

# FINANCIAL RESULTS

March 20, 2019

BERLIN  
INSIDERS



ANNUAL  
REPORT<sup>18</sup>



# OVERVIEW & INVESTMENT HIGHLIGHTS

—  
1



# ADO – THE PURE PLAY BERLIN RESIDENTIAL SPECIALIST

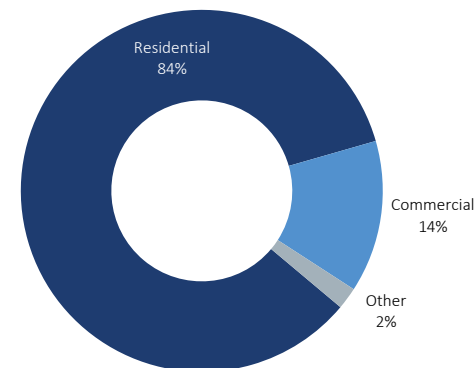
## Investment highlights

- 1 Berlin residential pure play with a EUR 4.1bn quality portfolio
- 2 Efficient, fully integrated and scalable platform with a clear strategy to create value. This unique platform enables in-depth knowledge of the Berlin market from more than a decade of local presence
- 3 Exceptional rental growth demonstrated over recent years, supported by our quality portfolio, smart targeted CAPEX investments and active management
- 4 Conservative financial strategy with a LTV of maximum 40%, weighted average maturity of approximately 4.7 years and a low average interest cost of 1.7% for the long-term debt

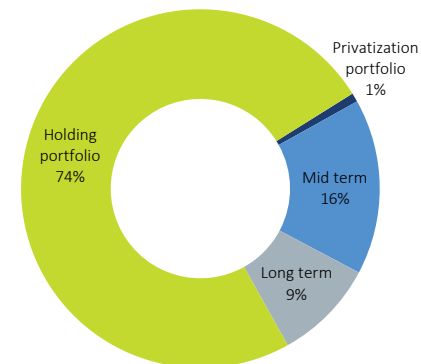
## Key metrics (end of Q4 2018)<sup>(1)</sup>

Residential units	22,238
Commercial units	1,456
<b>Total units</b>	<b>23,694</b>
In-place rent	EUR 135m
Lettable area (thousand m <sup>2</sup> )	1,638
Property value	EUR 4,092m
EPRA NAV	EUR 2,430m
Total interest-bearing debts	EUR 1,609m
Average interest rate of long-term debt	1.7%
Current cash position	EUR 28m
Net LTV	39.6%

## A focused residential portfolio<sup>(2,3)</sup> ...



## ...with potential for privatization<sup>(4)</sup>



- 1) A definition of our alternative performance measures like EPRA NAV or FFO 1 is available in our latest financial report ([ado.properties](#))
- 2) Based on in-place rent total portfolio
- 3) Commercial in-place rent mainly as part of residential buildings
- 4) Based on total units

Due to rounding, numbers may not add up precisely to the totals

# HIGHLIGHTS 2018

## Growth delivered

- Addition of more than 1,750 units during 2018, adding EUR 333m of fair market value
- Annual I-f-I rental growth of 5.6%
- Portfolio optimization continues with the start of Furnished Apartments

## Diversified funding sources

- Received a second investment grade rating of BBB- from Standard & Poor's
- Placed a EUR 165m inaugural convertible bond with a coupon of 1.25%
- Average cost of debt reduced to 1.7% with an LTV target of maximum 40%

## Outstanding valuation results

- Total portfolio value increased by almost EUR 800m to EUR 4.1bn or EUR 2,488 per m<sup>2</sup>
- Portfolio valued at 30.3x in-place rent, 25.1x CBRE market rent assumptions or 21.2x new letting rents (mark-to-market)
- Strong revaluation supported by strong operational performance and yield compression, which resulted mainly from the strong underlying market demand

## Strong financial performance

- EPRA NAV growing by EUR 441m to EUR 2,430m or EUR 55.05 per share, an increase of more than 22%
- FFO 1 for the full year of EUR 66.8m (EUR 1.51 per share)
- Proposed dividend of EUR 33m (EUR 0.75 per share), representing a payout ratio of 49.4% of total FFO 1 and an increase of 25% compared to the previous year

# HIGHLIGHTS 2018

Financials	2018	2017
Income from rental activities	EUR 134.6m	EUR 109.2m
EBITDA from rental activities	EUR 93.8m	EUR 77.1m
EBITDA margin from rental activities	73.3%	74.6%
FFO 1	EUR 66.8m	EUR 54.3m
FFO 1 per share	EUR 1.51	EUR 1.23

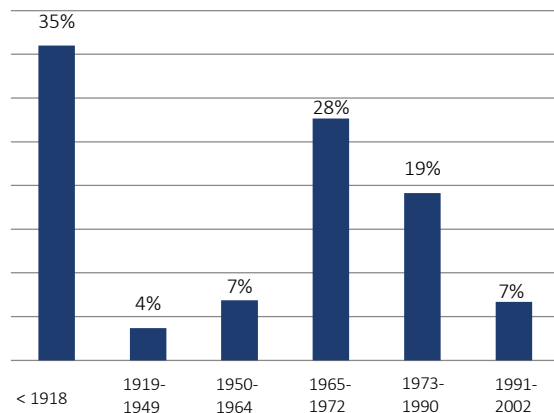
Operations & balance sheet	2018	2017
Rental growth l-f-l (LTM)	5.6%	4.8%
Vacancy rate	3.2%	3.6%
Privatization - avg. sales price/m <sup>2</sup>	EUR 3,857	EUR 3,307
Total maintenance & CAPEX/m <sup>2</sup>	EUR 39.2	EUR 29.1
EPRA NAV per share	EUR 55.05	EUR 45.10
Net LTV	39.6%	39.6%

