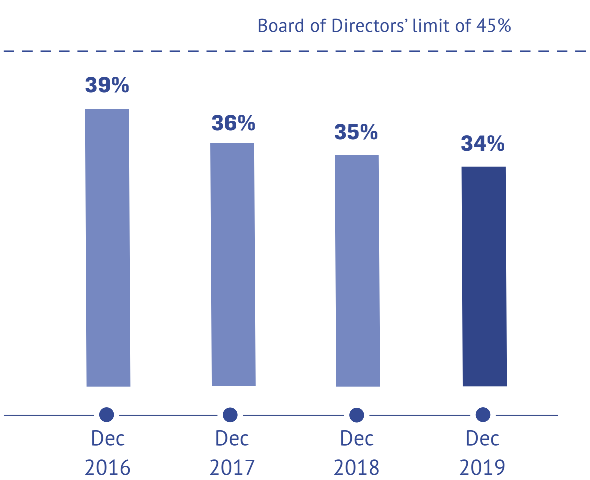
Aroundtown has set a financial policy to improve its capital structure further:

- **Strive to achieve A global rating in the long-term**
- LTV limit at 45%
- Debt to debt-plus-equity ratio at 45% (or lower) on a sustainable basis
- Maintaining conservative financial ratios with a strong ICR
- Unencumbered assets above 50% of total assets
- Long debt maturity profile
- Good mix of long-term unsecured bonds & non-recourse bank loans
- Dividend distribution of 65% of FFO I per share

Financing sources mix

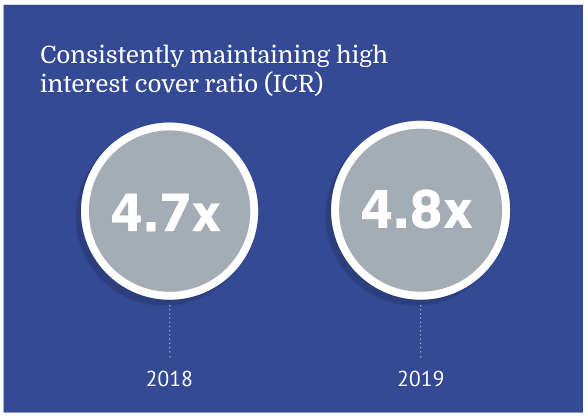


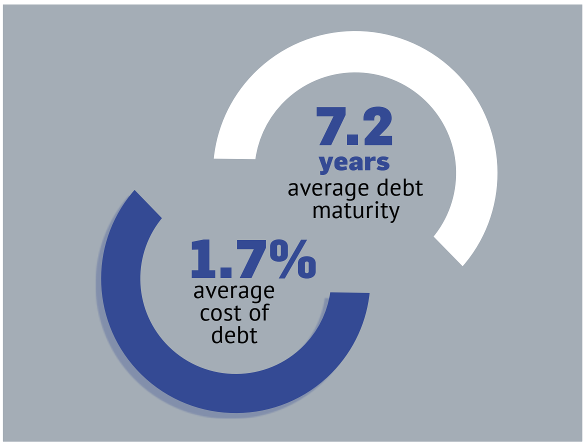
Loan-to-Value



In addition to its conservative capital structure and vast experience in accessing capital markets that enables AT to finance its future growth, the Company maintains a robust liquidity position through a mix of operational cash generation and balance of cash and liquid assets which as of December 31, 2019 amounted to €3.0 billion. Additionally, the high ratio of unencumbered assets of 81% (€14.2 billion in total value) as of December 31, 2019 provides for additional financial flexibility.

all figures above exclude TLG (€16.2 billion unencumbered assets including TLG)





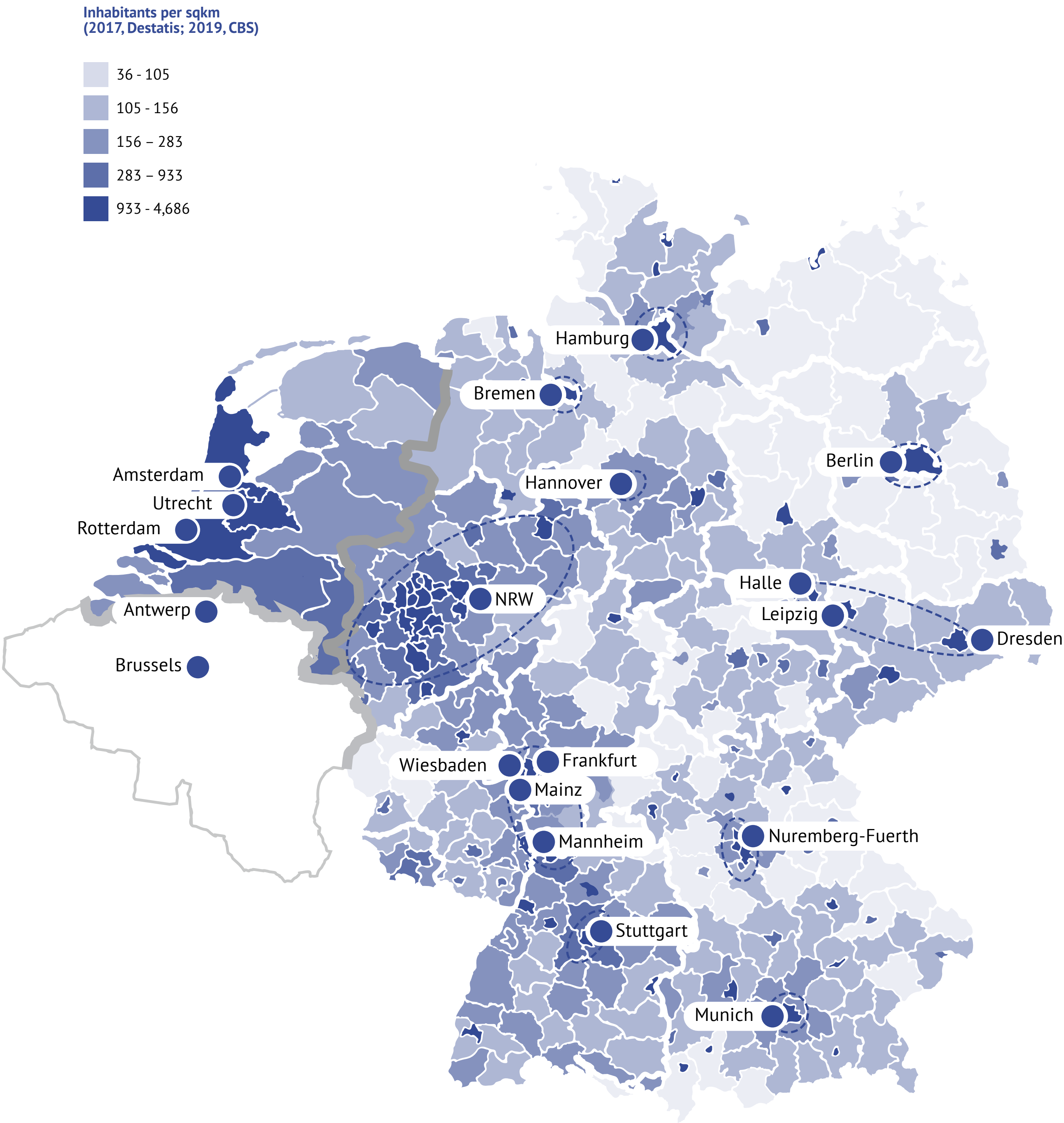
Investment grade credit rating

AT has a 'BBB+' rating by Standard & Poor's ratings services ("S&P"). S&P acknowledges AT's strong business profile and large portfolio with great scale and diversification, well balanced across multiple asset types and regions with no dependency on a single asset type or region, together with a large and diverse tenant base and long lease structures. Since the initial credit rating of 'BBB-' received from S&P in December 2015, AT's rating was upgraded twice to the 'BBB+' rating. **Aroundtown continues to strive to achieve its long-term target rating of A.**

Aroundtown's Quality Portfolio

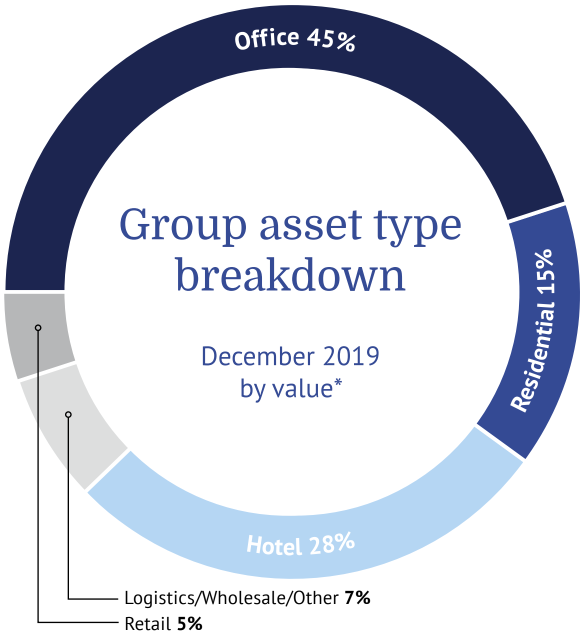
Group Portfolio Overview

Population density in Germany and the Netherlands



Group Portfolio – Top Tier Cities

The Group owns a diverse portfolio of quality assets which focuses on central locations in top tier European cities with strong demographics and favorable economic fundamentals. The Group's portfolio is spread over different asset classes, mainly offices, residential and hotels, and is located in quality locations which benefit from strong demographic and economic fundamentals, such as Berlin, Munich, Frankfurt, Hamburg, Düsseldorf, Cologne, London and Amsterdam. Within these regions the Group focuses on assets with favorable micro-locations and various demand drivers. The largest asset type is office, which together with resilient residential portfolio, makes up 60% of the Group's portfolio.

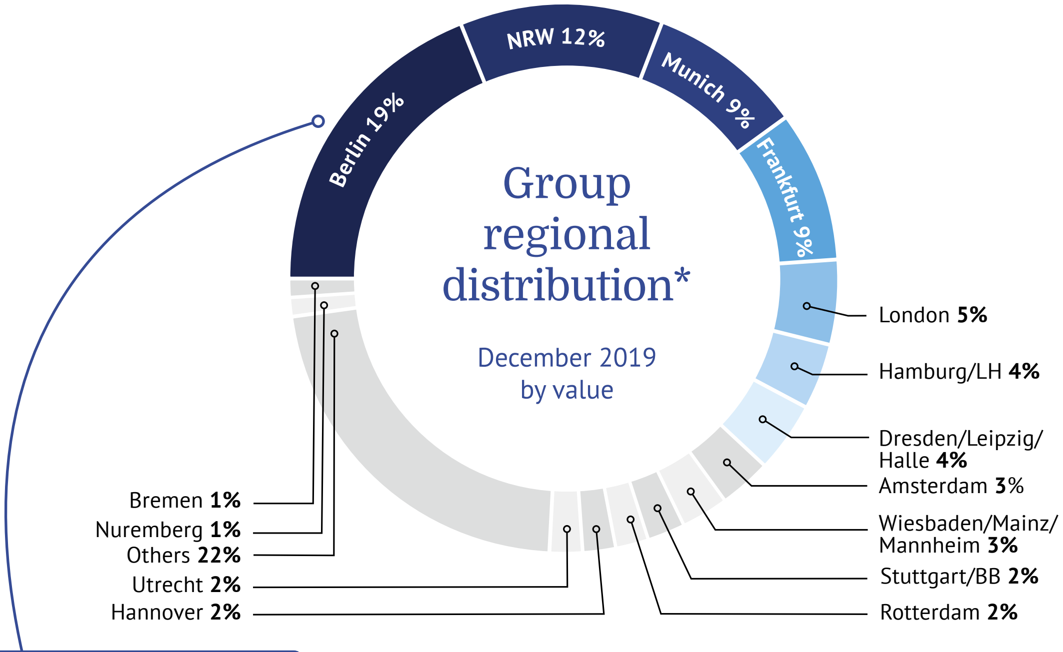


* including proportion in GCP, land for development & other rights and excluding TLG

The commercial portfolio is diversified over several different asset types including office, hotel, logistics, wholesale, retail and other covering a total of 7.0 million sqm as of December 2019. As of December 2019 and excluding assets held for sale, AT's commercial portfolio with a value of €18.1 billion operates at an in-place rent of 10.3 €/sqm and an EPRA vacancy of 7.7%. The commercial portfolio generates as of December 2019 an annualized net rental income of €823 million and includes a strong growth potential through rent and occupancy increases as well as cost efficiency improvements. Furthermore, AT's portfolio has a strong geographical and asset type diversification. Further supporting the portfolio's diversification, AT has a limited dependency on single tenants due to a large tenant base with over 3,000 tenants spread across a wide range of sustainable market sectors which further reduces cluster risk. The long portfolio WALT of 8.6 years offers long-term cash flow stability and security. The management believes that its business platform benefits from its skilled personnel, experience and track record, and reliable practices that enable the Company to perform strongly and to further expand in the commercial property market. In addition, the management is extracting new building rights from existing and new land and buildings, contributing to the value creation process. The Company also believes that the business environment will provide abundant acquisition opportunities in the attractive markets it targets, to support its external growth strategy in the medium to long term. An active deal pipeline and favorable market conditions provide for continued opportunities for accretive external growth.

The residential portfolio is concentrated in densely populated metropolitan areas, primarily located in German cities and urban centers. The residential portfolio, covering 4.9 million sqm with a value of €8.0 billion operates at an in-place rent of 6.8 €/sqm and an EPRA vacancy of 6.7% as of December 2019. The residential portfolio generates an annualized net rental income of €368 million and includes strong value-add potential. The portfolio is diversified with distinct economic drivers: NRW being largest population and industrial center of Germany, Berlin being capital city of Germany and a European Start-up hub, Dresden/Leipzig/Halle being a dynamic technology hub with robust demographic fundamentals and London being a global financial center with solid service sector attracting quality tenants.

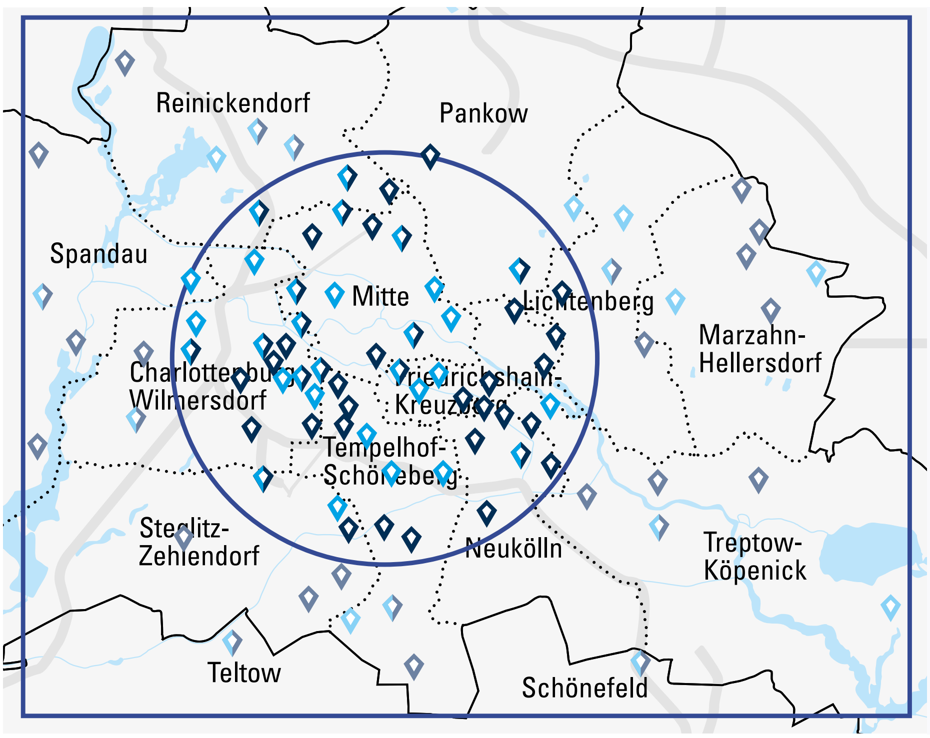
High Geographical Diversification



Central locations within top tier cities: A Berlin example

* including proportion in GCP, land for development & other rights and excluding TLG

Best-in-class Berlin portfolio



- **90%** of the commercial portfolio is located in top tier neighborhoods including Charlottenburg, Wilmersdorf, Mitte, Kreuzberg, Friedrichshain, Lichtenberg, Schöneberg, Neukölln, Steglitz and Potsdam
- **10%** of the commercial portfolio is well located primarily in Reinickendorf, Spandau, Treptow, Köpenick and Marzahn-Hellersdorf

Commercial properties

Residential properties

*Map representing approx. 95% of the portfolio and 99% including central Potsdam , excluding TLG

Asset type overview - Commercial portfolio

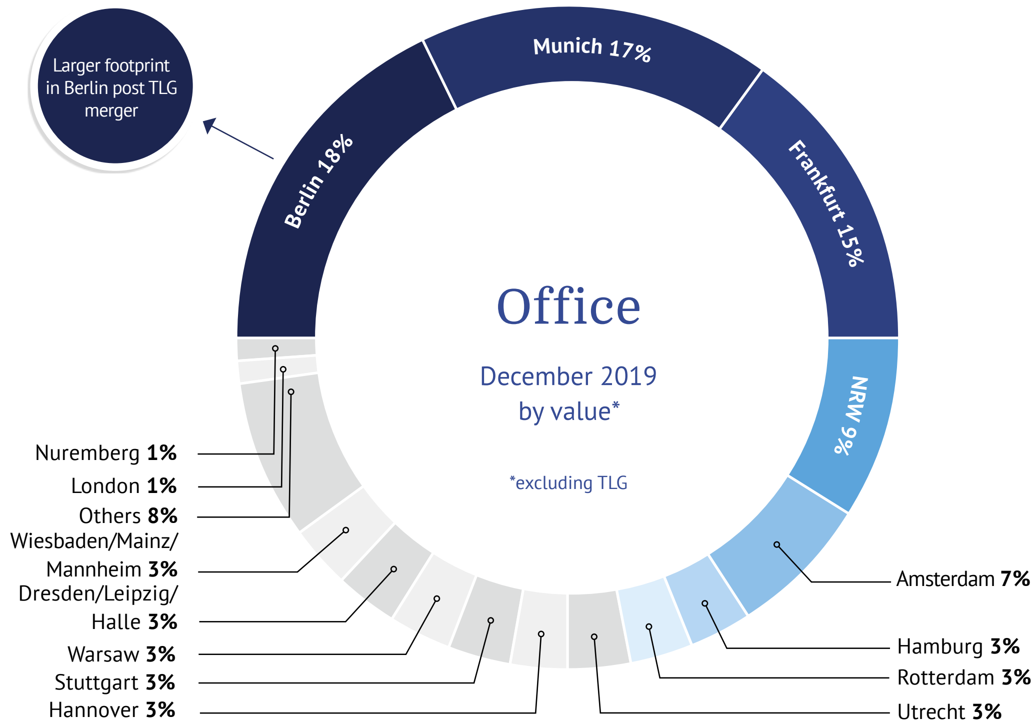
DECEMBER 2019	Investment properties (in €M)	Area (in k sqm)	EPRA vacancy	Annualized net rent (in €M)	In-place rent per sqm (in €)	Value per sqm (in €)	Rental yield	WALT (in years)
Office	8,675	3,307	11.0%	389	10.4	2,624	4.5%	4.4
Hotel	5,949	1,848	3.7%	311	14.4	3,219	5.2%	15.0
Logistics/Wholesale/Other	1,311	1,401	5.5%	73	4.6	935	5.6%	6.1
Retail	1,015	410	9.1%	50	10.3	2,472	4.9%	5.8
Land for development & other rights	1,177							
Total	**18,127**	**6,966**	**7.7%**	**823**	**10.3**	**2,433**	**4.9%**	**8.6**

Regional overview - Commercial portfolio

DECEMBER 2019	Investment properties (in €M)	Area (in k sqm)	EPRA vacancy	Annualized net rent (in €M)	In-place rent per sqm (in €)	Value per sqm (in €)	Rental yield
Berlin	2,874	850	5.8%	109	11.3	3,382	3.8%
NRW	1,909	1,133	7.4%	104	7.7	1,685	5.4%
Munich	1,753	610	9.7%	57	7.9	2,876	3.2%
Frankfurt	1,410	462	19.5%	50	10.8	3,048	3.6%
Amsterdam	740	192	4.2%	34	14.3	3,851	4.6%
London	647	88	7.3%	28	29.6	7,315	4.3%
Hamburg/LH	568	284	3.7%	32	9.4	1,999	5.6%
Dresden/Leipzig/Halle	482	242	6.6%	27	9.9	1,994	5.6%
Wiesbaden/Mainz/Mannheim	437	189	5.7%	26	11.7	2,310	6.0%
Hannover	414	275	10.5%	24	8.3	1,506	5.8%
Stuttgart/BB	374	162	3.7%	21	11.1	2,311	5.7%
Utrecht	326	123	10.3%	17	11.0	2,652	5.1%
Rotterdam	322	132	4.2%	22	13.3	2,439	6.8%
Other	4,694	2,224	7.1%	272	10.8	2,111	5.8%
Land for development & other rights	1,177						
Total	**18,127**	**6,966**	**7.7%**	**823**	**10.3**	**2,433**	**4.9%**

WALT
8.6
YEARS

High Quality Offices In Top Tier Cities



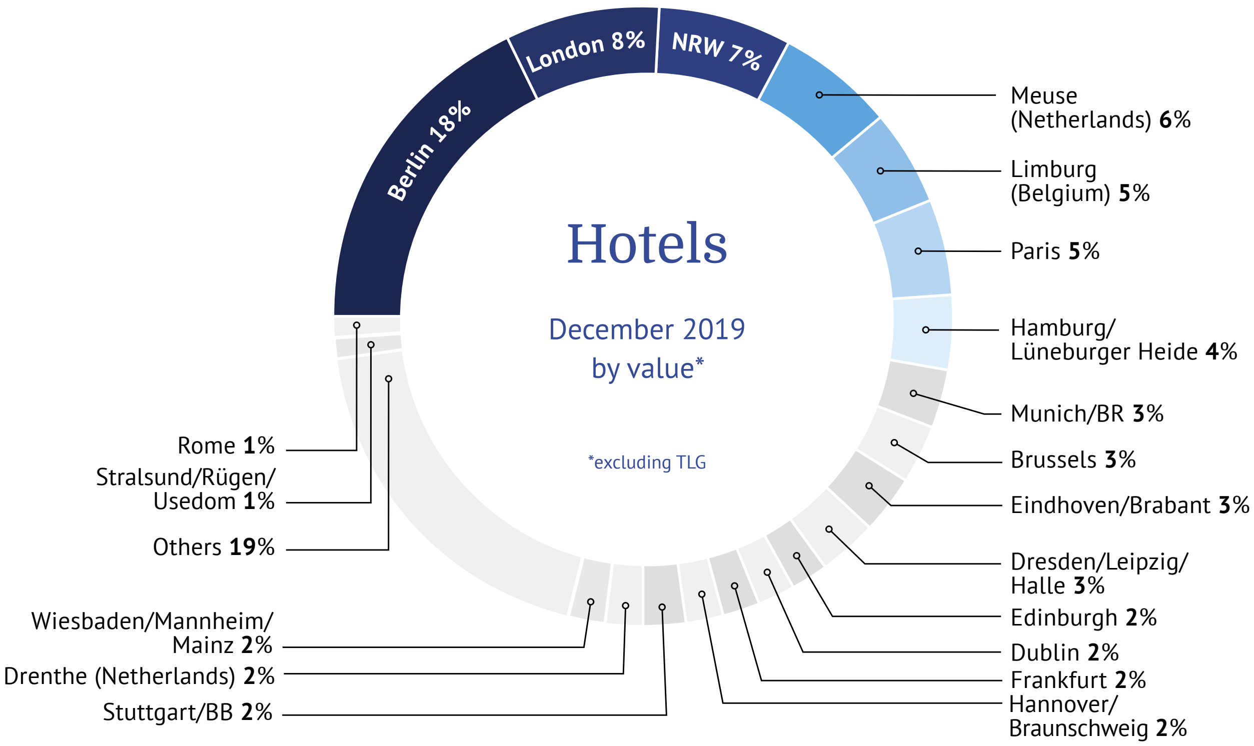
Aroundown's office assets are well-diversified and well-located across top tier cities in Europe with a focus on Germany and the Netherlands, two of the strongest and most stable economies in Europe.

Top 5 office locations	Key Industries driving the business demand			
BERLIN	Capital	Start-up, Fintech, IT	Healthcare	Biotech
MUNICH	Insurance & Finance	Advanced manufacturing	ICT	Media
FRANKFURT	Finance	Chemicals/pharma	Aviation	Exhibition & trade fair
AMSTERDAM	ICT	Finance & trade	Start-up, Fintech, Agtech	Infrastructure & transportation
HAMBURG	Maritime	Logistics	Aviation	Biotech

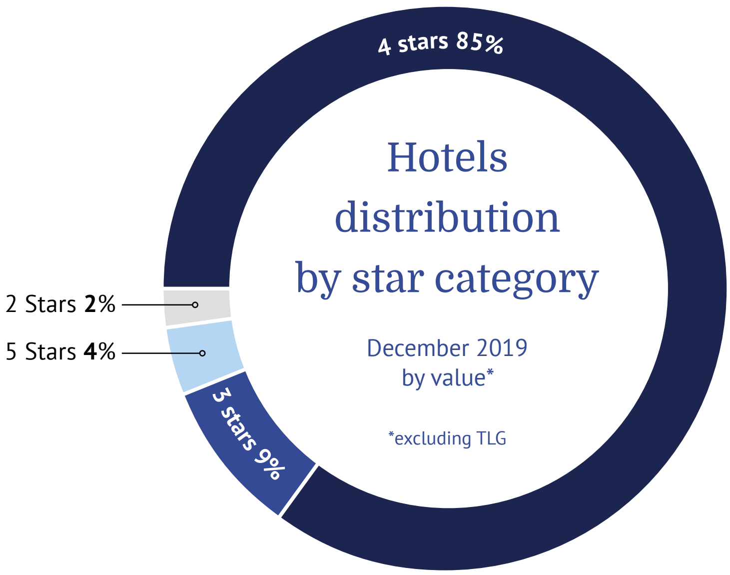
On top of geographical diversification, different macroeconomic characteristics of each location provide AT with an additional layer of diversification in terms of industry exposure

High Quality Hotels in Prime Locations

169 hotels across top locations with fixed long term leases with third party hotel operator



AT's hotel portfolio, valued at €5.9 billion as of December 2019, is well diversified and covers a total of approx. 1.8m sqm. The largest share of the hotel portfolio is 4-star hotels with 85%, catching the largest market share from tourism and business travel. The hotels are branded under a range of globally leading branding partners which offer key advantages such as worldwide reservation systems, global recognition, strong loyalty programs, quality perception and benefits from economies of scale. Furthermore, Aroundtown has long-term fixed leases with third-party hotel operators, providing stable cash flows.



The hotel assets are let to hotel operators which are selected according to their capabilities, track record and experience. AT's management participates in the branding decision of the hotel, applying its expertise in selecting the optimal brand. An integral component of the business plan is a long-term fixed rental lease, which increases the cash flow stability. AT maintains close relations with the operators and monitors their performance on an ongoing basis, making use of its tailor-made IT/software system.

Large European Footprint

Fixed long term leases with third party hotel operators

Aroundtown's hotel assets are well-diversified and well-located across major European metropolitans, with a focus on Germany. The locations of AT's hotels benefit from a strong tourism industry since they are some of Europe's most visited cities as well as top business locations such as Berlin, Frankfurt, Munich, Cologne, Paris, Rome, Brussels, London, Vienna, Edinburgh and Dublin.

Hotels Leased and Franchised with various strong brands and a large scale of categories which provides high flexibility for the branding of its assets

Hilton Group

Marriott Group

Wyndham Brands

IHG Brands

Accor Group

Radisson Brands

Residential Portfolio

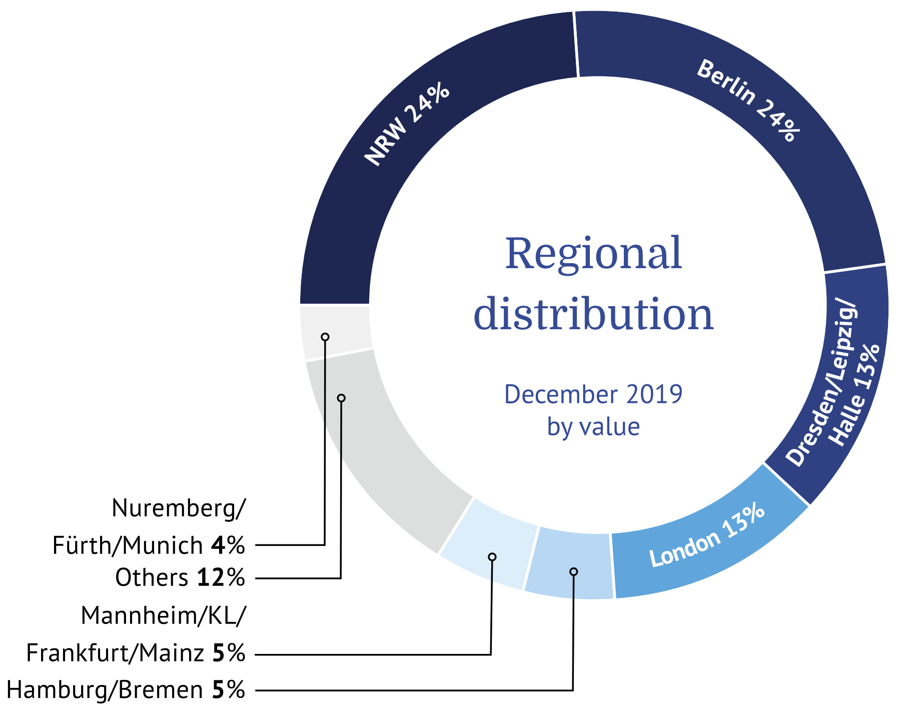
(Grand City Properties)

The residential portfolio is mainly held through a 39% stake in Grand City Properties ("GCP"), a leading market player in the German residential market and a specialist in value-add opportunities in densely populated areas predominantly in Germany. AT is the largest shareholder in GCP, with the remaining 61% widely distributed and held mainly by many international leading institutional investors. For an additional increase of AT's position in the residential real estate, AT holds minority positions in several subsidiaries of GCP. As of December 2019, GCP holds 77k units in its portfolio with the properties spread across densely populated areas in Germany, with a focus on North Rhine-Westphalia, Berlin and the metropolitan regions of Dresden, Leipzig and Halle as well as London. GCP puts strong emphasis on growing relevant skills in-house to improve responsiveness and generate innovation across processes and departments. Through its 24/7 Service Center and by supporting local community initiatives, GCP established industry-leading service standards and lasting relationships with its tenants. The table below represents GCP at 100%.

