Aroundtown SA

(formerly known as Aroundtown Property Holdings PLC)

REPORT AND FINANCIAL STATEMENTS 2017

for the year ended December 31, 2017

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for the year ended December 31, 2017

2017

AROUNDTOWN SA

OFFICERS AND PROFESSIONAL ADVISORS

Board of Directors	Jelena Afxentiou Andrew Wallis Oschrie Massatschi Markus Leininger (Appointed on February 22, 2017) Markus Kreuter (Appointed on September 13, 2017) Frank Roseen (Appointed on September 13, 2017) Axel Froese (Appointed on September 13, 2017) Reshef Ishgur (Resigned on August 8, 2017) Elena Koushos (Resigned on September 13, 2017)
Secretary	KKLAW Secretarial Limited
Réviseur d'Entreprises Agréé	KPMG Luxembourg Société coopérative Cabinet de révision agréé 39, Avenue John F. Kennedy L-1855 Luxembourg
Legal Advisors	GSK Luxembourg SA Koushos & Korfiotis Papacharalambous LLC
Registered Office	1 Avenue du Bois L-1251 Luxembourg

AROUNDTOWN SA

MANAGEMENT REPORT

The management of Aroundtown SA ("the Company" or "Aroundtown") presents the Company's audited Financial Statements for the year ended December 31, 2017.

DEVELOPMENTS AND PERFORMANCE

The Company has increased its Loans receivable by EUR 4,660 thousand to EUR 6,930,003 largely as a result of placing loans and borrowings in the market via its EMTN Programme. The profit for the year is EUR 54,008 and the total equity of the Company has increased from EUR 713,000 thousand to EUR 1,792,440 thousand.

FINANCIAL RISK MANAGEMENT

The Company is exposed to liquidity, operating and other risks. For more information see note 18.

ACTIVITIES IN THE FIELD OF RESEARCH AND DEVELOPMENT

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

BRANCHES OF THE COMPANY

The Company did not operate any branches in 2017.

OWN SHARES

The Company did not acquire any of its own shares in 2017.

CAPITAL STRUCTURE

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

LIKELY FUTURE DEVELOPMENTS

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

Luxembourg, May 24, 2018

CORPORATE GOVERNANCE STATEMENT

ANNUAL GENERAL MEETING

The last Annual General Meeting of Aroundtown SA was held on December 11, 2017 in Luxembourg.

All of the items on the agenda were carried by a great majority, including the approval of the distribution of a dividend in the amount of €0.163 per share. The dividend were paid on December 14, 2017

The next Annual General Meeting is expected on June 27, 2018.

AROUNDTOWN SA

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

CORPORATE GOVERNANCE

Aroundtown emphasizes the importance of corporate governance with a high standard of transparency, executed by the Board of Directors with a majority of independent directors and the management. The Company directs its efforts in maintaining the high trust it receives from its shareholders and bondholders. AT 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 are regularly placed with international leading institutional investors and major global investment and sovereign funds.

In order to maintain high corporate governance and transparency standards, the Company has implemented the Advisory Board, the Risk Committee, the Audit Committee, the Nomination Committee the Remuneration Committee and the ESG/CSR Committee.

Furthermore, the Company ensures that its Board of Directors and its senior executives have vast experience and skills in the areas relevant to its business.

The Company has a very strict Code of Conduct which applies to all its employees and main suppliers, and incorporates an Anti-Corruption Policy, Conflict of Interest Policy, Anti-Bribery Policy, Anti-Discrimination Policy and others. The Code has been recently updated with a focus on improved transparency in its reporting lines, which are now supported by the Compliance Department and the whistleblower system.

The Company is not subject to any compulsory corporate governance code of conduct or respective statutory legal provisions.

Section 161 of the German Stock Corporation Act (AktG) does not apply because the Company is a public limited liability company under the laws of the Grand Duchy of Luxembourg (société anonyme, S.A.) and not a German Stock Corporation (Aktiengesellschaft, AG).

The Ten Principles of Corporate Governance of the Luxembourg Stock Exchange do not apply because the shares of the Company are not listed on a regulated market operated by the Luxembourg Stock Exchange.

BOARD OF DIRECTORS

The Company is administered by a Board of Directors that is vested with the powers to perform and manage in the Company's best interests.

The Board of Directors represents the shareholders as a whole and makes decisions solely in the Company's best interests and independently of any conflict of interest. The Board of Directors and senior management regularly evaluate the effective fulfillment of their remit and compliance with strong corporate governance standards. This evaluation is also performed by the Audit Committee and the Risk Committee.

The members of the Board of Directors are elected by the general meeting of the shareholders for a term not exceeding six years and are eligible for re-election. The directors may be dismissed with or without any cause at any time and at the sole discretion of the general meeting of the shareholders. The Board of Directors currently consists of seven members, three of whom are independent, and resolves on matters on the basis of a simple majority, in accordance with the articles of incorporation. The Board of Directors chooses amongst the directors a chairperson who shall have a casting vote.

AROUNDTOWN SA

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

MEMBERS OF THE BOARD OF DIRECTORS

NAME	POSITION
Mr. Andrew Wallis	Director
Ms. Frank Roseen	Director
Mr. Oschrie Massatschi	Director
Ms. Jelena Afxentiou	Director
Mr. Markus Leininger	Independent Director
Mr. Markus Kreuter	Independent Director
Mr. Axel Froese	Independent Director

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 Luxembourg law 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.

AUDIT COMMITTEE

The Board of Directors established an Audit Committee and 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 statutory and consolidated 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.

The Audit Committee provides guidance to the Board of Directors on the auditing of the statutory and consolidated 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.

RISK COMMITTEE

The Board of Directors established a Risk Committee to assist and provide expert advice to the Board of Directors in fulfilling its oversight responsibilities relating to the different types of risks the Company is exposed to, recommend a risk management structure including its organization and its processes, as well as assess and monitor effectiveness of the overall risk management. The Risk Committee provides advice on actions of compliance, in particular by reviewing the Company’s procedures for detecting risk, the effectiveness of the Company’s risk management and internal control system and by assessing the scope and effectiveness of the systems established by the management to identify, assess and monitor risks.

REMUNERATION COMMITTEE

The Board of Directors established a Remuneration Committee. The Remuneration Committee shall submit proposals regarding the remuneration of executive managers to the Board, ensuring that these proposals are in accordance with the remuneration policy adopted by the Company and the performance evaluation results of the persons concerned. To that end, the committee shall be informed of the total remuneration paid to each member of the executive management by other companies affiliated with the group.

NOMINATION COMMITTEE

The Board of Directors established a Nomination committee. The Nomination Committee shall be composed of a majority of Non-executive Directors. For every significant position to be filled, the committee will make an evaluation of the existing and required skills, knowledge and experience. Based on this assessment, a description of the role, together with the skills, knowledge and experience required shall be drawn up. As such, the committee shall act in the best interests of the Company, and among others, prepare plans for succession of Directors, evaluate existing and required skills, knowledge, and experience, consider proposals from shareholders, the Board and executive management, and suggest candidates to the Board.

ESG/CSR COMMITTEE

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

INTERNAL CONTROLS AND RISK MANAGEMENT SYSTEMS

The Company closely monitors and manages potential risks and sets appropriate measures in order to mitigate the occurrence of possible failures to a minimum. The risk management is led by the Risk Committee, which constructs the risk management structure, organization and processes. The Risk Committee monitors the effectiveness of risk management functions throughout the organization, ensures that infrastructure, resources and systems are in place for risk management and are adequate to maintain a satisfactory level of risk management discipline. The Company categorizes the risk management systems into two main categories; internal risk mitigation and external risk mitigation.

