

# FINANCIAL RESULTS

May 22, 2019

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3 MONTH  
REPORT



# OVERVIEW & INVESTMENT HIGHLIGHTS

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# ADO – THE PURE PLAY BERLIN RESIDENTIAL SPECIALIST

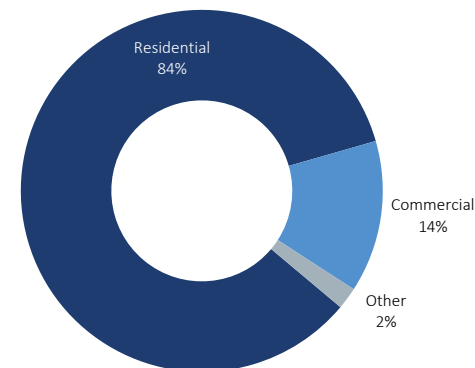
## Investment highlights

- 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 4.4 years and a low average interest cost of 1.7% for the long-term debt

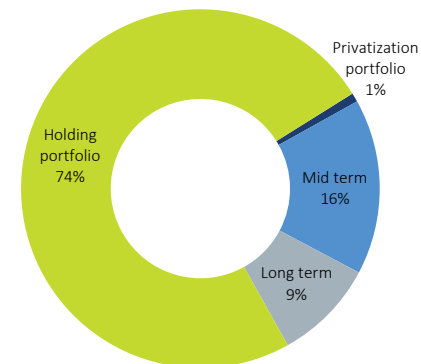
## Key metrics (end of Q1 2019)<sup>(1)</sup>

Residential units	22,186
Commercial units	1,455
<b>Total units</b>	<b>23,641</b>
In-place rent	EUR 137m
Lettable area (thousand m <sup>2</sup> )	1,652
Property value	EUR 4,099m
EPRA NAV	EUR 2,443m
Total interest-bearing debts	EUR 1,606m
Average interest rate of long-term debt	1.7%
Current cash position	EUR 24m
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 Q1 2019

Financials	Q1 2019	2018
Income from rental activities	EUR 35.7m	EUR 134.6m
EBITDA from rental activities	EUR 23.9m	EUR 93.8m
EBITDA margin from rental activities	70.9%	73.3%
FFO 1	EUR 16.7m	EUR 66.8m
FFO 1 per share	EUR 0.38	EUR 1.51

Operations & balance sheet	Q1 2019	2018
Rental growth l-f-l (LTM)	5.3%	5.6%
Vacancy rate	3.1%	3.2%
Privatization - avg. sales price/m <sup>2</sup>	EUR 4,096	EUR 3,857
Total maintenance & CAPEX/m <sup>2</sup>	EUR 46.4	EUR 39.2
EPRA NAV per share	EUR 55.37	EUR 55.05
Net LTV	39.6%	39.6%

- Strong growth continues with an increase of 14% for income from rental activities compared to Q1 2018
- Like-for-like rental growth of 5.3% slightly ahead of guidance
- Vacancy rate improved by 10bps due to the increased speed of unit modernization
- Privatization prices remain strong with an avg. selling price of EUR 4,069 per m<sup>2</sup>
- EPRA NAV per share increased to EUR 55.37 per share by the end of Q1 2019
- Net LTV at 39.6% at the end of the year
- Proposed dividend of EUR 33m (EUR 0.75 per share), representing a payout ration of 50% of total FFO 1

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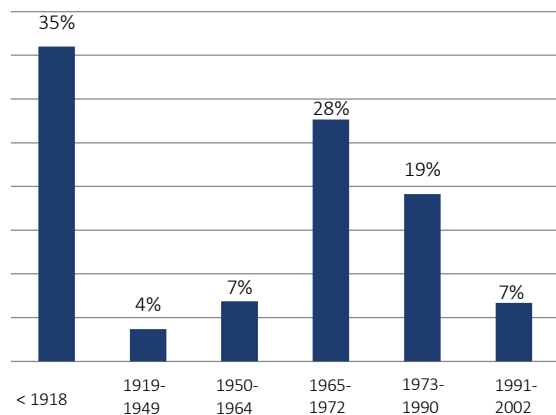


# ADO PORTFOLIO & STRATEGY

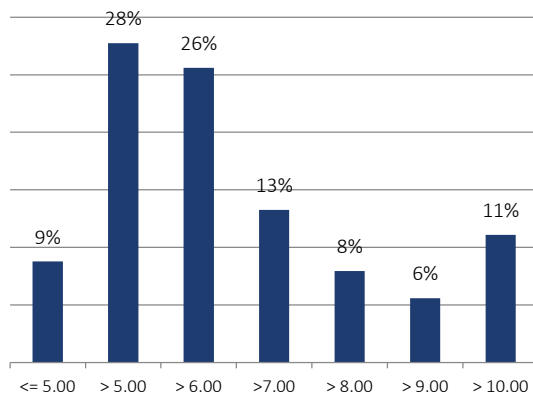
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# BALANCED, HIGH-QUALITY PORTFOLIO FOCUSED ON BERLIN