- Strong growth continues with an increase of more than 23% for income from rental activities compared to 2017
- Like-for-like rental growth of 5.6% slightly ahead of guidance
- Vacancy rate improved by 40bps due to the increased speed of unit modernization
- Privatization prices remain strong with an avg. selling price of EUR 3,857 per m<sup>2</sup> - an increase of 17% compared to 2017
- EPRA NAV per share increased by more than 22% since the beginning of the year to EUR 55.05 following a dividend payment of EUR 0.60 per share in June 2018
- Net LTV at 39.6% at the end of the year
- On October 11, 2018, Moody's downgraded the Company's long-term issuer rating from Baa2 to Baa3 and the short-term rating to from P-2 to P-3. After completion of all financing activities, Moody's confirmed a stable outlook for the ratings
- On November 28, 2018, S&P Global Ratings assigned its 'BBB-/A-3' long- and short-term issuer credit rating to the Company. According to S&P, the Company's portfolio will generate stable operating cash flows, supported by its highly diversified asset and tenant base, and high occupancy levels
- To further support its credit profile, the LTV target was reduced to a maximum of 40% which we reached at the end of 2018
- On November 16, 2018 the Company placed senior, unsecured convertible bonds in a total nominal amount of EUR 165 million with a coupon of 1.25%

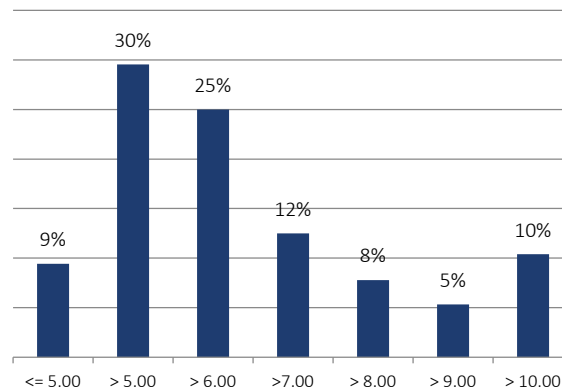
# ADO PORTFOLIO & STRATEGY

# BALANCED, HIGH-QUALITY PORTFOLIO FOCUSED ON BERLIN

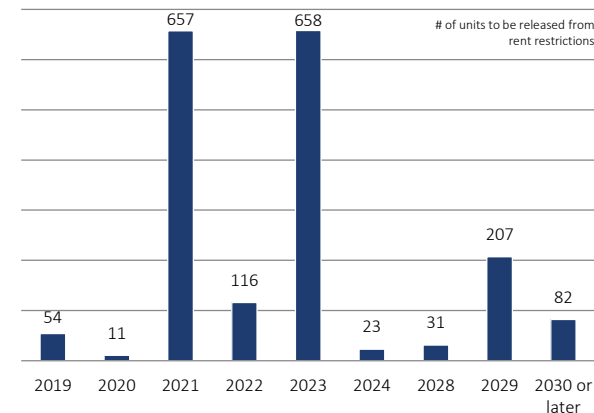
High-quality turn-of-the-century buildings...



...with attractive rents...



...and a low number of remaining restrictions



Key metrics residential portfolio (end of Q4 2018)<sup>1)</sup>

	Central	S-Bahn Ring	S-Bahn Ring (1960-1990)	City Ring	City Ring (1960-1990)	Total
Fair value (in EUR m) <sup>2)</sup>	1,524	485	678	316	1,089	4,092
Fair value (EUR/m <sup>2</sup> )	3,022	2,655	2,435	2,494	1,970	2,488
Number of residential units	6,576	2,222	4,179	1,494	7,767	22,238
Avg. in-place rent (in EUR/m <sup>2</sup> /month)	7.31	7.01	7.08	7.26	5.92	6.73
Avg. new letting rent (in EUR/m <sup>2</sup> /month) <sup>3)</sup>	11.90	9.77	10.13	8.91	7.30	9.42
Reversionary potential	63%	39%	43%	23%	23%	40%
Occupancy (physical)	96.1%	95.7%	97.4%	96.4%	97.5%	96.8%
Tenant turnover (LTM)	8.0%	8.8%	7.3%	9.4%	7.3%	7.8%

1) All values except the fair value are for the residential portfolio only.

2) Including condominium units with a fair market value of EUR 46m which are held at a book value of EUR 38m

3) Based on the last three months

**100% exposure within Berlin city borders with 37% in Central Locations**

# STRONG GROWTH CONTINUED

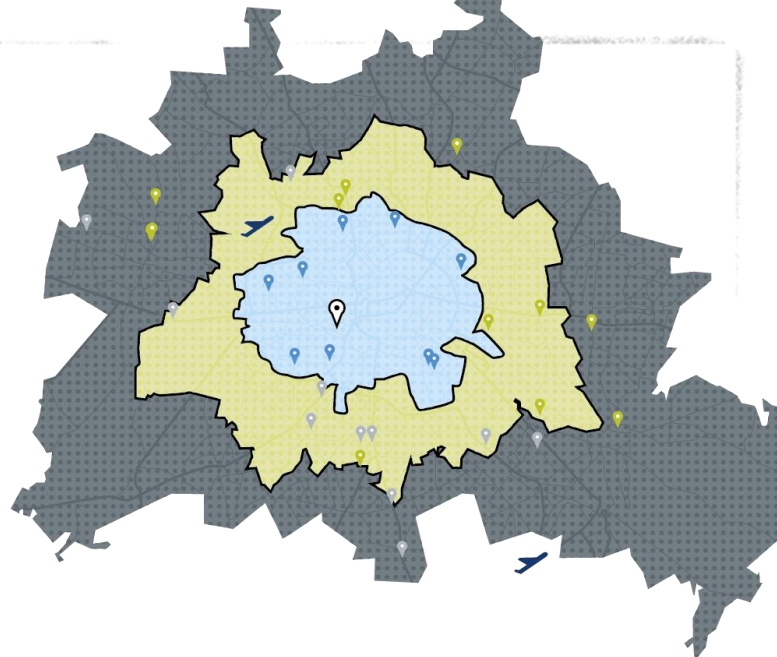
Growth profile with more than 1,750 units acquired in 2018