INTERNAL RISK MITIGATION

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

AROUNDTOWN SA

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

EXTERNAL RISK MITIGATION

Through ordinary course of business, the Company is exposed to various external risks. The Risk Committee is constantly determining whether the infrastructure, resources and systems are in place and adequate to maintain a satisfactory level of risk. The potential risks and exposures are related, inter alia, to volatility of interest risks, liquidity risks, credit risk, regulatory and legal risks, collection and tenant deficiencies, the need for unexpected capital investments and market downturn risk.

Aroundtown SA 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.

SHAREHOLDERS' RIGHTS

The Company respects the rights of all shareholders and ensures that they receive equal treatment. All shareholders have equal voting rights and all corporate publications are transmitted through general publication channels as well as on a specific section on its website. The Company discloses its share ownership and additionally discloses any shareholder structure above 5% when it is informed by the respective shareholder.

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 on the last Wednesday of the month of June at 11:00 a.m. at the registered office of the Company, or at such other place as may be specified in the notice of the meeting. If such day is a legal holiday, the Annual General Meeting of the shareholders shall be held on the next following business day. At the Annual General Meeting of the shareholders the Board of Directors presents, among others, the management report as well as the statutory and consolidated financial statements to the shareholders.

The Annual General Meeting resolves, among others, on the statutory and consolidated financial statements of Aroundtown SA, the allocation of the statutory financial results, the appointment of the approved independent auditor, and the discharge and (re-)election of the members of the Board of Directors. The convening notice for the Annual General Meeting of the shareholders contains the agenda and is published at least thirty calendar days before the meeting on the Recueil électronique des sociétés et associations, in one Luxembourg newspaper, in media which endure effective dissemination of information to the public throughout the European Economic Area, and on the Company's website.

KPMG

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Internet: www.kpmg.lu

To the Shareholders of
Aroundtown SA
(formerly Aroundtown Property Holdings PLC)
1, Avenue du Bois
L-1251 Luxembourg

REPORT OF THE REVISEUR D'ENTREPRISES AGREE

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Aroundtown SA (formerly Aroundtown Property Holdings PLC) (the "Company"), which comprise the statement of financial position as at December 31, 2017, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at December 31, 2017, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Basis for Opinion

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

Key audit matters

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

KPMG

Impairment of Loans receivable

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

We refer to the accounting policy at Note 3 on page 20 and page 26 and Note 9 *Loans receivable* and Note 18(i) *Financial risk management – Credit risk* to the financial statements.

As at December 31, 2017 loans receivable represent 96% of the total assets of the Company. Loans receivable are mainly given to the Company's subsidiaries, and represent an investment of the Company in the underlying group and its underlying assets, which are investment properties. When performing impairment assessment at each reporting date the management of the Company evaluates repayment of loans receivable which depends on subsidiaries' financial performance.

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

Therefore, due to the magnitude of the balance and significant judgement involved, we consider impairment of loans receivable as a key audit matter.

b. ***How the matter was addressed in our audit***

Our procedures concerning the impairment of loans receivable included, but were not limited to, the following:

- We obtained an understanding on the impairment assessment process through inquiries with management, based on their knowledge of the recent developments in the financial position and cash flows of the borrowers;
- We assessed the design and implementation of the key controls around the assessment of impairment;
- We challenged management's assessment related to the timing and recognition of the impairment events and charges and corroborated them with the underlying data;
- We performed a reconciliation of loans receivable by the Company and loans payable by the borrowers as per their audited financial information;
- We assessed the impairment calculation for loans receivable by reviewing the borrowers' audited financial information for sufficiency of net assets available for repayment of loans receivable.

Other information

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Report on other legal and regulatory requirements

We have been appointed as "Réviseur d'Entreprises agréé" by the General Meeting of the Shareholders on September 13, 2017 and the duration of our engagement is 1 year.

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

The accompanying Corporate Governance Statement is presented on pages 3 - 7. The information required by Article 68ter paragraph (1) letters c) and d) of the law of December 19, 2002 on the commercial and companies register and on the accounting records and annual accounts of undertakings, as amended, is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

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

Other matter

The financial statements of the Company as at and for the year ended December 31, 2016 were audited by another auditor (KPMG Limited, Cyprus) who expressed a qualified opinion on those financial statements on March 7, 2017 due to insufficient information being available for the verification of covenants compliance. We have determined that this matter had no impact on the financial statements of the Company as at and for the years ended December 31, 2016 and December 31, 2017.

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

Luxembourg, May 25, 2018

KPMG Luxembourg
Société coopérative
Cabinet de révision agréé

Joseph de Souza

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AROUNDTOWN SA

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	Year ended December 31, 2017	Year ended December 31, 2016
		in € thousands	
Revenue	4	**86.338**	**54.573**
Administrative and other expenses	6	(6.267)	(4.905)
Operating profit		**80.071**	**49.668**
Net finance costs	7	(20.863)	(60.241)
Profit/(loss) before tax		**59.208**	**(10.573)**
Current tax expenses	5	(510)	-
Deferred tax expenses	5	(4.690)	-
Tax and deferred tax expenses		**(5.200)**	-
Profit (loss) for the year		**54.008**	**(10.573)**
Other comprehensive income (loss):			
Items that are or may be reclassified subsequently to profit or loss			
Cash flow hedges – effective portion of changes in fair value		(661)	-
Tax related to the other comprehensive income component		172	-
Total other comprehensive income (loss) for the year		**(489)**	-
Total comprehensive income (loss) for the year		**53.519**	**(10.573)**

AROUNDTOWN SA

STATEMENT OF FINANCIAL POSITION

	Note	December 31, 2017	December 31, 2016
		in € thousands	
Assets			
Property plant and equipment		2	(*) 64
Investments in subsidiaries	8	4.135	(*) 2.162
Trade and other receivables	10	12.716	2.689
Derivative financial instruments	15	24.644	-
Loans receivables	9	6.930.003	(*) 2.270.213
Deferred tax assets	5	3.205	-
Non-current assets		**6.974.705**	**2.275.128**
Cash and cash equivalents		164.667	308.188
Trade and other receivables	10	64	1.499
Derivative financial instruments	15	10.930	-
Financial assets at fair value through profit or loss	11	69.178	29.801
Current assets		**244.839**	**339.488**
Total assets		**7.219.544**	**2.614.616**

(*) Reclassified.

AROUNDTOWN SA

STATEMENT OF FINANCIAL POSITION (CONTINUED)

	Note	December 31, 2017	December 31, 2016
		in € thousands	
Equity			
Share capital	12	9.478	6.763
Share premium	12	1.793.238	612.932
Capital reserves	12	16.749	20.282
Retained earnings		(27.025)	73.460
Total Equity		**1.792.440**	**713.437**
Liabilities			
Loans and borrowings	13	5.319.758	1.894.075
Derivative financial instruments	15	44.871	-
Deferred tax liabilities	5	7.723	-
Non-current liabilities		**5.372.352**	**1.894.075**
Loans and borrowings	13	44.705	4.032
Trade and other payables	14	10.037	1.504
Tax payable		10	1.568
Current liabilities		**54.752**	**7.104**
Total liabilities		**5.427.104**	**1.901.179**
Total equity and liabilities		**7.219.544**	**2.614.616**

The Board of Directors of Aroundtown SA authorized these financial statements for issuance on May 24, 2018

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Andrew Wallis	Frank Roseen	Oschrie Massatschi	Jelena Afxentiou
Director	Director	Director	Director