Regional overview

DECEMBER 2019	Value (in €M)	Area (in k sqm)	EPRA vacancy	Annualized net rent (in €M)	In-place rent per sqm (in €)	Number of units	Value per sqm (in €)	Rental yield
NRW	1,883	1,649	7.9%	107	5.8	24,410	1,142	5.7%
Berlin	1,678	558	5.0%	53	8.3	7,580	3,008	3.2%
Dresden/Leipzig/Halle	1,018	925	9.0%	53	5.3	15,921	1,100	5.2%
Mannheim/KL/Frankfurt/Mainz	384	225	4.1%	20	7.5	3,788	1,705	5.1%
Nuremberg/Fürth/Munich	307	117	2.9%	13	9.4	1,802	2,632	4.3%
Hamburg/Bremen	375	297	4.4%	21	6.1	4,265	1,263	5.5%
London	907	109	4.0%	40	31.9	2,134	8,349	4.4%
Others	959	989	7.7%	61	5.9	16,746	969	6.4%
Development rights and new buildings*	461							
Total	**7,972**	**4,869**	**6.7%**	**368**	**6.8**	**76,646**	**1,543**	**4.9%**

*of which pre-marketed buildings in London amount to €160 million



Residential Portfolio

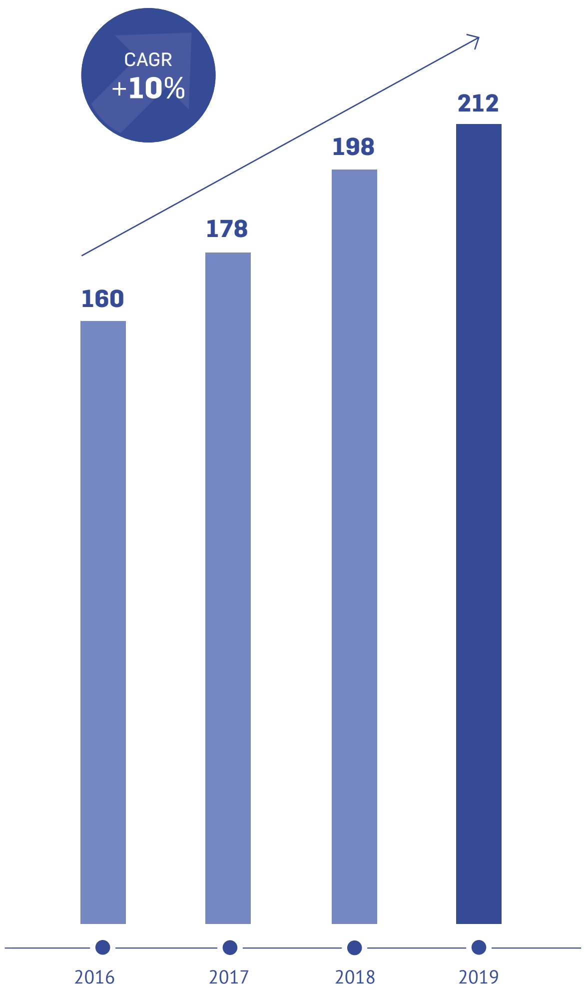
(Grand City Properties)

Grand City Properties generated net rental income of €383 million and bottom line FFO I of €212 million as of 2019. The current portfolio has an in-place rent of 6.8 €/sqm at an EPRA vacancy rate of 6.7%.

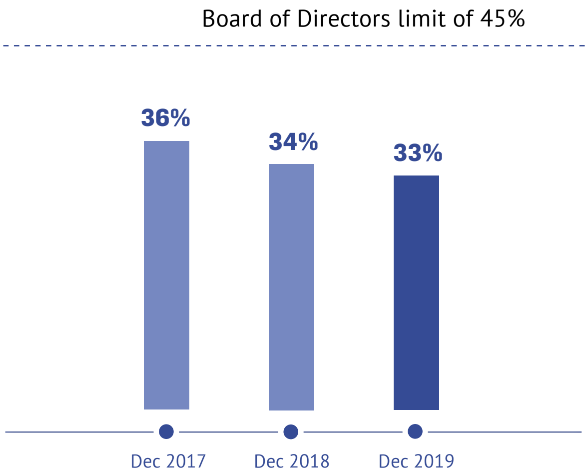
GCP's success is mirrored in its strong performance in the debt and capital markets. GCP is included in the MDAX index of the Deutsche Börse, the FTSE EPRA/NAREIT index series family, GPR 250 and DIMAX, as well as the STOXX Europe 600 and the MSCI index family. GCP has a dividend policy to distribute 65% of its FFO I per share.

GCP follows a conservative financial approach with low leverage and a diversified capital structure, with a long weighted average debt maturity of 8 years and an average cost of debt of 1.3%. GCP carries two investment-grade credit ratings: BBB+ from Standard & Poor's rating services (S&P) and Baa1 from Moody's investors service (Moody's) – and as part of its strategy aims to achieve an A- rating in the long-term. GCP has a market cap of €3.6 billion as of December 31, 2019.

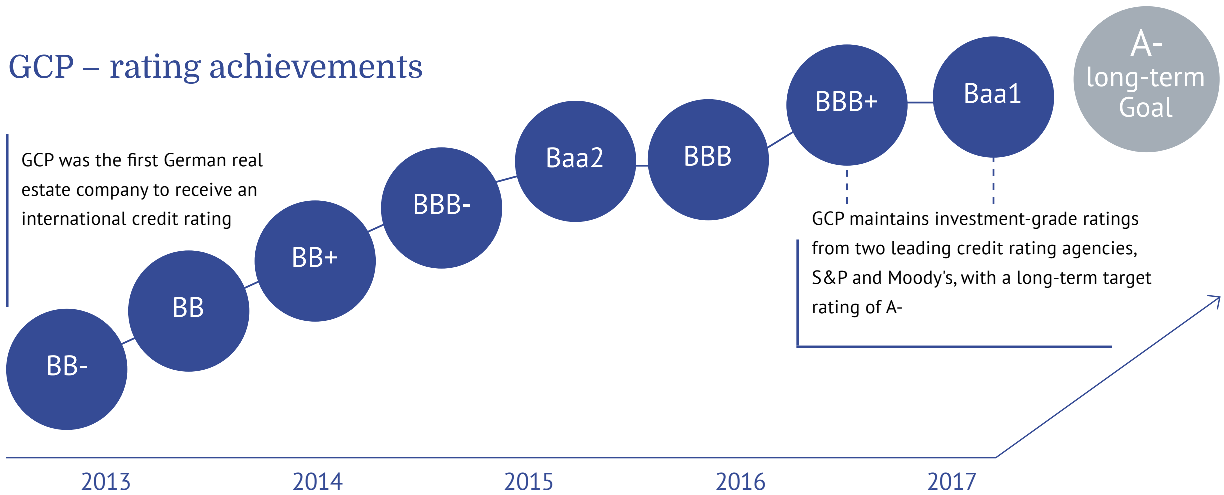
GCP – consistently growing FFO (in € millions)



GCP – conservative Loan-to-Value



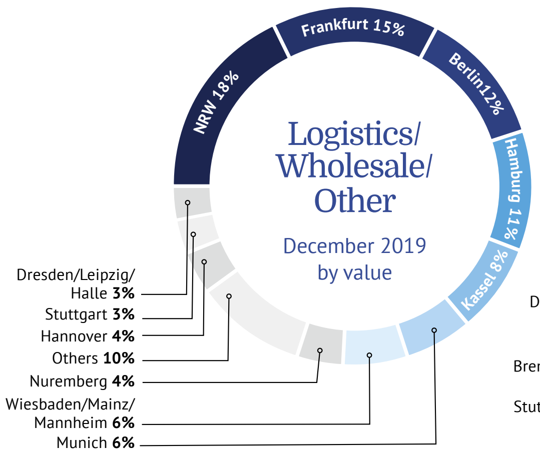
GCP – rating achievements

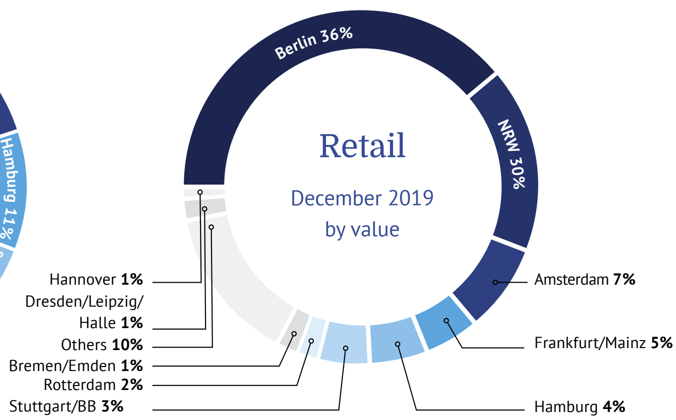


Further diversification into logistics/wholesale/other and retail

A small but compelling portfolio diversification into logistics/wholesale/other & retail asset types.

Largest focus on resilient grocery-anchored properties catering strong and stable demand from local residential neighborhoods.





Fundamentals in AT's top locations support its robust growth: Top trends in 2019

Berlin

Berlin remains to be one of the most attractive regions in Europe for start-up and fintech. Among Top 20 Global Fintech Hubs, Berlin tops the Continental Europe[1] and it received the second largest start-up investment volume in Continental Europe[2]. Despite the tight supply, Berlin had a record take-up volume in 2019, setting a new benchmark nationwide[3]. In JLL's European rental growth ranking for 2019, Berlin landed the third highest annual office rental growth in Europe[4]. Furthermore, Berlin continues to have the lowest vacancy rate among main 15 European markets[5].

Frankfurt

Frankfurt is not only Germany's finance capital but also exhibition capital. Frankfurt's Messe is the third largest exhibition and trade fair centre in the world in terms of revenue[6]. Frankfurt office market enjoyed yet another successful year with third-best take-up results in the past decade. The fast-paced decline of vacant space continued and Frankfurt has its lowest vacancy level in at least past 15 years[3]. Frankfurt also has the second highest office capital value growth annually in Europe and 4th highest in the world[7].

Munich

The Bavarian capital continues to be one of the best European destinations for foreign direct investments (FDI) across all industries. It was ranked Top 3 city in Europe in overall "European Cities of the Future" rankings by the Financial Times for its economic potential and attractive business environment[8]. Supply of immediately available space in Munich's central locations is highly scarce, as a result the supply is not able to meet the demand and vacant space remains at an all-time low, second lowest rate in Big 8[3].

NRW

NRW's leading role as an attractive business and innovation hotspot was once again highlighted by its foreign direct investment volume. The region attracted second highest amount of FDI projects in Europe across all industries and was ranked the second best region in Europe in "European Regions of the Future" ranking by the Financial Times[8]. The high demand is reflected in the RE markets. Among Top 124 global regions, Cologne had the second highest annual office rental growth in 2019 in Europe[9]. Düsseldorf had a record take-up volume in office market in its history[3].

Hamburg

Hamburg hosts one of the largest ports in Europe which continues to maintain its high quality: In 2019, Hamburg port was the recipient of Best Global Seaport Award and Best Green Shipping Line Award[10]. The port provides hundreds of thousands of jobs in the region and its gross value creation stands at around €13bn p.a.[11]. Nevertheless, the office market in Hamburg has a diversified economic structure[3]. Severe shortage of supply cannot meet the current strong demand and the vacancy stood at its lowest level since 2001[12].

Fundamentals in AT's top locations support its robust growth: Top trends in 2019

Rotterdam

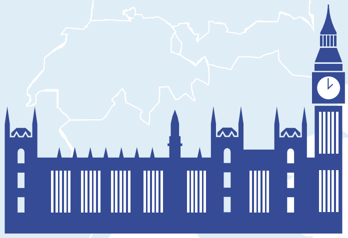
Rotterdam hosts the biggest and busiest port in Europe which is at a new all-time high in throughput volume[15]. Rotterdam experiences strong level of occupier demand[14]. Office space availability has halved in 5 years with no considerable growth in total office stock, sharply reducing the vacancy in the past 5 years[16].

Amsterdam

Amsterdam sustains its business attractiveness across variety of industries. It is ranked Top 4 in "European Cities of the Future" ranking, being one of the most attractive cities to invest, especially for its economic potential and connectivity[8]. It also has the third best "Startup Ecosystem" in Continental Europe[13]. Office availability sharply declines in the Dutch capital which shows itself in vacancy reduction[14]. Amsterdam has shown the second largest vacancy decline in core European markets[4].

Utrecht

According to European Commission's Regional Competitiveness Index, Utrecht is the most competitive region in Continental Europe and second in all of Europe thanks to its macroeconomic stability, high education level and robust infrastructure[17]. Demand from both occupiers and investors remains to be strong in top Dutch office markets: Utrecht has one of the highest rental growth among all European cities and has the lowest vacancy rate in the Netherlands[18].



London

London continues to top tourism rankings, by being world's third most and Europe's most popular touristic destination[19]. UK's capital also continues to lead many investment markets globally, such as receiving the largest start-up investment volume in all of Europe[2]. According to PwC, London had the highest occupancy rate among European hotel markets in 2018 with further growth in 2019[20].

References:

1 Findexable, The Global Fintech Index 2020, December 2019
2 Ernst & Young, Start-up Barometer Europa, October 2019
3 BNP Paribas Real Estate, Office Market Germany, 2020
4 JLL EMEA Office Research, JLL Office Property Clock Q4 2019
5 BNP Paribas Real Estate, At a Glance – Main Office Markets in Europe, Q3 2019
6 Association of the German Trade Fair Industry, Revenue of Exhibition Companies, 2019
7 JLL Website, Global Market Perspective - Investment Markets, November 2019
8 Financial Times – fDi Magazine, fDi European Cities and Regions of the Future, 2020/2021
9 JLL Website, City Real Estate Dynamics: Global Office Index, 2020
10 2019 AFLAS Awards
11 Hamburg Port Authority, 2017/2018 Sustainability Report, 2020
12 JLL Research, Office Market Overview, Big 7, Q4 2019, January 2020
13 Startup Genome, Global Startup Ecosystem Report 2019
14 NL Real Estate & Knight Frank, Dutch Office Market Report 2019
15 Lloyd's List – Maritime Intelligence – Informa plc, One Hundred Ports, 2019
16 Cushman and Wakefield, Municipality factsheet Q2 2019
17 European Commission, European Regional Competitiveness Index, 2019
18 Cushman and Wakefield, The Netherlands Office Market Snapshot, Q3 2019
19 Euromonitor International, Top 100 City Destinations, 2019
20 PwC, European cities hotel forecast for 2018 and 2019, April 2018; PwC, UK Hotel Forecast 2019-2020, September 2019

Trading data

Placement	Frankfurt Stock Exchange
Market Segment	Prime Standard
Trading ticker	AT1
Number of shares (31.12.2019)	1,223,574,261
Initial placement of capital	13.07.2015 (€3.2 per share)
Key index memberships	DAX 50 ESG MDAX FTSE EPRA/NAREIT: – Global – Developed Europe – Eurozone – Germany MSCI Index Series S&P Europe 350 STOXX Europe 600 GPR 250 GPR ESG DIMAX

As of the day of this report

Number of shares	1,536,397,797
Shareholder Structure	Freefloat: 78.4% - of which Blackrock Inc. 5.1% Shares held in treasury*: 12% Avisco Group: 9.6% *held through TLG Immobilien AG, voting rights suspended
Number of shares, excluding suspended voting rights, base share for KPI calculations	1,352,461,660
Market cap	€6.8 bn

Investor relations activities

The Group is proactively approaching a large investor audience in order to present its business strategy, provide insight into its progression and create awareness of its overall activities to enhance its perception in the market. AT participates in a vast amount of various national and international conferences, roadshows and one-on-one presentations in order to present a platform for open dialogue. Explaining its unique business strategy in detail and presenting the daily operations allow investors to gain a full overview about the Group's successful business approach. The most recent information is provided on its website and open channels for communication are always provided. Currently, AT is covered by 20 different research analysts on an ongoing basis, with reports updated and published regularly.

Key index inclusions

Aroundtown's share is a constituent of several major indices such as **MDAX, DAX 50 ESG, FTSE EPRA/NAREIT Index Series, FTSE Eurofirst 300, MSCI Index Series, S&P EUROPE 350, STOXX Europe 600** as well as **GPR 250, GPR ESG** and **DIMAX**. These inclusions are the result of Aroundtown's large market cap and high trading volumes on the Prime Standard of the Frankfurt Stock Exchange (XETRA).

DAX® 50 ESG

MSCI

MDAX

FTSE Russell EPRA

EURONEXT

S&P Dow Jones Indices

A Division of S&P Global

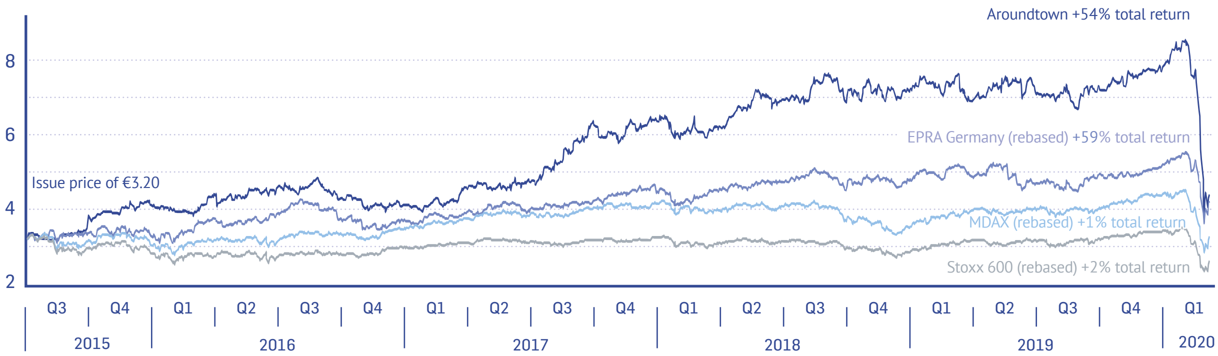
STOXX

Global property research

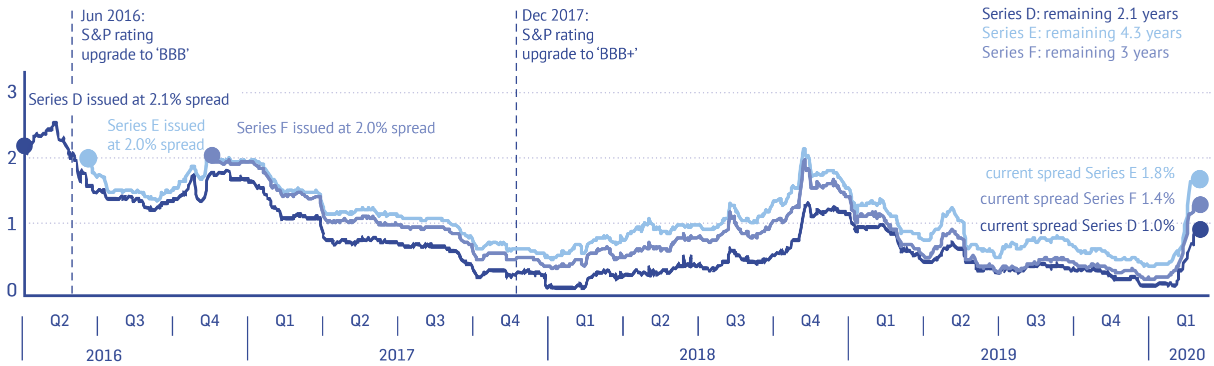
Solutions for customized property indices

Stock and Bond Performance

Share price performance and total return since initial placement of capital (13.07.2015)



Spread over mid-€-swap for Straight Bonds Series D-E-F



Spread over mid-€-swap for EUR 3.75% Perpetual Notes

ESG –Environmental, Social and Governance

Commitment to sustainability and governance

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

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

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

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

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

DAX® 50 ESG

HIGHEST ESG-RANKED REAL ESTATE CONSTITUENT, 10TH HIGHEST ESG RANKING AMONG ALL CONSTITUENTS

EPRA BPR GOLD

EPRA sBPR GOLD

SUSTAINALYTICS

OUTPERFORMER 94TH PERCENTILE GLOBALLY AMONG PEERS

Environmental responsibility

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

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

In 2018, AT entered the German Sustainable Building Council (DGNB) with certifications in some of its buildings. This is an important step towards reaching highest standards. Where there is new development being carried out, AT aims to align its activity with sustainable building certification standards such as the DGNB.

Energy, carbon emission, water and waste management

The objective of the Group is to reduce consumption of energy with high carbon footprint, especially of fossil fuels, by increasing the use of renewable energy, and to that end the Group sets periodic emission reduction targets. The Group 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 Group 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 Group employs strategic partnerships with energy suppliers (gas and electricity), who must possess relevant certifications. Stipulated by the contractual limits set by the Group'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 Group'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 in assessing the environmental impact of their activities and end products. As a result, nearly all of the Group's contracted suppliers were certified in accordance with the environmental norm ISO 14001. The Group also actively encourages suppliers to innovate and present better systems, technologies and methods in order to improve the overall environmental performance of the supply chain.

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

Social responsibility

The Group strongly believes in the shared benefit of aligning its investment activities with creating a positive social impact in its business relationships, by investing in the safety and well-being of its employees, tenants and communities, as well as partnering only with suppliers that hold responsible values. 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 Group is running high profile programs with regards to Human Capital Development which are outlined in its Commitment to Human Capital Development. A main part of the Group's success lies in its ability to attract, develop and retain qualified and motivated employees. To this extent the Group aims to have great leaders at all levels, and encourage the individual pursuit of a work/ life balance. The Group 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 Group has implemented operating guidelines, monitoring systems and policies such as Diversity Policy and Anti-discrimination Policy to further reinforce the high standards in the workplace, a workplace that is governed by openness and respect. In this regard, AT is one of the 325 global companies to be included in the Bloomberg's Gender Equality Index.

Economic and social development

The Group'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 Group engages in a number of activities that address regional needs and generate economic and social development in its operating locations. The Group includes economic and social factors in the investment strategy and due diligence process. Policies and procedures contain social and environmental impact assessments as well as periodic reviews of existing operations and stakeholder engagement. The management team reports regularly on economic and social development.

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

For further information of the Company's social responsibility, please see the 2018 Corporate Responsibility report available on Aroundtown's website. AT's third annual sustainability report will be published in April 2020 on AT's website, detailing the ESG efforts in 2019.

CR Steering Committee

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

Corporate governance

The Group places a strong emphasis on corporate governance, executed responsibly by the Board of Directors and the management teams. The Group directs its efforts in maintaining the high trust it received from its shareholders to balance interests. The Group 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 Group 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 Group's best interests and independently of any conflict of interest. The Group is administered by a Board of Directors that is vested with the broadest powers to perform in the Group'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 Group. This evaluation is also performed by the Audit and Risk Committees. The Board of Directors currently consists of a total of seven members, of which three are independent and one is non-executive. The members are elected through a General Meeting and resolve on matters on the basis of a simple majority, in accordance with the articles of incorporation. The number of directors, their term and their remuneration are determined by the general meeting of shareholders and the maximum term of directors' appointment per election is six years according to Luxembourg law.

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

Annual General Meeting

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

Members of the Board of Directors

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

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

All items on the agendas of the Annual General Meeting 2019, as well as the Ordinary General Meeting and Extraordinary General Meeting 2019 were approved.

Senior and key management

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

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

Members of the Advisory Board

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

Risk Committee

The Board of Directors established a Risk Committee tasked with assisting and providing expert advice to the Board of Directors in fulfilling its oversight responsibilities, relating to the different types of risks, recommending a risk management structure including its organization and its process as well as assessing and monitoring the effectiveness of risk management systems. The Risk Committee provides advice on actions of compliance, in particular by reviewing the Group's procedures for detecting risk, the effectiveness of the Group'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 Group 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 Group categorizes the risk management systems into two main categories; internal risk mitigation and external risk mitigation.

The internal controls and compliance of the Company is supervised by Mr. Christian Hupfer, the CCO (Chief Compliance Officer) of the Company.

Internal risk mitigation

Internal controls are constructed from five main elements:

- Risk assessment – set by the Risk Committee and guided by an ongoing analysis of the organizational structure and by identifying potential weaknesses. Further, the committee assesses control deficiencies in the organization and executes issues raised by internal audit impacting the risk management framework.

- Control discipline – based on the organizational structure and supported by employee and management commitments. The discipline is erected on the foundations of integrity and ethical values.

- Control features – the Group sets physical controls, compliance checks and verifications such as cross departmental checks. The Group 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 Group 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 Group 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, data protection and information security

Safeguarding the Group from any reputational damage due to error or misconduct is essential in maintaining the Group'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 Group 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 Group, 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 Group's business partners- includes matters such as respecting and recognizing employees' rights pertaining to freedom of association and the exercise of collective bargaining, providing fair remuneration in wages, refraining from child, forced and compulsory labour, respecting the minimum age requirements within given countries and providing a workplace free of harassment and discrimination of any kind.

The Code of Conduct for employees is supplemented by topical guidelines, the Diversity Policy and Anti-discrimination policy. The diversity of perspectives from differences in nationality, ethnicity, race, culture, age, gender, religion, ideology, sexual identity, or physical ability are all respected. Discrimination on the basis of any of these characteristics constitutes an infringement of basic human rights and is explicitly prohibited 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 Group, 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 Group had already implemented a wide range of guidelines and provisions, with the ratification of EU General Data Protection Regulation GDPR, including enhanced mandatory awareness training on GDPR. The Group has implemented Standard Operating Procedures (SOPs) to ensure that all personal data stored and processed in the course of Group's operations are safe from manipulation and misuse. Additionally, the Company adopted an information security and privacy strategy in order to maintain high level of controls to help minimize the potential risks. The Group is currently seeking to be certified in ISO 27001. The diligence of the Group 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 Group 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 Group sets direct and specific guidelines and boundaries to mitigate and address each risk, hedging and reducing to a minimum the occurrence of failure or potential default.

Brexit effect

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

As many questions relating to Brexit remain open, the outcome of the negotiations is impossible to predict. Among other consequences, this departure may result in the UK no longer having access to the European Single Market and Customs Union. Since the UK is currently the second largest economy in Europe, the withdrawal from the European Single Market is expected to have negative impacts on the UK's economy. With no access to European Single Market, the Member States of the EU may face greater barriers to trade and commerce with the UK, and vice versa, which may in turn diminish economic activity between the EU and the UK, resulting in a general economic downturn throughout the UK, the EU or both. The Brexit may also give rise to or strengthen tensions in other Member States regarding their membership in the EU, potentially resulting in additional referendums or other actions in Member States regarding withdrawal from the EU. The withdrawal of other Member States from the EU would have unpredictable consequences and may have adverse effects on levels of economic activity in the countries in which the Group operates. Therefore, Brexit may have an adverse effect on the Group's business and the portfolio may be particularly exposed to the economic and political impact of Brexit. The final outcome of Brexit may have a significant impact on the currency exchange rate between the Pound Sterling and the Euro, which should have a limited effect on 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 Brexit and its economic & other impacts cause volatility in the financial markets. Since the Group relies on access to the financial markets in order to refinance its debt liabilities and gain access to new financing, on-going political uncertainty and any worsening of the economic environment may reduce its ability to refinance its existing and future liabilities or gain access to new financing, in each case on favourable terms or at all. Furthermore, the Group's counterparties, in particular its hedging counterparties, may not be able to fulfil their obligations under their respective agreements due to a lack of liquidity, operational failure, bankruptcy or other reasons.

Coronavirus (COVID-19) effect

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

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

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

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

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

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 requirements with respect to regulated information within the meaning of article 1 (10) (the "**Regulated Information**") of the Transparency Law and therefore publishes, stores with the OAM of the Luxembourg Stock Exchange and files with the *Commission de Surveillance du Secteur Financier* (the "**CSSF**") the Regulated Information on an ongoing basis.

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

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

Information according to article 11 (2) of the Luxembourg Takeover Law

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

a) With regard to article 11 (1) (a) and (c) of the Takeover Law (capital structure), the relevant information is available on pages 43 and 128, and Note 19 of this annual report. In addition, the Company's shareholding structure showing each shareholder owning 5% or more of the Company's share capital is available on page 43 of this annual report and on the Company's website, where the shareholding structure is updated as per shareholder notificat ions on a regular basis.

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

c) In accordance with the requirements of Article 11 (1) c of the Takeover Law, the following significant shareholdings were reported to the Company until December 31, 2019:

Shareholder name	Amount of voting rights [1]	Percentage of voting rights
TLG Immobilien AG	183,936,137	15.03%
Avisco Group PLC	146,746,354	11.99%
BlackRock, Inc. [2]	57,781,369	5.12%

1) Based on last disclosed information, total number of Aroundtown SA. shares as of December 31, 2019: 1,223,574,261
2) including 0.06% of total voting rights through financial instruments, based on a share capital of 1,128,679,731

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 pages 130 and Note 20 of this annual 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 January 11, 2008 on transparency requirements for issuers, as amended (the "Transparency Law") to any shareholder (or group of shareholders) who has (or have) crossed the thresholds set out in the Transparency Law but have not notified the Company accordingly. In this case, the exercise of voting rights relating to the shares exceeding the fraction that should have been notified is suspended. The suspension of the exercise of voting rights is lifted the moment the shareholder makes the notification.

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

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 50 of this annual report.

According to article 14 of the Articles of Association, any amendment to the Articles of Association made by the general meeting of 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 50, 51, 53 and 87 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 as detailed on page 129 (Note 19.1.2. Authorized capital) and page 130 (Note 20. Share-based payment agreements) of this annual report. 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.

j) With regard to article 11 (1) (j) of the Takeover Law, the Company's listed straight bonds, perpetual notes and security issuances (listed on pages 129, 131 and 132; and Note 19.1.3, Note 19.2 and Note 21.2) under the EMTN programme contain change of control provisions that provide noteholders with the right to require the Company to repurchase their notes upon a change of control of the issuer. The Company's 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.