Angerburger Allee



Kiekebuschstr. 9



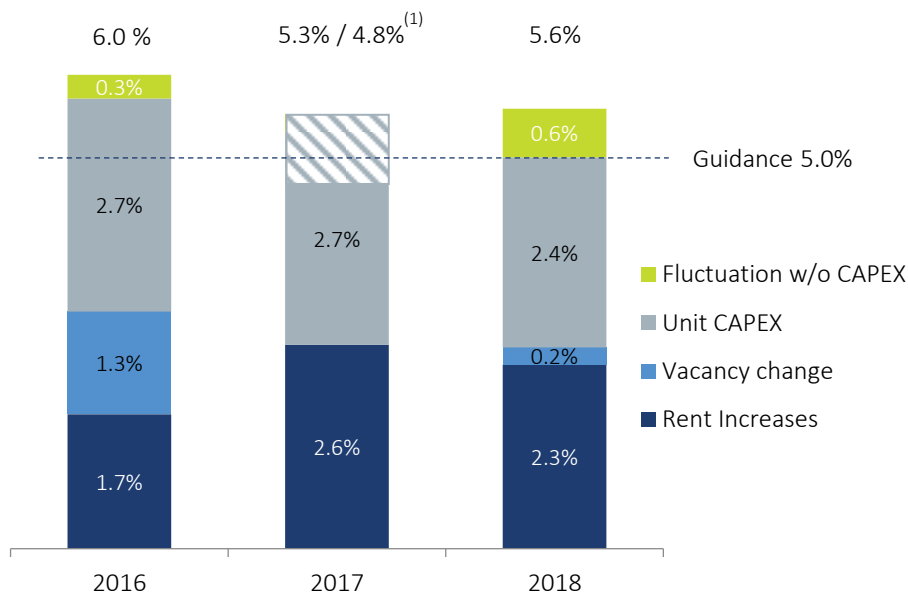
Total acquisitions (2018)	Central	S-Bahn Ring	S-Bahn Ring (1960-1990)	City Ring	City Ring (1960-1990)	Total
Property Value (year-end in EUR m)	69	33	188	20	24	333
Value/m <sup>2</sup> (EUR)	2,647	1,893	2,590	2,395	2,590	2,477
Total m <sup>2</sup> (thousand)	26	15	73	8	13	134
Run rate (year-end in EUR m)	2	1	6	1	1	12
Number of commercial units	98	21	27	17	14	177
Number of residential units	182	196	957	113	166	1,614
Avg. residential in-place rent (EUR/m <sup>2</sup> )	5.90	6.31	7.11	7.12	5.44	6.75
CBRE market rent (EUR/m <sup>2</sup> )	8.73	7.86	8.80	8.22	7.18	8.50
Average new letting rent (EUR/m <sup>2</sup> ) – actual	11.56	9.17	10.97	9.51	8.58	9.87
Occupancy (%)	96.6%	94.7%	96.4%	93.8%	88.0%	95.4%

**Attractive individual asset acquired in 18 transactions with a strong fit to the existing ADO portfolio**



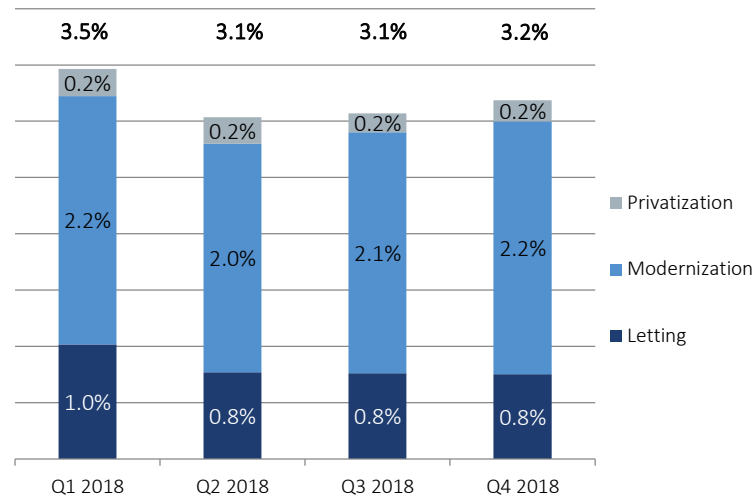
# STRONG LIKE-FOR-LIKE GROWTH AND STABLE VACANCIES

Very strong I-f-I result of 5.6% in 2018



1) Impact of the increase in vacancy by 50 bps

Vacancy split



Based on physical vacancy, residential only  
EPRA Vacancy Rate is 3.1% for Q4 2018

Maintenance & CAPEX In EUR per m <sup>2</sup>	2016	2017	Avg. 2016-2017	2018
Repair & maintenance	6.8	6.5	6.7	7.5
Capitalized maintenance	6.6	6.3	6.5	8.1
Energetic modernization	0.8	1.7	1.3	3.6
Modernization CAPEX	13.8	14.6	14.2	20.0
<b>Total</b>	<b>28.1</b>	<b>29.1</b>	<b>28.6</b>	<b>39.2</b>

- 1,479 residential units refurbished in 2018
- Energetic modernization program is ongoing and will deliver additional growth throughout the year

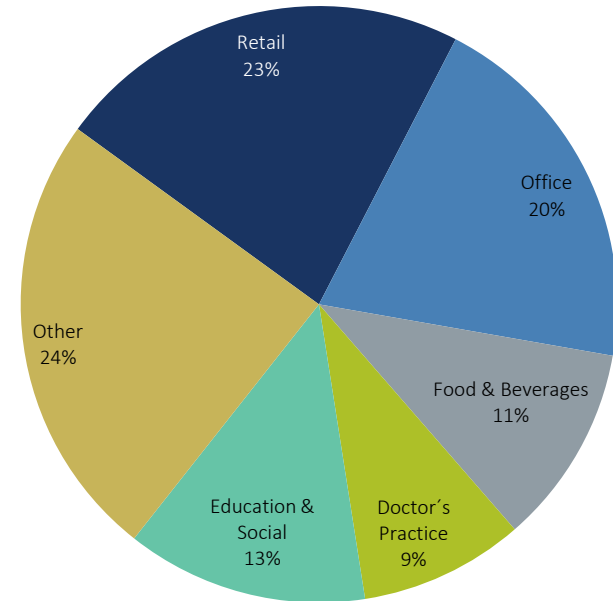
**Like-for-like rental growth continues to improve as expected**