AROUNDTOWN SA

STATEMENT OF CHANGES IN EQUITY

	Note	Share capital	Share Premium	Capital reserves	Hedge reserve	Retained earnings	Total
				in € thousands			
Balance as at January 1, 2016		**6.001**	**314.234**	**18.513**	**-**	**118.523**	**457.271**
Loss for the year		-	-	-	-	(10.573)	**(10.573)**
Issuance of share capital		762	298.698	(340)	-	-	**299.120**
Dividend distribution		-	-	-	-	(34.490)	**(34.490)**
Equity settled share-based payment		-	-	2.109	-	-	**2.109**
Balance as at December 31, 2016		**6.763**	**612.932**	**20.282**	**-**	**73.460**	**713.437**
Balance as at January 1, 2017		6.763	612.932	20.282	-	73.460	**713.437**
Profit for the year		-	-	-	-	54.008	**54.008**
Other comprehensive income (loss) for the year		-	-	-	(489)	-	**(489)**
Issue of share capital	12	2.713	1.179.263	(3.626)	-	-	**1.178.350**
Dividend distribution	12	-	-	-	-	(154.493)	**(154.493)**
Equity settled share-based payment	12	2	1.043	582	-	-	**1.627**
Balance as at December 31, 2017		**9.478**	**1.793.238**	**17.238**	**(489)**	**(27.025)**	**1.792.440**

AROUNDTOWN SA

STATEMENT OF CASH FLOWS

	Note	Year ended December 31, 2017	Year ended December 31, 2016
		in € thousands	
Cash flows from operating activities			
Profit/(loss) for the year		54.008	(10.573)
Adjustments for the profit:			
Depreciation and amortization		39	(*) 38
Interest income/(expense), net	4	(55.888)	(47.358)
Dividend income	4	(953)	(5.293)
Net gains (losses) on revaluation of financial assets	4	(20.980)	(*) 4,205
Other income	4	(8.517)	(*) (6.127)
Net finance costs	7	20.863	(*) 60.241
Tax expenses	5	5.200	-
Equity settled share-based payment	12	140	423
		(6.088)	(4.444)
Changes in working capital		4.526	(*) (249)
		(1.562)	(4.693)
Dividend received		953	5.293
Tax paid		(100)	-
Net cash (used in) / provided by operating activities		**(709)**	**600**
Cash flows from investing activities			
Acquisitions of PPE, net		-	(*) (39)
Investment in subsidiaries	8	(1.973)	(*) (2.000)
Investment in traded securities	11	(18.397)	-
Loans (given)/received (to)/from subsidiaries, net		(1.906.020)	(*) 76.305
Net cash (used in) / provided by investing activities		**(1.926.390)**	**74.266**
Cash flows from financing activities			
Proceeds from issuance of share capital		866.077	299.120
Proceeds from issuance of straight and convertible bonds, net		1.085.101	-
Dividend distributed to the shareholders		(154.493)	(34.490)
Net finance costs paid		(13.107)	(36.047)
Net cash provided by financing activities		**1.783.578**	**228.583**
Net change in cash and cash equivalents		**(143.521)**	**303.449**
Cash and cash equivalents as at January 1		308.188	4.739
Cash and cash equivalents as at December 31		**164.667**	**308.188**

(*) Reclassified.

AROUNDTOWN SA

NOTES TO THE FINANCIAL STATEMENTS
for the year ended December 31, 2017

1. GENERAL

(a) Incorporation and principal activities

Aroundtown SA, formerly known as Aroundtown Property Holdings Plc, ("the Company" or "Aroundtown") was incorporated in Cyprus on 7 May 2004 as a private limited liability company under the Cyprus Companies Law, Cap. 113. On September 13, 2017, the Company transferred its registered office and principal place of business from Cyprus to Luxembourg, and continued as a public limited liability company (Société Anonyme), incorporated under the laws of the Grand Duchy of Luxembourg. Its registered office is at 1, Avenue du Bois, L-1251, Luxembourg, and the Company is registered with the Registre de Commerce et des Sociétés du Grand-Duché de Luxembourg (the "Luxembourg R.C.S.") under number B 217868.

Aroundtown is a specialist real estate company, with a focus on value-add and income generating properties primarily in the German and Dutch real estate markets. Aroundtown invests in commercial and residential real estate which benefits from strong fundamentals and growth prospects. The principal activities of the Company are the holding of investments, financing and re-financing activities, the provision of consultancy services and the trading of financial instruments. The financial year ends on December 31.

(b) Change of Company name

On September 13, 2017, the Company changed its name from Aroundtown Property Holdings Plc to Aroundtown SA.

2. BASIS OF PREPARATION

(a) Statement of compliance

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

(b) Basis of measurement

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

(c) Adoption of new and revised International Financial Reporting Standards and Interpretations as adopted by the European Union (EU)

During the current period the Company adopted all the changes to International Financial Reporting Standards (IFRS) that are relevant to its operations and are effective for accounting periods beginning on January 1, 2017. This adoption did not have a material effect on the accounting policies of the Company.

At the date of approval of these financial statements, Standards, Revised Standards and Interpretations were issued by the International Accounting Standards Board which were not yet effective. Some of them were adopted by the European Union and others not yet. The Board of Directors expects that the adoption of these financial reporting standards in future periods will not have a significant effect on the financial statements of the Company.

2. BASIS OF PREPARATION *(continued)*

(d) Use of estimates and judgments

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

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

Measurement of fair values

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

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

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

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

Impairment of investments and loans receivables

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

2. BASIS OF PREPARATION *(continued)*

Tax and deferred tax expenses

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

(e) Going concern

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

(f) Functional and presentation currency

The financial statements are presented in euro, which is the main functional currency of the Company, and reported in thousands of euros, except when otherwise indicated.

As at December 31, 2017, the Company had financial instruments in US Dollars (USD), Norwegian Krone (NOK) and British Pound (GBP). The exchange rates versus the euro were as follows:

	EUR/USD	EUR/GBP	EUR/NOK
Exchange rate as at January 1, 2017	1.054	0.856	9.086
Exchange rate as at December 31, 2017	1.199	0.887	9.840
Average exchange rate during the year	1.131	0.877	9.390

3. SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies have been applied consistently for all the years presented in these financial statements.

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

Investments in subsidiaries are stated at cost, which includes transaction costs, less provision for permanent diminution in value, which is recognised as an expense in the period in which the diminution is identified.

Revenue recognition
Revenues earned by the Company are recognised on the following bases:

- *Rendering of services*

  Sales of services are recognised in the accounting period in which the services are rendered by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

- *Dividend income and fair value gain from investments*

  Dividend income is recognised when the right to receive payment is established. Financial assets and financial liabilities are recognised when the Company becomes a party to a contractual provisions of the instrument.

- *Interest income*

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

Employee benefits
The Company and its employees contribute to the Government Social Insurance Fund based on employees' salaries. The Company's contributions are expensed as incurred and are included in staff costs. The Company has no legal or constructive obligations to pay further contributions if the scheme does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior periods.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currency translation

(i) Functional currency
Items included in the Company's financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency').

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

Tax

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

(i) Current tax

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

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

(ii) Deferred tax

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

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

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

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

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

<u>Dividends</u>

Dividend distribution to the Company's shareholders is recognised in the Company's financial statements in the year in which they are approved by the Company's shareholders.

<u>Property plant and equipment</u>

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

Depreciation is recognised in profit or loss on 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:

	%
Renovations	10
Furniture, fixtures and office equipment	7-15
Computer hardware	33

Depreciation methods, useful lives and residual values are reassessed at each reporting date and adjusted if appropriate.

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 Company. Major renovations are depreciated over the remaining useful life of the related asset.

An item of equipment is derecognised 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 recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

<u>Intangible assets</u>

(i) Patents and trademarks

Patents and trademarks are measured initially at purchase cost and are amortised on a straight-line basis over their estimated useful lives. The annual depreciation rates used for the current and comparative periods are 33%.

(ii) Computer software

Costs that are directly associated with identifiable and unique computer software products controlled by the Company and that will probably generate economic benefits exceeding costs beyond one year are recognised as intangible assets. Subsequently computer software is carried at cost less any accumulated amortisation and any accumulated impairment losses. Expenditure which enhances or extends the performance of computer software programs beyond their original specifications is recognised as a capital improvement and added to the original cost of the computer software. Costs associated with maintenance of computer software programs are recognised as an expense when incurred. Computer software costs are amortised using the straight-line method over their useful lives, not exceeding a period of three years. Amortisation commences when the computer software is available for use and is included within administrative expenses. The annual depreciation rates used for the current and comparative periods are 100%.