Notes On Business Performance

Selected consolidated income statements data

	Year ended December 31,	
	2019	2018
	in € millions	
Revenue	894.8	747.1
Net rental income	**765.7**	**633.0**
Property revaluations and capital gains	1,217.5	1,536.4
Share in profit from investment in equity-accounted investees	298.7	251.6
Property operating expenses	(227.9)	(219.1)
Administrative and other expenses	(27.3)	(22.5)
Operating profit	2,155.8	2,293.5
EBITDA	2,157.5	2,295.1
Adjusted EBITDA [1]	**772.7**	**606.0**
Finance expenses and other financial results	(96.0)	(208.4)
Current tax expenses	(70.6)	(44.4)
Deferred tax expenses	(280.1)	(212.9)
Profit for the year	**1,709.1**	**1,827.8**
FFO I [2] [3]	**503.4**	**405.7**
FFO II	**814.3**	**574.6**

1) including AT's share in GCP's and other investments' adjusted EBITDA, excluding the contributions from commercial assets held for sale. For more details, see pages 78-82
2) including AT's share in GCP's and other investments' FFO I (after perpetual notes attribution). For more details, see pages 78-82
3) excluding minorities and contributions from assets held for sale. For more details, see pages 78-82

Revenue

	Year ended December 31,	
	2019	2018
	in € millions	
Recurring long-term net rental income	**756.1**	**613.8**
Net rental income related to properties marked for disposal	9.6	19.2
Net rental income	**765.7**	**633.0**
Operating and other income	129.1	114.1
Revenue	**894.8**	**747.1**

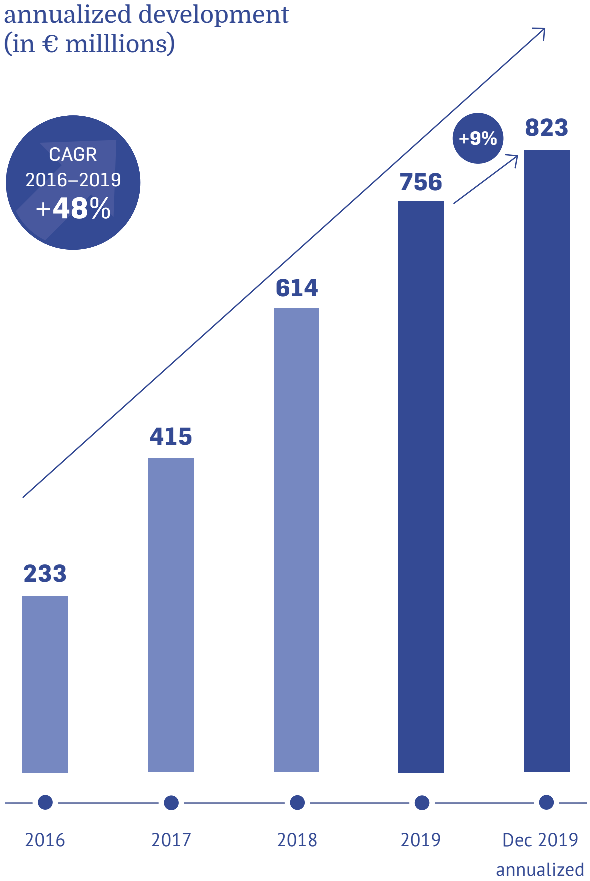
AT generated in 2019 €895 million of revenues which were 20% higher than the €747 million generated in 2018. The largest portion of revenues is net rental income which grew by 21% from €633 million in 2018 to €766 million in 2019. During 2019, AT continued its growth on all fronts, externally and internally, which contributed towards the top-line growth. AT acquired over €3 billion of properties during 2019 and the impact from these accretive acquisitions was the main driver of the top-line growth. Additionally, properties acquired during 2018 had a full year contribution to the revenue line in 2019.

The revenue growth was supported by the organic growth where AT continuously transforms its potential into high like-for-like growth. Accordingly, AT recorded a total like-for-like net rental income growth of 4.2% in 2019, 3.6% coming from in-place rent growth and 0.6% from occupancy growth. The remaining part of the revenues is operating and other income which is mainly linked to expenses which are recovered from tenants such as utility costs and service charges. Operating and other income amounted to €129 million in 2019 and grew by 13% compared to €114 million recorded in 2018.

AT additionally breaks down its net rental income into recurring long-term net rental income which excludes the net rental income generated by assets held for sale. Since AT intends to dispose these assets, their contribution is not recurring and thus excluded here to provide a long-term recurring view. Since a significant portion of assets held for sale were disposed during the last two years, the net rental income generated by assets held for sale amounted to €9.6 million in 2019 in comparison to €19 million in 2018, in line with a lower amount of assets held for sale (€508 million in the beginning of 2018 to €214 million in December 2019). Correspondingly, AT generated in 2019 a recurring long-term net rental income of €756 million, up by 23% from €614 million in 2018.

As the majority of AT's acquisitions were concluded after the first quarter their full year impact is not yet reflected in this rental income figure. Therefore, AT additionally provides the annualized net rental income as of December 2019 which reflects the full year rental impact of the portfolio held at the end of 2019. The December 2019 annualized net rental income amounted to €823 million, reflecting an upside of 9% over the €756 million recurring long-term net rental income generated in 2019 which had a 48% CAGR since 2016.

Recurring long-term net rental income annualized development (in € milllions)



Share in profit from investment in equity-accounted investees

	Year ended December 31,	
	2019	2018
	in € millions	
Share in profit from investment in equity-accounted investees	**298.7**	**251.6**

Share in profit from investment in equity-accounted investees amounted to €299 million in 2019, 19% higher compared to €252 million recorded in 2018. This item represents mainly AT's share in the earnings from investments in companies over which AT does not have control and thus are not consolidated in its financial statements. These profits can be largely attributed to the Company's strategic investment in GCP, direct minority positions in residential properties consolidated by GCP, as well as revaluations and other profits from other investments. GCP is one of the largest companies in the German residential real estate market and it is a high cash flow generating specialist in this asset class. The strategic investment in GCP supports the Company's business through further diversification into a strong, resilient and affordable German residential real estate market while benefitting from GCP's ability to generate high cash flows. In addition, during 2019, the Company has entered into new investments in equity-accounted investees, which in return supported the growth in the profit between the two periods.

Property revaluations and capital gains

	Year ended December 31,	
	2019	2018
	in € millions	
Property revaluations	1,203.7	1,459.6
Capital gains	13.8	76.8
Property revaluations and capital gains	**1,217.5**	**1,536.4**

Property revaluations and capital gains amounted in 2019 to €1.2 billion, compared to €1.5 billion recorded in 2018. Property revaluation gains are the result of AT's continuous efforts in extracting its value-add potential and increases with the strong operational results of the portfolio. AT steers its operations into improving the business and financial profile of each asset, stipulated in their specific business plan, including rental income improvements and strengthening the tenant structure as well as cost structure optimization. These developments ultimately form the base for the value creation chain, which is additionally supported by strong market dynamics. Additional value growth is provided via extracting building rights from existing and new land and buildings.

Capital gains amounted to €14 million in 2019, compared to €77 million recorded in 2018. While AT's main focus is on extracting the potential in its portfolio, the Company also pursues capital recycling of properties on an opportunistic basis. These properties are located either in non-core locations or are mature properties where most of their potential has been lifted, thereby increasing the portfolio quality through capital recycling and providing firepower for accretive acquisitions. During 2019, AT disposed €745 million of non-core and mature assets at a 72% margin over total cost and 2% margin over their net book value. After the reporting date, AT disposed additional €40 million of mature/non-core assets.

AT's properties are appraised by qualified and independent external valuators at least once a year on an ongoing basis. As of December 2019, the portfolio reflects an average value of €2,433 per sqm and a net rental yield of 4.9%, compared to €2,159 per sqm and 5.2% in December 2018, respectively.

Property operating expenses

	Year ended December 31,	
	2019	2018
	in € millions	
Ancillary expenses and purchased services	(158.3)	(149.4)
Maintenance and refurbishment	(26.8)	(25.9)
Personnel expenses	(15.4)	(12.8)
Depreciation and amortization	(1.7)	(1.6)
Other operating costs	(25.7)	(29.4)
Property operating expenses	**(227.9)**	**(219.1)**

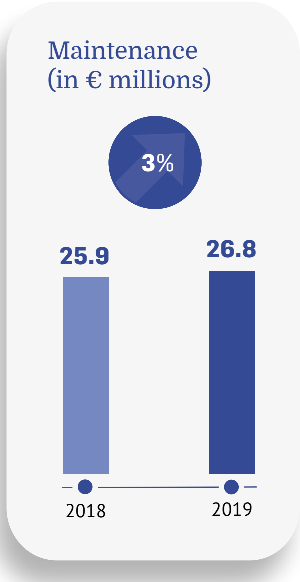
AT recorded property operating expenses of €228 million in 2019, compared to €219 million in 2018. This expense item grew in line with the growth in AT's size and operational activities as it is directly tied to the operations. Nevertheless, it grew marginally lower than rental and operating income which speaks for AT's scalable platform and improved leasing structure. The largest portion of these expenses are ancillary expenses such as utility costs (energy, heating, water, etc.) which are recoverable from the tenants. Operating personnel expenses grew from €13 million in 2018 to €15 million in 2019 supporting the expanding portfolio. Other operating costs include various expense items such as marketing, agent fees, legal, transportation, travel, communications, insurance and VAT. These costs in total amounted to €26 million in 2019, compared to €29 million in 2018.

Due to the first-time time implementation of the IFRS 16 principles in 2019, ground lease expenses in the amount of €5.3 million, which were before presented as part of the operating expenses, are now presented as finance expenses.

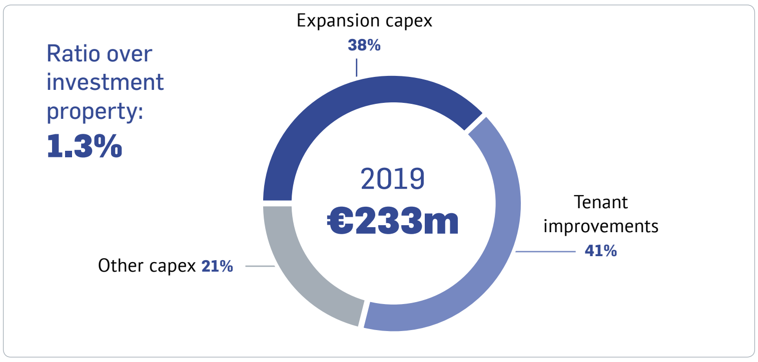
Capex and maintenance

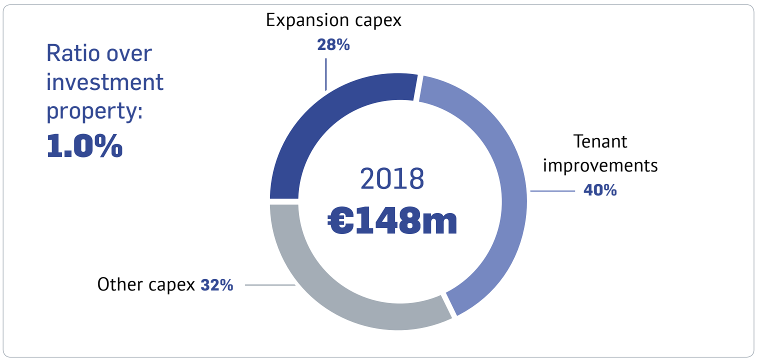
Maintenance and refurbishment expenses amounted to €27 million in 2019, compared to €26 million in 2018. Despite the growth in revenues and in the total portfolio size, maintenance expenses grew slightly due to differences in the portfolio's lease structure composition, i.e. single vs multi-tenant, full vs partial pass-through expenses from different net lease structures and to the asset type of the property. Therefore, the maintenance expense ratio of investment property decreased to 0.15% in 2019 compared to 0.18% in 2018.

AT analyses its portfolio for potential capex improvements which sustain the high quality of the portfolio and increases the properties' attractiveness towards new and existing tenants. Since each capex project targets different goals, AT classifies its capex into three different categories: Expansion capex, tenant improvements and other capex. Expansion capex item includes activities that are targeted at creating additional income drivers or value generation potential, which may result in additional lettable space or enhancement of the existing space. Expansion capex amounted to 38% of the total capex in 2019. Tenant improvement items amounted to 41% of the total capex and includes incentives, fit-out works or lease-supporting activities that are targeted at retaining existing tenants or attracting new tenants and supporting tenant quality. The item other capex amounted to 21% of total capex and refers to ongoing expenditures that are not included above and are targeted at sustaining the high quality of the portfolio. Total capex, including the three categories stated above, amounted to €233 million in 2019 compared to €148 million in 2018, with a ratio of 1.3% of total investment properties in 2019 compared to 1.0% in 2018. Along with the repositioning of the portfolio, AT targets more capex activities to add further value and income drivers to its portfolio. AT's capex initiatives are accompanied with increased letting activities as well as value appreciation across the portfolio.



Maintenance ratio of investment property was 0.2% in both years





Administrative and other expenses

	Year ended December 31, 2019	2018
	in € millions	
Personnel expenses	(13.4)	(10.7)
Legal and professional fees	(3.4)	(4.6)
Year-end closing, accounting and audit expenses	(4.0)	(3.0)
Sales, marketing and administrative expenses	(6.5)	(4.2)
Administrative and other expenses	**(27.3)**	**(22.5)**

Administrative and other expenses totaled to €27 million in 2019, compared to €23 million recorded in 2018. The main item under these expenses are administrative personnel expenses which amounted to €13 million in 2019. As Aroundtown expands its position as a reputable industry leader, it attracts more talent and professionals to lead the Company's growth. AT incurred strong additions to its management teams and boards, as well as increased its ESG efforts to grow sustainably and responsibly. These efforts bring long-term value creation to the Company, reflected in the DAX 50 ESG index inclusion which the Company achieved mainly owing to its high ESG score. Auditing and consultancy as well as other corporate expenses increased marginally, due to the increasing size of the portfolio and increased capital market activities.

Finance expenses and other financial results

	Year ended December 31, 2019	2018
	in € millions	
Interest from banks, corporate bonds and third parties, net	(136.4)	(114.6)
Finance expenses on lease liabilities	(5.3)	-
Finance expenses, net	**(141.7)**	**(114.6)**

Interest expenses include net interest expenses from banks, corporate bonds, credit institutions and third parties, as well as finance expenses on lease liabilities. In 2019 this item amounted to €142 million and increased from €115 million recorded in 2018 mainly due to new bond issuances. In 2019, AT issued €3.1 billion of bonds to finance the Company's growth, fueling its liquidity position and also allowing for debt optimization activities. Subsequently, AT has prepaid €826 million of bonds and loans in 2019. After the reporting period, €49 million of Series D (2022), €150 million of Series E (2024) and €60 million of Series F (2023) shorter-term debts were repurchased. These capital market activities supported AT in maintaining a long average debt maturity of 7.2 years and a low average cost of debt of 1.7%. It also allowed the Company to comfortably spread out the debt obligations over a long-term period, which leaves more comfort for debt coverage and supports a high ICR of 4.8x in 2019, also boosted by high operational profitability. S&P acknowledged the Company's strong business profile and conservative financial profile and confirmed AT's "BBB+" rating. In addition, €5 million of the increase is attributed to the first-time implementation of IFRS 16 principles in 2019.

	Year ended December 31, 2019	2018
	in € millions	
Changes in fair value of financial assets and liabilities, net	72.3	(83.0)
Finance-related costs	(26.6)	(10.8)
Other financial results	**45.7**	**(93.8)**

AT recorded an income of €46 million for its other financial results in 2019, compared to €94 million expense recorded in 2018. The result is composed of items that are primarily non-recurring and non-cash, with fluctuating values by nature and thus, vary from one period to another. Positive changes in the fair value of financial derivatives and traded securities were partially offset by currency differences, bond amortizations and buybacks, which brought the balance of this line item to €72 million of income in 2019. Finance-related costs mainly reflect fees and payments related to capital market activities, financial consultancy, prepayment of bank loans, as well as loan brokerage fees and fees related to ratings of new bonds which totaled to an expense of €27 million in 2019 increased due to increased activities. Expenses recorded in other financial results in 2018 were mainly due to negative fair value changes of financial instruments, the repurchase of Series D straight bond at premium and the conversion incentives for Series C convertible bonds.

Taxation

	Year ended December 31, 2019	2018
	in € millions	
Current tax expenses	(70.6)	(44.4)
Deferred tax expenses	(280.1)	(212.9)
Tax and deferred tax expenses	**(350.7)**	**(257.3)**

Total taxes for the year 2019 amounted to €351 million and increased from €257 million recorded for the year 2018. Current tax expenses, which are comprised of corporate and property taxes, increased to €71 million in 2019, compared to €44 million in 2018, due to the growth of the Company and its operational profits as well as a higher tax rate in the UK. Deferred tax expenses totaled to €280 million and increased from €213 million in 2018. Deferred tax expenses include expenses related primarily to revaluation gains and to positive changes in the fair value of financial derivative instruments. Deferred tax expenses are also affected by the tax jurisdiction where the revaluated properties are located. Deferred tax expenses are non-cash expenses and the Company accounts for theoretical future disposals of properties in the form of asset deals, whereas in practice, the Company's disposals can be in the form of share deals with minimized effective taxes.

Profit for the year

	Year ended December 31, 2019	2018
	in € millions	
Profit for the year	1,709.1	**1,827.8**
Profit attributable to:		
Owners of the company	1,308.1	1,620.4
Perpetual notes investors	57.8	46.1
Non-controlling interests	343.2	161.3

AT generated in 2019 a profit of €1.7 billion compared to €1.8 billion recorded in 2018. The decrease is mainly due to lower revaluation gains, partially offset by higher operational profits and positive movement in the fair value of financial derivatives and traded securities. Shareholder profits amounted to €1.3 billion in 2019 compared to €1.6 billion in 2018. Nevertheless, the Company's recurring operational profits reflected in the FFO I demonstrated a robust 24% growth in 2019 compared to 2018. Profits attributable to perpetual notes investors increased to €58 million in 2019, compared to €46 million in 2018, driven by approx. €1 billion issuance of perpetual notes in 2019. The increase in non-controlling interests relates to strong revaluation gains recorded in properties with minority share and the Company's net consolidation activities.

Earnings per share

	Year ended December 31, 2019	2018
Basic earnings per share (in €)	1.12	1.54
Diluted earnings per share (in €)	1.11	1.49
Weighted average basic shares (in millions)	1,172.9	1,052.6
Weighted average diluted shares (in millions)	1,174.1	1,082.8

AT generated in 2019 basic earnings per share of €1.12 and diluted earnings per share of €1.11, compared to €1.54 and €1.49 recorded in 2018. The decrease is driven by lower shareholder profits and also by a higher average share count between the two periods. Weighted average basic shares increased by 11% and diluted shares by 8% between the two periods, driven by an equity capital increase and new shares from the scrip dividend in 2019. Nonetheless, the Company's operational profitability demonstrated a strong growth in 2019, with a 10% growth in FFO I per share growth compared to 2018.

Comprehensive income

	Year ended December 31, 2019	2018
	in € millions	
Profit for the year	**1,709.1**	**1,827.8**
Total other comprehensive income (loss)	9.5	(38.6)
Total comprehensive income for the year	**1,718.6**	**1,789.2**

AT generated a total comprehensive income of €1.7 billion in 2019, compared to €1.8 billion in 2018. Total other comprehensive income of €10 million in 2019 is mainly from a positive balance of cash flow hedging and a higher balance of currency hedging and a reserve effect, whereas the €39 million loss in 2018 was related to currency hedging and reserve effect.

Adjusted EBITDA

	Year ended December 31,	
	2019	2018
	in € millions	
Operating profit	2,155.8	2,293.5
Total depreciation and amortization	1.7	1.6
EBITDA	**2,157.5**	**2,295.1**
Property revaluations and capital gains	(1,217.5)	(1,536.4)
Share in profit from investment in equity-accounted investees	(298.7)	(251.6)
Other adjustments	(0.3)	(10.4)
Adjusted EBITDA commercial portfolio, recurring long-term	**641.0**	**496.7**
Adjustment for GCP and other joint venture positions adjusted EBITDA contribution [1]	131.7	109.3
Adjusted EBITDA	**772.7**	**606.0**

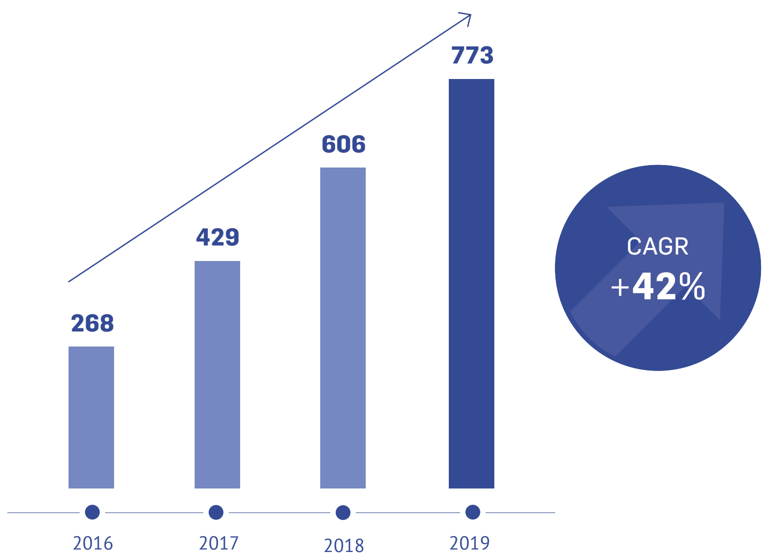
1) the adjustment is to reflect AT's share in GCP's and other investments' adjusted EBITDA. GCP generated an adjusted EBITDA of €298 million in 2019 and €276 million in 2018

Adjusted EBITDA is a key performance measure used to evaluate the operational result of the Company, derived by deducting from the EBITDA non-operational items such as revaluation and capital gains, result from disposal of properties and other adjustments. Additionally, in order to mirror the recurring operational results of the Group, the share in profit from investment in equity-accounted investees is subtracted as this also includes the Company's share in non-operational profits generated by its equity-accounted investees. Due to the nature of its strategic investment in GCP and in other investments, AT includes in its adjusted EBITDA calculation its share in the adjusted EBITDA generated by those investments for the period in accordance with its holding rate over the period. AT's holding rate in GCP is 39% as at the end of December 2019.

The Group generated in 2019 an adjusted EBITDA of €773 million, an increase of 28% compared to €606 million generated in 2018. The main driver of this increase is the strong growth in revenues where the main contributor was the accretive acquisitions in combination with a strong like-for-like performance of 4.2% in 2019. Efficiency gains in the property operating expenses in 2019 further contributed to the increase of the adjusted EBITDA, validating AT's efficient and scalable operating platform. The adjusted EBITDA additionally includes contributions from GCP's and other investments' adjusted EBITDA due to the strategic nature of the investment. GCP recorded a growth of 8% in its adjusted EBITDA in 2019, demonstrating its high operational profitability.

The adjusted EBITDA additionally accounts for other adjustments in the amount of €0.3 million in 2019. These adjustments are implemented mainly to deduct non-recurring items and add back non-cash items. Non-recurring items being mainly the contributions from properties marked for disposal since they are intended to be disposed and therefore not part of the recurring adjusted EBITDA, and non-cash items being mainly expenses for the employee share incentive plan.

Adjusted EBITDA annual development (in € millions)



Funds From Operations I (FFO I)

	Year ended December 31, 2019	2018
	in € millions	
Adjusted EBITDA commercial portfolio, recurring long-term	**641.0**	**496.7**
Finance expenses, net [1]	(141.7)	(114.6)
Current tax expenses	(70.6)	(44.4)
Contribution to minorities	(17.4)	(6.7)
Other adjustments	3.4	7.9
FFO I commercial portfolio, recurring long-term	**414.7**	**338.9**
Adjustment for GCP's and other joint ventures' FFO I contribution [2]	88.7	66.8
FFO I	**503.4**	**405.7**
Weighted average basic shares (in millions)	1,172.9	1,052.6
FFO I per share (in €)	**0.43**	**0.39**

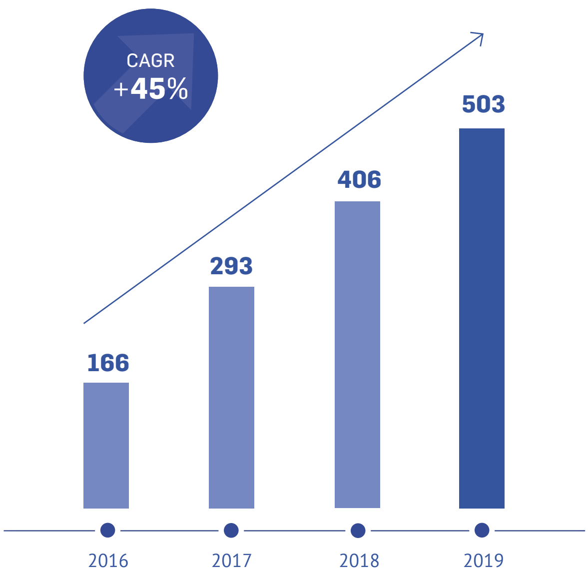
1) including the effects of IFRS 16

2) the adjustment is to reflect AT's share in GCP's and other investments' FFO I. GCP generated an FFO I after perpetual notes attribution of €179 million in 2019 and €168 million in 2018

Funds from Operations I (FFO I) is an industry standard performance indicator, reflective of the recurring operational profits after deducting the finance expenses and current tax expenses from the adjusted EBITDA. The calculation further includes adjustments to consider minorities and the relative share of AT in GCP's reported FFO I (after perpetual notes attribution), and the FFO I of other significant investment positions.

In 2019, the Group increased the FFO I by 24% to €503 million from €406 million recorded in 2018. AT's operational platform embeds strong capabilities to transform its high upside potential into recurring operational profits, which are reflected in this strong bottom-line growth. The strong growth in the adjusted EBITDA was partially offset by higher finance expenses, which is driven by AT's successful capital market issuances to fund its accretive growth and optimize its debt profile which resulted in a long-term average debt maturity of 7.2 years and a low average cost of debt of 1.7%. The FFO I additionally includes adjustments which consider minorities and the contribution from GCP and other investments and including dividends received. The contribution to minorities increased due to acquisitions with minority share and changes in ownership interests. The Group strongly benefitted from GCP's high operational profitability where it recorded a 7% FFO I growth. In addition, the FFO I includes other adjustments in the amount of €3.4 million, mainly related to finance and tax expenses from the contribution of properties marked for disposal.

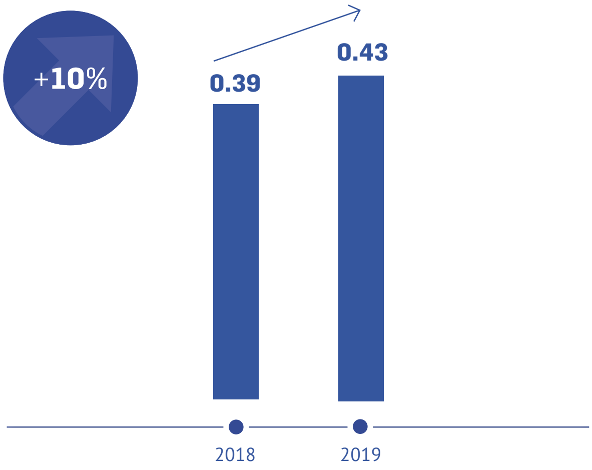
FFO I annual development (in € millions)



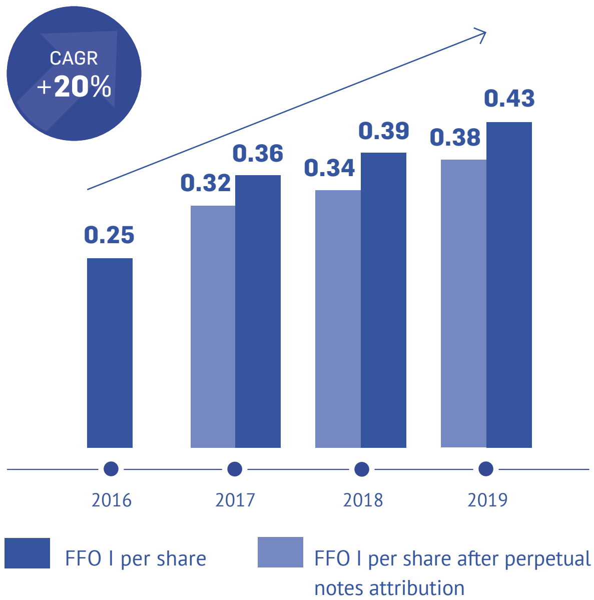
FFO I per share

FFO I per share in 2019 amounted to €0.43, a growth of 10% compared to €0.39 recorded in 2018. The growth on a per share basis, despite a higher share count, validates AT's accretive growth. The average share count between the two periods grew mainly as a result of the equity capital increase and new shares from the scrip dividend in 2019.

FFO I per share development (in €)



FFO I per share development (in €)

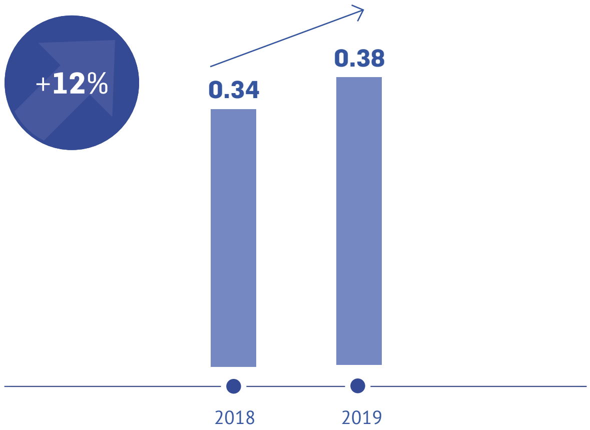


FFO I per share after perpetual notes attribution

	Year ended December 31, 2019	2018
	in € millions	
FFO I	**503.4**	**405.7**
Adjustment for accrued perpetual notes attribution	(57.8)	(46.1)
FFO I after perpetual notes attribution	**445.6**	**359.6**
Weighted average basic shares (in millions)	1,172.9	1,052.6
FFO I per share after perpetual notes attribution (in €)	**0.38**	**0.34**

According to IFRS accounting treatment, contributions to perpetual notes are recorded through changes in equity and not as a financial expenses in the income statement. In order to ensure a high level of transparency, the Company additionally presents an adjusted FFO I per share figure factoring in these attributions. FFO I per share after perpetual notes attribution amounted to €0.38 in 2019, up by 12% compared to €0.34 recorded in 2018. The growth follows the FFO I per share growth, partially offset by the impact from approx. €1 billion perpetual notes issuances in 2019.

FFO I per share after perpetual notes attribution development (in €)



FFO II

	Year ended December 31, 2019	2018
	in € millions	
FFO I	503.4	405.7
Result from disposal of properties*	310.9	168.9
FFO II	**814.3**	**574.6**

* the excess amount of the gross sale price to total cost (cost price plus capex of the disposed properties)

FFO II is an additional key performance indicator used in the real estate industry to evaluate the operational recurring profits including the impact from disposal profits during the reporting period. The result from disposal of properties amounted to €311 million, 84% higher compared to the €169 million recorded in 2018. Therefore, the FFO II amounted to €814 million in 2019, up by 42% compared to €575 million recorded in 2018. During 2019, AT disposed €745 million of non-core and mature assets with a 72% margin over total costs. In 2018 AT sold assets at a value over €740 million and a disposal margin over total cost of approx. 30%. The comparatively higher disposal margins in 2019 at around similar disposal volumes compared to 2018 testify the significant value creation achieved in the disposed properties.

Cash flow

	Year ended December 31,	
	2019	2018
	in € millions	
Net cash provided by operating activities	613.6	472.8
Net cash used in investing activities	(2,889.8)	(2,924.3)
Net cash provided by financing activities	3,227.9	2,952.9
Net changes in cash and cash equivalents	**951.7**	**501.4**
Net changes in cash and cash equivalents	**951.7**	**501.4**
Other changes*	(2.8)	5.0
Cash and cash equivalents as at January 1	1,242.8	736.4
Cash and cash equivalents as at December 31	**2,191.7**	**1,242.8**

* including change in cash balance of assets held for sale and movements in exchange rates on cash held

€614 million of net cash was provided by operating activities during 2019, up by 30% from €473 million provided in 2018. This growth is in line with the FFO I growth and is driven by AT's solid operational performance reflected in the robust top-line and bottom-line growth. AT's platform is able to extract its growth potential and translate it into strong and growing cash flows. AT's like-for-like performance is also reflected in the total like-for-like net rental income growth of 4.2% in 2019.

€2.89 billion of net cash was used in investing activities during 2019, slightly lower than €2.92 billion used in 2018. The main activity under this item was accretive acquisitions carried out during the year, net of the disposal activity, as well as capex invested. Additionally, this balance includes investments in traded securities, of which the largest investment is attributed to investments in Globalworth, the leading listed CEE office landlord.