# ADO's COMMERCIAL UNITS SUPPORT OUR GROWTH

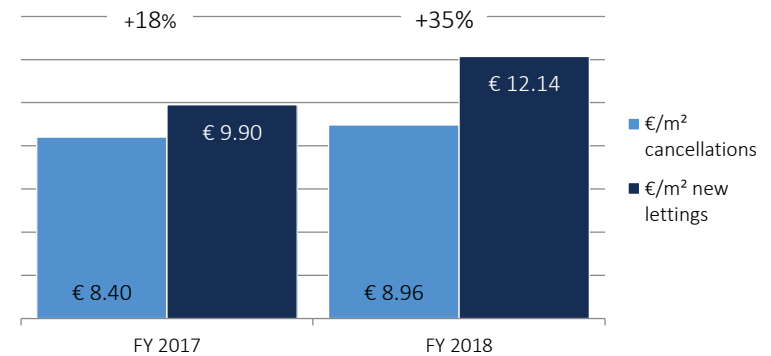
## Commercial portfolio

	2018	2017
Number of units	1,456	1,321
Average rent/m <sup>2</sup> /month	EUR 9.42	EUR 8.94
Vacancy	4.6%	4.9%

- ADO owns 1,456 commercial units at the end of 2018 which are mainly part of residential buildings
- Commercial units generate approx. 14% of total rents
- **Commercial I-f-I was 5.9% in FY2018** (LTM basis)
- Free from rent regulations
- All new commercial contracts have either stepped rent or index clauses



### Reversionary potential of 35% achieved during 2018



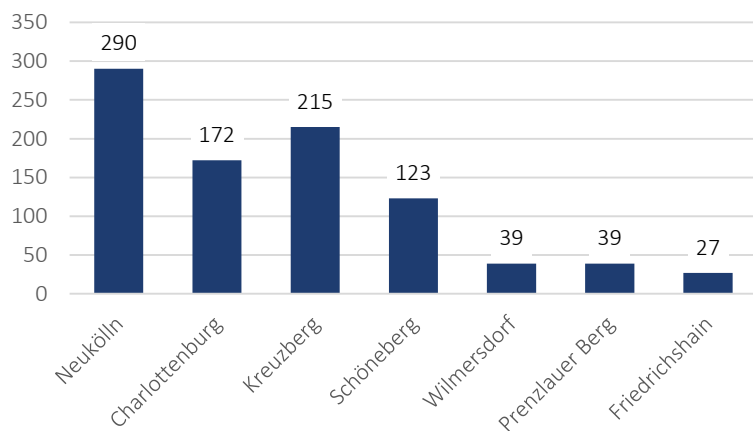
**Further growth generated by the commercial units**

# Furnished Apartments

## Highlights (as of today)

- 1) Started in October 2018 after planning phase
- 2) 75 units already identified as suitable, of which 33 units, are in the furnished stage and under letting
- 3) 14 units have been let since for an average new letting rent of **EUR 22.07 per m<sup>2</sup>**
- 4) New letting averages generate a **premium of approximately €10/m<sup>2</sup>** compared to our unfurnished residential lettings
- 5) Program will carefully be expanded throughout the year with the goal of 150 units by end of 2019

## Potential units by district



**Furnished apartments generate a rent premium of close to €10/m<sup>2</sup>**

# Furnished Apartments

Example pictures Babelsberger Str: 1 room / 56m<sup>2</sup> / 3rd floor / €23 per m<sup>2</sup> net rent)



ADO  
Living

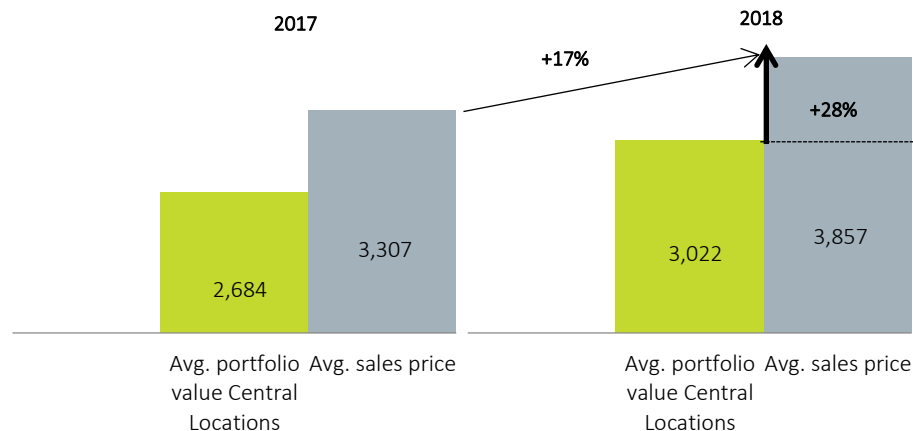




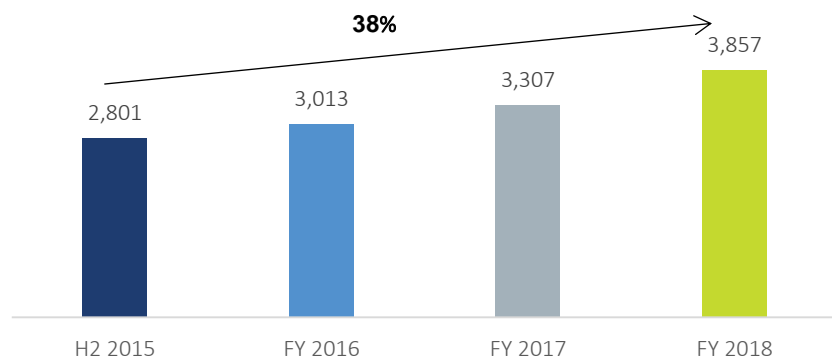
# PRIVATIZATION ACTIVITIES CONTINUE

- 66 units sold during 2018 for gross proceeds of EUR 20.3m, generating 28% value uplift compared to average fair value of Central Locations
- Our acquisitions allowed us to increase our medium and long-term potential by more than 500 units
- As we expect further price increases for condominiums especially in inner city locations, we stick to our strategy and continue with a very selective privatization approach to maximize profits, not sales volume

Sales profit – avg. sales price vs. portfolio value (\*)

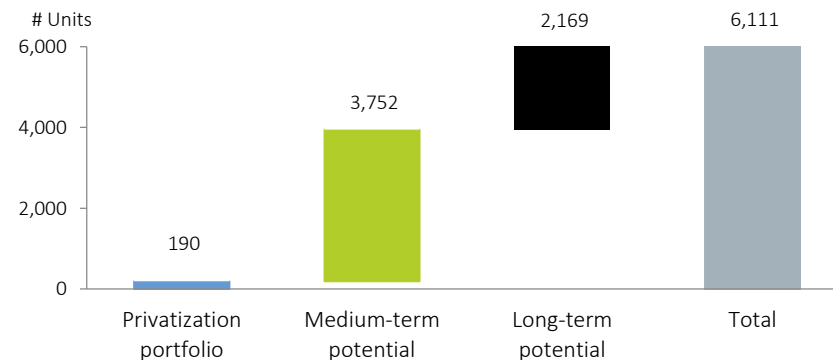


Avg. sale price (\*)