(iii) Other intangible assets

Other intangible assets, including customer relationships, patents and trademarks, that are acquired by the Company and have finite useful lives are measured at cost less accumulated amortisation and any accumulated impairment losses. The annual depreciation rates used for the current and comparative periods are 33%.

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted accordingly.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument.

(i) Trade and other receivables

Trade and other receivables are stated at their nominal values after deducting the specific provision for doubtful debts, which is calculated based on an examination of all outstanding balances as at the year end. Bad debts are written off when identified.

(ii) Loans receivable

Loans originated by the Company by providing money directly to the borrower are categorised as loans and are carried at amortised cost. The amortised cost is the amount at which the loan granted is measured at initial recognition minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount and the maturity amount, and minus any reduction for impairment or uncollectibility. All loans are recognised when cash is advanced to the borrower.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

(iii) Investments

The Company classifies its investments in equity securities as financial assets at fair value through profit or loss. The classification depends on the purpose for which the investments were acquired. Management determines the classification of investments at initial recognition.

- *Financial assets at fair value through profit or loss*

  This category has two sub-categories: financial assets held for trading and those designated at fair value through profit or loss at inception. A financial asset is classified in the held for trading category if acquired principally for the purpose of generating a profit from short-term fluctuations in price. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within twelve months from the reporting date.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments

- *Recognition and measurement:*

  Regular way purchases and sales of investments are recognised on trade-date which is the date on which the Company commits to purchase or sell the asset. Investments are initially recognised at fair value plus directly attributable transaction costs for all financial assets not carried at fair value through profit or loss. For financial assets at fair value through profit or loss the directly attributable transaction costs are recognised in profit or loss as incurred.

  Realised and unrealised gains and losses arising from changes in the fair value of financial assets at fair value through profit or loss are included in profit or loss.

  The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Company establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same and discounted cash flow analysis, making maximum use of market inputs and relying as little as possible on entity specific inputs. Equity investments for which fair values cannot be measured reliably are recognised at cost less impairment.

(iv) Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash at bank.

(v) Loans and borrowings

Borrowings are recorded initially at the proceeds received, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

(vi) Trade and other payables

Trade payables are stated at their nominal values.

(vii) Hedge accounting

The Company designates certain derivative hedging instruments in respect of foreign currency, as cash flow hedges. At inception of the hedge relationship, the entity documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at inception of the hedge and on an ongoing basis, the Company documents whether the hedging instrument is highly effective in offsetting changes in cash flows of the hedged item attributable to the hedged risk.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income and accumulated in the cash flow hedging reserve. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss.

Hedge accounting is discontinued when the Company revokes the hedging relationship, when the hedging instrument expires or is sold, terminated or exercised, or when it no longer qualifies for hedge accounting. Any gain or loss recognized in other comprehensive income and accumulated in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Derecognition of financial assets and liabilities

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

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

Any interest in such derecognized financial assets that is created or retained by the Company is recognised as a separate asset or liability

Financial liabilities

A financial liability is derecognised 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 a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the statement of financial position.

Share capital

Ordinary shares are classified as equity. The difference between the fair value of the consideration received by the Company and the nominal value of the share capital being issued is taken to the share premium account.

Non-current liabilities

Non-current liabilities represent amounts that are due more than twelve months from the reporting date.

Impairment

At each balance sheet date the Company assesses whether there is evidence that financial assets are impaired. A financial asset is considered to be impaired if objective evidence indicated that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its current fair value.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in the statement of comprehensive income, and are reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost, the reversal is recognised in the statement of comprehensive income.

<u>Comparatives</u>

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Application of new and revised International Financial Reporting Standards (IFRS)

(i) *Amendments to IFRS that are endorsed by the EU and are mandatorily effective for the current year*

Amendments to IAS 7 Disclosure Initiative

The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financial activities, including both changes arising from cash flows and non-cash changes.

Consistent with the transition provisions of the amendments, the Company has not disclosed comparative information for the prior period. Apart from the additional disclosure, the application of these amendments has had no impact on the Company's financial statements.

Amendments to IAS 12 Recognition of Deferred Tax Assets for Unrealized Losses

The amendments clarify how an entity should evaluate whether there will be sufficient future taxable profits against which it can utilize a deductible temporary difference.

The application of these amendments has had no impact on the Company's financial statements as the Company already assesses the sufficiency of future taxable profits in a way that is consistent with these amendments.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(ii) New and revised IFRS that are in issue and endorsed by the EU but not yet effective for the current year

IFRS 9 - Financial Instruments

IFRS 9 introduces new requirements for (i) the classification and measurement of financial assets and financial liabilities (ii) general hedge accounting and (iii) impairment requirements for financial assets.

Key requirements of IFRS 9 which are relevant for the Company:

- All recognized financial assets that are within the scope of IAS 39 are now required to be subsequently measured at amortized cost or fair value. Specifically, debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at fair value through other comprehensive income (FVTOCI). All other debt instruments and equity investments are measured at FVTPL at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election, at initial recognition, to measure an equity investment (that is not held for trading) at FVTOCI, with only dividend income generally recognized in profit or loss. The Company's management estimates that the initial application of IFRS 9 will not change the Company's classification and measurement categories of its financial assets.

- In respect of financial liabilities, all IAS 39 requirements have been carried forward to IFRS 9. The only change introduced by IFRS 9 in respect of financial liabilities is that for those designated at FVTPL, fair value changes attributable to own credit risk are presented in other comprehensive income (OCI), unless doing so would introduce an accounting mismatch. The Company's management estimates that the initial application of IFRS 9 will have no impact on the Company's classification and measurement of its financial liabilities.

- In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognized.

As of December 31, 2017 the Company's financial assets that are in scope for the Expected Credit Loss impairment model according to IFRS 9 are cash and cash equivalents, trade receivables and other current and non-current receivables. The potential impact of estimated exposure for credit risk and expected credit loss for trade and other current and non-current receivables is expected to be not material.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

The cash and cash equivalents are held with banks and other financial institutions counterparties, which are rated from P-1 based on Moody's and F1 based on Fitch rating agency. Management considers that its cash and cash equivalents have low credit risk based on the external credit rating of the counterparties and the potential impact is expected to be not material.

Hedge accounting

The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The new provisions specified above will not have any impact on the Company financial statements. When initially implementing IFRS 9, the Company will opt to continue to apply the hedge accounting treatment as set out in IAS 39 instead of the provisions of IFRS 9.

The Company will apply IFRS 9 initially on January 1, 2018, retrospectively with a restatement of comparative information. Any difference between previous carrying amounts and those determined under IFRS 9 at the date of initial application will be included in opening retained earnings.

(iii) Other standards

The following amended standards and interpretations are not expected to have a significant impact on the Company's financial statements.

— *IFRS 15 Revenue from Contracts with Customers.*
— *IFRS 16 Leases Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2).*
— *IFRIC 22 Foreign Currency Transactions and Advance Consideration.*
— *IFRIC 23 Uncertainty over Income Tax Treatments.*

4. REVENUE

	Year ended December 31	
	2017	2016
	in € thousands	
Interest income, net	55.888	47.358
Dividend income	953	(*) 5.293
Net gains (losses) on revaluation of financial assets	20.980	(*) (4.205)
Other income	8.517	(*) 6.127
	86.338	54.573

(*) Reclassified.