€3.2 billion of net cash was provided by financing activities during 2019, up by 9% from €3.0 billion provided in 2018. During the year, AT issued €4.6 billion through various financing sources: €3.1 billion of bonds, €0.6 billion of equity capital and €0.9 billion of perpetual notes. The proceeds from these issuances funded the Company's accretive growth, allowed for debt optimization and the remainder contributed to the liquidity position. Consequently, AT prepaid €826 million of bonds and loans that had a shorter-term. This balance was additionally offset by the cash dividend distribution of €209 million during the year.

Net change in cash and cash equivalents totaled to €1.0 billion in 2019, up by 90% from €501 million recorded in 2018. This contributed to a closing cash and cash equivalents balance of €2.2 billion at year-end 2019. When including cash in held for sale, short-term deposits and traded securities, this translates into liquidity position of €3.0 billion which is 12% of the total assets as of December 2019. This demonstrates AT's high financial flexibility for the coming year. High liquidity is expected to provide strength and stability during a potential market downturn, as well as firepower when attractive opportunities arise.

Assets

	Dec 2019	Dec 2018
	in € millions	
Non-current assets	**21,701.9**	**16,938.9**
Investment property	18,127.0	14,174.0
Equity-accounted investees in publicly traded company - holding in GCP SA [1)]	1,928.0	1,807.6
Equity-accounted investees, other	577.9	407.2
Current assets	**3,742.8**	**2,101.9**
Assets held for sale [2)]	209.0	209.9
Cash and liquid assets [3)]	3,043.8	1,600.6
Total Assets	**25,444.7**	**19,040.8**

1) according to AT's holding rate, the fair market value of GCP SA as of Dec 2019 is €1.4 billion
2) excluding cash in assets held for sale
3) including cash in assets held for sale

AT's total asset amounted to €25.4 billion at year-end 2019, growing by 34% compared to €19 billion at year-end 2018. This higher scale was achieved by the portfolio's growth and the growth in cash and liquid assets. The portfolio's growth stemmed from accretive acquisitions as well as value creation while the growth in cash and liquid assets was achieved via capital market activities, very positive operational results and capital recycling which funded the Company's growth.

Non-current assets totaled to €21.7 billion at year-end 2019, growing by 28% compared to €16.9 billion at year-end 2018. The lion's share of the non-current assets belongs to investment properties which grew by 28% from €14.2 billion at year-end 2018 to €18.1 billion at year-end 2019. The main driver of this growth was accretive acquisitions. During 2019, AT continued with its growth strategy and acquired €3 billion of properties with an average rent multiple of 21x. The acquisitions support the portfolio's high quality and enhance the diversification on all fronts: high quality asset types, locations and tenants. With regards to asset types, acquisitions were primarily in offices and hotels. With regards to locations, office acquisitions were mainly in Germany's top office markets Munich, Berlin and Frankfurt. Hotel acquisitions spanned across top tourism destinations in Europe with high touristic and business demand such as Berlin, Cologne, Paris, Davos, Vienna, Prague, Brussels and BENELUX. Another main contributor to growth in investment properties was the value appreciation. Owing to AT's investment criteria the acquisitions embed high upside potential, the value of which the Company is subsequently able to extract through the repositioning of the portfolio. These efforts result in increased rents and occupancies, as well as improved lease, tenant and cost structures. Moreover, strong market dynamics in the Company's core location provided tailwinds for value increases.

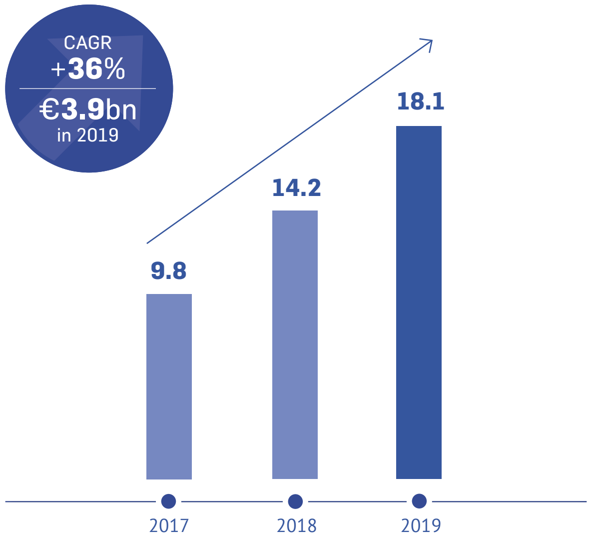
The growth in non-current assets was partially offset by capital recycling initiatives. During 2019, AT disposed €745 million of non-core and mature assets. These were mainly mature hotels and office assets, including a disposal of building rights, primarily located in Munich, Berlin, London, Neuss and Frankfurt where most of the potential was maximized. The properties were disposed with a high economic profit at 72% margin above the total costs. The capital recycling adds to the asset quality in the portfolio and increases the firepower towards new acquisitions.

Investments in equity-accounted investees amounted to €2.5 billion at year-end 2019, compared to €2.2 billion at year-end 2018. This line item represents AT's investments which are not consolidated in its financial accounts and is mainly attributed to the Company's strategic residential portfolio investment via a 39% stake in Grand City Properties as of the end of December 2019, totaling €1.93 billion compared to €1.81 billion at year-end 2018. The increase in this item is mainly driven by GCP's profit generation. The investment in GCP provides the Group with a further diversification into the strong and resilient German residential real estate asset class through a healthy and balanced portfolio. The balance of other investees amounted to €578 million at year-end 2019 and increased by 42% compared to €407 million at year-end 2018, mainly driven by the Company's investments in other joint ventures and profit generation and value appreciation of these investments, as well as the Company's direct minority positions in residential properties consolidated by GCP. Non-current assets also include advanced payments for investment properties, long-term derivative financial assets, deferred tax assets and other long-term assets which are mainly comprised of loans that are connected to future real estate transactions.

Current assets amounted to €3.7 billion at year-end 2019 and increased by 78% compared to €2.1 billion at year-end 2018, mainly driven by a higher balance in liquidity provided via the capital market activities and from the robust and increasing operational cash flow. Cash and liquid assets amounted to €3.0 billion as at year-end 2019, 90% higher than €1.6 billion as at year-end 2018. During 2019, AT raised €4.6 billion through a variety of funding sources: €3.1 billion of bonds, €0.9 billion of perpetual notes and €0.6 billion of equity capital increase. The proceeds were utilized in funding the Company's growth as well as prepayments of €826 million bonds and loans. The remaining contributed to the high liquidity balance. Maintaining such high levels of liquidity provides the Company with high financial flexibility and allows for swift acquisitions. This financial flexibility becomes very important in economic downturns during which the high liquidity will provide a large financial headroom to support the Company's business for long-term and will also provide firepower to capture attractive acquisition opportunities. As at the end of 2019, some of the liquidity is parked in traded securities which amounted to €842 million, of which approx. half a billion represents the Company's investment in Globalworth, the leading publicly listed office landlord in CEE market.

The assets held for sale balance consists of non-core assets that are intended to be sold within the next 12 months. The balance (excluding the cash of assets as held for sale) totaled to €209 million at year-end 2019, decreasing slightly from €210 million at year-end 2018.

Investment property (in € billions)



The Company's properties are valued by professional external independent valuators on an ongoing basis. In 2019, the rent multiple increased to 20.4x from 19.2x in 2018, mainly due to acquisitions. The valuation assumptions remained conservative with average discount rates remaining stable at 5.7% and a slight decrease of the average cap rate to 5.1% from 5.3%.

Average valuation parameters	2019	2018
Rental multiple	20.4x	19.2x
Value per sqm	€2,433	€2,159

Valuation assumptions set by independent valuators		2019	2018
DCF method	Market rental growth p.a.	1.8%	1.8%
	Management cost in % per year	2.3%	2.2%
	Average discount rate	5.7%	5.7%
	Average cap rate	5.1%	5.3%

DECEMBER 2019	Investment properties (in €M)	Area (in k sqm)	EPRA vacancy	Annualized net rent (in €M)	In-place rent per sqm (in €)	Value per sqm (in €)	Rental yield	WALT (in years)
Office	8,675	3,307	11.0%	389	10.4	2,624	4.5%	4.4
Hotel	5,949	1,848	3.7%	311	14.4	3,219	5.2%	15.0
Logistics/Wholesale/Other	1,311	1,401	5.5%	73	4.6	935	5.6%	6.1
Retail	1,015	410	9.1%	50	10.3	2,472	4.9%	5.8
Land for development & other rights	1,177							
Total	**18,127**	**6,966**	**7.7%**	**823**	**10.3**	**2,433**	**4.9%**	**8.6**

Liabilities

	Dec 2019	Dec 2018
	in € millions	
Loans and borrowings [1]	889.4	1,119.9
Straight bonds [2]	9,138.9	6,351.6
Deferred tax liabilities [3]	1,119.5	887.8
Other long-term liabilities and derivative financial instruments [4]	393.8	164.1
Current liabilities [5]	524.2	573.1
Total Liabilities	**12,065.8**	**9,096.5**

1) including short-term loans and borrowings and loans and borrowings under held for sale
2) including Schuldscheins
3) including deferred tax under held for sale
4) including short term derivative financial instruments
5) excluding current liability items that are included in the lines above

Total liabilities amounted to €12.1 billion as at year-end 2019, compared to €9.1 billion as at year-end 2018. The growth is mainly driven by the new bond issuances and a higher deferred tax liabilities balance, partially offset by debt prepayments. During 2019, AT issued bonds at an amount of €3.1 billion and the proceeds were utilized in accretive acquisitions as well as debt optimization activities. The bond issuances were in 7 different currencies, with currency hedges into Euro in place, demonstrating the diverse investor base as well strong demand towards AT's instruments. Obtaining diversity in issuances allows AT to eliminate dependency on a single market/instrument/currency and gives AT the flexibility to tap various markets when others are not as favorable. Such diversity and flexibility is facilitated by the EMTN programme. The issuances also allowed the Company to reinforce its conservative financial profile. Subsequently, AT have prepaid €826 million of bonds and loans in 2019. These activities allow AT to maintain a long average debt maturity of 7.2 years and a low average cost of debt of 1.7%. After the reporting period, AT repurchased approx. €260 million of Series D, Series E and Series F bonds and issued a USD 250 million mandatory convertible note.

Total liabilities also include deferred tax liabilities which are non-cash items that are predominantly tied to revaluation profits. Deferred tax liabilities grew to €1.1 billion as at year-end 2019, compared to €0.9 billion at year-end 2018, driven mainly by the revaluation gains recorded during the year and the gains in derivative financial instruments. The deferred taxes are calculated assuming theoretical future property disposals in the form of asset deals and as such the full corporate tax rate is applied.

Net financial debt

	Dec 2019	Dec 2018
	in € millions	
Total financial debt [1]	10,028.3	7,471.5
Cash and liquid assets [1]	3,043.8	1,600.6
Net financial debt	**6,984.5**	**5,870.9**

1) including balances held for sale

Net financial debt amounted to €7.0 billion as at year-end 2019, compared to €5.9 billion as at year-end 2018, mainly driven by new issuances. The balance of cash and liquid assets amounted to over €3.0 billion at year-end 2019 and increased from €1.6 billion as at year-end 2018. In addition to its conservative structure, AT maintains a high liquidity position which not only plays a key role in swift acquisitions but also provides financial flexibility and a strong headroom. This substantial liquidity position will provide strength and firepower in the following periods.

Loan-to-Value

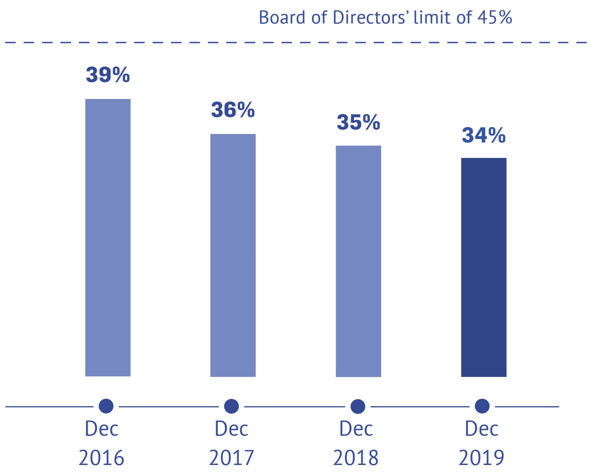
	Dec 2019	Dec 2018
	in € millions	
Investment property [1)]	18,113.6	14,222.6
Assets held for sale [2)]	202.4	203.7
Investment in equity-accounted investees	2,505.9	2,214.8
Total value	**20,821.9**	**16,641.1**
Net financial debt [3)]	**6,984.5**	**5,870.9**
LTV	**34%**	**35%**

1) including advance payments for investment properties and excluding the effects of IFRS 16
2) including properties held for sale
3) including cash and liquid assets held for sale

The Loan-to-Value (LTV) is the ratio of the financial debt, net of cash and liquid assets, to the value of investment property, including advance payments and investments in equity-accounted investees. Maintaining a conservative level of leverage is a key component of Aroundtown's financial policy, with an internal LTV limit of 45% set by the Board of Directors, and results in a strong financial and credit profile.

AT recorded an LTV of 34% as at year-end 2019, below the level as at year-end 2018 of 35% due to the equity and perpetual notes issuances during the year as well as due to a value creation during the period. The LTV is decreasing year over year and is well below the Board of Director's limit which reflects the strong defensiveness of the Company's financial profile and provides the Company with significant headroom to initiate further growth and comfort against a market downturn.

Loan-to-Value



Unencumbered assets ratio

	Dec 2019	Dec 2018
	in € millions	
Rent generated by unencumbered assets *	789.7	600.4
Rent generated by the total Group *	974.5	830.0
Unencumbered assets ratio	**81%**	**72%**

* annualized net rent including the contribution from GCP and other investments and excluding the net rent from assets held for sale

AT's portfolio embeds additional financial flexibility through a high ratio of unencumbered assets. A high ratio of 81% with a total value of €14.2 billion as at the end of December 2019, compared to 72% and €10.2 billion as at year-end 2018, provides the Company with additional flexibility and liquidity potential.

ICR

	Year ended December 31, 2019	2018
	in € millions	
Group finance expenses [1)]	162.0	132.2
Adjusted EBITDA [2)]	777.5	616.2
ICR	**4.8x**	**4.7x**

1) including AT's share in GCP and other investments
2) including the contributions from commercial assets held for sale, GCP and other investments

DSCR

	Year ended December 31, 2019	2018
	in € millions	
Group finance expenses [1)]	162.0	132.2
Group amortizations of loans from financial institutions [1)]	26.8	27.9
Total Group finance expenses and amortizations of loans [1)]	188.8	160.1
Adjusted EBITDA [2)]	777.5	616.2
DSCR	**4.1x**	**3.8x**

1) including AT's share in GCP and other investments
2) including the contributions from commercial assets held for sale, GCP and other investments

Solid financial cover ratios with a high ICR of 4.8x and DSCR of 4.1x in 2019 reflect AT's healthy credit profile. By maintaining its debt metrics at such high multiples, AT demonstrates the high level of comfort that its operational results have in covering its debt servicing.

Equity

	Dec 2019	Dec 2018
	in € millions	
Total equity	13,378.9	**9,944.3**
of which equity attributable to the owners of the Company	9,585.5	7,829.5
of which equity attributable to perpetual notes investors	2,484.0	1,547.7
of which non-controlling interests	1,309.4	567.1
Equity ratio	**53%**	**52%**

AT's total equity amounted to €13.4 billion as at year-end 2019 and increased by 35% from €9.9 billion as at year-end 2018. The growth can be observed in all three main items of equity. Shareholder's equity grew by 22% to €9.6 billion as at year-end 2019, mainly driven by profits as well as the equity capital increase of €0.6 billion in July 2019. The increase in equity was offset by €209 million cash dividends distributed in 2019. Equity attributable to perpetual notes investors grew by 60% to €2.5 billion at year-end 2019, mainly due to two perpetual notes issuances in 2019 in the amount of approx. €1 billion. Equity attributable to non-controlling interest grew to €1.3 billion at year-end 2019, mainly due to €343 million of profits attributed to non-controlling interest and €398 million of net change in ownership interest including initial consolidation of new investments. The equity ratio at year-end 2019 increased to 53% compared to 52% at year-end 2018.

Following IFRS accounting treatment, perpetual notes are classified as equity as they do not have a repayment date, coupon payments are deferrable at the Company's discretion, they are subordinated to debt and do not have any default rights nor covenants.

EPRA Performance Measures

The European Public Real Estate Association (EPRA) is the widely-recognized market standard guidance and benchmark provider for the European real estate industry. EPRA's best practices recommendations dictate the ongoing reporting of a set of performance metrics intended to enhance the quality of reporting by bridging the gap between the regulated IFRS reporting presented and specific analysis relevant to the European real estate industry. These standardized EPRA performance measures provide additional relevant earnings, balance sheet and operational metrics, and facilitate for the simple and effective comparison of performance-related information across the industry. The information presented below is based on the Best Practice Recommendations by EPRA and on the materiality and importance of information.

EPRA Performance Measures - Summary

in € millions unless otherwise indicated	2019	change	2018
EPRA Earnings	475.8	18%	403.2
EPRA Earnings per share (in €)	0.41	8%	0.38
EPRA NAV	10,633.4	22%	8,742.4
EPRA NAV per share (in €)	8.7	13%	7.7
EPRA NAV incl. perpetual notes	13,117.4	27%	10,290.1
EPRA NAV incl. perpetual notes per share (in €)	10.7	18%	9.1
EPRA NNNAV	10,139.3	16%	8,730.7
EPRA NNNAV per share (in €)	8.3	8%	7.7
EPRA Net Initial Yield (NIY)	3.9%	-0.2%	4.1%
EPRA 'Topped-up' NIY	4.0%	-0.1%	4.1%
EPRA Vacancy - Commercial portfolio	7.7%	-1.1%	8.8%
EPRA Vacancy - Group portfolio	7.6%	-0.9%	8.5%
EPRA Cost Ratio (including direct vacancy costs)	17.6%	-2.6%	20.2%
EPRA Cost Ratio (excluding direct vacancy costs)	15.3%	-2.2%	17.5%

EPRA Earnings

The EPRA Earnings is intended to serve as a key indicator of the Company's underlying operational profits for the year in the context of a European real estate company. Given AT's strategic investment in GCP and other investments, the proportional share in GCP's and other investments' EPRA Earnings for the year is included in accordance with the average holding over for the period. As the Funds from Operations is the widely-recognized industry standard KPI for operational performance and Aroundtown distributes its dividend based on the FFO I per share for the year, an additional reconciliation from the EPRA Earnings to the FFO I is provided below.

	Year ended December 31,	
	2019	2018
	in € millions	
Earnings per IFRS income statement	**1,709.1**	**1,827.8**
Property revaluations and capital gains	(1,217.5)	(1,536.4)
Changes in fair value of financial assets and liabilities, net	(72.3)	83.0
Deferred tax expenses	280.1	212.9
Adjustments for investment in equity-accounted investees *	(206.2)	(177.4)
Contribution to minorities	(17.4)	(6.7)
EPRA Earnings	**475.8**	**403.2**
Weighted average basic shares (in millions)	1,172.9	1,052.6
EPRA Earnings per share (in €)	**0.41**	**0.38**
Bridge to FFO I		
Add back: Depreciation	1.7	1.6
Add back: Finance-related costs	26.6	10.8
Add back: Other adjustments	4.5	3.3
Less: FFO items related to investment in equity-accounted investees*	(3.8)	(7.4)
Less: FFO contribution from assets held for sale	(1.4)	(5.8)
FFO I	**503.4**	**405.7**
FFO I per share (in €)	**0.43**	**0.39**

*including AT's share in GCP and other investments

EPRA Earnings for the year 2019 amounted to €476 million and €0.41 per share, up by 18% and 8% from €403 million and €0.38 recorded in 2018. This high growth in EPRA Earnings, similar to the FFO I growth, exhibits the Group's ability to achieve high operational profitability. The per share growth was partially offset by the increase in share count between two periods due to new shares from equity capital increase and scrip dividends.

EPRA NAV

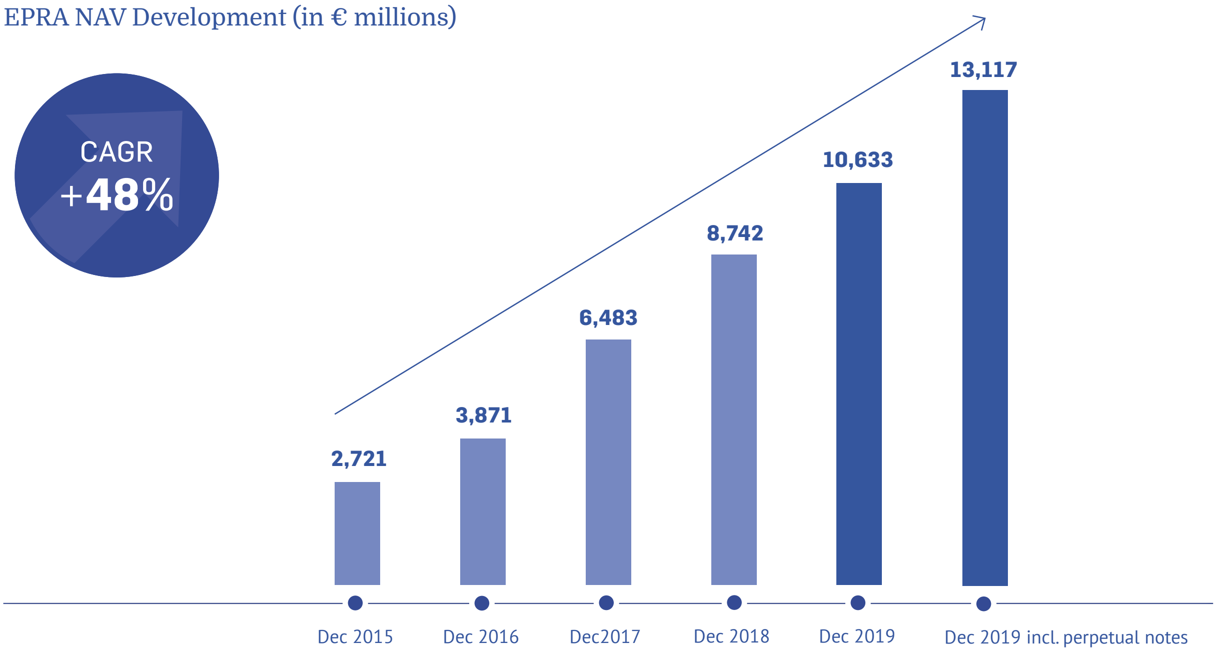
The EPRA NAV is defined by the European Public Real Estate Association (EPRA) as the net asset value of the Company adjusted to include real estate properties and other investment interests at fair values and exclude certain items that are not expected to materialize in a long-term real estate business model. The purpose of the EPRA NAV is to adjust the IFRS NAV in order to provide stakeholders with the most relevant information on the Group's balance sheet items in the context of a real estate investment company with a long-term oriented investment strategy. As perpetual notes are classified as equity in accordance with IFRS accounting treatment, AT additionally reports an EPRA NAV including perpetual notes.

	Dec 2019		Dec 2018	
	in € millions	per share	in € millions	per share
NAV per the financial statements	**13,378.9**		9,944.3	
Equity attributable to perpetual notes investors	(2,484.0)		(1,547.7)	
NAV excluding perpetual notes	**10,894.9**		8,396.6	
Fair value measurements of derivative financial instruments	(71.6)		25.1	
Deferred tax liabilities*	1,119.5		887.8	
NAV	**11,942.8**	**€9.8**	**9,309.5**	**€8.2**
Non-controlling interests	(1,309.4)		(567.1)	
EPRA NAV	**10,633.4**	**€8.7**	**8,742.4**	**€7.7**
Equity attributable to perpetual notes investors	2,484.0		1,547.7	
EPRA NAV including perpetual notes	**13,117.4**	**€10.7**	**10,290.1**	**€9.1**
Number of shares, including in-the-money dilution effects (in millions)	1,224.9		1,129.7	

* including balances in assets held for sale

EPRA NAV as of year-end 2019 increased by 22% to €10.6 billion and €8.7 on a per share basis, which reflects an increase of 13% compared to year-end 2018. The total shareholder return which includes the dividends and the EPRA NAV per share growth resulted in a 16% return. This robust growth was largely driven by net profits from revaluations, as well as from a €601 million equity capital increase in July 2019. The EPRA NAV including perpetual notes increased further to a 27% increase compared to year-end 2018 and amounted to €13.1 billion at-year end 2019 due to around €1 billion of perpetual notes issuances in 2019.

EPRA NAV Development (in € millions)



EPRA NNNAV

	Dec 2019	Dec 2018
	in € millions	
EPRA NAV	**10,633.4**	**8,742.4**
Fair value measurements of derivative financial instruments	71.6	(25.1)
Net fair value of debt	(522.7)	50.4
Deferred tax liabilities [1]	(43.0)	(37.0)
EPRA NNNAV	**10,139.3**	**8,730.7**
Number of shares, including in-the-money dilution effects (in millions)	1,224.9	1,129.7
EPRA NNNAV per share (in €)	**€ 8.3**	**7.7**

1) assuming disposals through share deals

The EPRA NNNAV is derived by adjusting the EPRA NAV by marking to market the spot values of the Company's financial debt, derivative financial instruments and deferred taxes. The purpose of the EPRA NNNAV is to provide stakeholders with the most relevant information on the Company's financial liabilities by reporting them at their spot values as of the end of the reporting period.

AT's EPRA NNNAV amounted to €10.1 billion and €8.3 per share at year-end 2019, up by 16% and 8% from €8.7 billion and €7.7 per share at year-end 2018. This growth follows the EPRA NAV growth and was further impacted by the strong price performance of AT's bonds. This price performance is an outcome of decreasing yields since the previous year, increasing the gap between the fair value and book value of the bonds.

EPRA Net Initial Yield (NIY) and 'topped-up' NIY

	Dec 2019	Dec 2018
	in € millions	
Investment property	18,127.0	14,174.0
Investment properties of assets held for sale	202.4	203.7
Share of JV investment property [1]	3,198.0	2,821.9
Less: Classified as development rights and new buildings	(1,177.5)	(977.7)
Complete property portfolio	20,349.9	16,221.9
Allowance for estimated purchasers' costs	1,430.0	1,183.7
Grossed up complete property portfolio value	**21,779.9**	**17,405.6**
End of period annualized net rental income [2]	987.8	844.2
Operating costs [3]	(139.3)	(135.2)
Annualized net rent, after non-recoverable costs	**848.5**	**709.0**
Notional rent expiration of rent-free periods or other lease incentives	11.9	12.5
Topped-up net annualized rent	860.4	721.5
EPRA NIY	**3.9%**	**4.1%**
EPRA 'Topped-up' NIY	**4.0%**	**4.1%**

1) including AT's share in GCP and other investments
2) including AT's share in GCP and other investments' net rental income and from assets held for sale
3) to reach annualized operating costs, cost margins were used for each respective period

The EPRA Net Initial Yield (NIY) is calculated by subtracting the non-recoverable operating costs from the net rental income as of the end of the period and dividing the result by the fair value of the full property portfolio (including non-core assets) plus an allowance for estimated purchasers' costs. EPRA 'topped-up' NIY is an additional calculation that factors into consideration the effects of rent-free periods and other lease incentives. Given the strategic investment in GCP and other investments, the residential portfolio and other investments are proportionally consolidated in the table above in accordance with the holding rate at the end of the period.

EPRA NIY amounted to 3.9% at year-end 2019, lower than 4.1% recorded at year-end 2018. This reduction testifies for the Group's value creation abilities as well as the strong market dynamics in markets where the Group operates. As the Group's portfolio embeds high upside potential, the Group centers its operational platform upon extracting this potential through repositioning activities and operational improvements. These efforts culminate into improved business and financial metrics, eventually leading to value creation. The decrease in the yields was offset by lower operational costs, which reflect the reduced EPRA cost ratio in 2019 compared to 2018. The EPRA 'Topped-up' NIY amounted to 4.0% at year-end 2019, similar down from 4.1% recorded at year-end 2018.

EPRA Vacancy

	Dec 2019	Dec 2018
EPRA Vacancy - Commercial portfolio	**7.7%**	**8.8%**
EPRA Vacancy - Group portfolio	**7.6%**	**8.5%**

EPRA Vacancy is an operational measure that calculates a real estate company's economic vacancy rate as based on the prevailing market rental rates, as opposed to in-place rents and physical vacancy. It is calculated by dividing the market rental value of the vacant spaces in the portfolio by the market rental value of the total portfolio. Aroundtown presents the EPRA Vacancy both on a standalone basis for the commercial portfolio only and on a Group basis including the relative consolidation of the GCP portfolio in accordance with the holding rate as of the end of the reporting period.

EPRA Vacancy, both on Commercial and Group portfolio, declined further to 7.7% and 7.6% at year-end 2019, from 8.8% and 8.5% at year-end 2018, respectively. This reduction is driven by the Group's operational performance in improving occupancy levels and acquisitions with lower occupancies than at the portfolio's average.

EPRA Cost Ratios

	Year ended December 31,	
	2019	2018
	in € millions	
Administrative and other expenses	27.3	22.5
Maintenance and refurbishment	26.8	25.9
Net Ancillary expenses and purchased services	29.2	35.3
Personnel expenses	15.4	12.8
Other operating costs	25.7	29.4
Depreciation and amortization	1.7	1.6
Share of equity-accounted investees*	40.0	33.7
Exclude:		
Depreciation and amortization	(1.7)	(1.6)
Ground rents	-	(3.6)
EPRA Costs (including direct vacancy costs)	**164.4**	**156.0**
Direct vacancy costs*	(20.9)	(20.7)
EPRA Costs (excluding direct vacancy costs)	**143.5**	**135.3**
Rental and operating income	894.8	747.1
Less: ground rents	-	(3.6)
Less: operating income	(129.1)	(114.1)
Add: share of net rental income from equity-accounted investees*	170.8	142.5
Net rental income	**936.5**	**771.9**
EPRA Cost Ratio (including direct vacancy costs)	**17.6%**	**20.2%**
EPRA Cost Ratio (excluding direct vacancy costs)	**15.3%**	**17.5%**

*including AT's share in GCP and other investments

The EPRA Cost Ratios provide a detailed analysis of a Company's operating costs structure and provide for increased comparability across companies. The cost ratio is derived by dividing the Company's direct administrative expenses and property operating expenses (including non-recoverable service charges) by the rental income for the year, excluding ground rents. The ratio is calculated both including and excluding the direct vacancy costs. Given the strategic importance of GCP and other investments, AT includes in its calculations the relative consolidation of GCP and other investments at the average holding rate during the year.

The Group's EPRA Cost Ratios for 2019 amounted to 17.6% including direct vacancy costs and 15.3% excluding direct vacancy costs, compared to 20.2% and 17.5% in 2018, respectively. The reduction in EPRA cost ratios testify to AT's lean cost structure, provided by the Group's large scale and operational efficiency. Another factor that contributed to this improvement was acquisitions with net lease structures where ancillary and maintenance costs are passed on the tenants.