\* Residential units

Privatization potential



**66 units sold in 2018 for an average selling price of EUR 3,857 per m<sup>2</sup>**

# FINANCIAL OVERVIEW

# OVERVIEW OF BALANCE SHEET

In EUR m	Dec 31, 2018	Dec 31, 2017	
	(Audited)	(Audited)	
Investment properties	4,050	3,306	1
Other non-current assets	16	8	
<b>Non-current assets</b>	<b>4,066</b>	<b>3,314</b>	
Cash and cash equivalents	28	122	
Other current assets	76	83	1
<b>Current assets</b>	<b>104</b>	<b>204</b>	
<b>Total assets</b>	<b>4,170</b>	<b>3,518</b>	
Interest-bearing debt	1,609	1,423	2
Other liabilities	115	80	
Deferred tax liabilities	249	183	
<b>Total liabilities</b>	<b>1,973</b>	<b>1,687</b>	
<b>Total equity attributable to shareholders of the Company</b>	<b>2,151</b>	<b>1,795</b>	
Non-controlling interests	47	36	
Total equity	2,197	1,831	
<b>Total shareholders' equity and liabilities</b>	<b>4,170</b>	<b>3,518</b>	
<b>EPRA NAV</b>	<b>2,430</b>	<b>1,989</b>	<b>3</b>
No. of shares	44.1	44.1	
<b>EPRA NAV per share</b>	<b>55.05</b>	<b>45.10</b>	<b>3</b>

## Comments

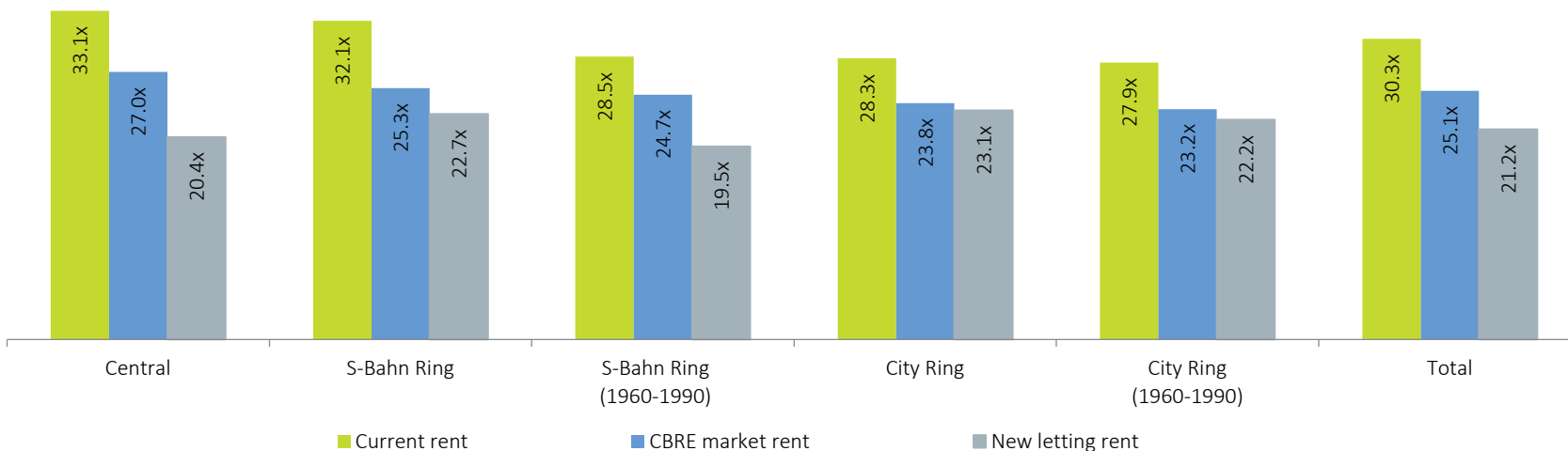
- 1 The fair value of the portfolio was assessed by CBRE as at Dec 31, 2018. Total portfolio value of EUR 4,092m as at Dec 31, 2018 includes investment properties (EUR 4,044m) and trading properties (EUR 48m fair value/EUR 35m book value – included in other current assets)
- 2 Interest-bearing debt consists of bank loans, capital market debt, a loan from Harel Insurance related to the WayPoint portfolio in a total amount of EUR 1,609m. The increase during the year results mostly from the convertible bond placed in Q4
- 3 Our EPRA NAV amounts to EUR 2,430m or EUR 55.05 per share as at December 31, 2018, thus providing an increase of more than 22% since the beginning of the year

# TOTAL PORTFOLIO VALUE OF 4.1bn

## Share of fair value (%)

	Central	S-Bahn Ring	S-Bahn Ring (1960-1990)	City Ring	City Ring (1960-1990)	Total
Fair value (in EUR m)	1,524	485	678	316	1,089	4,092
Fair value (EUR/m <sup>2</sup> )	3,022	2,655	2,435	2,494	1,970	2,488
Discount rate	4.59%	4.73%	4.77%	4.93%	4.97%	4.71%
Avg. in-place rent (in EUR/m <sup>2</sup> /month)	7.31	7.01	7.08	7.26	5.92	6.73
CBRE market rent (in EUR/m <sup>2</sup> /month)	9.00	8.77	7.99	8.59	6.96	7.96
Avg. new letting rent (in EUR/m <sup>2</sup> /month)	11.90	9.77	10.13	8.91	7.30	9.42
Reversionary potential	63%	39%	43%	23%	23%	40%