5. TAXATION

Tax rates applicable to the Company

The Company is subject to taxation under the laws of Luxembourg. The corporation tax rate for Luxembourg companies is 27.08% (2016: 29.22%). The corporation tax rate will be decreased to 26.01% in 2018 and on. The change in the corporation tax rate does not have a significant effect on current and deferred tax assets and liabilities.

Deferred tax assets and liabilities

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

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

	2017	**2016**
	in € thousands	
Balance as at January 1,	-	-
Charged to profit or loss	(4.690)	-
Charged to other comprehensive income	172	-
Balance as at December 31,	(4.518)	-

Reconciliation of effective tax rate

	Year ended December 31	
	2017	**2016**
	in € thousands	
Profit/(loss) before tax	59.208	(10.573)
Tax calculated at the applicable tax rates in Cyprus (12.5%) (*)	5.551	(1.322)
Tax calculated at the applicable tax rates in Luxembourg (27.08%) (**)	4.008	-
Total tax calculated at the statutory tax rate	9.559	(1.322)
Tax effect of expenses not deductible for tax purposes	5.778	707
Tax effect of allowances and income not subject to tax	(10.137)	(728)
Tax effect of tax losses brought forward	-	1.343
Tax and deferred tax expenses	**5.200**	**-**

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

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

6. ADMINISTRATIVE AND OTHER EXPENSES

	Year ended December 31	
	2017	2016
	in € thousands	
Legal and professional fees	4.963	3.149
Audit fees (*)	213	150
Other administrative expenses	1.091	1.606
	6.267	4.905

(*) the Company's fees in 2017 for KPMG Luxembourg audit firm for legal annual audit and other non-audit services was €175 thousand and € 30 thousand, respectively. The Company's fees in 2017 for other audit firm for legal annual audit was € 8 thousands.

7. NET FINANCE COSTS

	Year ended December 31	
	2017	2016
	in € thousands	
finance expenses related to bonds	55.586	(*) 54.914
Net gain from foreign exchange translations	(29.222)	(*) 4.605
Net gains on revaluation of derivative financial instruments	(22.133)	-
Other financial costs	16.632	(*) 722
	20.863	60.241

(*) Reclassified.

8. INVESTMENTS IN SUBSIDIARIES

Composition

	Year ended December 31,	
	2017	2016
	in € thousands	
Balance as at January 1	2.162	162
Additions	1.973	2.000
Balance as at December 31	4.135	2.162

The details of the significant Group are as follows:

Name	Place of incorporation	Principal activities	As at December 31, 2017 Holding %	2016 Holding %
Edolaxia Group Ltd	Cyprus	Holding of investments	100%	100%
Alfortia Ltd	Cyprus	Holding of investments	100%	100%
Camelbay Ltd	Cyprus	Holding of investments	100%	100%
Bluestyle Ltd	Cyprus	Holding of investments	100%	100%
AT Securities B.V.	Cyprus	Financing	100%	100%
AT Financial Services B.V.	Netherlands	Financing	100%	100%
ATF Netherlands B.V.	Netherlands	Financing	100%	100%

Aroundtown SA, as at December 31, 2017, holds indirectly approximately 37,66% (2016: 35%) and 98% (2016: 95%) of Grand City Properties S.A. and Primecity Investments Plc, respectively.

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

AROUNDTOWN SA

NOTES TO THE FINANCIAL STATEMENTS
for the year ended December 31, 2017

9. LOANS RECEIVABLE

	Year ended December 31,	
	2017	**2016**
	in € thousands	
Balance as at January 1	2.270.213	1.341.330
New loans granted, net	4.547.498	875.469
Interest charged	112.292	53.414
Balance as at December 31	6.930.003	2.270.213

	Year ended December 31,	
	2017	**2016**
	in € thousands	
Loans to third party	52.705	43,406
Loans to related companies (note 16)	6.877.298	2.226.807
	6.930.003	2.270.213

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

Borrower	**Facility** in € thousands	**Rate (%)**	**Maturity**
Camelbay real estate Ltd	4.112.549	0.25-5.72	2019-2027
Camelbay Ltd	1.195.149	0.343-5.72	2025-2027
Bluestyle Ltd	403.333	1.85-4.4	2025-2027
Edolaxia Group Ltd	1.139.564	0.35-6.3	2026-2027

The exposure of the Company to credit risk is reported in note 18 to the financial statements.

As of December 31, 2017 there are no commitments on loan receivables.

10. TRADE AND OTHER RECEIVABLES

	Year ended December 31,	
	2017	**2016**
	in € thousands	
Receivables from related parties (note 16)	12.716	(*) 2.204
Accrued income	-	113
Other receivables	64	(*) 1.871
	12.780	4.188
Non-current portion	12.716	2.689
Current portion	64	1.499
	12.780	4.188

(*) reclassified.

The exposure of the Company to credit risk and impairment losses in relation to trade and other receivables is reported in note 18 to the financial statements.

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Year ended December 31,	
	2017	**2016**
	in € thousands	
Balance as at January 1	29.801	34.006
Additions, net	18397	-
Changes in fair value and foreign exchange differences	20,980	(4.205)
Balance as at December 31	69.178	29.801

The financial assets at fair value through profit or loss are marketable securities and are valued at market value at the close of business on December 31, 2017 by reference to Stock Exchange quoted bid prices. For the fair value hierarchy see note 18.

Financial assets at fair value through profit or loss are classified as current assets because they are expected to be realised within twelve months from the reporting date.

The exposure of the Company to market risk in relation to financial assets is reported in note 18 to the financial statements.

12. EQUITY

A. Share capital

	Year ended December 31,			
	2017		**2016**	
	Number of shares	**in € thousands**	**Number of shares**	**in € thousands**
Authorized				
Ordinary shares of €0.01 each	2,000,000,000	20.000	1,500,000,000	15.000
Issued and fully paid				
Balance as at January 1	676,268,473	6.763	600,141,641	6.001
Capital increases	168,000,000	1.680	65,000,000	650
Exercise of options under share plan incentive	172,603	2	-	-
Exercise of Convertible bond series B into shares during the year	103,367,565	1.033	11,126,832	112
Balance at the end of the year	947,808,641	9.478	676,268,473	6.763

12. EQUITY *(continued)*

B. Authorized capital

Under its articles of association the Shareholders set the authorized share capital at 50,000 ordinary shares of nominal value of €1.71 each.

In February 2015, as part of a capital restructuring process, the Company increased its authorized ordinary shares to 1,500,000,000, of which the issued and fully paid was increased to 500,000,000, with an adjusted par value of €0.01 for each share.

In September 2017, the Company increased its authorized ordinary shares from 1,500,000,000 to 2,000,000,000, with a par value of €0.01 for each share.

C. Issued capital

1. On April 12, 2016 the Company issued an additional 65,000,000 ordinary shares (of €0.01 nominal value each) for €4.1 each, by way of a private placement to institutional investors. The gross proceeds from the issuance of the shares amounted to €266.5 million.

2. On May 9, 2017, the Company successfully placed 93,000,000 new ordinary shares (of €0.01 nominal value each) through a capital increase at a placement price of €4.58 per share, resulting in an issue volume of approximately €426 million.

3. On October 20, 2017, the Company successfully placed 75,000,000 new ordinary shares (of €0.01 nominal value each) through a capital increase at a placement price of €6 per share, resulting in an issue volume of approximately €450 million.

4. Since the issuance of Convertible bond series B and until December 31, 2017, a total amount of €387.7 million nominal value of the Convertible bond series B was converted into shares (thereof 349 million during the reporting period). According to the convertible bond's terms, 114.6 million shares were issued (thereof 103.4 million during the reporting period). As a result, the share premium from conversion of bonds increased by €336.3 million.

D. 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, from conversions of convertible bonds into ordinary shares and from exercise of options under share plan incentive, which can be distributed at any time. The account also consist the equity components of convertible bonds, the share-based payment reserves all temporarily cannot be distributed, and the other comprehensive income components arise by the hedge accounting.