Alternative Performance Measures

Aroundtown follows the real estate reporting criteria and provides alternative performance measures. These measures provide more clarity on the business and enables benchmarking and comparability to market levels. In the following section, Aroundtown presents a detailed reconciliation for the calculations of its Alternative Performance Measures.

Adjusted EBITDA

The adjusted EBITDA is a performance measure used to evaluate the operational results of the Company by deducting from the *EBITDA*, which includes the *Total depreciation and amortization* on top of the *Operating Profit*, non-operational items such as the *Property revaluations and capital gains*, and *Other adjustments*. *Other adjustments* is calculated by (1) deducting the Adjusted EBITDA related to assets held for sale, a non-recurring item and (2) adding back employee share based payments, a non-cash item. In order to reflect only the recurring operational results, AT deducts the *Share in profit from investment in equity-accounted investees* as this item also includes non-operational profits generated by AT's equity-accounted investees. Due to the nature of its strategic investment in GCP and in other investments, AT includes in its adjusted EBITDA calculation its share in the adjusted EBITDA generated by those investments for the period in accordance with its holding rate over the period, labelled as the *Adjustment for GCP's and other investments' adjusted EBITDA contribution*.

Adjusted EBITDA calculation
Operating Profit
(+) Total depreciation and amortization
(=) EBITDA
(-) Property revaluations and capital gains
(-) Share in profit from investment in equity-accounted investees
(-) Other adjustments
(=) Adjusted EBITDA Commercial portfolio, Recurring Long-term
(+) Adjustment for GCP's and other investments' adjusted EBITDA contribution*
(=) Adjusted EBITDA

* the adjustment is to reflect AT's share in GCP's and other investments' adjusted EBITDA

Funds From Operations I (FFO I)

Funds from Operations I (FFO I) is an industry standard performance indicator for evaluating operational recurring profit of a real estate firm. AT calculates FFO I by deducting from the *Adjusted EBITDA Commercial Portfolio, Recurring Long-term*, the *Finance expenses, net, Current tax expenses* and *Contribution to minorities* and adds back *Other adjustments*. *Other adjustments* refers to finance expenses and current tax expenses related to assets held for sale.

Due to the deduction of the *Share in profit from investment in equity-accounted investees* in the adjusted EBITDA calculation which includes the operational profits from those investments, AT adds back its relative share in GCP's reported FFO I after perpetual notes attribution and the FFO I of other investments, reflecting the recurring operational profit generated by those investments for the period in accordance with the holding rate over the period.

FFO I calculation
Adjusted EBITDA Commercial Portfolio, Recurring Long-term
(-) Finance expenses, net
(-) Current tax expenses
(-) Contribution to minorities
(+) Other adjustments
(=) FFO I Commercial Portfolio, Recurring Long-term
(+) Adjustment for GCP's and other investments' FFO I contribution *
(=) FFO I

* the adjustment is to reflect AT's share in GCP's and other investments' FFO I

FFO I after perpetual notes attribution

According to IFRS accounting treatment, AT records perpetual notes as equity in its balance sheet and contributions to perpetual notes are recognized through changes in equity, not as a financial expense in the income statement. For the purpose of enhanced transparency, AT additionally provides the FFO I after perpetual notes attribution which is derived by deducting the *Adjustment for accrued perpetual notes attribution* from the *FFO I*.

FFO I after perpetual notes attribution calculation
FFO I
(-) Adjustment for accrued perpetual notes attribution
(=) FFO I after perpetual notes attribution

Funds From Operations II (FFO II)

Funds from Operations II (FFO II) is an additional measurement used in the real estate industry to evaluate operational recurring profits including the impact from disposal activities. To derive to the FFO II, the *Results from disposal of properties* are added to the FFO I. These results from disposals reflect the profit driven from the excess amount of the sale price to cost price plus capex of the disposed properties.

FFO II calculation
FFO I
(+) Result from disposal of properties *
(=) FFO II

* the excess amount of the gross sale price to total cost (cost price plus capex of the disposed properties)

EPRA Earnings

The EPRA Earnings is defined by the European Public Real Estate Association (EPRA) as the earnings from operational activities and serves as an indicator of the Company's underlying operational profits for the period in the context of a European real estate company. AT calculates its *EPRA Earnings* by deducting *Property revaluations and capital gains*, a non-cash and non-linear profit item, adding back *Changes in fair value of financial assets and liabilities, net*, a non-operational expense item, adding back *Deferred tax expenses* in line with long-term real estate business model, deducting *Adjustment for investment in equity-accounted investees* and *Contribution to minorities* for its operational recurring profits. With regards to *Adjustment for investment in equity-accounted investees*, given AT's strategic investment in GCP and other investments, the proportional share in GCP's and other investments' EPRA Earnings for the period are included in accordance with the average holding over the period. As FFO I is the widely-recognized indicator for a company's operational performance and AT distributes its dividend based on the FFO I per share for the year, an additional reconciliation is provided from the EPRA Earnings to the FFO I. In this regard, on top of *EPRA Earnings, Depreciation, Finance-related costs* and *Other adjustments* are added back and *FFO items related to investment in equity-accounted investees* and *FFO contribution from assets held for sale* are deducted. *Other adjustments* are share-based payments and *FFO items related to investment in equity-accounted investees* refers to AT's share in GCP's FFO I bridge adjustments for its *Depreciation, Finance-related costs* and *Other adjustments* excluding AT's share in GCP's perpetual note attributions.

EPRA Earnings calculation
EPRA per IFRS income statement
Excluding
Property revaluations and capital gains
Changes in fair value of financial assets and liabilities, net
Deferred tax expenses
Adjustments for investment in equity-accounted investees*
Contribution to minorities
(=) EPRA Earnings

EPRA Earnings to FFO I bridge
EPRA Earnings
(+) Depreciation
(+) Finance-related costs
(+) Other adjustments
(-) FFO items related to investment in equity-accounted investees*
(-) FFO contribution from assets held for sale
(=) FFO I

*including AT's share in GCP and other investments

EPRA Net Asset Value (EPRA NAV)

The EPRA Net Asset Value (EPRA NAV) is defined by the European Public Real Estate Association (EPRA) as the net asset value of the Company adjusted to include real estate properties and other investment interests at fair values and exclude certain items that are not expected to materialize in a long-term real estate business model. The purpose of the EPRA NAV is to adjust the IFRS NAV in order to provide stakeholders with the most relevant information on the Group's balance sheet items in the context of a true real estate investment company with a long-term oriented investment strategy. As perpetual notes are classified as equity in accordance with IFRS accounting treatment. AT additionally reports the EPRA NAV including the perpetual notes.

AT's EPRA NAV calculation begins with deducting the *Equity attributable to perpetual notes investors* from the *NAV per the financial statements* to arrive at the *NAV excluding perpetual notes*. After adding the *Fair value measurement of derivative financial instruments* and *Deferred tax liabilities* which both include balances in assets held for sale, this results in the *NAV*. These items are added back in line with EPRA's standards as they are not expected to materialize on an ongoing and long-term basis. Equity attributable to the *Non-controlling interests* is deducted from the *NAV* to arrive at the *EPRA NAV*. *EPRA NAV including the perpetual notes* is calculated by adding back the *Equity attributable to perpetual notes investors* on top of the *EPRA NAV*.

EPRA NAV calculation
NAV per the financial statements
(-) Equity attributable to perpetual notes investors
(=) NAV excluding perpetual notes
(+) Fair value measurements of derivative financial instruments *
(+) Deferred tax liabilities *
(=) NAV
(-) Non-controlling interests
(=) EPRA NAV
(+) Equity attributable to perpetual investors
(=) EPRA NAV including perpetual notes

1) including balances in assets held for sale

EPRA Triple Net Asset Value (EPRA NNNAV)

The EPRA Triple Net Asset Value (EPRA NNNAV) is derived by adjusting the EPRA NAV by marking to market the spot values of the Company's financial debt, derivative financial instruments and deferred taxes. The purpose of the EPRA NNNAV is to provide stakeholders with the most relevant information on the Company's financial liabilities by reporting them at their spot values as of the end of the reporting period. Correspondingly, the *EPRA NNNAV* is calculated by deducting first the *Fair value measurements of derivative financial instruments* and the *Net fair value of debt* which is the difference between the market value of debt to the book value of debt, adjusted for taxes. Lastly, *Deferred tax liabilities* are deducted to reach the *EPRA NNNAV* and in compliance with EPRA standards. The adjustment is based on the evidence observed in the market, thus assuming disposal through share deals.

EPRA NNNAV calculation
EPRA NAV
(-) Fair value measurements of derivative financial instruments
(-) Net fair value of debt
(-) Deferred tax liabilities *
(=) EPRA NNNAV

* assuming disposal through share deals

EPRA Net Initial Yield (NIY) and EPRA 'Topped-up' NIY

The EPRA Net Initial Yield (NIY) and EPRA 'Topped-up' NIY are comparable yield measures provided by EPRA for portfolio valuations. The *EPRA NIY* calculation begins by subtracting the non-recoverable *Operating costs* from *End of period annualized net rental income* which includes AT's share of GCP's and other investments' net rental income and net rental income from assets held for sale. In order to reach annualized operating costs, AT uses cost margins for each respective periods. This *Annualized net rent, after non-recoverable costs* is divided by the *Grossed-up complete property portfolio value* which is the sum of *Complete property portfolio* and *Allowance for estimated purchasers' costs*. *Complete property portfolio* is the sum of *Investment property, Investment properties of assets held for sale* and *Share of JV investment property*, excluding the part of the portfolio that is *Classified as land for development & other rights*. On the other hand, *EPRA 'Topped-up'NIY* divides *Topped-up net annualized rent* which includes additionally *Notional rent expiration of rent-free periods or other lease incentives* by the *Grossed up complete property portfolio value*.

EPRA NIY and 'Topped-up' NIY
(+) Investment property
(+) Investment properties of assets held for sale
(+) Share of JV investment property [1]
(-) Classified as land for development & other rights
(=) Complete property portfolio
(+) Allowance for estimated purchasers' costs
(=) (A) Grossed up complete property portfolio value
(+) End of period annualized net rental income [2]
(-) Operating costs [3]
(=) (B) Annualized net rent, after non-recoverable costs
(C) Notional rent expiration of rent-free periods or other lease incentives
(=) (D=B+C) Topped-up net annualized rent
(=) (B/A) EPRA NIY
(=) (D/A) EPRA 'Topped up' NIY

1) including AT's share in GCP and other investments
2) including AT's share of GCP's and other investments' net rental income and from assets held for sale
3) to reach annualized operating costs, cost margins are used for each respective periods

EPRA Cost Ratios

The EPRA Cost Ratios are key benchmarks provided by the Company in line with EPRA guidelines in order to enable meaningful measurement of the changes in its operating costs, as well as to provide for increased comparability across companies. The *EPRA Costs* is derived by adding together *Net Ancillary expenses and purchased services*, *Maintenance and refurbishment, Administrative and other expenses, Personnel expenses* and *Other operating costs* and *Share of equity-accounted investees* which refers to AT's share in GCP's and other investments' EPRA costs (including direct vacancy costs), excluding *Depreciation and amortization* and *Ground rents* if included above. To reach *EPRA Cost ratio (including direct vacancy costs)*, the sum is then divided by the *Net rental income,* which is derived by deducting from *Rental and operating income, Ground rents* and *Operating income* but adding *Share of net rental income from equity-accounted investees*, reflecting AT's share in GCP's and other investments' net rental income. The *EPRA Cost ratio (excluding direct vacancy costs)* is simply derived by dividing *Net rental income* by the *EPRA Costs (excluding direct vacancy costs)* which deducts *Direct vacancy costs* (including AT's share in GCP's direct vacancy costs) from *EPRA Costs (including direct vacancy costs).*

EPRA Cost Ratios
(+) Administrative and other expenses
(+) Maintenance and refurbishment
(+) Net Ancillary expenses and purchased services
(+) Personnel expenses
(+) Other operating costs
(+) Depreciation and amortization
(+) Share of equity-accounted investees*
(-) Depreciation and amortization
(-) Ground rents
(=) (A) EPRA costs (including direct vacancy costs)
(B) Direct vacancy costs*
(=) (C=A-B) EPRA costs (excluding direct vacancy costs)
(+) Rental and operating income
(-) Ground rents
(-) Operating income
(+) Share of net rental income from equity-accounted investees*
(=) (D) Net rental income
(=) (A/D) EPRA cost ratio (including direct vacancy costs)
(=) (C/D) EPRA cost ratio (excluding direct vacancy costs)

* including AT's share in GCP and other investments

Loan-to-Value (LTV)

The Loan-to-Value (LTV) is a measurement aimed at reflecting the leverage of a Company. The purpose of this metric is to assess the degree to which the total value of the real estate properties are able to cover financial debt and the headroom against a potential market downturn. With regards to AT's internal LTV limit due to its conservative financial policy, the LTV shows as well the extent to which AT can comfortably raise further debt to finance additional growth. *Total value* is calculated by adding together the *Investment property* which includes *Advance payments for real estate transactions* and excludes the effects of IFRS 16, *Assets held for sale* (which is held for sale investment property) and *Investment in equity-accounted investees*. *Net financial debt* is calculated by deducting the *Cash and liquid assets* from the *Total financial debt* which is a sum of *Straight bonds* and *Loans and borrowings*. *Loans and borrowings* includes short-term loans and borrowings and financial debt held for sale and *Straight Bonds* include Schuldscheins. *Cash and liquid assets* is the sum of *Cash and cash equivalents, Short-term deposits* and *Traded securities at fair value through profit or loss*, as well as cash balances of assets held for sale. AT calculates the *LTV* ratio through dividing the *Net financial debt* by the *Total value*.

LOAN-TO-VALUE calculation
(+) Investment property [1]
(+) Assets held for sale [2]
(+) Investment in equity-accounted investees
(=) (a) Total value
(+) Total financial debt [3] [4]
(-) Cash and liquid assets [4]
(=) (b) Net financial debt
(=) (b/a) LTV

1) including advance payments for investment properties and excluding the effects of IFRS 16
2) held for sale investment property
3) total bank loans and bonds
4) including balances held for sale

Equity Ratio

Equity Ratio is the ratio of *Total Equity* divided by *Total Assets*, each as indicated in the consolidated financial statements. AT believes that Equity Ratio is useful for investors primarily to indicate the long-term solvency position of Aroundtown.

Equity Ratio calculation
(a) Total Equity
(b) Total Assets
(=) (a/b) Equity Ratio

Unencumbered assets ratio

The Unencumbered assets ratio is an additional indicator to assess the Company's financial flexibility. As the Company is able to raise secured debt over the unencumbered asset, a high ratio of unencumbered assets provides the Company with additional potential liquidity. Additionally, unencumbered assets provide debt holders of unsecured debt with a headroom. AT derives the *Unencumbered assets ratio* from the division of *Rent generated by unencumbered assets* by *Rent generated by the total Group. Rent generated by unencumbered assets* is the net rent on an annualized basis generated by assets which are unencumbered, including the contribution from GCP and other investments but excluding the net rent from assets held for sale. In parallel, *Rent generated by the total Group* is the net rent on annualized basis generated by the total Group including the contribution from GCP and other investments but excluding the net rent from assets held for sale.

Unencumbered Assets Ratio calculation
(a) Rent generated by unencumbered assets *
(b) Rent generated by the total Group *
(=) (a/b) Unencumbered Assets Ratio

* annualized net rent including contribution from GCP and other investments and excluding the net rent from assets held for sale

Debt Cover Ratios: ICR and DSCR

The Interest Cover Ratio (ICR) and Debt Service Cover Ratio (DSCR) are widely used in the real estate industry to assess the strength of a firm's credit profile. These multiples indicate the degree to which the Company's operational results are able to cover its debt servicing. *ICR* is calculated by dividing the *Adjusted EBITDA* including the contributions from commercial assets held for sale, GCP and other investments by the *Group Finance expenses* which is the sum of AT's finance expenses and AT's share in GCP's and other investments' finance expenses.

The *DSCR* is calculated by dividing the *Adjusted EBITDA* including the contributions from held for sale, GCP and other investments by the sum of the *Group Finance expenses* and the *Group Amortizations of loans from financial institutions* which is the sum of AT's amortizations and AT's share in GCP's and other investments' amortizations.

ICR calculation
(a) Group Finance expenses [1]
(b) Adjusted EBITDA [2]
(=) (b/a) ICR

DSCR calculation
(a) Group Finance expenses [1]
(b) Group Amortizations of loans from financial institutions [1]
(=) (c=a+b) Total Group finance expenses and amortizations of loans [1]
(d) Adjusted EBITDA [2]
(=) (d/c) DSCR

1) including AT's share in GCP and other investments
2) including the contributions from commercial assets held for sale, GCP and other investments

Responsibility statement

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

Disclaimer

The financial data and results of the Group are affected by financial and operating results of its subsidiaries. Significance of the information presented in this report is examined from the perspective of the Company including its portfolio with the joint ventures. In several cases, additional information and details are provided in order to present a comprehensive representation of the subject described, which in the Group's view is essential to this report.

By order of the Board of Directors, March 26, 2020

Frank Roseen
Member of the Board of Directors

Oschrie Massatschi
Member of the Board of Directors

Jelena Afxentiou
Member of the Board of Directors

Report of the Réviseur d'Entreprises Agréé

Report on the audit of the consolidated financial statements

Opinion

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

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

Basis for opinion

We conducted our audit in accordance with the EU Regulation N° 537/2014, the Law of July 23, 2016 on the audit profession (the "Law of July 23, 2016") and with International Standards on Auditing ("ISA") as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier" (the "CSSF"). Our responsibilities under those Regulation, Law and standards are further described in the « Responsibilities of the "Réviseur d'Entreprises agréé" for the audit of the consolidated financial statements » section of our report. We are also independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (the "IESBA Code") as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the consolidated 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 consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of Investment Property

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

We refer to the accounting policies 2(C) "Judgments and estimates" on page 99, 3(L) "Investment Property" on page 107 and 3(M) "Assets and liabilities held for sale" on page 108, and note 14 "Investment Property" on pages 124 and 125 and note 18 "Disposal group held for sale" on page 128 in the consolidated financial statements of Aroundtown SA.

As at December 31, 2019 the Group held a portfolio of investment property with a fair value of MEUR 18,127.0 (December 31, 2018: MEUR 14,174.0) and investment property within Assets held for sale with a fair value of MEUR 202.4 (December 31, 2018: MEUR 203.7).

The valuation of investment property is a significant judgement area and is underpinned by a number of assumptions.

The fair value measurement of investment property is inherently subjective and requires valuation experts and the Group's management to use certain assumptions regarding rates of return on the Group's assets, future rent, occupancy rates, contract renewal terms, the probability of leasing vacant areas, asset operating expenses, the tenants' financial stability and the implications of any investments made for future development purposes in order to assess the future expected cash flows from the assets. Any change in the assumptions used to measure the investment property could cause a significant change its fair value.

The Group uses external valuation reports issued by external independent professionally qualified valuers to determine the fair value of its investment property.

The external valuers were engaged by management, and performed their work in compliance with the Royal Institute of Chartered Surveyors ("RICS") Valuation – Professional Standards, TEGoVA European Valuations Standards and IVSC International Valuation Standard. The Valuers used by the Group have considerable experience of the markets in which the Group operates. In determining a property's valuation, the valuers take into account property-specific characteristics and information such as the current tenancy agreements and rental income. They apply assumptions for yields and estimated market rent, which are influenced by prevailing market yields and comparable market transactions, to arrive at the final valuation.

The significance of the estimates and judgments involved, coupled with the fact that only a small percentage difference in individual property valuations, when aggregated, could result in a material misstatement in the consolidated statement of comprehensive income and consolidated statement of financial position, warrants specific audit focus in this area.

b) How the matter was addressed during the audit?

Our procedures over valuation of investment property include but are not limited to the following:

- We tested the design and implementation of the key controls around the determination and monitoring of the fair value measurement of the investment property;
- We assessed the competence, capabilities, qualifications, independence and integrity of the external valuers and read their terms of engagement by Aroundtown SA to determine whether there were any matters that might have affected their objectivity or may have imposed scope limitations on their work;
- We assessed that the valuation approach applied by the external valuer is in accordance with relevant valuation and accounting standards and suitable for use in determining the carrying value in the consolidated statement of financial position;
- In case a valuation was performed considering the highest and best use, we assessed the appropriateness of the special assumptions considered, and whether these assumptions were technically possible, legally permissible and financially feasible;
- We tested the integrity, accuracy and completeness of inputs used by the external valuers, as well as appropriateness of valuation parameters used, such as discount capitalisation rates, market rents per square meter and capital expenditure and comparable price per square meter;
- We assessed the valuation process and significant assumptions and critical judgement areas by benchmarking the key assumptions to external industry data and comparable property transactions, in particular the yields applied;
- Further, we also considered the adequacy of the disclosures in the consolidated financial statements, and the Group's descriptions regarding the inherent degree of subjectivity and the key assumptions in estimates.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information stated in the consolidated annual report including the consolidated management report, the Corporate Governance Statement and Corporate Social Responsibility report but does not include the consolidated financial statements and our report of the "Réviseur d'Entreprises agréé" thereon.

Our opinion on the consolidated 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 consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated 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 consolidated financial statements

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

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

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

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

The objectives of our audit are to obtain reasonable assurance about whether the consolidated 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 ISA 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 consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated 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 Group'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 Group'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 consolidated 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 report of the "Réviseur d'Entreprises agréé". However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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 consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our report unless law or regulation precludes public disclosure about the matter.

Report on other legal and regulatory requirements

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

The Board of Directors' Report is consistent with the consolidated financial statements and has been prepared in accordance with applicable legal requirements.

The accompanying Corporate Governance Statement is presented on pages 50 to 55 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 consolidated financial statements and has been prepared in accordance with applicable legal requirements.

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

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

Other matter

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

Luxembourg, March 26, 2020

KPMG Luxembourg
39, Avenue John F. Kennedy
L-1855 Luxembourg

Société coopérative
Cabinet de révision agréé

Joseph de Souza

Consolidated Statement Of Profit Or Loss

		Year ended December 31,	
		2019	2018
	Note	in € millions	
Revenue	6	**894.8**	747.1
Property revaluations and capital gains	7	1,217.5	1,536.4
Share in profit from investment in equity-accounted investees	15	298.7	251.6
Property operating expenses	8	(227.9)	(219.1)
Administrative and other expenses	9	(27.3)	(22.5)
Operating profit		**2,155.8**	**2,293.5**
Finance expenses and other financial results	10	(96.0)	(208.4)
Profit before tax		**2,059.8**	**2,085.1**
Current tax expenses	11B	(70.6)	(44.4)
Deferred tax expenses	11C	(280.1)	(212.9)
Profit for the year		**1,709.1**	**1,827.8**
Profit attributable to:			
Owners of the Company		1,308.1	1,620.4
Perpetual notes investors		57.8	46.1
Non-controlling interests		343.2	161.3
Profit for the year		**1,709.1**	**1,827.8**
Net earnings per share attributable to the owners of the Company (in €)			
Basic earnings per share	12A	1.12	1.54
Diluted earnings per share	12B	1.11	1.49

Consolidated Statement Of Comprehensive Income

	Year ended December 31,	
	2019	2018
	in € millions	
Profit for the year	**1,709.1**	**1,827.8**
Other comprehensive (loss) income:		
Items that are or may be reclassified subsequently to profit or loss		
Foreign operations – foreign currency translation difference, net of investment hedges of foreign operations	(3.8)	(21.8)
Cash flow hedges and cost of hedging	20.1	(14.5)
Equity-accounted investees – share of OCI	(1.9)	(4.0)
Tax related to the other comprehensive income components	(4.9)	1.7
Total other comprehensive income (loss) for the year, net of tax	**9.5**	**(38.6)**
Total comprehensive income for the year	**1,718.6**	**1,789.2**
Total comprehensive income attributable to:		
Owners of the Company	1,317.6	1,581.8
Perpetual notes investors	57.8	46.1
Non-controlling interests	343.2	161.3
Total comprehensive income for the year	**1,718.6**	**1,789.2**

Consolidated Statement Of Financial Position

		December 31,	
		2019	2018
	Note	in € millions	
Assets			
Equipment and intangible assets	13	19.8	33.1
Investment property	14	18,127.0	14,174.0
Advanced payments for real estate transactions		181.4	48.6
Investment in equity-accounted investees	15	2,505.9	2,214.8
Derivative financial assets	25.4	158.7	22.0
Other non-current assets	16	628.3	369.8
Deferred tax assets	11c	80.8	76.6
Non-current assets		**21,701.9**	**16,938.9**
Cash and cash equivalents		2,191.7	1,242.8
Short-term deposits		4.7	4.7
Financial assets at fair value through profit or loss	25.1	842.2	352.0
Trade and other receivables	17	453.9	277.0
Derivative financial assets	25.4	36.1	14.4
Assets held for sale	18	214.2	211.0
Current assets		**3,742.8**	**2,101.9**
Total Assets		**25,444.7**	**19,040.8**

	Note	December 31, 2019	2018
		in € millions	
Equity	19		
Share capital	19.1	12.2	11.3
Retained earnings and other reserves		9,573.3	7,818.2
Equity attributable to the owners of the Company		**9,585.5**	**7,829.5**
Equity attributable to perpetual notes investors	19.2	2,484.0	1,547.7
Equity attributable to the owners of the Company and perpetual notes investors		**12,069.5**	**9,377.2**
Non-controlling interests	19.3	1,309.4	567.1
Total Equity		**13,378.9**	**9,944.3**
Liabilities			
Loans and borrowings	21.1	620.6	1,092.9
Straight bonds and schuldscheins	21.2	9,138.9	6,351.6
Derivative financial liabilities	25.4	71.7	61.5
Other non-current liabilities	22	270.6	102.6
Deferred tax liabilities	11C	1,107.4	882.3
Non-current liabilities		**11,209.2**	**8,490.9**
Current portion of long-term loans and loan redemptions	21.1	245.9	27.0
Trade and other payables	24	342.8	450.8
Tax payable		24.9	10.0
Provisions for other liabilities and charges		149.1	106.5
Derivative financial liabilities	25.4	51.5	-
Liabilities held for sale	18	42.4	11.3
Current liabilities		**856.6**	**605.6**
Total Liabilities		**12,065.8**	**9,096.5**
Total Equity and Liabilities		**25,444.7**	**19,040.8**

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

Frank Roseen
Member of the Board of Directors

Oschrie Massatschi
Member of the Board of Directors

Jelena Afxentiou
Member of the Board of Directors

Consolidated Statement Of Changes In Equity

For the year ended December 31, 2019

	Attributable to the owners of the Company								
	Share capital	Share premium and other capital reserves	Hedge reserves	Retained earnings	Total	Equity attributable to perpetual notes investors	Equity attributable to owners of the Company and perpetual notes investors	Non-controlling interests	Total equity
					in € millions				
Balance as at December 31, 2018	**11.3**	**2,623.1**	**(13.0)**	**5,208.1**	**7,829.5**	**1,547.7**	**9,377.2**	**567.1**	**9,944.3**
Adjustment on initial application of IFRS 16, net of tax	-	-	-	38.9	38.9	-	38.9	0.7	39.6
Restated balance as at January 1, 2019	**11.3**	**2,623.1**	**(13.0)**	**5,247.0**	**7,868.4**	**1,547.7**	**9,416.1**	**567.8**	**9,983.9**
Profit for the year	-	-	-	1,308.1	1,308.1	57.8	1,365.9	343.2	1,709.1
Other comprehensive income (loss) for the year, net of tax	-	(5.7)	15.2	-	9.5	-	9.5	-	9.5
Total comprehensive income (loss) for the year	**-**	**(5.7)**	**15.2**	**1,308.1**	**1,317.6**	**57.8**	**1,375.4**	**343.2**	**1,718.6**
Transactions with owners of the Company									
Contributions and distributions									
Issuance of ordinary shares	0.8	595.4	-	-	596.2	-	596.2	-	596.2
Equity settled share-based payment	(*) 0.0	4.7	-	-	4.7	-	4.7	-	4.7
Dividend distribution	0.1	(209.5)	-	-	(209.4)	-	(209.4)	-	(209.4)
Total contributions and distributions	**0.9**	**390.6**	**-**	**-**	**391.5**	**-**	**391.5**	**-**	**391.5**
Changes in ownership interests									
Non-controlling interests arising from initially consolidated companies and other transactions	-	-	-	8.0	8.0	-	8.0	398.4	406.4
Total changes in ownership interests	**-**	**-**	**-**	**8.0**	**8.0**	**-**	**8.0**	**398.4**	**406.4**
Transactions with perpetual notes investors									
Issuance of perpetual notes	-	-	-	-	-	922.7	922.7	-	922.7
Amount attributed to perpetual notes investors	-	-	-	-	-	(44.2)	(44.2)	-	(44.2)
Total Transactions with perpetual notes investors	**-**	**-**	**-**	**-**	**-**	**878.5**	**878.5**	**-**	**878.5**
Balance as at December 31, 2019	**12.2**	**3,008.0**	**2.2**	**6,563.1**	**9,585.5**	**2,484.0**	**12,069.5**	**1,309.4**	**13,378.9**

(*) less than €0.1 million

Consolidated Statement Of Changes In Equity

For the year ended December 31, 2018

	Attributable to the owners of the Company								
	Share capital	Share premium and other capital reserves	Cash flow hedge and cost of hedge reserves	Retained earnings	Total	Equity attributable to perpetual notes investors	Equity attributable to the owners of the Company and perpetual notes investors	Non-controlling interests	Total equity
					in € millions				
Balance as at December 31, 2017	**9.5**	**1,809.5**	**(0.5)**	**3,583.8**	**5,402.3**	**1,173.3**	**6,575.6**	**674.3**	**7,249.9**
Adjustment on initial application of IFRS 9, net of tax	-	-	-	(5.9)	(5.9)	-	(5.9)	-	(5.9)
Restated balance as at January 1, 2018	**9.5**	**1,809.5**	**(0.5)**	**3,577.9**	**5,396.4**	**1,173.3**	**6,569.7**	**674.3**	**7,244.0**
Profit for the year	-	-	-	1,620.4	1,620.4	46.1	1,666.5	161.3	1,827.8
Other comprehensive loss for the year, net of tax	-	(26.1)	(12.5)	-	(38.6)	-	(38.6)	-	(38.6)
Total comprehensive income (loss) for the year	**-**	**(26.1)**	**(12.5)**	**1,620.4**	**1,581.8**	**46.1**	**1,627.9**	**161.3**	**1,789.2**
Transactions with owners of the Company									
Contributions and distributions									
Issuance of ordinary shares	0.9	599.6	-	-	600.5	-	600.5	-	600.5
Issuance of shares related to conversion of convertible bonds	0.8	412.8	-	-	413.6	-	413.6	-	413.6
Equity settled share-based payment	(*)0.0	1.4	-	-	1.4	-	1.4	-	1.4
Dividend distribution	(*)0.0	(225.7)	-	-	(225.7)	-	(225.7)	-	(225.7)
Total contributions and distributions	**1.7**	**788.1**	**-**	**-**	**789.8**	**-**	**789. 8**	**-**	**789. 8**
Changes in ownership interests									
Non-controlling interests arising from initially consolidated companies and other transactions	-	-	-	9.8	9.8	-	9.8	(268.5)	(258.7)
Total changes in ownership interests	**-**	**-**	**-**	**9.8**	**9.8**	**-**	**9.8**	**(268.5)**	**(258.7)**
Transactions with perpetual notes investors									
Issuance of perpetual notes	-	-	-	-	-	390.2	390.2	-	390.2
Amount attributed to perpetual notes investors	-	-	-	-	-	(10.2)	(10.2)	-	(10.2)
Issuance of shares in connection with a Buy-back of perpetual notes	0.1	51.6	-	-	51.7	(51.7)	-	-	-
Total Transactions with perpetual notes investors	**0.1**	**51.6**	**-**	**-**	**51.7**	**328.3**	**380.0**	**-**	**380.0**
Balance as at December 31, 2018	**11.3**	**2,623.1**	**(13.0)**	**5,208.1**	**7,829.5**	**1,547.7**	**9,377.2**	**567.1**	**9,944.3**

(*) less than €0.1 million

Consolidated Statement Of Cash Flows

		Year ended December 31,	
		2019	2018
	Note	in € millions	
Cash flows from operating activities			
Profit for the year		**1,709.1**	**1,827.8**
Adjustments for the profit:			
Depreciation and amortization	13	1.7	1.6
Property revaluations and capital gains	7	(1,217.5)	(1,536.4)
Share in profit from investment in equity-accounted investees	15	(298.7)	(251.6)
Finance expenses and other financial results	10	96.0	208.4
Current and deferred tax expenses	11D	350.7	257.3
Share-based payment	20B	4.5	3.3
Change in working capital		(36.7)	(42.1)
Dividend received	15	61.4	50.9
Tax paid		(56.9)	(46.4)
Net cash provided by operating activities		**613.6**	**472.8**
Cash flows from investing activities			
Acquisitions of equipment and intangible assets, net	13	(3.1)	(4.7)
Investments and acquisitions of investment property, capex and advances paid, net		(538.2)	(915.1)
(Acquisition)/ disposals of investees and loans, net of cash acquired/ (disposed)		(1,772.8)	(1,829.2)
Proceeds from/(investments in) traded securities and other financial assets, net		(575.7)	(175.3)
Net cash used in investing activities		**(2,889.8)**	**(2,924.3)**

		Year ended December 31,	
		2019	2018
	Note	in € millions	
Cash flows from financing activities			
Proceeds from issuance of ordinary shares, net	19	596.3	600.5
Proceeds from issuance of straight bonds and schuldscheins, net	21.2	2,653.9	2,455.5
Proceeds from perpetual notes investors, net		878.5	352.1
Proceeds (repayments) from/(of) loans from financial institutions and others, net		(484.5)	157.1
Amortizations of loans from financial institutions		(21.7)	(24.6)
Transactions with non-controlling interests		(24.5)	(265.4)
Dividend distribution	19	(209.4)	(225.7)
Interest and other financial expenses paid, net		(160.7)	(96.6)
Net cash provided by financing activities		**3,227.9**	**2,952.9**
Net changes in cash and cash equivalents		**951.7**	**501.4**
Assets held for sale – change in cash	18	(4.1)	5.9
Cash and cash equivalents as at January 1		1,242.8	736.4
Effect of movements in exchange rates on cash held		1.3	(0.9)
Cash and cash equivalents as at December 31		**2,191.7**	**1,242.8**

Notes To The Consolidated Financial Statements For the year ended December 31, 2019

1. General

(A) Incorporation and principal activities

Aroundtown SA ("the Company" or "Aroundtown"), a public limited liability company (Société Anonyme), incorporated under the laws of the Grand Duchy of Luxembourg, having its registered office at 40, Rue du Curé, L-1368, Luxembourg (formerly 1, Avenue du Bois, L-1251 Luxembourg). Aroundtown's shares are listed on the Prime Standard of the Frankfurt Stock Exchange and included in the MDAX index of the Deutsche Börse.