## Rent multipliers

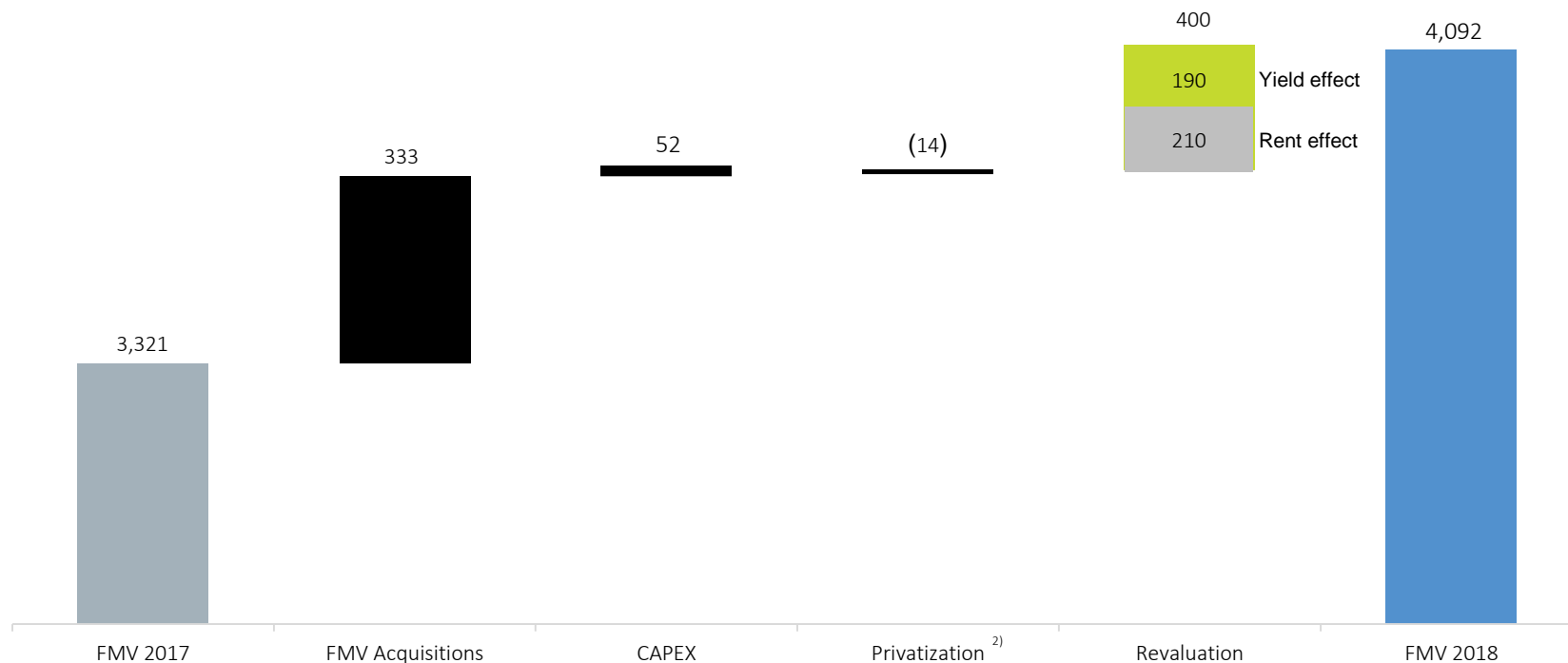


**New letting rents continue to imply further valuation upside**



# FAIR MARKET VALUE OF PORTFOLIO INCREASED BY 771m

Fair market value (in EUR m)<sup>1)</sup>:



- 1) Including condominium units with a fair market value of EUR 48m which are held at a book value of EUR 35m
- 2) Revaluation of portfolio as of the beginning of the reporting period

**Revaluation gain of our portfolio is driven by our operational performance and further growing demand**

# SOLID BALANCE SHEET WITH FIXED RATE FINANCING

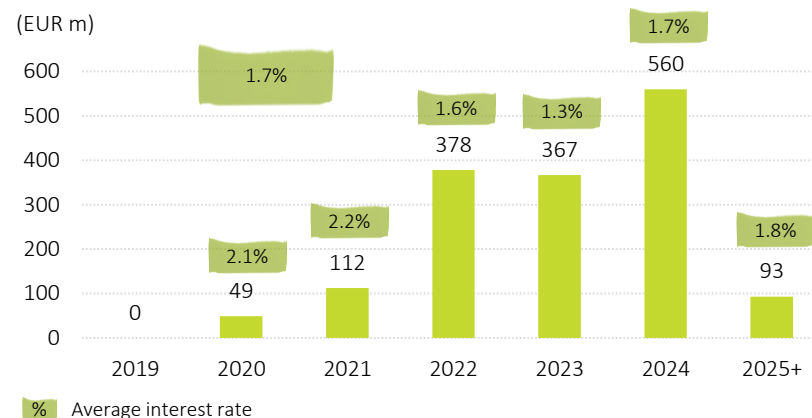
## Key financing figures

- Long-term debt of EUR 1,609m, almost completely fixed or hedged from diversified funding sources
- Diversified funding sources with flexible access to the bank and bond market
- No material short term maturities, a total weighted average maturity of approx. 4.7 years and average interest rate of 1.7%
- Net LTV at the end of the year is at 39.6%
- During Q4 2018, we placed senior, unsecured convertible bonds in a total nominal amount of EUR 165 million with a coupon of 1.25%
- Schuldscheindarlehen of EUR 24.5m with an average maturity of 6 years and average interest rates of 2.3% were closed on 7th November 2018

## Financing strategy with diversified funding sources

- We are funding our assets with a balanced mix of equity and fixed-rate debt provided by banks or capital market instruments
- We have a committed revolving credit facility of EUR 200m
- We target an LTV of maximum 40%
- ADO remains to be committed to an investment grade rating to maintain stable access to attractive senior, unsecured financing sources

Diversified permanent profile with weighted average debt maturity of approximately 4.7 years



## Bond Covenants

	Covenant	Q4 2018
Loan-to-value ratio (bond)	≤ 60%	<b>38.9%</b>
Secured loan-to-value ratio	≤ 45%	<b>24.2%</b>
Unencumbered asset ratio	≥ 125%	<b>251.8%</b>
Interest coverage ratio	≥ 1.8	<b>3.9</b>