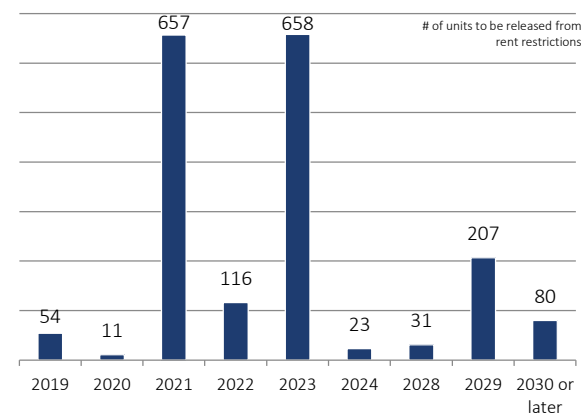
High-quality turn-of-the-century buildings...



...with attractive rents...



...and a low number of remaining restrictions



Key metrics residential portfolio (end of Q1 2019)<sup>1)</sup>

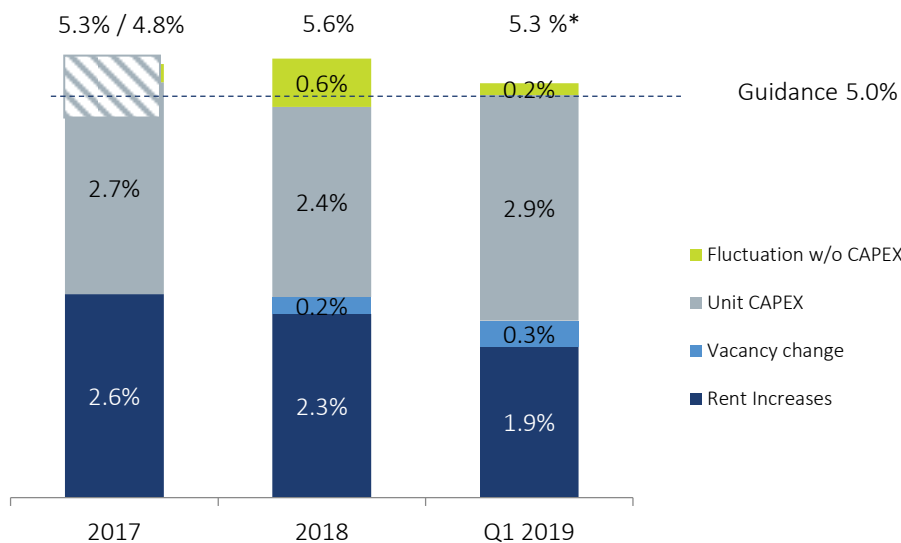
	Central	S-Bahn Ring	S-Bahn Ring (1960-1990)	City Ring	City Ring (1960-1990)	Total
Fair value (in EUR m) <sup>2)</sup>	1,520	488	680	317	1,093	4,099
Fair value (EUR/m <sup>2</sup> )	3,015	2,671	2,442	2,503	1,978	2,495
Number of residential units	6,522	2,224	4,179	1,494	7,767	22,186
Avg. in-place rent (in EUR/m <sup>2</sup> /month)	7.34	7.08	7.11	7.29	5.96	6.76
Avg. new letting rent (in EUR/m <sup>2</sup> /month) <sup>3)</sup>	12.29	10.58	10.36	9.46	7.60	9.99
Reversionary potential	67%	49%	46%	30%	28%	48%
Occupancy (physical)	96.9%	95.6%	97.4%	95.3%	97.6%	96.9%
Tenant turnover (LTM)	8.2%	9.2%	6.6%	10.5%	7.0%	7.7%

- 1) All values except the fair value are for the residential portfolio only and are including the achieved rents for furnished apartments
- 2) Including condominium units with a fair market value of EUR 46m which are held at a book value of EUR 32m
- 3) Based on the last three months

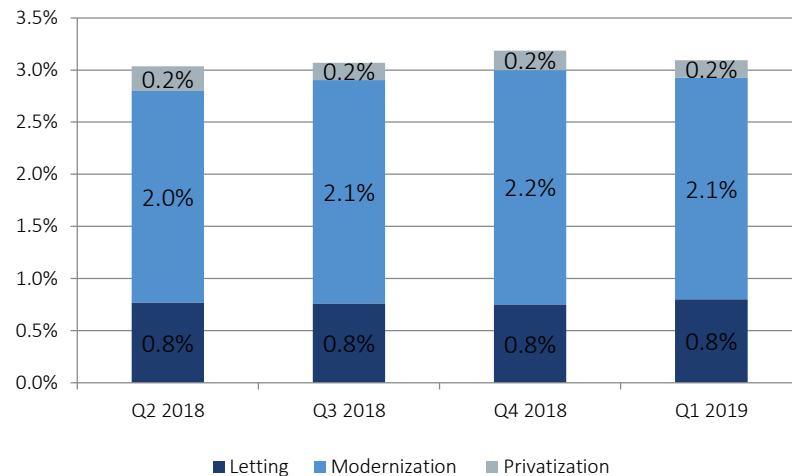
**100% exposure within Berlin city borders with 37% in Central Locations**