Aroundtown is a real estate company with a focus on income generating quality properties with value-add potential in central locations in top tier European cities, primarily in German and the Netherlands. Aroundtown invests in commercial and indirectly in residential real estate which benefits from strong fundamentals and growth prospects. The commercial properties are held by Aroundtown and the residential investments is held through a holding in Grand City Properties S.A., a publicly traded real estate company that focuses on investing in value-add opportunities predominantly in the German residential real estate market. As of December 31, 2019, Aroundtown holds 39.40% (2018: 38.75%), and accounts it for as equity-accounted investee in these financials.

These consolidated financial statements for the year ended December 31, 2019 consist of the financial statements of the Company and its investees ("the Group").

(B) Group rating

Aroundtown's credit rating is 'BBB+' with a stable outlook given by Standard and Poor's Rating Services ("S&P"). The rating of 'BBB+' also applies to the Company's straight bonds. The Company`s perpetual notes' rating is 'BBB-'.

As at December 31, 2019, and as of the date of this consolidated financial statements the Group rating remained unchanged, as described above.

(C) Definitions

Throughout these notes to the consolidated financial statements:

The Company	Aroundtown SA
The Group	The Company and its investees
Subsidiaries	Companies that are controlled by the Company (as defined in IFRS 10) and whose financial statements are consolidated with those of the Company
Associates	Companies over which the Company has significant influence (as defined in IAS 28) and that are not subsidiaries. The Company's investment therein is included in the consolidated financial statements of the Company using equity method of accounting
Investees	Subsidiaries, jointly controlled entities and associates
GCP S.A.	Grand City Properties S.A. (an associate of the Company)
Related parties	As defined in IAS 24
The reporting period	The year ended on December 31, 2019

2. Basis of preparation

(A) Statement of compliance

These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union.

Certain consolidated statement of comprehensive income, consolidated statement of financial position and consolidated statement of cash flows' items related to the year ended December 31, 2018 have been reclassified to enhance comparability with 2019 figures and are marked as "reclassified".

The consolidated financial statements were authorized for issuance by the Company's board of directors on March 26, 2020.

(B) Basis of measurement

The consolidated financial statements have been prepared on a going concern basis, applying the historical cost convention, except for the measurement of the following:

- Financial assets at fair value through profit or loss;
- Investment properties are measured at fair value;
- Investment in equity-accounted investees;
- Derivative financial assets and liabilities;
- Assets and liabilities classified as held for sale;
- Deferred tax assets and liabilities on fair value gains and losses on investment property and derivative financial assets and liabilities.

(C) Judgments and estimates

The preparation of consolidated financial statements in accordance with IFRS requires from management the exercise of judgment, to make estimates and special assumptions that influence the application of accounting principles and the related amounts of assets and 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 current knowledge available at that time. Actual results may differ from such estimates.

The estimates and underlying assumptions are revised on a regular 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.

In particular, information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are described below:

- **Fair value of investment property**
  The Group uses external valuation reports issued by independent professionally qualified valuators to determine the fair value of its investment property. Changes in their fair value are recognized in the consolidated statement of profit or loss.

  The fair value measurement of investment property requires valuation experts and the Company's management to use certain special assumptions regarding rates of return on the Group's assets, future rent, occupancy rates, contract renewal terms, the probability of leasing vacant areas, asset operating expenses, the tenants' financial stability, building rights, building permits, capital expenditure estimates, and discount and cap rates in order to assess the future expected cash flows from the assets. Any change in the assumptions used to measure the investment property could affect its fair value.

- **Impairment of financial assets measured at amortized cost**
  When measuring expected credit losses (ECLs) the Group 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.

- **Impairment of investments in associates**
  The Group periodically evaluates the recoverability of investments in associates 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 associates may be impaired, the estimated future undiscounted cash flows associated with these associates would be compared to their carrying amounts to determine if a write down to fair value is necessary.

- **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 Group 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.

- **Impairment of intangible asset**
  Intangible assets are initially recorded at acquisition cost and are amortized on a straight-line basis over their useful economic life. Intangible assets that are acquired through a business combination are initially recorded at fair value at the date of acquisition. Intangible assets with an indefinite useful life are reviewed for impairment at least once per year. The impairment test is performed using the discounted cash flows expected to be generated through the use of the intangible assets, using a discount rate that reflects the current market estimations and the risks associated with the asset. When it is impractical to estimate the recoverable amount of an asset, the Group estimates the recoverable amount of the cash generating unit in which the asset belongs to.

- **Impairment of goodwill**
  Determining whether goodwill is impaired requires an estimation of the value in use of the cash generating units of the Group on which the goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash generating units using a suitable discount rate in order to calculate present value.

- **Legal claims**
  In estimating the likelihood of outcome of legal claims filed against the Company and its investees, the Group relies on the opinion of their legal counsels. These estimates are based on the legal counsels' best professional judgment, taking into account the stage of proceedings and historical legal precedents in respect of the different issues. Since the outcome of the claims will be determined in courts, the results could differ from these estimates.

- **Leases - Property lease classification (the Group as lessor)**
  The Group has entered into property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease terms not constituting a major part of the economic life of the properties and the present value of the minimum lease payments not amounting to substantially all of the fair value of the properties, that it retains substantially all the risks and rewards incidental to ownership of these properties and accounts for the contracts as operating leases.

- **Revenue from contracts with customers**

  Determination of performance obligations
  In relation to the services provided to tenants of investment property as part of the lease agreements into which the Group enters as a lessor, the Group has determined that the promise is the overall property management service and that the service performed each day is distinct and substantially the same. Although the individual activities that comprise the performance obligation vary significantly throughout the day and from day to day, the nature of the overall promise to provide management service is the same from day to day. Therefore, the Group has concluded that the services to tenants represent a series of daily services that are individually satisfied over time, using a time-elapsed measure of progress, because tenants simultaneously receive and consumes the benefits provided by the Group. With respect to the sale of property, the Group concluded the goods and services transferred in each contract constitute a single performance obligation.

  Principal versus agent considerations (services to tenants)
  The Group arranges for certain services provided to tenants of investment property included in the contract the Group enters into as a lessor, to be provided by third parties. The Group has determined that it controls the services before they are transferred to tenants, because it has the ability to direct the use of these services and obtain the benefits from them. In making this determination, the Group has considered that it is primarily responsible for fulfilling the promise to provide these specified services because it directly deals with tenants' complaints and it is primarily responsible for the quality or suitability of the services. Therefore, the Group has concluded that it is the principal in these contracts. In addition, the Group has concluded that it transfers control of these services over time, as services are rendered by the third-party service providers, because this is when tenants receive and, at the same time, consume the benefits from these services.

  Determination the timing of revenue recognition on the sale of property
  The Group has evaluated the timing of revenue recognition on the sale of property based on a careful analysis of the rights and obligations under the terms of the contract and legal advice from the Group's external counsels in various jurisdictions. The Group has generally concluded that contracts relating to the sale of completed property are recognized at a point in time when control transfers. For unconditional exchanges of contracts, control is generally expected to transfer to the customer together with the legal title. For conditional exchanges, this is expected to take place when all the significant conditions are satisfied.

- **Business combinations**
  The Group acquires subsidiaries that own real estate. At the time of acquisition, the Group considers whether each acquisition represents the acquisition of a business or the acquisition of an asset. The Group accounts for an acquisition as a business combination where an integrated set of activities and assets, including property, is acquired. More specifically, consideration is given to the extent to which significant processes are acquired and, in particular, the extent of services provided by the subsidiary (e.g. maintenance, cleaning, security, bookkeeping, hotel services etc.). When the acquisition of subsidiaries does not represent a business combination, it is accounted for as an acquisition of a group of assets and liabilities. The cost of the acquisition is allocat-

ed to the assets and liabilities acquired based upon their relative fair values, and no goodwill or deferred tax is recognized.

- **Property leases - estimating the incremental borrowing rate**
The Group cannot readily determine the interest rate implicit in leases where it is the lessee, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available. The Group estimates the IBR based on the properties' yields.

- **Fair value hierarchy**
Please see note 4.2

(D) Functional and presentation currency

The Group's consolidated financial statements are presented in euro, which is also the functional currency of the Group, and reported in millions of euros rounded to one decimal point, except when otherwise indicated.

Transactions and balances

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognized in profit or loss, with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognized in other comprehensive income until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recognized in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on change in fair value of the item (i.e. translation differences on items whose fair value gain or loss is recognized in other comprehensive income or profit or loss are also recognized in other comprehensive income or profit or loss, respectively).

In determining the spot exchange rate to use on initial recognition of the related asset, liability, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which the Group initially recognizes the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of advance consideration.

Group companies

On consolidation, the assets and liabilities of foreign operations are translated into euros at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during the period, in which case the exchange rates prevailing at the dates of the transactions are used. The exchange differences arising on translation for consolidation are recognized in other comprehensive income and accumulated in a separate component of equity under the header of foreign currency translation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is reclassified to profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

As at December 31, 2019, the Company has financial instruments in British Pound (GBP), US Dollar (USD), Swiss Franc (CHF), Australian Dollar (AUD), Canadian Dollar (CAD), Norwegian Krone (NOK), Hong Kong Dollar (HKD) and Japanese Yen (JPY). The exchange rates versus the euro were as follows:

	EUR/GBP	EUR/USD	EUR/CHF	EUR/AUD	EUR/CAD	EUR/NOK	EUR/HKD	EUR/JPY
Average rate 2019	0.878	1.120	1.112	1.611	1.486	9.851	8.772	122.006
December 31, 2019	0.851	1.123	1.085	1.600	1.460	9.864	8.747	121.940
December 31, 2018	0.895	1.145	1.127	1.622	1.561	9.948	8.968	125.850
Percentage changes during the respective year:								
Year ended December 31, 2019	(4.9%)	(1.9%)	(3.7%)	(1.4%)	(6.5%)	(0.8%)	(2.5%)	(3.1%)
Year ended December 31, 2018	0.8%	(4.5%)	(3.7%)	5.7%	3.8%	1.1%	(4.3%)	(6.8%)

3. Significant accounting policies

(A) Changes in accounting policies and disclosures

The Group applied several IFRS, amendments and interpretations in these consolidated financial statements for the first time. The nature and effect of the changes as a result of adoption of these new IFRS, amendments and interpretations are described below.

IFRS 16 - Leases

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognize most leases on the balance sheet.

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the Group is the lessor.

The Group adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of January 1, 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognized at the date of initial application in retained earnings. The Group elected to use the transition practical expedient not to reassess whether a contract is, or contains a lease at January 1, 2019. Instead, the Group applied the standard only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application.

The effect of adoption IFRS 16 as at January 1, 2019 (increase/(decrease)) is, as follows:

	In € millions
Assets	
Investment property	145.5
Liabilities	
Other non-current liabilities	98.2
Deferred tax liabilities	7.7
Equity	
Retained earnings	38.9
Non-controlling interests	0.7

Before the adoption of IFRS 16, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease.

Upon adoption of IFRS 16, the Group applied a single recognition and measurement approach for all leases except for short-term leases and leases of low-value assets. The standard provides specific transition requirements and practical expedients, which have been applied by the Group.

The Group recognized right-of-use assets and lease liabilities at the date of initial application for leases previously classified as an operating lease applying IAS 17, except for short-term leases and leases of low-value assets.

The lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at the date of initial application. The right-of-use assets were initially measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the consolidated statement of financial position immediately before the date of initial application, and then remeasured at fair value at the date of initial application. Deferred tax liabilities were recognized because of the remeasurement of the right-of-use asset at fair value.

The Group also applied the available practical expedients wherein it:

- Used a single discount rate.
- Relied on its assessment of whether leases are onerous immediately before the date of initial application.
- Applied the short-term leases exemption to leases with lease term that ends within 12 months of the date of initial application and the 'low-value' exemption for assets that are considered to be low value.
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application.
- Used hindsight in determining the lease term where the contract contained options to extend or terminate the lease.

Based on the above, as at January 1, 2019:

- Right-of-use assets for which the underlying asset meets the definition of investment property under IAS 40 Investment Property were recognized and presented as 'Investment property" in the consolidated statement of financial position. These leases were previously classified as operating leases and the Group did not classify and account for any property held under an operating lease as investment property.
- Lease liabilities of €98.2 million (included in 'Other non-current liabilities) were recognized.
- Deferred tax liabilities increased by €7.7 million because of the deferred tax impact of the changes in fair value of the assets.
- The net effect of these adjustments had been adjusted to retained earnings and non-controlling interests (€38.9 and €0.7 million, respectively).

The lease liabilities as at January 1, 2019, can be reconciled to the operating lease commitments as of December 31, 2018, as follows:

	In € millions
Operating lease commitments as at 31 December 2018	408.0
Weighted average incremental borrowing rate as at 1 January 2019	6.0%
Discounted operating lease commitments as at 1 January 2019	98.2
Add:	
Previously recognised finance lease liabilities	4.1
Lease liabilities as at 1 January 2019	102.3

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

- IFRIC Interpretation 23 Uncertainty over Income Tax Treatments
- Amendments to IFRS 9: Prepayment Features with Negative Compensation
- Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures
- Amendments to IAS 19: Plan Amendment, Curtailment or Settlement
- Annual Improvements to IFRS standards 2015-2017 Cycle:
    - Amendments to IFRS 3 Business Combinations – Previously held Interests in a joint operation
    - Amendments to IFRS 11 Joint Arrangements – Previously held Interests in a joint operation
    - Amendments to IAS 12 Income Taxes – Income tax consequences of payments on financial instruments classified as equity
    - Amendments to IAS 23 Borrowing Costs – Borrowing costs eligible for capitalization

The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

(B) Basis of consolidation

The Group's consolidated financial statements comprise the financial statements of the parent company Aroundtown SA and the financial statements of its subsidiaries. Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of the subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Intra-group balances, and any unrealized income and expenses arising from intra-group transactions, are eliminated. Unrealized gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements and have been applied by all entities in the Group.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those of the Group.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognized in other comprehensive income and accumulated in equity, the amounts previously recognized in other comprehensive income and accumulated in equity are accounted for as if the Company had directly disposed of the relevant assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable IFRS). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 Financial Instruments.

(C) Business combinations

Acquisitions of businesses are accounted for using the acquisition method, i.e. when control is transferred to the Group. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognized and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively;
- liabilities or equity instruments related to share based payment arrangements of the acquiree or share based payment arrangements of the Group entered into to replace share based payment arrangements of the acquiree are measured in accordance with IFRS 2 Share based Payment at the acquisition date; and
- Assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard.

Goodwill is initially measured as the excess of the sum of the consideration transferred, the fair value of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognized immediately in the consolidated income statement as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction by transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IFRS 9, or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognized in the consolidated income statements.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date.

Where a transaction or other event does not meet the definition of a business combination due to the acquiree not meeting the definition of a business, the Group identifies and recognizes the individual identifiable assets acquired and liabilities assumed, and allocates the cost of the group of assets and liabilities to the individual identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction or event does not give rise to goodwill.

(D) Investments in associates and equity-accounted investees

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. A jointly controlled entity is an entity in which two or more parties have interest.

The results and assets and liabilities of associates and equity-accounted investees are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. Under the equity method, an investment in an associate is initially recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Group's share of the consolidated income statement and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognized at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

The requirements of IAS 36 are applied to determine whether it is necessary to recognize any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount; any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When an entity in the Group transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in the Group's consolidated financial statements, however only to the extent of interests in the associate that are not related to the Group.

(E) Revenue recognition

The Group's key sources of income include:

- Rental income
- Revenue from contracts with customers:
  - Services to tenants including management charges and other expenses recoverable from tenants
  - Sale of investment property

Rental income

The Group earns revenue from acting as a lessor in operating leases which do not transfer substantially all of the risks and rewards incidental to ownership of an investment property.

Rental income arising from operating leases on investment property is accounted for on a straight-line basis over the lease term and is included in revenue in the consolidated statement of profit or loss due to its operating nature, except for contingent rental income which is recognized when it arises. Initial direct costs incurred in negotiating and arranging an operating lease are capitalized to the investment property and recognized as an expense over the lease term on the same basis as the lease income.

Lease incentives that are paid or payable to the lessee are deducted from lease payments. Accordingly, tenant lease incentives are recognized as a reduction of rental revenue on a straight-line basis over the term of the lease. The lease term is the non-cancellable period of the lease together with any further term for which the tenant has the option to continue the lease, where, at the inception of the lease, the Group is reasonably certain that the tenant will exercise that option.

Revenue from services to tenants

For investment property held primarily to earn rental income, the Group enters as a lessor into lease agreements that fall within the scope of IFRS 16. These agreements include certain ancillary services offered to tenants (i.e., customers). The consideration charged to tenants for these services includes fees and reimbursement of certain expenses incurred. These services are specified in the lease agreements and separately invoiced. The Group has determined that these services constitute distinct non-lease components (transferred separately from the right to use the underlying asset) and are within the scope of IFRS 15. The Group allocates the consideration in the contract to the separate lease and revenue (non-lease) components on a relative stand-alone selling price basis.

In respect of the revenue component, these services represent a series of daily services that are individually satisfied over time because the tenants simultaneously receive and consume the benefits provided by the Group. The Group applies the time elapsed method to measure progress.

The Group arranges for third parties to provide certain of these services to its tenants. The Group concluded that it acts as a principal in relation to these services as it controls the specified services before transferring them to the customer. Therefore, the Group records revenue on a gross basis.

Sale of property

The Group enters into contracts with customers to sell properties that are either complete or under development.

The sale of completed property is generally expected to be the only performance obligation which will be satisfied at the point in time when the control is transferred to the customer, which is generally expected to be when legal title is transferred. For conditional exchanges, this generally occurs when all significant conditions are satisfied.

For contracts relating to the sale of properties under development, the Group is responsible for the overall management of the project and identifies various goods and services to be provided. In such contracts, the goods and services are not distinct and will generally be accounted for as a single performance obligation. Depending on the terms of each contract, the Group will determine whether control is transferred at a point in time or over time.

The Group has elected to make use of the following practical expedient:

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

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

- The Group 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.

(F) Finance income and expenses

Finance income comprises interest income on funds invested.

Finance expenses comprise interest expense on bank loans, third party borrowings and bonds.

(G) Other financial results

Other financial results represent changes in the time value of provisions, changes in the fair value of traded securities, changes in the fair value of derivative financial instruments, borrowing and redemption costs, loan arrangement fees, dividend income and other one-time payments.

Financial expenses are recognized as they accrue in the statement of comprehensive income, using the effective interest method.

(H) Current tax and property taxes

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted, or substantively enacted, at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in OCI or in equity and not in the statement of profit or loss. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Property taxation includes taxes on the holding of real estate property.

(I) Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit or loss

- In respect of taxable temporary differences associated with investments in subsidiaries, branches and associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future

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

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

- In respect of deductible temporary differences associated with investments in subsidiaries, branches and associates and interests in joint arrangements, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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

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

In accounting for the deferred tax relating to the lease, the Group considers both the lease asset and liability separately. The Group separately accounts for the deferred taxation on the taxable temporary difference and the deductible temporary difference, which upon initial recognition, are equal and offset to zero. Deferred tax is recognized on subsequent changes to the taxable and temporary differences.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in OCI or directly in equity.

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

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

(J) Equipment and intangible assets

Equipment is measured at cost less accumulated depreciation and impairment losses.

Depreciation is recognized in profit or loss using the straight line method over the useful lives of each part of an item of equipment. The annual depreciation rates used for the current and comparative periods are as follows:

	%
Furniture, fixtures and office equipment	10-50

Depreciation methods, useful lives and residual values are reassessed at the reporting date.

Where the carrying amount of an asset is greater than its estimated recoverable amount, the asset is written down immediately to its recoverable amount.

Expenditure for repairs and maintenance of equipment is charged to profit or loss of the year in which it is incurred. The cost of major renovations and other subsequent expenditure are included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Group. Major renovations are depreciated over the remaining useful life of the related asset.

An item of equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the consolidated statement of comprehensive income.

The intangible assets of the Group consist of goodwill and software. Goodwill arising on the acquisition of subsidiaries is measured at cost less accumulated impairment losses.

Other intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortization, and any accumulated impairment losses.

(K) Deferred income

Deferred income represents income which relates to future periods.

(i) Prepayments
The Group receives prepayments from tenants for ancillary services and other charges on a monthly basis. Once a year, the prepayments received from tenants are settled against the operating cost receivables tenancy deposits.

(ii) Tenancy deposits
Tenancy deposits are paid to ensure the property is returned in good condition. The tenancy deposits can also be used if a loss of rent occurs.

(L) Investment property

Investment property comprises completed property and property under development or re-development that is held, or to be held, to earn rentals or for capital appreciation or both. Property held under a lease is classified as investment property when it is held to earn rentals or for capital appreciation or both, rather than for sale in the ordinary course of business or for use in production or administrative functions.

Investment property comprises principally properties that are not occupied substantially for use by, or in the operations of, the Group, nor for sale in the ordinary course of business, but are held primarily to earn rental income and capital appreciation. These buildings are substantially rented to tenants and not intended to be sold in the ordinary course of business.

Investment property is measured initially at cost, including directly attributable expenditure such as transfer taxes, professional fees for legal services and other transaction costs. Subsequent to initial recognition, investment property is stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment property are included in profit or loss in the period in which they arise, including the corresponding tax effect. Fair values are determined based on a periodic valuation performed by accredited external independent real estate appraisers applying a valuation model recommended by the International Valuation Standards Council.

Investment property is derecognized either when has been disposed of (i.e. at the date the recipient obtains control of the investment property in accordance with the requirements for determining when a performance obligation is satisfied in IFRS 15) or when it is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in 'Property revaluations, capital gains and other income" in the consolidated statement of profit or loss in the period of derecognition. In determining the amount of consideration to be included in the gain or loss arising from the derecognition of investment property, the Group considers the effects of variable consideration, the existence of a significant financing component, non-cash consideration, and consideration payable to the buyer (if any) in accordance with the requirements for determining the transaction price in IFRS 15.

(M) Assets and liabilities held for sale

The Group classifies non-current assets (principally investment property) and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups classified as held for sale (except for investment property measured at fair value) are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale is expected to be completed within one year from the date of the classification.

Investment property held for sale continues to be measured at fair value. Assets and liabilities classified as held for sale are presented separately in the consolidated statement of financial position.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

(N) 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

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

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group 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 Group has applied the practical expedient are measured at the transaction price determine under IFRS 15. See note 3(e).

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 Group'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 Group commits to purchase or sell the asset.

b) 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)

The Group measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows, and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

Financial assets at amortized cost (debt instruments)

The Group 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.

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

Financial assets at fair value through profit or loss

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

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

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

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: the economics 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.

c) 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 Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired, or
- The Group 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 Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group 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 Group continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on the basis that reflects the rights and obligations that the Group 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 Group could be required to repay.

d) Impairment of financial assets

The Group 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 Group 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 Group 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 Group has reasonable and supportable information that demonstrates otherwise.

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

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset to be default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group or when there is a breach of financial covenants by the debtor. Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group 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

a) Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss or at amortized cost.

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

b) 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 Group 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 consolidated statement of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Group 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 Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate 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.

c) 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 consolidated 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 consolidated 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 realize the assets and settle the liabilities simultaneously.

(P) Perpetual notes

Perpetual notes have no maturity date and may only be 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 Group. 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 Group's consolidated financial statements. The deferred amounts shall not bear interest.

(Q) Hedging activities and derivatives

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

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

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

At the inception of a hedge relationship, the Group 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.

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 Group 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 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 Group hedges and the quantity of the hedging instrument that the Group uses to hedge that quantity of hedge item.

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

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

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

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

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

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

Fair value hedges
The change in the fair value of a hedging instrument is recognized in the consolidated 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 consolidated statement of profit or loss.

In cases that the Group designates only the spot element of swap contracts as a hedging instrument, the forward element is recognized in OCI and accumulated in a component of equity under hedge reserves as time period related element and amortized to the consolidated 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.

Hedge of net investments in foreign operations
Hedges of a net investment in a foreign operation, including a hedge of monetary item that is accounted for as part of the net investment, are accounted for as follows:

- The Group designates the spot element of a non-derivative financial liability and forward contracts as the hedging instrument.
- The forward element is recognized as cost of hedging and accumulated in a separate component of equity under hedge reserves.
- Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognized as OCI.
- On disposal of the foreign operation, the cumulative value of any such gains or losses recorded in equity is transferred to the consolidated statement of profit or loss.

(R) 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.

(S) Property operating expenses

This item includes operating costs that can be recharged to the tenants and direct management costs of the properties. Maintenance expenses for the upkeep of the property in its current condition, as well as expenditure for repairs are charged to the consolidated income statement. Refurbishment that takes place subsequent to the property valuation, thus excluded in its additional value, will also be stated in this account, until the next property valuation.

(T) Operating segments

The Group has one reportable operating segment which refers to rental income from owned investment properties.

An operating segment is a component of the Group that meets the following three criteria:

- Is engaged in business activities from which it may earn revenues and incur expenses, including revenues and expenses relating to intragroup transactions;
- whose operating results are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance; and
- For which separate financial information is available.

(U) Comparatives

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

(V) Earnings per share

Earnings per share are calculated by dividing the net profit attributable to owners of the Company by the weighted average number of Ordinary shares outstanding during the period. Basic earnings per share only include shares that were actually outstanding during the period. Potential Ordinary shares (convertible securities such as convertible debentures, warrants and share-based payments for employee) are only included in the computation of diluted earnings per share when their conversion decreases earnings per share or increases loss per share from continuing operations. Further, potential Ordinary shares that are converted during the period are included in diluted earnings per share only until the conversion date and from that date in basic earnings per share. The Company's share in earnings of investees is included based on the diluted earnings per share of the investees, multiplied by the number of shares held by the Company.

(W) Share-based payment transactions

The grant-date fair value of equity-settled share-based payment awards granted to employees is generally recognized as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

(X) Provisions for other liabilities and charges

Provisions are recognised when there is a present obligation, either legal or constructive, vis-à-vis third parties as a result of a past event, if it is probable that a claim will be asserted, and the probable amount of the required provision can be reliably estimated. Provisions are reviewed regularly and adjusted to reflect new information or changed circumstances.

Provisions include provisions for operating and administrative liabilities, as well as accruals of interest on straight and convertible bonds which have not become payable as at the reporting date.

(Y) Leased assets

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(i) Right-of-use assets
The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured initially at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets. If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment. Refer to accounting policies on impairment on non-financial assets in this note.

The Group leases properties that meet the definition of investment property. These right-of-use assets are classified and presented as part of the line item 'Investment property' in the statement of financial position and subsequently measured at fair value.

(ii) Lease liabilities
At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expenses in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset. IFRS 16 requires certain adjustments to be expensed, while others are added to the cost of the related right-of-use asset.

(iii) Short-term leases and leases of low-value assets
The Group applies the short-term lease recognition exemption to short-term leases of equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

Group as a lessor

Refer to accounting policies on rental income in note 3(e).

(Z) Standards issued but not yet effective

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

Amendments to IFRS 3 – Definition of a Business
In October 2018, the IASB issued amendments to the definition of a business in IFRS 3 Business Combinations to help entities determine whether an acquired set of activities and assets is a business or not.

The amendments mainly include:

- Clarification that, to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs
- Removal of the assessment of whether market participants are capable of replacing any missing outputs or processes and continuing to produce outputs
- Adding guidance and illustrative examples to help entities assess whether a substantive process has been acquired
- Narrowing the definitions of business and outputs by focusing on goods or services provided to customers and by removing the reference to an ability to reduce costs
- Adding an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business

The amendments must be applied to transactions that are either business combinations or asset acquisitions for which the acquisition date is on or after the first annual reporting period beginning on or after January 1, 2020. The amendments will, therefore, not impact the Group's consolidated financial statements when they become effective. The Group expects that the amendments will reduce the number of transactions that are accounted for as a business combination.