12. EQUITY *(continued)*

E. Resolution of dividend distribution

On December 12, 2017, the Company's Annual General Meeting resolved upon the distribution of a cash dividend in the amount of €0.163 per share in accordance with the proposal of the Board of Directors based on the payout ratio of 65% of consolidated FFO I per share. Total gross amount of €154.493 thousand were paid on December 14, 2017.

F. Share based payment agreement

(1) Description of share-based payment arrangements

On December 31, 2017 and 2016, the Group had the following share-based payment arrangements:

<u>Incentive Share plan</u>

The annual general meeting has approved to authorize the board of Directors to issue up to five million shares for an incentive plan for the board of directors, key management and senior employee's throughout the Aroundtown Group. The incentive plan has up to 4 years vesting period with specific milestones to enhance management long term commitment to Aroundtown strategic targets. Main strategic targets are long term improvement in operational and financial targets such as Like for Like vacancy reduction and like-for-like rent increase, operational efficiency, increase in adjusted EBIDTA per share, FFO per share and EPS. Management will be incentivized for keeping conservative financial ratios, with the strategic target to further improve the Group's rating.

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

Incentive granted to Board of Directors, key management and senior employees	**Number of instruments (in thousands)**	**Contractual life of the incentive**
during 2016 and 2017	1.417	Up to 4 years

(2) Reconciliation of outstanding share options

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

	2017	**2016**
	Number of instruments	**Number of instruments**
	in thousands	
Outstanding on January 1	1.073	1.050
Granted during the year, net	517	23
Issued shares	(173)	-
Outstanding on December 31	1.417	1.073

During the year, the total amount recognized as share-based payment for the Company's employees was €140 thousand. It was presented in the Administrative and other expenses in the statement of comprehensive income and as a share-based payment reserve in the statement of changes in equity.

13. LOANS AND BORROWINGS

	Year ended December 31,	
	2017	2016
	in € thousands	
Balance as at January 1	1.898.107	934.726
Additions, net (*)	3.354.366	927.902
Interest charge	111.990	35.479
Balance as at December 31	5.364.463	1.898.107

(*) including substitution. See note 13.4.

Composition

				December 31	
				2017	2016
Non-current	**Sub-note**	**Rate (%)**	**Maturity**	**in € thousands**	
Straight bond series A	(1)	-	-	-	37.449
Convertible bond series B	(2)	3.0	05/2020	5.818	(*) 394.041
Convertible bond series C	(3)	1.5	01/2021	287.958	(*) 284.279
Straight bond series D	(5)	1.5	05/2022	576.422	-
Straight bond series E	(6)	1.5	07/2024	620.557	-
Straight bond series F	(7)	2.125	03/2023	540.412	-
Straight bond series H	(8.1)	1.365	03/2032	312.762	-
Straight bond NOK	(8.2)	0.818	07/2027	74.744	-
Straight bond series I	(8.3)	1.875	01/2026	483.195	-
Straight bond series J	(8.4)	1.5	10/2029	542.889	-
Straight bond series K	(8.5)	1.0	01/2025	679.871	-
Loans from related companies (note 16)				1.195.130	1.178.306
Total non-current loans and borrowings				**5.319.758**	**1.894.075**
Current					
Accrued interest on convertible bonds				2.074	3.960
Accrued interest on straight bonds				42.008	72
Loans from related companies (note 16)				623	-
Total current loans and borrowings				**44.705**	**4.032**
Total				**5.364.463**	**1.898.107**

(*) Reclassified

13. LOANS AND BORROWINGS (continued)

The terms and conditions of the significant loans and borrowings with related parties are as follows:

Borrower	Facility in € thousands	Rate (%)	Maturity
ATF Netherlands B.V.	599.202	3.843	2023
AT Securities B.V.	589.791	5.37	2023

(13.1) Straight bond series A

In December 2014, the Company successfully completed the placement of a €161 million (nominal value) unsubordinated, senior secured straight bond maturing in December 2021 bearing a coupon of 3% p.a., payable semi-annually in arrears, for a price of 94% of its principal amount. In January 2015, the Company tapped the series A bonds in an additional principal amount of €39 million (nominal value) for a price at 94% of the principal amount, resulting in a total nominal amount of €200 million.

During 2016, the Group repurchased €160.4 million nominal value of the straight bond series A for total consideration of €166.5 million, with trading cancelled thereafter.

In May 2017, the Company fully redeemed its outstanding straight bond series A at its accreted principal amount (as defined in the bond's Terms and Conditions), together with accrued but unpaid interest for total consideration of €39.5 million.

(13.2) Convertible Bond series B

In May 2015, the Company successfully completed the placement of a €450 million (nominal value) senior, unsecured convertible bond convertible into ordinary shares of the Company and maturing in May 2020. The bond was placed by the Company with institutional investors, bearing a coupon of 3% p.a., payable semi-annually in arrears, at an issue price of 95.68% of its principal amount, and will be redeemed at maturity at par value.

Since the issuance of Convertible bond B and until December 31, 2017, a total amount of €387.7 million nominal value of the Convertible bond B was converted into shares (€349 million during the year).

The initial conversion price was set at €3.53 per share. The bond was admitted to trading on the regulated market of the Frankfurt Stock Exchange. Due to capital increases and dividend distributions since placement and until December 2017, the conversion price was adjusted to €3.2746.

During the year, the Company bought-back 563 nominal units for consideration of €78.9 million.

13. LOANS AND BORROWINGS (continued)

(13.3) Convertible bond series C

In December 2015, the Company successfully completed the placement of a €300 million (nominal value) senior, unsecured convertible bond convertible into ordinary shares of the Company and maturing in January 2021. The bond was placed by the Company to institutional investors, bearing a coupon of 1.5% p.a., payable semi-annually in arrear, at an issue price of 97.05% of its principal amount, and will be redeemed at maturity at par value. The initial conversion price was set at €5.79 per share. The bond was admitted to trading on the regulated market of the Frankfurt Stock Exchange.

Due to the dividend distributions in December 2016 and 2017, the conversion price was adjusted to €5.6862 per share and €5.5148 per share, respectively.

At the issuance date of the convertible bond, a total amount of a €7.1 million was accounted as equity and presented in the other reserves, and €3.4 million constituted as issuance expenses.

The amount recognized as equity is classified to the premium on shares, following conversions of the convertible bond into ordinary shares of the Company.

(13.4) Substitution

On 30 October 2017 Aroundtown SA was substituted in place of ATF Netherlands B.V. as the primary obligor under the Series D, E, F and G Bonds. On 17 November 2017, Aroundtown SA was substituted in place of ATF Netherlands B.V. as the primary obligor under the Series H and I Bonds, as well as the NOK Bonds.

(13.5) Straight bond series D

Straight bond series D reflect a placement of a €600 million (nominal value) senior, unsecured straight bond maturing in May 2022, bearing a coupon of 1.5% p.a., payable annually in arrears, for a consideration that reflected 95.542% of its principal amount. The bond was admitted to trading on the Irish Stock Exchange, and on the Frankfurt Stock Exchange.

(13.6) Straight bond series E

Straight bond series E reflect a placement of a €500 million (nominal value) senior, unsecured straight bond maturing in July 2024, bearing a coupon of 1.5% p.a., payable annually in arrears, for a consideration that reflected 95.312% of its principal amount. The bond was admitted to trading on the Irish Stock Exchange, and on the Frankfurt Stock Exchange. In November 2016, ATF successfully completed a tap up placement of an additional €150 million (nominal value) of straight bond series E, for a consideration that reflected 96.297% of its principal amount. As a result, the aggregated principal amount of the straight bond series E increased to €650 million (nominal value).