**Conservative financing structure supporting our future growth**

# OVERVIEW OF PROFIT AND LOSS

In EUR m	Year 2018	Year 2017	Q4 2018
Net rental income	128.0	103.3	33.3
Income from facility services	6.6	5.9	1.7
<b>Income from rental activities</b>	<b>134.6</b>	<b>109.2</b>	<b>35.0</b>
Cost of rental activities	(26.2)	(20.4)	(7.3)
<b>Net operating income</b>	<b>108.4</b>	<b>88.8</b>	<b>27.7</b>
NOI from rental activities margin	84.7%	85.9%	83.2%
Overhead costs	(14.6)	(11.7)	(4.6)
<b>EBITDA from rental activities</b>	<b>93.8</b>	<b>77.1</b>	<b>23.1</b>
EBITDA from rental activities margin	73.3%	74.6%	69.2%
Net profit from privatizations	2.5	3.9	0.4
<b>EBITDA total</b>	<b>96.3</b>	<b>81.0</b>	<b>23.4</b>
Net cash interest	(25.4)	(21.7)	(6.3)
Other net financial costs	(6.1)	(6.3)	(5.1)
Depreciation & amortization	(0.5)	(0.5)	(0.2)
<b>EBT</b>	<b>64.2</b>	<b>52.5</b>	<b>11.9</b>

## Comments

- 1** Income from rental activities increased by 23% and is driven by I-f-I rental growth of 5.6%. Q4 reflects an annualized income from rental activities of EUR 140m

### Strong rental growth supported by our investment strategy

In % (LTM)	Jan 1 - Dec 31, 2018	Jan 1 - Dec 31, 2017
New lettings after CAPEX	2.4%	2.7%
New lettings fluctuation	0.2%	(0.5%)
Regular rent increases	2.3%	2.6%
Fluctuation without CAPEX	0.6%	0.0%
<b>Total</b>	<b>5.6%</b>	<b>4.8%</b>

- 2** EBITDA from rental activities increased by 22%.
- 3** Financing relies on a mix of bank financing provided by German mortgage banks and capital market instruments. The average interest rate for our long-term debt amounts to 1.7%.

# OVERVIEW OF FFO

In EUR m	Year 2018	Year 2017	Q4 2018	
EBITDA from rental activities	93.8	77.1	23.1	1
Net cash interest	(25.4)	(21.7)	(6.3)	
Current income taxes	(1.6)	(1.0)	(0.9)	
<b>FFO 1 (from rental activities)</b>	<b>66.8</b>	<b>54.3</b>	<b>15.9</b>	<b>2</b>
Maintenance capital expenditure <sup>(*)</sup>	(13.0)	(8.5)	(3.5)	3
<b>AFFO (from rental activities)</b>	<b>53.8</b>	<b>45.9</b>	<b>12.3</b>	
Net profit from privatizations <sup>(**)</sup>	2.5	2.9	0.4	4
<b>FFO 2 (incl. disposal results)</b>	<b>69.3</b>	<b>57.3</b>	<b>16.2</b>	
Avg. number of shares	44.1	44.1	44.1	
FFO 1 EUR per share	1.51	1.23	0.36	
FFO 2 EUR per share	1.57	1.30	0.37	

\* 2017 figures are adjusted for energetic modernization CAPEX

\*\* 2017 figures are adjusted for current income tax relating to sale of condominiums

## Comments

- 1 EBITDA from rental activities increased by 22% due to our strong 5.6% like-for-like rental growth. Q4 reflects an annualized EBITDA of EUR 92m
- 2 FFO 1 has increased by 23% due to our operational performance
- 3 Maintenance is in line with our long-term averages. CAPEX is slightly elevated due to the high level of unit modernization during 2018
- 4 During 2018 we sold 66 units, generating net profit of EUR 2.5m

## 3 Maintenance and CAPEX

In EUR/per m <sup>2</sup>	2018	2017
Maintenance	7.5	6.5
Capitalized maintenance	8.1	6.3
Energetic modernization	3.6	1.7
Modernization CAPEX	20.0	14.6
<b>Total</b>	<b>39.2</b>	<b>29.1</b>

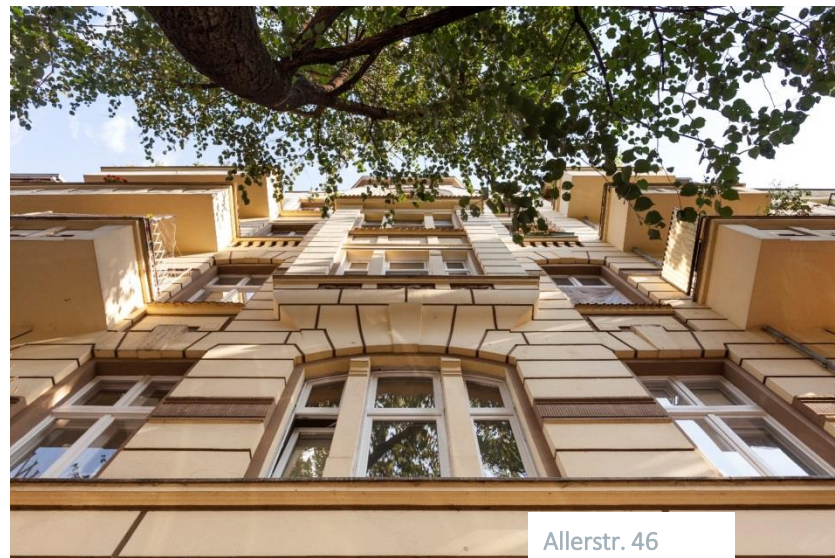


# GUIDANCE 2019

- 1 We anticipate like-for-like rental growth going forward at approximately 5%. This should positively impact portfolio value, EPRA NAV and EPRA NAV per share
- 2 We expect our FFO 1 run rate to be approximately EUR 65m
- 3 Average cost of long-term debt of 1.7% with an LTV target of maximum 40%
- 4 We target a dividend payout ratio of up to 50% of FFO 1



Ahornstraße  
Steglitz



Allerstr. 46  
Neukölln

ANNUAL  
REPORT 8

BERL  
INSI  
DERS

# FINANCIAL CALENDAR

—  
4

# Financial Calendar<sup>19</sup>

<p>April 11, 2019</p> <hr/> <p>Ordinary General Meeting</p>	<p>May 22, 2019</p> <hr/> <p>Publication Three-Month Financial Report (Q1 2019)</p>	<p>June 19, 2019</p> <hr/> <p>Ex-Dividend Date</p>
<p>June 20, 2019</p> <hr/> <p>Annual General Meeting</p>	<p>August 14, 2019</p> <hr/> <p>Publication Half-Year Financial Report (Q2 2019)</p>	<p>November 13, 2019</p> <hr/> <p>Publication Nine-Month Financial Report (Q3 2019)</p>