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

The Group 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 Group measures financial instruments such as derivatives, and non-financial assets such as investment properties, 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 Group's financial instruments, other than those for which the carrying amount is a reasonable approximation of their fair values:

	As at December 31, 2019		As at December 31, 2018	
	Carrying amount	Fair value	Carrying amount	Fair value
	in € millions			
Financial assets				
Financial assets at fair value through profit or loss	842.2	842.2	352.0	352.0
Derivatives financial instruments	194.8	194.8	36.4	36.4
Total	**1,037.0**	**1,037.0**	**388.4**	**388.4**
Financial liabilities				
Straight bonds and schuldscheins (*)	9,251.2	9,796.2	6,432.6	6,272.5
Bank loans	866.5	905.6	1,119.9	1,087.2
Derivatives financial instruments	123.2	123.2	61.5	61.5
Total	**10,240.9**	**10,825.0**	**7,614.0**	**7,421.2**

(*) The carrying amount includes accrued interest

When the fair value of financial assets and financial liabilities recorded in the consolidated 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 Group's listed equity investments and quoted debt instruments.
- Hybrid instruments are measured using a combination of a discount cash flows method for the host contract and a call pricing model for the embedded derivative (i.e., the conversion option). The models use observable inputs such as market price of the underlying asset and swap rate curve.
- The Group enters into derivative financial instruments with various counterparties, principally financial institutions with investment grade credit ratings. Interest rate and foreign exchange swap and forward, collar and cap contracts are valued using valuation techniques, which employ the use of market observable inputs. The most frequently applied valuation technique includes forward pricing and swap models using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates, yield curves of the respective currencies, currency basis spreads between the respective currencies, interest rate curves and forward rate curves.

4.2 Fair value measurement hierarchy

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

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

	Fair value measurement using							
	As at December 31, 2019				As at December 31, 2018			
	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 € millions							
Assets measured at fair value:								
Investment property	18,127.0	-	-	18,127.0	14,174.0	-	-	14,174.0
Financial assets at fair value through profit or loss	842.2	842.2	-	-	352.0	352.0	-	-
Derivatives financial assets	194.8	-	194.8	-	36.4	-	36.4	-
	19,164.0	**842.2**	**194.8**	**18,127.0**	**14,562.4**	**352.0**	**36.4**	**14,174.0**

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

For the reconciliation of fair value measurement under level 3 hierarchy see note 14A.

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

	Fair value measurement using							
	As at December 31, 2019				As at December 31, 2018			
	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 € millions							
Liabilities measured at fair value:								
Derivatives financial liabilities	123.2	-	123.2	-	61.5	-	61.5	-
Liabilities for which fair values are disclosed:								
Bank loans	905.6	-	905.6	-	1,087.2	-	1,087.2	-
Straight bonds and schuldscheins	9,796.2	9,409.1	387.1	-	6,272.5	6,098.9	173.6	-
	10,825.0	**9,409.1**	**1,415.9**	**-**	**7,421.2**	**6,098.9**	**1,322.3**	**-**

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

5. Acquisition of subsidiaries

During the year, the Group obtained control over several portfolios through acquisitions of companies. The transactions did not meet the definition of a business combination. The purchases of these companies were treated as acquisition of a group of assets and liabilities.

A total purchase costs amounted to €2,412.0 million were allocated between the net assets and liabilities based on their relative fair value at the purchase date, without recognition of goodwill.

As part of the acquisition the Group initially consolidated investment property in the amount of €2,762.0 million and recognized €176.8 million non-controlling interest.

The Group has not recognized deferred tax liabilities amounting to €328.5 million as a result of the initial recognition exemption on acquisitions which are not business combinations.

The following table summarizes the recognized amounts of assets acquired and liabilities assumed at the date of acquisitions:

	in € millions
Investment property	2,762.0
Equipment	5.2
Cash and working capital, Net	76.6
	2,843.8
Bank loans and other liabilities, net	(255.0)
Total identifiable net assets	**2,588.8**
Non-controlling interests arising from initial consolidation	(176.8)
Total consideration	**2,412.0**

6. Revenue

	Year ended December 31, 2019	2018
	in € millions	
Net rental income	765.7	633.0
Revenue from contracts with customers	129.1	114.1
	894.8	**747.1**

6.1 Disaggregation of revenue from contracts with customers

	Year ended December 31, 2019	2018
	in € millions	
Revenue from goods or services transferred to customers over time:		
Operating and other income	129.1	114.1

6.2 Geographical information

The geographical breakdown of revenue is as follows:

	Year ended December 31, 2019	2018
	in € millions	
Germany	600.4	564.3
The Netherlands	154.2	113.3
United Kingdom	81.9	45.5
Belgium	10.6	1.1
Others	47.7	22.9
	894.8	**747.1**

The Group is not exposed to significant revenue derived from an individual customer.

7. Property revaluations and capital gains

	Year ended December 31, 2019	2018
	in € millions	
Property revaluations	1,203.7	1,459.6
Capital gains	13.8	76.8
	1,217.5	**1,536.4**

8. Property operating expenses

	Year ended December 31,	
	2019	2018
	in € millions	
Ancillary expenses and purchased services	(158.3)	(149.4)
Maintenance and refurbishment	(26.8)	(25.9)
Personnel expenses	(15.4)	(12.8)
Depreciation and amortization	(1.7)	(1.6)
Other operating costs	(25.7)	(29.4)
	(227.9)	**(219.1)**

As at December 31, 2019, the Group had 492 employees (2018: 374 employees). On an average, the Group had 433 employees (2018: 281 employees).

The amount of direct operating expenses (including Maintenance and refurbishment) arising from investment property that generates net rental income during the year amounted to €227.0 million (2018: €215.4 million).

The amount of direct operating expenses (including Maintenance and refurbishment) arising from investment property that did not generate net rental income during the year amounted to €0.9 million (2018: €3.7 million).

9. Administrative and other expenses

	Year ended December 31,	
	2019	2018
	in € millions	
Personnel expenses	(13.4)	(10.7)
Legal and professional fees	(3.4)	(4.6)
Year-end closing, accounting and audit expenses	(4.0)	(3.0)
Sales, marketing and administrative expenses	(6.5)	(4.2)
	(27.3)	(22.5)

The following table shows the breakdown of audit, audit-related, tax and other services rendered by KPMG audit firm network and by other audit firms:

	Year ended December 31,			
	2019		2018	
	in € millions			
	KPMG Network	Other audit firms	KPMG Network	Other audit firms
Audit services	2.6	1.2	1.9	1.0
Audit related services	0.2	0.2	0.3	0.1
Tax and other services	0.2	0.2	0.2	0.3
	3.0	1.6	2.4	1.4

10. Finance expenses and other financial results

	Year ended December 31,	
	2019	2018
	in € millions	
Finance expenses and other financial results		
Interest from banks, corporate bonds and third parties, net	(136.4)	(114.6)
Finance expenses on lease liabilities	(5.3)	-
Finance expenses, net	**(141.7)**	**(114.6)**
Changes in fair value of financial assets and liabilities, net	72.3	(83.0)
Finance-related costs	(26.6)	(10.8)
	(96.0)	**(208.4)**

11. Taxation

A. Tax rates applicable to the Group

The Company is subject to taxation under the laws of Luxembourg. The corporation tax rate for Luxembourg companies is 24.94% (2018: 26.01%). The change in the corporation tax rate does not have a significant effect on current and deferred tax assets and liabilities.

The German subsidiaries with property are subject to taxation under the laws of Germany. Income taxes are calculated using a federal corporate tax of 15.0% for December 31, 2019 (2018: 15.0%), plus an annual solidarity surcharge of 5.5% on the amount of federal corporate taxes payable (aggregated tax rate: 15.825%). German property taxation includes taxes on the holding of real estate property based on the location and size of the property.

The Cypriot subsidiaries are subject to taxation under the laws of Cyprus. The corporation tax rate for Cypriot companies is 12.5% (2018: 12.5%). Under certain conditions interest income of the Cypriot companies may be subject to special defense contribution at the rate of 30% (2018: 30%). In such cases this interest will be exempt from corporation tax. In certain cases, dividends received from abroad may be subject to special defense contribution at the rate of 17% (2018: 17%).

The Dutch subsidiaries are subject to taxation under the laws of the Netherlands. The corporation tax rate for Dutch companies is 25% and 19% for the taxable income above €200 thousand and below €200 thousand, respectively (2018: 25% and 20%).

In September 2019, the Dutch Government made amendments to the tax budget proposed for the fiscal years 2020 and 2021. The Proposal includes a gradual reduction of the corporate income tax rate, but for 2020 remains 25.0% for the taxable income above €200 thousand and decrease to 21.7% in 2021 (16.5% and 15% for the first €200 thousand taxable income in 2020 and 2021, respectively).

The United Kingdom subsidiaries with property are subject to taxation under the laws of the United Kingdom. Income taxes are calculated using a federal corporate tax (that includes capital gains) of 19.0% for December 31, 2019 (2018: 19.0%). A reduction in the UK corporation tax rate from 19% to 17% (effective from April 1, 2020) was substantively enacted on September 6, 2016, and the UK deferred tax asset/(liability) as at December 31, 2019 has been calculated based on this rate. In the March 11, 2020 Budget, it was announced that the UK tax rate will remain at the current 19% and not reduce to 17% from April 1, 2020. This will have a consequential effect on the Group's future tax charge. If this rate change had been substantively enacted at the current balance sheet date the deferred tax liability would have increased by approximately €8 million.

Subsidiaries in other jurisdictions are subject to corporate tax rate of up to 29%.

B. Current taxes included in the consolidated statement of profit or loss

	Year ended December 31,	
	2019	2018
	in € millions	
Corporate income tax	(40.8)	(19.6)
Property tax	(29.8)	(24.8)
Charge for the year	**(70.6)**	**(44.4)**

C. Movements in the deferred tax assets and liabilities net, during the current and prior reporting period:

Deferred tax liabilities

	Derivative financial assets and other deferred tax liabilities	Fair value gains on investment property	Total
	in € millions		
Balance as at December 31, 2017	**6.5**	**745.7**	**752.2**
Charged to:			
Consolidated statement of profit or loss	4.7	269.0	273.7
Other comprehensive income	(5.0)	(29.7)	(34.7)
Deferred tax disposed from deconsolidation and other	-	(128.8)	(128.8)
Transfer from Liabilities held for sale	1.3	18.6	19.9
Balance as at December 31, 2018	**7.5**	**874.8**	**882.3**
Charged to:			
Consolidated statement of profit and loss	0.7	285.3	286.0
Other comprehensive loss	4.9	-	4.9
Initial application IFRS 16	-	7.7	7.7
Deferred tax disposed from deconsolidation and other	-	(67.4)	(67.4)
Transfer from/(to) Liabilities held for sale	0.5	(6.6)	(6.1)
Balance as at December 31, 2019	**13.6**	**1,093.8**	**1,107.4**

As at December 31, 2019, the Group has not recognized cumulative deferred tax liabilities amounting to €568.0 million as a result of the initial recognition exemption on acquisitions which are not business combinations

Deferred tax assets

	Derivative financial liabilities	Loss carried forward, net	Total
	in € millions		
Balance as at December 31, 2017	**0.9**	**13.9**	**14.8**
Charged to:			
Consolidated statement of profit or loss	9.3	53.2	62.5
Deferred tax from initial consolidation	0.1	-	0.1
Transfer to Assets held for sale	(0.1)	(0.7)	(0.8)
Balance as at December 31, 2018	**10.2**	**66.4**	**76.6**
Charged to:			
Consolidated statement of profit or loss	(3.5)	9.4	5.9
Deferred tax initial consolidation / (disposed from deconsolidation)	3.5	(4.4)	(0.9)
Transfer to Assets held for sale	-	(0.8)	(0.8)
Balance as at December 31, 2019	**10.2**	**70.6**	**80.8**

D. Reconciliation of tax expenses to profit before tax

	Year ended December 31	
	2019	2018
	in € millions	
Profit before tax	2,059.8	2,085.1
Statutory tax rate	24.94%	26.01%
Tax computed at the statutory tax rate	513.7	542.3
Decrease in taxes on income resulting from the following factors:		
Group share in earnings from companies accounted for at equity	(74.5)	(65.4)
Effect of different tax rates of subsidiaries operating in other jurisdictions	(85.5)	(218.4)
Others	(3.0)	(1.2)
Total current and deferred tax expenses	**350.7**	**257.3**

12. Net earnings per share attributable to the owners of the Company

A. Basic earnings per share

The calculation of basic earnings per share for the year ended December 31, 2019 is based on the profit attributable to the owners of €1,308.1 million (2018: €1,620.4 million), and a weighted average number of ordinary shares outstanding of 1,172.9 million (2018: 1,052.6 million), calculated as follows:

1. Profit attributed to the owners of the Company (basic)

2.

	Year ended December 31, 2019	2018
	in € millions	
Profit for the year, attributable to the owners of the Company	1,308.1	1,620.4

Weighted average number of ordinary shares (basic)

B.

	Year ended December 31, 2019	2018
	in millions of shares	
Issued ordinary shares on January 1	1,128.6	947.8
Capital increase, scrip dividend and share incentive	44.3	77.9
Effect of exercise of convertible bonds	-	26.9
Weighted average number of ordinary shares	**1,172.9**	**1,052.6**
Basic earnings per share (in €)	**1.12**	**1.54**

Diluted earnings per share

The calculation of diluted earnings per share for the year ended December 31, 2019 is based on profit attributable to the shareholders of €1,299.3 million (2018: €1,613.9 million), and a weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares of 1,174.1 million (2018: 1,082.8 million), calculated as follows:

1. Profit attributed to the owners of the Company (diluted)

2 .

	Year ended December 31, 2019	2018
	in € millions	
Profit for the year, attributable to the owners of the Company (basic)	1,308.1	1,620.4
Interest expense on convertible bonds, net of tax	-	7.0
Dilutive effect of the Company's share in profit of investees	(8.8)	(13.5)
Profit for the year, attributable to the owners of the Company (diluted)	**1,299.3**	**1,613.9**

Weighted average number of ordinary shares (diluted)

	Year ended December 31, 2019	2018
	In millions of shares	
As at the beginning of the year	1,128.6	947.8
Capital increase, scrip dividend and share incentive	45.5	77.9
Effect of exercise of convertible bonds	-	57.1
Weighted average number of ordinary shares	**1,174.1**	**1,082.8**
Diluted earnings per share (in €)	**1.11**	**1.49**

13. Equipment and intangible assets

	Furniture, fixtures and office equipment	Goodwill	Computer software	Total
	in € millions			
Cost				
Balance as at December 31, 2017	20.7	14.1	1.1	35.9
Additions, net	4.6	-	0.1	4.7
Equipment and intangible assets arising from initial consolidation, net	4.2	-	-	4.2
Balance as at December 31, 2018	29.5	14.1	1.2	44.8
Additions, net	3.1	-	-	3.1
Deconsolidation	(19.9)	-	-	(19.9)
Equipment and intangible assets arising from initial consolidation, net	5.2	-	-	5.2
Balance as at December 31, 2019	17.9	14.1	1.2	33.2
Depreciation/Amortization				
Balance as at December 31, 2017	5.0	4.5	0.6	10.1
Depreciation/Amortization for the year	1.5	-	0.1	1.6
Balance as at December 31, 2018	6.5	4.5	0.7	11.7
Depreciation/Amortization for the year	1.6	-	0.1	1.7
Balance as at December 31, 2019	8.1	4.5	0.8	13.4
Carrying amounts				
Balance as at December 31, 2018	**23.0**	**9.6**	**0.5**	33.1
Balance as at December 31, 2019	**9.8**	**9.6**	**0.4**	19.8

14. Investment property

A. Reconciliation of investment property

	Year ended December 31	
	2019	2018
	in € millions	
Balance as at January 1	14,174.0	9,804.1
Adjustment for initial application of IFRS 16, see note 3 (a)	145.5	-
Restated balance as at January 1	14,319.5	9,804.1
Acquisitions of investment property and investment in capex during the year - see note 14(B)	3,260.3	(*) 3,275.2
Disposal of investment property during the year – see note 14(C)	(676.2)	(*) (6.4)
Effect of foreign currency exchange differences	72.7	(18.5)
Transfer to assets held for sale, net	(53.0)	(340.0)
Fair value adjustments	1,203.7	1,459.6
Balance as at December 31	18,127.0	14,174.0

(*) reclassified

Investment property per geographical location

	December 31,	
	2019	2018
	in € millions	
Germany	12,504.5	10,655.0
The Netherlands	2,525.7	1,678.8
United Kingdom	1,475.5	1,174.2
Belgium	477.9	112.7
Others	1,143.4	553.3
	18,127.0	**14,174.0**

B. Acquisitions

During the reporting period, the Group obtained control over several property portfolios in the amount of over €3 billion in top tier cities in Europe, primarily in Germany and the Benelux, through acquisitions of assets and companies. The transactions were treated as acquisition of a group of assets and liabilities (see also note 5).

C. Disposals

During the year, the Group sold investment property in the amount of €690.7 million (2018: €6.4 million), resulting a gain of €14.5 million (2018: €0.1 million).

For disposals of assets classified as held for sale please see note 18.

D. Measurement of fair value

The fair value of the properties of the Group is determined at least once a year by external, independent and certified valuators, who are specialist in valuing real estate properties. The prime valuators, responsible for the major part of the portfolio are Jones Lang LaSalle GmbH ("JLL"), Savills, Cushman & Wakefield ("CW") and Avison Young, they are considered as the market leading valuators in the European real estate market. The fair value of the properties was prepared in accordance with the RICS Valuation- Professional Standards (current edition) published by the Royal Institution of Chartered Surveyors (RICS) as well as the standards contained within the TEGoVA European Valuations Standards, and in accordance with IVSC International Valuation Standard (IVS), the International Accounting Standard (IAS), International Financial Reporting Standards (IFRS) as well as the current guidelines of the European Securities and Market Authority (ESMA) based on the Market Value.

This is included in the General Principles and is adopted in the preparation of the valuations reports of JLL, Savills, CW and Avison Young. Therefore, the valuation is based on internationally recognized standards.

As part of the engagement, the Company and the valuators confirm that there is no actual or potential conflict of interest that may have influenced the valuators status as external and independent. The valuation fee is determined on the scope and complexity of the valuation report.

The fair value of the investment property is determined using the following valuation methods:

- **Discounted cash flow (DCF) method**
  Under the DCF method, fair value is estimated using assumptions regarding the benefits and liabilities of ownership over the asset's life including an exit or terminal value. This method involves the projection of a series of cash flows on a real property interest. To this projected cash flow series, an appropriate, market derived discount rate is applied to establish the present value of the income stream associated with the asset. The exit yield is normally separately determined and differs from the discount rate.

  The duration of the cash flows and the specific timing of inflows and outflows are determined by events such as rent reviews, lease renewal and related re-letting, redevelopment, and refurbishment. The appropriate durations are typically driven by market behavior that is a characteristic of the class of real property.

  Periodic cash flows are typically estimated as gross income less vacancy, non-recoverable expenses, collection losses on future rents, lease incentives, maintenance cost, agent and commission costs and other operating and management expenses. The series of periodic net operating income, along with an estimate of the terminal value anticipated at the end of the projection period, is then discounted.

- **Comparable approach**
  Properties in UK were generally valued using the market comparable approach, due to a high volume of transactions involving comparable property in the area during the year. Under the market comparable approach, a property's fair value is estimated based on comparable transactions. The market comparable approach is based upon the principle of substitution under which a potential buyer will not pay more for the property than it will cost to buy a comparable substitute property. The unit of comparison applied by the Group is the price per square meter (sqm).

  In general, enquiries have been made of the valuers and public databases, local sales offices and recent transactions. The main components of the valuation are the location of the property, the condition of the property with its units; provision of concierge and tenants facilities, provision and layout of accommodation, as well as market sentiment and how the individual units would be received by the market. The most recent sales data for individual units within the subject property and comparable evidence within the immediate area will be taken into account and adjusted by premium according to the specifics of the property and its units. The achieved market sales price per sqm will be multiplied by the area of the property to achieve the property specific market value.

- **Residual value approach**
  The residual value assesses the various factors associated with a conversion or a new development of a property. The goal of this method is to calculate an objective value for the site, which is either undeveloped or sub-optimally utilised. The residual value is determined by first calculating the net capital value of the property after completion of the planned development project. This figure is derived by subtracting the non-recoverable operating costs (e.g. maintenance and management costs) from the potential gross sale value. In order to determine the net capital value, the purchaser's costs have to be deducted. The costs for the assumed development are subtracted from the net capital value, resulting in the remainder (residuum). These costs include building fees as well as other required fees, which are necessary for the construction of a building, depending on its type of use.

  The additional construction costs are also part of the total development costs. The following additional costs are common for constructions: planning, construction, official review and approval costs as well as financing required immediately for construction. The amount of additional construction costs depends on the type of building, its finishes and the location. All of the construction and additional building costs as well as other project costs including financing costs and developer's profit are subtracted from the calculated gross sale value of the completed development.

  The difference of the gross sale value and the development costs results in the remainder (residuum). In order to acquire the residual value, financing and additional purchasing costs for the property are deducted from this remainder. The residual value represents the amount, which an investor would spend for the development of the property under specific economic conditions.

As at December 31, 2019, 92% of investment property have been valued using the discounted cash flows method, 5% residual value approach and 3% comparable approach.

The key assumptions used to determine the fair value of the investment properties are further discussed below:

Valuation technique	Significant unobservable inputs	As of 31 December, 2019	2018
		Range (weighted average)	
DCF method	Rent growth p.a. (%)	0.5 – 2.7 (1.8)	0.6 - 3.0 (1.8)
	Long-term vacancy rate (%)	1.0 – 10.0 (5.9)	-
	Discount rate (%)	2.3 – 12.0 (5.7)	2.0 - 12.3 (5.7)
	Capitalization rate (%)	2.4 – 14.0 (5.1)	2.5 - 13.7 (5.3)
Market comparable approach	Price per sqm (in euro)	2,600 – 5,300 (3,100)	840 – 25,630 (2,880)
Residual value approach	Rent price per sqm (in euro)	8.3 – 35.0 (14.1)	10.0 – 32.1 (11.5)
	Development cost per sqm (in euro)	730 – 3,680 (2,290)	690 – 4,070 (2,050)
	Developer margin (%)	8.0 - 15.0 (12.0%)	7.5 - 17.5 (11.5)

Significant increases (decreases) in estimated rental value and rent growth per annum in isolation would result in a significantly higher (lower) fair value of the properties. Significant increases (decreases) in the long-term vacancy rate and discount rate (and exit yield) in isolation would result in a significantly lower (higher) fair value.

Generally, a change in the assumption made for the estimated rental value is accompanied by a directionally similar change in the rent growth per annum and discount rate (and exit yield), and an opposite change in the long-term vacancy rate.

Highest and best use

As at 31 December 2019, the current use of all investment property is considered the highest and best use, except for 21.7% (2018: 18.7%) of the investment properties, for which the Group determined that fair value based the development and the sale of such properties is the highest and best use. These properties are currently being used to earn rental income, in line with the Group's business model of buying and holding investment property to earn rental income. By achieving increased rental value and implementing development projects, the value of these properties is maximized and reflect the value expected for realization of the investments.

15. Investments in equity-accounted investees

A. Reconciliation of investments in equity-accounted investees

	Year ended December 31,	
	2019	2018
	in € millions	
Balance as at January 1	2,214.8	1,905.6
Additions, net	44.7	(*) 215.9
Dividends received	(50.4)	(*) (45.9)
Transfer to held for sale	-	(108.4)
Share in profit from investments in equity accounted investees	298.7	251.6
Changes via OCI	(1.9)	(4.0)
Balance as at December 31	**2,505.9**	**2,214.8**

(*) reclassified

The balance as at December 31, 2019 and December 31, 2018 reflected mainly the Group's investment in residential real estate portfolio through its strategic direct investment in GCP S.A. and amounted to €1,928.0 million and €1,807.6 million, respectively.

In addition, as at December 31, 2019, the Group's minority investment in subsidiaries of GCP S.A. amounted to €365.8 Million and in other joint ventures ("JV") amounted to €212.0 Million.

B. GCP S.A. – Summary for the results as at December 31, 2019

The main balance sheet and profit or loss items of GCP S.A. as at December 31, 2019 and for the year then ended were as follows:

	Year ended December 31,	
	2019	2018
	in € millions	
Current assets	1,628.8	1,237.6
Total assets	9,851.4	8,860.5
Current liabilities	454.3	306.1
Total liabilities	4,884.8	4,193.5
Revenue	560.3	545.2
Total comprehensive income	482.6	573.8
Total comprehensive income attributed to the owners of GCP S.A.	396.2	479.4
Company's share of total comprehensive income	156.1	183.5
Carrying amount of interest in GCP S.A.	1,928.0	1,807.6
The market cap of GCP S.A. as at year end	3,589.6	3,159.3

During 2019, the Company received dividend from GCP S.A. amounting to €50.4 million (2018: €45.9 million).

C. GCP S.A. - Reconciliation of the carrying amount

The main equity items of GCP S.A. as at December 31, 2019 and the reconciliation of the carrying amount is as follows:

	December 31,	
	2019	2018
	in € millions	
GCP S.A. Equity attributable to the owners	3,492.6	3,227.5
AT Group's interest in GCP S.A.	39.40%	38.75%
AT Group's share in GCP S.A.	1,376.3	1,250.7
Surplus on investment	551.7	556.9
Total investment in GCP S.A.	1,928.0	1,807.6

16. Other non-current assets

	December 31,	
	2019	2018
	in € millions	
Tenancy deposit (a)	10.7	12.8
Finance lease asset	-	4.3
Trade receivables	24.1	15.6
Non-current financial investments (b)	593.5	337.1
	628.3	**369.8**

(a) Tenancy deposits mainly include several months net rent from the tenants which is paid at the beginning of the lease. The deposits are considered as a security payment by the tenant and the Group can use those funds mainly if the tenant has unpaid debts or causes damages to the property. Past experience shows that the majority of the leases are long term and therefore the deposits are presented as long term assets.

(b) Including mainly non-current prepayments, Group's loans as a seller as well as loans connected with future real-estate transactions with maturity between 2021-2022 and an annual interest rate up to 8.5 %.

17. Trade and other receivables

	December 31,	
	2019	2018
	in € millions	
Rent and other receivables	62.9	48.0
Operating costs receivables	211.5	150.9
Prepaid expenses	15.9	8.1
Current tax assets	34.7	29.7
Other current financial assets	128.9	40.3
	453.9	**277.0**

(a) Operating costs receivables represent an unconditional right to consideration in exchange for services that the Group has transferred to tenants. The Group recognizes an operating income based on contractual rights to consideration for providing ancillary services to tenants and for other charges billed to tenants, as the performance obligations are satisfied, that is, as services are rendered. Once a year, the operating cost receivables are settled against advances received from tenants.

(b) During the year, the Group recognized a loss allowance for expected credit losses on trade and other receivables in total amount of €14 million through the property operating expenses in the consolidated statement of profit or loss.

18. Disposal group held for sale

As at December 31, 2019, the Group resolved an intention to sell several real estate properties. Selling activities have been initiated and regarding some of the properties negotiation and discussions are still ongoing. Accordingly, assets and liabilities relating to these properties are presented as a disposal group held for sale.

As at December 31, 2019, the fair value of the held for sale properties is €202.4 million and the annual expected net rent these assets generate is €10.2 million. These properties include offices and retail schemes which were identified by the Company as either non-core, primarily due to the location of the properties, or mature properties with lower than average upside potential in their current condition. The intention of the Company to dispose non-core and mature properties is part of its capital recycling plan following a strategic decision to increase the quality of its portfolio. Efforts to sell the disposal group have started and a sale is expected within twelve months from the reporting date. No impairment loss was recognized on the reclassification of the disposal group as held for sale.

During the year, the Company completed the sale transactions of several non-core real estate properties in a value of €54.3 million and recognized capital loss of €0.7 million, which is presented as part of the Property revaluation and capital gains in the consolidated statement of profit or loss. As part of the sale transactions the Company disposed total liabilities and non-controlling interests in the amount of €1.9 million and €0.8 million, respectively.

The major classes of assets and liabilities comprising the disposal group classified as held for sale are as follows:

	December 31, 2019	December 31, 2018
	in € millions	in € millions
Assets classified as held for sale		
Investment property	202.4	203.7
Cash and cash equivalents	5.2	1.1
Other assets	6.6	6.2
Total assets classified as held for sale	214.2	211.0
Liabilities classified as held for sale		
Loans and borrowings	22.9	-
Deferred tax liabilities	12.1	5.5
Other liabilities	7.4	5.8
Total liabilities classified as held for sale	42.4	11.3

19. Total equity

19.1 Equity attributable to the owners of the Company

19.1.1 Share capital

	Year ended December 31, 2019		Year ended December 31, 2018	
	Number of shares	in € millions	Number of shares	in € millions
Authorized				
Ordinary shares of €0.01 each	3,000,000,000	30.0	2,000,000,000	20.0
Issued and fully paid				
Balance as at January 1	1,128,581,866	11.3	947,808,641	9.5
Capital increases	84,000,000	0.8	95,000,000	0.9
Issuance of shares as part of the scrip dividend (see note 19.1.5)	10,894,530	0.1	3,392,129	(*) 0.0
Exercise of convertible bonds	-	-	75,310,961	0.8
Issuance of shares in connection with a buy-back of perpetual notes	-	-	6,818,781	0.1
Share-based payment	97,865	(*) 0.0	251,354	(*) 0.0
Balance at the end of the year	1,223,574,261	12.2	1,128,581,866	11.3

(*) less than €0.1 million.

19.1.2 Authorized capital

In December 2019, the Company increased its authorized ordinary number of shares from 2,000,000,000 to 3,000,000,000, with a par value of €0.01 for each share.

19.1.3 Issued capital during 2018-2019

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

2. During 2018, the Company's convertible bonds were fully converted into 75.3 million shares.

3. On December 19, 2018, the Company issued 6.8 million new 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).

4. In July 2019, the Company completed the share capital increase of 84 million new shares (of €0.01 nominal value each) through a capital increase at a placement price of €7.15 per share, resulting in €600.6 million gross proceeds, issuance costs amounted to €4.3 million.

5. During 2019, the Company issued 97,865 new shares (2018: 251,354 new shares) in total value of €0.7 million (2018: €1.9 million) in connection with incentive share-based plan.

6. For additional information regarding issued capital under scrip dividend see note 19.1.5.

19.1.4 Share premium and other capital reserves

The capital reserves include share premium derived directly from the capital increases that took place since the date of incorporation, and from conversions of convertible bonds into ordinary shares, and can be distributed at any time. The account also consists of the share-based payment reserve, and the other comprehensive income components arising from the hedge accounting and the foreign currency translations.

19.1.5 Resolution of dividend distribution

On June 26, 2019, the shareholders' Annual General Meeting resolved upon the distribution of a dividend in the amount of €0.2535 per share for the year 2018 (2018: €0.234 per share for the year 2017). The total gross amount of the dividend amounted to €286.1 million (2018: €248.2 million). The dividend was deducted from the share premium account.