(13.7) Straight bond series F

Straight bond series F reflect two placements which the first one in amount of a €500 million (nominal value) senior, unsecured straight bond maturing in March 2023, bearing a coupon of 2.125% p.a., payable annually in arrears, for a consideration that reflected 99.003% of its principal amount. The bond was admitted to trading on Irish Stock Exchange. The second tap placement of its straight bond series F reflect an additional €50 million (nominal value) for a consideration that reflected of 99.458% of its principal amount. Following settlement, the aggregated principal amount of the straight bond series F is €550 million.

13. LOANS AND BORROWINGS (continued)

(13.8) EMTN Programme

In March 2017, the Group announced the establishment of a €1.5 billion (later increased to €10 billion) Medium Term Notes Programme ("the EMTN Programme"). The EMTN Programme will facilitate the issuance by the Company of senior notes over time in various currencies and maturities as a continuing element of Aroundtown's financing strategy. The EMTN notes were admitted to trading on the regulated market of the Irish Stock Exchange.

(13.8.1) Straight bond series H

Straight bond series H reflect a placement of a USD 400 million (€372.4 million) (nominal value) maturing in 2032 for a consideration that reflected 94.651% of its principal amount. The bond was placed under the EMTN Programme. The currency risk inherent in the bond has been hedged by cross-currency swap resulting in fixed exchange rate on the foreign currency and an effective annual euro coupon of 1.365%, linked to the CPI, until maturity. The hedge derivative's value was determined by an external valuation.

(13.8.2) Straight bond NOK

Straight bond NOK reflect a placement of a NOK (Norwegian Krone) 750 million (€79.3 million) (nominal value) fixed rate straight bond maturing in 2027 for a consideration that reflected 98.5% of its principal amount. The bond was placed under the EMTN Programme. The currency risk inherent in the bond has been hedged by cross-currency swap resulting in fixed exchange rate on the foreign currency and an effective euro coupon of 0.818%, linked to the CPI, until maturity. The hedge derivative's value was determined by an external valuation.

(13.8.3) Straight bond series I

Straight bond series I reflect a placement of a €500 million (nominal value) straight bond series I maturing in January 2026, bearing a coupon of 1.875% p.a., payable annually in arrears starting from January 2018 (short first coupon), for a consideration that reflected 97.087% of its principal amount. The bond was placed under the EMTN Programme.

(13.8.4) Straight bond series J

In October 2017, the Company successfully completed the placement of a GBP (British Pound) 500 million (€557.2 million) (nominal value) maturing in 2029 for a consideration that reflected 97% of its principal amount, and implemented full currency-hedge to the euro until maturity. The currency risk inherent in the bond has been hedged by cross-currency swap resulting in an effective coupon of 1.5% payable annually until 2022 and thereafter 1.21% plus Euribor (6 months), payable semi-annually in arrears, until maturity. The bond was placed under the EMTN Programme. The hedge derivative's value was determined by an external valuation.

(13.8.5) Straight bond series K

In November 2017, the Company successfully completed the placement of a €700 million (nominal value) straight bond series K maturing in January 2025, bearing a coupon of 1.0% p.a., payable annually in arrears starting from January 2019, for a consideration that reflected 97.62% of the principal amount. The bond was placed under the EMTN Programme.

13. LOANS AND BORROWINGS (continued)

(13.9) Reconciliation of liabilities arising from financing activities

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

			Non-cash changes				
	31.12.2016	**Financing cash flows (i)**	**Foreign exchange effect**	**Conversion to shares**	**Other (ii)**	**Other changes (iii)**	**31.12.2017**
	In € thousands						
Convertible bonds	682.280	(88.810)	-	(334.463)	45.498	(8.655)	295.850
Straight bonds	37.521	1.176.377	7.660	-	2.648.747	2.555	3.872.860
Loans and borrowings	1.178.306	(39.929)	-	-	57.376	-	1.195.753
Derivative financial instruments	-	(1.780)	-	-	11.077	-	9.297

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

13. LOANS AND BORROWINGS (continued)

(13.10) MAIN SECURITY, PLEDGE AND NEGATIVE PLEDGE AS DEFINED IN THE BONDS' TERMS AND CONDITIONS

The obligations of the Company under the Bonds and any Further Secured Bonds are secured in favor of the Trustee for the benefit of the Trustee, the Bondholders and the holders of any Further Secured Bonds by:

(a) a first-ranking charge, governed by the laws of Cyprus, over all ordinary shares held by the Company in its subsidiary, Camelbay;

(b) an assignment by way of security, governed by the laws of Cyprus, of the Company's receivables and rights under, and claims against Camelbay for payment of principal and interest under, the loan agreements between the Company and Camelbay in an aggregate principal amount equal to the net issuance proceeds of the Bonds and

(c) a first-ranking account pledge governed by Luxembourg law, over the Interest Reserve Account.

(13.11) MAIN COVENANTS AS DEFINED IN THE BONDS' TERMS AND CONDITIONS

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

- The Company will:

  (a) up to and including the Final Security Discharge Date, not pay any dividend unless the Net Assets of the Company are higher than €400.000.000 and provided that any such dividend shall be payable only out of available profits on the basis of audited consolidated financial statements of the Company prepared in accordance with IFRS;
  (b) up to and including the Final Discharge Date, not, and will not permit any Subsidiary (excluding any listed Entity) (the "Restricted Subsidiaries") to, directly or indirectly, create or permit to exist or become effective any consensual and encumbrance or restriction on the ability of any of the Restricted Subsidiaries to (a) make or pay dividends or any other distributions on its share capital to the Company or any of the Company's other Restricted Subsidiaries or grant to the Company or any of the Company's Restricted Subsidiaries any other interest or participation in itself; or (b) pay any indebtness owed to the Company or any of the Company's other Restricted Subsidiaries; or
  (c) make loans or advances to the Company or any of the Company's other Restricted Subsidiaries; or
  (d) transfer any of its properties or assets to the Company or any of the Company's other Restricted Subsidiaries.

- up to and including the Final Discharge Date, the Company undertakes that, on each Reporting Date, the Interest Coverage Ratio will be at least 1,86.

The exposure of the Company to interest rate risk in relation to financial instruments is reported in note 18 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.

14. TRADE AND OTHER PAYABLES

	December 31	
	2017	2016
	in € thousands	
Accruals and other creditors	2.862	963
Payables to related companies (note 16)	7.175	541
	10.037	1.504

The exposure of the Company to liquidity risk in relation to financial instruments is reported in note 18 to the financial statements.

15. DERIVATIVE FINANCIAL INSTRUMENTS

		December 31,	
	Year of Maturity	2017	2016
		in € thousands	
Assets			
Non-current portion	2029	24.644	-
Current portion	2018	10.930	-
Liabilities			
Non-current portion	2027-2032	44.871	-

The Company uses hedge instruments on its straight bonds in order to manage its exposure to interest rate movements and to foreign currency. The calculation of the fair value of hedging instruments is based on discounted cash flows of future anticipated interest payments in place compared with the discounted cash flows of anticipated interest payments at market interest rates based on the hedging instrument agreement at the reporting date, and is prepared by independent appraisers.

16. RELATED PARTY TRANSACTIONS

The transactions and balances with related parties are as follows:

	Year ended December 31	
	2017	2016
	in € thousands	
Receivables and loans to related companies (*)	6.890.014	2.272.417
Payables and loans from related companies (*)	1.202.928	1.178.847

During the year the Company recorded an interest income on loans to related companies in the amount of 111,525 thousands and an interest expenses on loans from related parties in the amount of 56,404 thousands.

17. SIGNIFICANT AGREEMENTS WITH MANAGEMENT

There were no other transactions between the Group and related parties except for the ongoing directors' fees and the management share incentive plan to directors and executive management.

18. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial risk factors

The Group is exposed to the following major risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk
- Other risks

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and in the Company's activities.