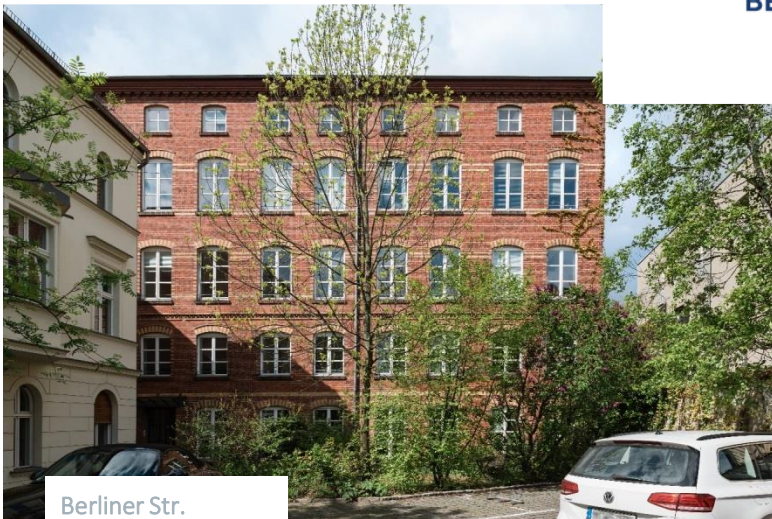
# First-Class References



Alte Schönhauser Str.  
Mitte



Badensche Str. 32  
Wilmerdorf



Berliner Str.  
Prenzlauer Berg



Buddestraße  
Reinickendorf

# Furnished Apartments

Example pictures Olivaer Platz: 2 rooms / 46m<sup>2</sup> / 1st floor / € 33 per m<sup>2</sup> net rent)

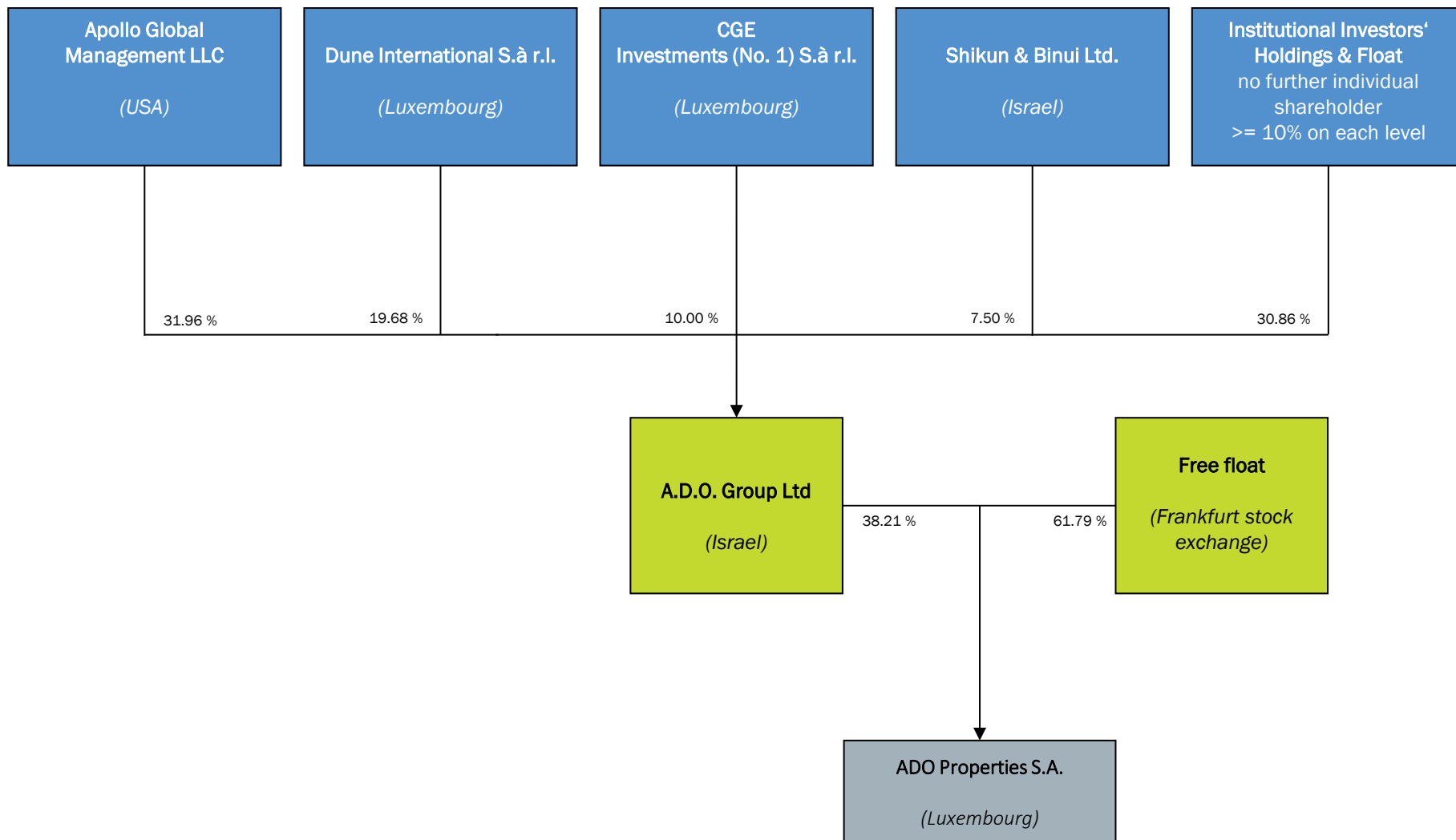


ADO  
Living





# ADO Properties SA shareholder structure(\*)



(\*) As of 20.03.2019



COLORS OF  
ADO

—  
Annual  
Report

2018

COLORS  
OF  
BERLIN

[www.ado.properties](http://www.ado.properties)

EXHIBITION →

ADO

ADO Properties S.A.

1B Heienhaff  
1736 Senningerberg  
Grand Duchy of Luxembourg

T +352 27 84 56 710  
E [ir@ado.properties](mailto:ir@ado.properties)  
W [www.ado.properties](http://www.ado.properties)

UOB