The Company has also provided the shareholders with the option to receive partial of their dividend in the form of shares ("Scrip Dividend"). On July 12, 2019, as a result of the Scrip Dividend, the Company issued 10.9 million (2018: 3.4 million) new shares in a total value of €76.6 million. The remainder of the dividend €209.4 million was paid in cash (2018: €225.7 million).

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

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

19.2 Equity attributable to perpetual notes investors

In June 2019, the Company successfully completed the placement of a GBP 400 million (nominal value) of perpetual subordinated notes at a price of 97.85% of the principal amount ("the GBP perpetual notes"). Up until June 2024 (the "First Reset Date"), the GBP perpetual notes shall bear annual coupon of 4.75% p.a. The Company hedged the currency risk implied by the GBP denomination via a cross-currency swap into the EUR until the First Reset Date. Under the cross-currency swap, the effective EUR coupon of the GBP perpetual notes was fixed at 3%. After the First Reset Date and until June 2029, the annual coupon shall be Mid Swap plus margin of 4.377%. From June 2029 until June 2044, the annual coupon shall be Mid Swap plus margin of 4.627%. Thereafter, the annual coupon shall be Mid Swap plus margin of 5.377%. The GBP perpetual notes were placed under the EMTN Programme.

In July 2019, the Company successfully completed the placement of a €500 million (nominal value) of perpetual subordinated notes at a price of 98.15% of the principal amount ("the EUR perpetual notes"). Up until January 2025 (the "First Reset Date"), the EUR perpetual notes shall bear annual coupon of 2.875% p.a. After the First Reset Date and until January 2030, the annual coupon shall be margin of 3.46%. From January 2030 until January 2045, the annual coupon shall be margin of 3.71%. Thereafter, the annual coupon shall be margin of 4.46%. The EUR perpetual notes were placed under the EMTN Programme.

19.3 Non-controlling interests

As at December 31, 2019 the non-controlling interests amounted to €1,309.4 million (2018: €567.1 million). The profit for the year attributed to the non-controlling interests amounted to €343.2 million (2018: €161.3 million).

During the year, the Company has made several transactions with non-controlling interests according to which the Company`s stake in some subsidiaries has changed without losing control. The carrying amount of the non-controlling interests was adjusted to reflect the changes in their relative interest in those subsidiaries and increased by €82.7 million (2018: decrease of €295.9 million) and is presented in the consolidated statement of changes in equity. The results of the transactions are recognized directly in equity attributed to the owners of the Company.

The rest of the change in the non-controlling interests refers to initially consolidated subsidiaries and deconsolidations occurred during the year.

For additional changes in non-controlling interests see note 5 and 18.

20. Share-based payment agreements

A. Description of share-based payment arrangements

As at December 31, 2019 the Group had the following share-based payment arrangements:

Share incentive 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's strategic targets.

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

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

B. Reconciliation of outstanding share options

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

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

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

During the year, the total amount recognized as share-based payment was €4.5 million (2018: €3.3 million). The amount was presented as administrative and other expenses in the consolidated statement of profit or loss income and as other reserves in the consolidated statement of changes in equity.

21. Loans, borrowings and bonds

21.1 Loans and borrowings composition

	Weighted average interest rate	Maturity date	December 31, 2019	2018
			in € millions	
Non-current portion of bank loans (a) (b)	1.8%	2021 -2046	620.6	1,023.0
Credit facility from financial institutions			-	69.9
Total non-current loans and borrowings			**620.6**	**1,092.9**
Current portion of bank loans and credit facility		2020	**23.6**	**27.0**
Loan redemptions		2020	**222.3**	**-**
Total current portion			**245.9**	**27.0**

(a) The bank loans are non-recourse loans, having the serving assets as their main security. As at December 31, 2019 under the existing loan agreements, the Group is in compliance with its obligations (including loan covenants) to the financing banks.
(b) Approximately €4 billion (2018: Approximately €4 billion) of the investment property is encumbered

- During the year, the Group repaid several bank loans amounting to €466.0 million and deconsolidated a total amount of €51.8 million

21.2 Straight bonds and schuldscheins composition

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

	Note	Currency	Nominal amount in original currency	Nominal amount in euro	Coupon rate (p.a.)	Maturity	December 31, 2019	December 31, 2018
			in millions	in millions	%		in € millions	
Straight bonds and schuldscheins								
Series D	(k) (q)	EUR	255.5	255.5	1.5	05/2022	250.1	268.5
Series E		EUR	650	650	1.5	07/2024	629.1	624.8
Series F	(l) (q)	EUR	211.4	211.4	2.125	03/2023	209.3	542.2
Series H		USD	400	372	(m)(n) 1.365	03/2032	337.9	329.8
Series NOK		NOK	750	79	(m)(n) 0.818	07/2027	74.9	74.1
Series I		EUR	500	500	1.875	01/2026	487.0	485.1
Series J		GBP	500	557	3.0	10/2029	569.6	540.3
Series K		EUR	700	700	1.0	01/2025	685.3	682.5
Series L		USD	150	125	(n) 1.75	02/2038	132.7	130.1
Series M (o)		CHF	250	213	0.732	01/2025	229.5	220.9
Series N		EUR	800	800	1.625	01/2028	777.7	775.2
Series O		EUR	500	500	2.0	11/2026	489.8	488.5
Series P		AUD	250	158	(n) 1.605	05/2025	154.3	151.8
Series Q		GBP	400	449	3.25	07/2027	456.5	432.8
Series R		CAD	250	164	(n) 1.7	09/2025	166.2	158.5
Series S (*)		EUR	100	100	0.75 + Euribor (6m)	08/2023	99.7	99.6
Series T		EUR	150	150	(n) 2.0	09/2030	149.9	149.9
Series U		EUR	75	75	2.97	09/2033	73.2	73.1
Series V		EUR	50	50	2.7	10/2028	49.5	49.5
Series W		EUR	76	76	3.25	11/2032	74.5	74.4
Series X	(c)	CHF	200	176	1.72	03/2026	183.5	-
Series Y (*)	(a)	EUR	100	100	1.35 + Euribor (6M)	02/2026	98.4	-
Series Z (*)	(b)	EUR	125	125	0.9 + Euribor (6M)	02/2024	123.8	-
Series 27	(d)	HKD	430	48	(n) 1.62	03/2024	49.1	-
Series 28	(e)	USD	600	531	(n) 1.75	03/2029	527.1	-
Series 29	(f)	NOK	1,735	179	(n) 1.75	03/2029	175.3	-
Series 30	(g)	GBP	400	469	(n) 1.75	04/2031	457.8	-
Series 31	(h)	JPY	7,000	57	1.42	05/2029	57.1	-
Series 32	(i)	EUR	800	800	0.625	07/2025	781.9	-
Series 33	(j)	EUR	600	600	1.45	07/2028	588.2	-
Total straight bonds and schuldscheins							**9,138.9**	**6,351.6**
Total accrued interest on straight bonds and schuldscheins	(p)						**112.3**	**81.0**

The weighted average interest rate on the straight bonds and schuldscheins is 1.7%.

(a) In February 2019, the Company successfully completed the placement of a €100 million Schuldschein issuance, referred to as the Series Y Bonds, maturing in 2026 and carrying a semi-annual coupon of 1.35% p.a. plus Euribor (6M) floored at zero, for a consideration that reflected 98.431% of the principal amount.

(b) In February 2019, the Company successfully completed the placement of a €125 million Schuldschein issuance, referred to as the Series Z Bonds, maturing in 2024 and carrying a semi-annual coupon of 0.90% p.a. plus Euribor (6M) floored at zero, for a consideration that reflected 99.017% of the principal amount.

(c) In March 2019, the Company successfully completed the placement of Swiss Franc (CHF) 200 million (approximately €176 million) Series X Bonds, maturing in 2026 and carrying a 1.72% annual coupon, for a consideration that reflected 100% of the principal amount. The Company hedged the currency risk of the principal amount until maturity. The bonds were issued under the EMTN Programme. During the year, the Company unwound the hedging instrument on CHF 60 million of the bond's principal amount. This portion of the principal amount than designated to hedge the Group's net Investment in foreign operation.

(d) In March 2019, the Company successfully completed the placement of HKD 430 million (approximately €48 million) Series 27 Bonds, maturing in 2024, for a consideration that reflected 100% of the principal amount. The Company hedged the currency risk of the principal amount and coupon with a cross-currency swap; the effective annual euro coupon is 1.62% p.a. The bonds were issued under the EMTN Programme.

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

(f) In March 2019, the Company successfully completed the placement of Norwegian Krone (NOK) 1,735 million (approximately €179 million) Series 29 Bonds, maturing in 2029, for a consideration that reflected 100% of the principal amount. The Company hedged the currency risk of the principal amount and coupon with a cross-currency swap; the effective annual euro coupon is 1.75% p.a. for the first 4 years and 2.52% p.a. plus Euribor (6M) for the following 6 years. The bonds were issued under the EMTN Programme.

(g) In April 2019, the Company successfully completed the placement of GBP 400 million (approximately €469 million) Series 30 Bonds, maturing in 2031, for a consideration that reflected 97.819% of the principal amount. The Company hedged the currency risk of the principal amount and coupon with a cross-currency swap; the effective annual euro coupon is 1.75% p.a. for the first 4 years and 2.11% p.a. plus Euribor (6M) for the following 8 years. The bonds were issued under the EMTN Programme.

(h) In May 2019, the Company successfully completed the placement of Japanese Yen (JPY) 7,000 million (approximately €57 million) Series 31 Bonds, maturing in 2029, for a consideration that reflected 100% of the principal amount. The Company hedged the currency risk of the principal amount; the semi-annual coupon is 1.42% p.a. The bonds were issued under the EMTN Programme.

(i) In July 2019, the Company successfully completed the placement of €800 million Series 32 Bonds, maturing in 2025 and carrying a 0.625% annual coupon, for a consideration that reflected 98.039% of the principal amount. The bonds were issued under the EMTN Programme.

(j) In July 2019, the Company successfully completed the placement of €600 million Series 33 Bonds, maturing in 2028 and carrying a 1.45% annual coupon, for a consideration that reflected 98.422% of the principal amount. The bonds were issued under the EMTN Programme.

(k) During the third quarter of 2019, the Company repurchased €21.5 million nominal amount of the outstanding Series D Bonds at a purchase price of 103.986% of the nominal amount excluding any accrued interest.

(l) During the third quarter of 2019, the Company repurchased €338.6 million nominal amount of the outstanding Series F Bonds at a purchase price of 107.15% of the nominal amount excluding any accrued interest.

(m) Coupon and principal are linked to CPI through derivative instruments.

(n) Effective coupon in euro.

(o) The Company hedged the currency risk of the principal amount until maturity.

(p) Presented as part of the Provisions for other liabilities and charges in the statement of financial position.

(q) After the reporting period, the Company issued a tender offer to the holders of bonds D and F. Please see note 29.

(*) Schuldschein

21.3 Reconciliation of movement of liabilities to cash flow arising from financing activities

The table below details changes in the Group'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 Group's consolidated statement of cash flows from financing activities.

			Non-cash changes						
	31.12.2018	Financing cash flows (i)	Acquisition (disposal) of subsidiaries, net	Foreign exchange effect	Change in liabilities held for sale	Conversion to shares	Other (ii)	Other changes (iii)	31.12.2019
Straight bonds and schuldscheins (iv)	6,432.6	2,520.9	-	96.5	-	-	24.9	176.3	9,251.2
Loans and borrowings (v)	1,119.9	(443.7)	189.4	0.7	(22.9)	-	-	23.1	866.5
Net derivative financial liabilities	25.1	50.8	22.4	(122.9)	-	-	(47.0)	-	(71.6)

			Non-cash changes						
	31.12.2017	Financing cash flows (i)	Acquisition (disposal) of subsidiaries, net	Foreign exchange effect	Change in liabilities held for sale	Conversion to shares	Other (ii)	Other changes (iii)	31.12.2018
Convertible bonds (iv)	295.8	(9.1)	-	-	-	(296.3)	2.6	7.0	-
Straight bonds and schuldscheins (iv)	(*) 3,868.7	2,397.6	-	27.2	-	-	21.6	117.5	6,432.6
Loans and borrowings (v)	974.3	117.3	(150.5)	-	153.5	-	-	25.3	1,119.9
Net derivative financial liabilities	9.9	(6.6)	-	(27.6)	(0.5)	-	49.9	-	25.1

(*) reclassified
(i) Financing cash flows include interest payments and proceeds from (repayment of) financial instruments, net.
(ii) Other non-cash changes include discount and issuance cost amortization for the bonds, unrealized revaluations gains derivative financial instruments and foreign exchange effect.
(iii) Other changes include interest accruals and loss from buy-back of bonds.
(iv) Including accrued interest.
(v) Including current portion of bank loans and credit facility.

21.4 Main security, pledge and negative pledge as defined in the bonds' Terms and Conditions

This note provides an overview of certain 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. Capitalised 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 Consolidated 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 Group 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 Consolidated 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 Group since the Last Reporting Date; and (iii) the proceeds of any Indebtedness incurred since the Last Reporting Date (but only to the extent that such proceeds were not used to acquire Real Estate Property or to reduce Indebtedness).

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

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

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

Certain bond issuances of the Company 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 Group.

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

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

The exposure of the Company to interest rate risk in relation to financial instruments is reported in note 25.3.1.1 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.

22. Other non-current liabilities

	December 31,	
	2019	2018
	in € millions	
Tenancy deposits	12.6	10.3
Finance lease liability – see note 26	119.0	4.1
Non-current payables	139.0	88.2
	270.6	**102.6**

23. Related party transactions

23.1 Directors and executive management personnel remuneration

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

(*) Based on employer's costs.
(**) Multi-year share incentive program

- Ms Simone Runge - Brandner appointed on December 16, 2019 as Independent Director
- Mr Ran Laufer appointed on December 16, 2019 as Non-Executive Director

Senior and key management

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

Senior Management Compensation

In 2019, Mr. Mayo received a total fixed remuneration of €595 thousand, Mr. Ben David received a total remuneration of €667 thousand of which €401 thousand were in the form of share incentives and Mr. Wallis received €1,220 thousand, of which €820 thousand were in the form of share incentives.

There were no other transactions between the Group and its directors and executive management, except as described in note 20.

23.2 Other related party transactions

The transactions and balances with related parties are as follows:

	Year ended December 31,	
	2019	2018
	in € millions	
Consulting services income	0.5	0.3
Consulting services expenses	(0.5)	(0.4)
Rental and operating expenses (*)	(1.2)	(1.0)

(*) As at December 31, 2019, all payments related to the lease agreements have been carried out.

	December 31,	
	2019	2018
	in € millions	
Loans to associates	21.8	8.7

24. Trade and other payables

	December 31, 2019	December 31, 2018
	in € millions	
Trade and other payables	119.1	135.7
Prepayments received on operating costs	187.0	137.7
Deferred income	30.3	15.3
Other current liabilities (*)	6.4	162.1
	342.8	**450.8**

(*) including advanced payments received.

25. Financial instruments and risk managament

25.1 Financial assets

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

	December 31, 2019	December 31, 2018
	in € millions	
Financial assets at amortized cost:		
Trade and other receivables (*)	459.7	282.6
Cash and cash equivalents (*)	2,196.9	1,243.9
Short-term deposits	4.7	4.7
Other non-current assets	628.3	369.8
Financial assets at fair value through profit or loss:		
Financial assets at fair value through profit or loss (**)	842.2	352.0
Derivative financial assets	194.8	36.4
Total	**4,326.6**	**2,289.4**

(*) including assets held for sale.
(**)As at December 31, 2019 the Company held €842.2 million (2018: €352.0 million) of financial assets measured at fair value through profit or loss. Those financial assets consist of bonds, shares, alternative investments and other trade debt securities. The outstanding balance in December 31, 2019 contains mainly holdings in PPHE Hotel Group Limited and Globalworth Real Estate Investments Limited.

25.2 Financial liabilities

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

	December 31, 2019	December 31, 2018
	in € millions	
Financial liabilities at amortized cost:		
Trade and other payables (*)	348.0	456.3
Tax payable	24.9	10.0
Loans and borrowings (**)	889.4	1,119.9
Straight bonds and schuldscheins (***)	9,138.9	6,351.6
Accrued interest on straight bonds and schuldscheins	112.3	81.0
Other non-current liabilities (*)	158.3	21.6
Financial liabilities at fair value through profit or loss:		
Derivative financial liabilities	123.2	61.5
Total	**10,795.0**	**8,101.9**

(*) including liabilities held for sale.
(**) including liabilities held for sale and loan redemption.
(***) Including bond redemption.

25.3 Risks management objectives and polices

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

The Group 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 Group. The Group's risk management policies are established to identify and analyze the risks faced by the Group, 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 Group's activities.

25.3.1 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.

25.3.1.1 Interest rate risk

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

As at December 31, 2019, after taking into account the effect of the hedging, the interest profile of the Group's interest-bearing debt was as follows:

	December 31, 2019	December 31, 2018
	in € millions	
Fixed rate	9,294.1	6,670.2
Capped rate	332.5	574.0
Floating rate	378.8	227.3
	10,005.4	**7,471.5**

Interest rate sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of long-term debt affected, after the impact of hedging. With all other variables held constant, the Group's profit before tax and pre-tax equity are affected through the impact on floating rate long-term debt, as follows:

	Increase/decrease in basis points	Effect on profit before tax and pre-tax equity
	in € millions	
2019	+100	(8.5)
	-100	0.4
2018	+100	(6.0)
	-100	1.4

25.3.1.2 Foreign currency risk

The The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's net investment in foreign subsidiaries and to several 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 25.4.2.1 and 25.4.2.2.

Due to the hedging above there is no material residual foreign currency risk.

In addition, the Company used forward contracts to hedge the currency risk of its net investment in foreign operation which is denominated in British pound (GBP) as explained in note 25.4.2.3.

25.3.1.3 Equity price risk

The Group's listed equity investments are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Group 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 Group's senior management on a regular basis.

25.3.2 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 Group is exposed to credit risk from its operating activities (primarily trade and other receivables, loans as a seller and loans connected with future real-estate transactions) 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 Group's established policy and control procedures 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 Group's historical credit loss experience and forecast of economic condition may also not be representative of customer's actual default in the future.

The Group has no significant concentration of credit risk.

The aging of rent receivables at the end of the year that were not impaired was as follows:

	December 31, 2019	December 31, 2018
	In € million	
Neither past due and past due 1–30 days	11.6	9.9
Past due 31–90 days	9.0	4.4
Past due above 90 days	12.3	6.7
	32.9	**21.0**

Management believes that the unimpaired amounts that are past due by more than 30 days are still collectible in full, based on the historical payment behavior and extensive analysis of customer credit risk, including underlying customers' credit ratings if they are available.

Financial instruments and cash and cash equivalents
Credit risk from balances with banks and financial institutions is managed by the Group's treasury department in accordance with the Group'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 minimize the concentration of risks and therefore mitigate financial loss through a counterparty's potential failure to make payments.

The Group's investment in debt instruments at fair value through profit or loss consist of quoted debt securities that are graded in the investment category.

The Group 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.

25.3.3 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 Group 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 of financial liabilities, including estimated interest payments, the impact of derivatives and excluding the impact of netting agreements as at December 31, 2019 and as at December 31, 2018:

December 31, 2019

	Carrying amount	Contractual cash flows including interest: Total	2 months or less	2-12 months	1-2 years	2-3 years	More than 3 years
	In € million						
Non-derivative financial liabilities							
Bank loans and loan redemption	866.5	946.8	0.9	256.8	53.7	148.5	486.9
Straight bonds and schuldscheins	9,251.2	10,640.7	33.8	123.9	157.8	413.3	9,911.9
Trade and other payables	119.1	119.1	19.8	99.3	-	-	-
Total	**10,236.8**	**11,706.6**	**54.5**	**480.0**	**211.5**	**561.8**	**10,398.8**

December 31, 2018

	Carrying amount	Contractual cash flows including interest: Total	2 months or less	2-12 months	1-2 years	2-3 years	More than 3 years
	In € million						
Non-derivative financial liabilities							
Bank loans	1,119.9	1,206.8	2.5	43.4	297.2	175.5	688.2
Straight bonds and schuldscheins	6,432.6	7,607.1	33.7	88.5	120.9	120.9	7,243.1
Trade and other payables	135.7	135.7	26.7	109.0	-	-	-
Total	**7,688.2**	**8,949.6**	**62.9**	**240.9**	**418.1**	**296.4**	**7,931.3**

25.3.4 Operating Risk

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

25.3.5 Other risks

The general economic environment prevailing internationally may affect the Group'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 Group.

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

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

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

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

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

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

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

25.4 Hedging activities and derivatives

25.4.1 Derivative financial instruments

	Note	December 31, 2019	2018
		In € million	
Derivative financial assets			
Derivatives that are designated as hedging instruments in cash flow hedge	25.4.2.1	42.2	15.8
Derivatives that are designated as hedging instruments in fair value hedge	25.4.2.2	113.1	18.4
Derivatives that are designated as hedging instruments in net investment hedge	25.4.2.3	-	0.7
Derivatives that are not designated as hedge accounting relationships		39.5	1.5
		194.8	**36.4**
Derivative financial liabilities			
Derivatives that are designated as hedging instruments in cash flow hedge	25.4.2.1	38.6	46.9
Derivatives that are designated as hedging instruments in fair value hedge	25.4.2.2	12.4	2.8
Derivatives that are designated as hedging instruments in net investment hedge	25.4.2.3	23.8	-
Derivatives that are not designated as hedge accounting relationships		48.4	11.8
		123.2	**61.5**

25.4.2 Hedge accounting relationships

25.4.2.1 Cash flow hedges

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

Bond	Hedging instrument (*)	Notional currency	Company receives (in notional currency millions)	Company pays – in € millions
Series H	FX-Swap	United States Dollar	400	372
Series NOK	FX-Swap	Norwegian Krone	750	79
Series 27	FX-Swap	Hong Kong Dollar	430	48

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

In addition, the Group has entered into several interest rate swap agreements. For further information regarding the effective coupon rate see note 21.2.

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

The fair value of cross-currency 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 Group 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 the underlying interest 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 Group's own credit risk on the fair value of the cross-currency swap contracts, which is not reflected in the fair value of the hedged item attributable to the change in foreign exchange rates.

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

Risk Category	Carrying amount: Assets	Carrying amount: Liabilities	Line item in the consolidated financial statements	Net change in fair value used for measuring ineffectiveness for the period
	In € million			In € million
As at 31 December 2019				
Foreign exchange rate and interest rate swaps	42.2	38.6	Derivative financial assets/ liabilities	35.2
As at 31 December 2018				
Foreign exchange rate and interest rate swaps	15.8	46.9	Derivative financial assets/ liabilities	10.1

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

	Carrying amount	Line item in the consolidated financial statements	Net change in fair value used for measuring ineffectiveness for the period
	In € million		In € million
As at 31 December 2019			
Straight bonds	461.9	Straight bonds	(35.4)
As at 31 December 2018			
Straight bonds	403.9	Straight bonds	(10.4)

The ineffectiveness recognised in the consolidated statement of profit or loss was €0.2 million (2018: €0.3 million).

25.4.2.2 Fair value hedges

As at 31 December 2019, the Company had foreign exchange rate and interest rate swap agreements in place, as follows:
In addition, the Company has entered into several interest rate swap agreements. For further information regarding the effective coupon rate see note 21.2.

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

Bond	Hedging instrument (*)	Notional currency	Company receives – in notional currency millions	Company pays – in € millions
Series L	FX-Swap	United States Dollar	150	125
Series M	FX-Swap	Swiss Franc	250	213
Series P	FX-Swap	Australian Dollar	250	158
Series R	FX-Swap	Canadian Dollar	250	164
Series X	FX-Swap	Swiss Franc	140	176
Series 28	FX-Swap	United States Dollar	600	531
Series 29	FX-Swap	Norwegian Krone	1,735	179
Series 30	FX-Swap	British Pound	400	469
Series 31	FX-Swap	Japanese Yen	7,000	57

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

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 Group 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 Group uses the hypothetical derivative method and compares the changes in the fair value of the hedging instruments against the changes in fair value of the hedged items attributable to the hedged risk.

The hedge ineffectiveness may arise from:

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

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

	Carrying amount			
Risk Category	Assets	Liabilities	Line item in the consolidated financial statements	Net change in fair value used for measuring ineffectiveness for the period
	In € million			In € million
As at 31 December 2019				
Foreign exchange rate and interest rate swaps	113.1	12.4	Derivative financial assets/ liabilities	102.6
As at 31 December 2018				
Foreign exchange rate and interest rate swaps	18.4	2.8	Derivative financial assets/ liabilities	8.9

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

	Carrying amount	Line item in the consolidated financial statements	Net change in fair value used for measuring ineffectiveness for the period
	In € million		In € million
As at 31 December 2019			
Straight bonds	2,083.5	Straight bonds	(101.9)
As at 31 December 2018			
Straight bonds	661.3	Straight bonds	(8.7)

The ineffectiveness recognised in the consolidated statement of profit or loss was a profit of €0.7 million (2018: profit of €0.2 million).

25.4.2.3 Hedge of net investments in foreign operations

The Group uses foreign exchange forward contracts as a hedge of its exposure to foreign exchange risk on its investments in foreign subsidiaries.

The foreign exchange forward contracts are being used to hedge the Group's exposure to the GBP foreign exchange risk on these investments. Gains or losses on the retranslation of the forward contracts are transferred to OCI to offset any gains or losses on translation of the net investments in the subsidiaries.

There is an economic relationship between the hedged item and the hedging instruments as the net investment creates a translation risk that will match the foreign exchange risk on the hedging instruments. The hedge ineffectiveness will arise when the amount of the investment in the foreign subsidiaries becomes lower than the amount of the notional amount of the hedging instruments.

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

Risk Category	Notional amount outstanding	Carrying amount		Line item in the consolidated financial statements	Net change in fair value used for measuring ineffectiveness for the year
		Assets	Liabilities		
	In £ million	In € million			In € million
As at 31 December 2019					
Foreign currency forward contracts	400	-	23.8	Derivative financial liabilities	(24.2)
As at 31 December 2018					
Foreign currency forward contracts	100	0.7	-	Derivative financial assets	0.5

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

	Foreign currency translation reserve	Change in fair value used for measuring ineffectiveness for the period
	In € million	
As at 31 December 2019		
Net investment in foreign subsidiaries	37.4	24.2
As at 31 December 2018		
Net investment in foreign subsidiaries	(21.0)	(0.5)

The hedging gains and losses recognized in OCI before tax are equal to the change in fair value used for measuring effectiveness. There is no ineffectiveness recognized in profit or loss.

Non-derivatives hedging financial instruments

The Group has several non-derivative hedging instruments used to hedge its exposure to foreign exchange risk on its investments in foreign subsidiaries as set below:

Bond	Notional currency	Notional amount in millions
Series J	British Pound	500
Series Q	British Pound	400
Series X	Swiss Franc	60

25.4.2.4 Derivatives not designated as hedging instruments

The Group uses interest rate swaps, collars, caps and floors to manage its exposure to interest rate movements on its bank borrowings. These derivative financial instruments are linked to the bank loans maturity (see note 21.1).

25.5 Capital management

The Group manages its capital to ensure that it will be able to continue as a going concern while increasing the return to owners through striving to keep a low debt to equity ratio. The management closely monitors Loan to Value ratio (LTV), which is calculated, on an entity level or portfolio level, where applicable, in order to ensure that it remains within its quantitative banking covenants and maintain a strong credit rating. The Group seeks to preserve its conservative capital structure with a LTV to remain at a target below 45%. As at December 31, 2019 and 2018 the LTV ratio was 34% and 35%, respectively, and the Group did not breach any of its loan covenants, nor did it default on any other of its obligations under its loan agreements. LTV covenant ratio may vary between the subsidiaries of the Group. The Company regularly reviews compliance with Luxembourg and local regulations regarding restrictions on minimum capital. During the years covered by these consolidated financial statements, the Company complied with all externally imposed capital requirements.

26. Leases

A) Group as a lessee

The Group has certain leasehold property that it classifies as investment property. As at 31 December 2019, all lease liabilities are related to right-of-use assets accounted for as investment property.

Set out below are the carrying amounts of investment property (right-of-use assets) recognized and the movements during the year:

	in € millions
Balance at January 1, 2019 (initial application)	145.5
Additions to right-of-use assets	38.6
Change in value of right-of-use assets	17.1
Transferred to Assets held for sale	(1.7)
Balance at December 31, 2019	**199.5**

Set out below are the carrying amounts of lease liabilities and the movements during the period:

	in € millions
As at 1 January	4.1
Initial application of IFRS 16	98.2
Interest expenses	5.3
Payments	(4.5)
Additions to lease liabilities, net	16.6
Transferred to Assets held for sale	(0.7)
Balance at December 31, 2019	**119.0**

B) Leases as a lessor

The Group entered into long-term rent agreements as a lessor of its investment property. The future minimum rental income which will be received is as follows:

	December 31,	
	2019	2018
	in € millions	
Less than a year	823.5	673.4
Between one to five years	2,654.1	1,985.3
More than five years	4,764.8	2,973.5
	8,242.4	**5,632.2**

Refer to note 6 for further information.

27. Commitments

The Group has commitments for future capital expenditure on the properties, in addition the Group signed several real estate transactions in a volume of about €150 million which were not yet completed and are subject to several condition precedents. The Company estimates the completion of the transactions to take place within the next twelve months.

28. Contingent assets and liabilities

The Group had no significant contingent assets and liabilities as at December 31, 2019.

29. Events after the reporting period

a) After the reporting period, the Company bought back an amount of €49.0 million, €150.2 million and €60.4 million nominal value of its straight bonds series D, E and F, respectively, by way of a tender offers to the bondholders. The outstanding nominal value of straight bonds series D, E and F post the buyback is €206.5 million, €499.8 million and €151.0 million, respectively.

b) In February 2020, the Company announced the result of the voluntary public takeover offer for all shares in TLG Immobilien AG ("TLG") with an acceptance rate of 77.5%. The high acceptance rate underlines investors' support and confidence in the value-add potential of the combined companies. The takeover was performed by way of issuing the Company's shares in return to TLG's shares in a conversion ratio of 1:3.6 and amounted to 312,668,188 new ordinary shares. Following the settlement occurred on February 19, 2020, the Company holds 77.8% of the shares in TLG.

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

d) As for the COVID-19 outbreak, see information in note 25.3.5

30. Group significant holdings

The details of the significant holdings under the Group are as follows:

			December 31,	
Name	**Place of incorporation**	**Principal activities**	**2019 Holding %**	**2018 Holding %**
Subsidiaries held directly and indirectly by the Company				
Edolaxia Group Limited	Cyprus	Holdings	100%	100%
ATF Netherlands B.V.	Netherlands	Financing	100%	100%
AT Securities B.V.	Netherlands	Financing	100%	100%
Aroundtown Real Estate Limited	Cyprus	Holdings	100%	100%
Primecity Investment PLC	Cyprus	Holdings	98.81%	98.20%
Aroundtown Holdings B.V.	Netherlands	Holdings	100%	-
Aroundtown Holdings S.à r.l.	Luxembourg	Holdings	100%	-
Associates held indirectly by the Company				
Grand City Properties S.A.	Luxembourg	Holdings	39.40%	38.75%
Capitals Property S.à r.l	Luxembourg	Real estate	30%	30%