Financial risk management

(i) Credit risk

Credit risk arises because a failure by counter parties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the reporting date. The Company's main credit risk relates to the loans towards its subsidiaries.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the end of the reporting period was as follows:

	Carrying amount	
	2017	**2016**
	in € thousands	
Trade and other receivables from related parties	12.716	2.204
Loans receivable from related companies (note 9)	6.877.298	2.226.807
Financial assets at fair value through profit or loss	69.178	29.801
Derivative financial instruments	35.574	-
Loans receivable from third parties (note 9)	52.705	43.406
	7.047.471	2.302.218

The maximum exposure to credit risk for the end of the reporting period derived by the subsidiaries' and trade securities' risk profile.

The Company's management believes that the amounts are collectible in full, based on the subsidiaries' economic strength and financial profile, derived by appropriate investment in real estate properties as per the Group's business model.

Cash and cash equivalents

The Company held cash and cash equivalents which available at any time without any restriction in the amount of €164.667 thousands as at December 31, 2017 (December 31, 2016: €308.188 thousands), which represents its maximum credit exposure on these assets.

18. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

(ii) 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 losses. The Company has procedures with the object of minimising such losses such as maintaining sufficient cash and other highly liquid current assets and by having available an adequate amount of committed credit facilities.

The following are the remaining contractual maturities at the end of the reporting period and at the end of 2016 of financial liabilities including estimated interest payments, the impact of derivatives and excluding the impact of netting agreements and those with related parties:

As at December 31, 2017

		Contractual cash flows including interest					
	Carrying amount	**Total**	**2 months or less**	**2-12 months**	**1-2 years**	**2-3 years**	**More than 3 years**
	in € thousands						
Financial liabilities							
Straight bonds	3.872.860	4.505.244	4.688	44.528	62.093	60.903	4.333.032
Convertible bonds	295.850	322.200	2.250	2.430	4.680	10.590	302.250
Derivative financial instruments	44.871	85.805	-	649	649	649	83.858
Trade payables	2.862	2.862	477	2.385	-	-	-
Total	**4.171.572**	**4.916.111**	**7.415**	**49.992**	**66.422**	**72.142**	**4.719.140**

As at December 31, 2016

		Contractual cash flows including interest					
	Carrying amount	**Total**	**2 months or less**	**2-12 months**	**1-2 years**	**2-3 years**	**More than 3 years**
	in € thousands						
Financial liabilities							
Straight bond	37.521	45.540	-	1.188	1.188	1.188	41.976
Convertible bonds	682.280	774.737	2.250	14.589	16.839	16.839	724.220
Trade payables	963	963	160	803	-	-	-
Total	**720.764**	**821.240**	**2.410**	**16.580**	**18.027**	**18.027**	**766.196**

18. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Accounting classifications and fair values

Fair value hierarchy

The table below analyzes financial instruments carried at fair value, by the levels in the fair value hierarchy. The different levels have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

1. Financial assets and liabilities measured at fair value:

	Level 1	Level 2	Level 3	Total
	in € thousands			
December 31, 2017				
Derivative financial instruments (a)	-	35.574	-	35.574
Financial assets at fair value through profit or loss	69.178	-	-	69.178
Total assets	**69.178**	**35.574**	-	**104.752**
Derivative financial instruments	-	44.871	-	44.871
Total liabilities	-	**44.871**	-	**44.871**
December 31, 2016				
Financial assets at fair value through profit or loss	29,801	-	-	29,801
Total assets	29,801	-	-	29,801
Derivative financial instruments	-	-	-	-
Total liabilities	-	-	-	-

(a) The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Company makes its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at each reporting date.

If market prices increase by 5%, the impact on profit and equity would be €3.459 thousands. A decrease of 5% would result in an equal but opposite impact.

AROUNDTOWN SA

NOTES TO THE FINANCIAL STATEMENTS
for the year ended December 31, 2017

18. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

2. Financial assets and liabilities not measured at fair value:

Except as detailed in the following table, the Company considers that the carrying amount of the financial assets and liabilities recognized in the financial statements approximates their fair value.

	As at December 31, 2017		As at December 31, 2016	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
	in € thousands			
Convertible bonds	295.850	(*) 386.000	682.280	(*) 877.000
Straight bonds	3.872.860	(*) 4.078.000	37.521	(*) 39.600

(*) Fair value hierarchy: level one.

(iii) *Market risk*

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Interest rate risk
Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. Borrowings issued at variable rates expose the Company to cash flow interest rate risk. Borrowings issued at fixed rates expose the Company to fair value interest rate risk. Company's management monitors the interest rate fluctuations on a continuous basis and acts accordingly.

Currency risk
The Company undertakes capital market transactions (bonds placements) denominated in foreign currencies (mainly US Dollar, British Pound and Norwegian Krone); consequently, exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters utilizing forward foreign exchange contracts, which fully eliminate the risk.

Other market price risk
The Company is exposed to financial risks arising from changes in equity security prices. The Company monitors the mix of equity securities in its portfolio so as to mitigate its exposure to this market price risk.

18. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

(iv) *Other risks*

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

Capital management

The Company manages its capital to ensure that it will be able to continue as a going concern while increasing the return to owners through striving to improve the debt to equity ratio.

19. CONTINGENT LIABILITIES

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

20. COMMITMENTS

The Company had no significant commitments as at December 31, 2017.

21. EVENTS AFTER THE REPORTING PERIOD

a. In January 2018, the Company successfully completed the placement of a €400 million (nominal value) of perpetual subordinated notes bearing a coupon of 2.125% p.a. with first call date in 2024, at an issue price of 98.174%.

b. In January 2018, the Company successfully completed the placement of a USD 150 million (€125 million) (nominal value) straight bond maturing in 2038, at a subscription price of 100% of its principal amount. The bond was placed under the EMTN Programme. The currency risk inherent in the notes has been hedged by cross-currency swap, resulting in an effective semi-annual coupon of1.75% p.a. for the first 5 years and Euribor (6M) + 1.78% for the remaining part until maturity.

c. In January 2018, the Company successfully completed the placement of a CHF (Swiss Franc) 250 million (€212 million) (nominal value) straight bond maturing in 2025, at an issue price of 100% of the principal amount, bearing an annual coupon of 0.732% p.a. The bond was placed under the EMTN Programme. The Company hedged the currency risk implied by the CHF denomination by swapping the initial and final notional into euro.

d. In January 2018, the Company announced an offer to the holders of its €600 million 1.5% straight bond series D maturing in 2022, to tender any and all such Bond's denominations for purchase by the Company for cash subject to the terms and conditions set out in the tender offer memorandum prepared by the Company. As a result of the tender, an aggregate principal amount of €319 million was bought back by the Company based on a purchase price of 103.938% of the principal amount, excluding accrued interest. The settlement of the tender was completed on February 5, 2018. Following the settlement, an aggregate principal amount of €281 million of the Bond remained outstanding.

e. In January 2018, the Company successfully completed the placement of a €800 million (nominal value) straight bond bearing a coupon of 1.625% p.a. and maturing in 2028, at an issue price of 97.179% of the principal amount. The bond was placed under the EMTN Programme.

f. In March 2018, the Company announced the inclusions of the Company into the FTSE EPRA/NAREIT Global Developed Index, the GPR 250 Index and the MDAX index of the Deutsche Borse. All index inclusions were effective as of March 19, 2018.

g. In March 2018, the Company increased its share capital from €9,481,140 by €950,000 to €10,431,140 through the issue of 95 million new shares. The offer price was fixed at €6.38 per share, resulting in gross proceeds of €606.1 million.

h. In April 2018, the Company announced the placement of EUR 500 million of 2% fixed rate notes due 2026 under the Euro Medium Term Note Programme, at an issue price of 98.09% of the principal amount of the notes.

On May 24 2018 the Board of Directors of Aroundtown SA approved and authorised these financial statements for issue.