# STRONG LIKE-FOR-LIKE GROWTH AND STABLE VACANCIES

Very strong I-f-I result of 5.3% in Q1 2019



Vacancy split



\* Like-for-like excludes furniture surcharge for furnished apartments

Based on physical vacancy, residential only  
EPRA Vacancy Rate is 3.1% for Q1 2019

## Maintenance & CAPEX

In EUR per m <sup>2</sup>	2017	2018	Avg. 2017-2018	Q1 2019(*)
Repair & maintenance	6.5	7.5	7.0	7.4
Capitalized maintenance	6.3	8.1	7.2	10.3
Energetic modernization	1.7	3.6	2.6	2.9
Modernization CAPEX	14.6	20.0	17.3	25.8
<b>Total</b>	<b>29.1</b>	<b>39.2</b>	<b>34.1</b>	<b>46.4</b>

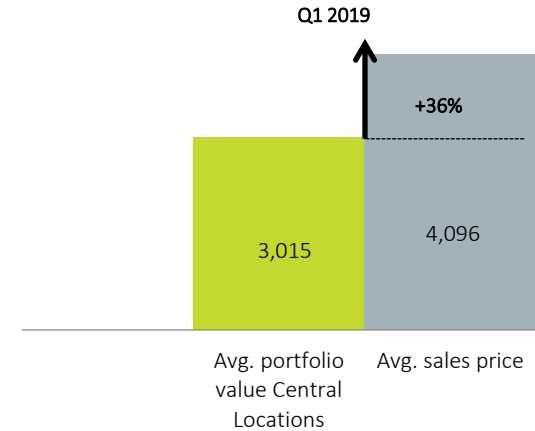
- 363 residential units refurbished in first quarter of 2019
- Additional 480k have been invested in new build activities

\* Annualized figures based on total lettable area

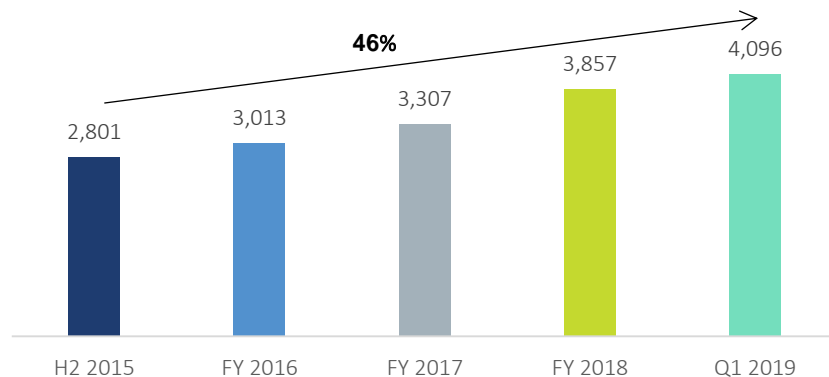
# PRIVATIZATION ACTIVITIES CONTINUE

- 17 units sold during Q1 2019 for gross proceeds of EUR 4.3m, generating 36% value uplift compared to average fair value of Central Locations
- 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
- In addition to our privatization activities, our strategy includes the examination of possibilities of sales of our buildings, which, in our opinion, have reached a value with a limited upside

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

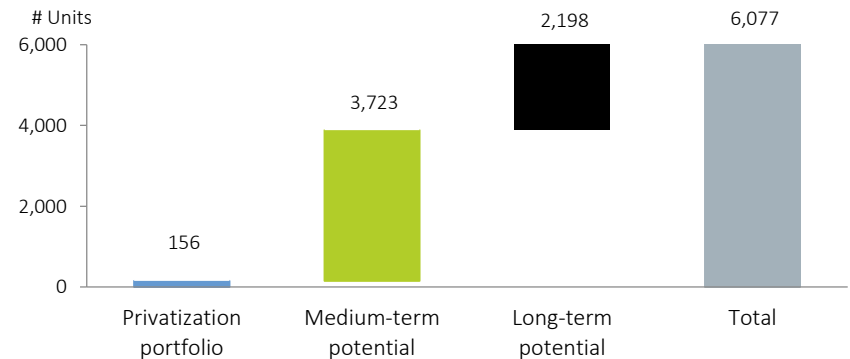


Avg. sale price (\*)



\* Residential units

Privatization potential



**17 units sold in Q1 2019 for an average selling price of EUR 4,096 per m<sup>2</sup>**



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# FINANCIAL OVERVIEW

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# OVERVIEW OF BALANCE SHEET

In EUR m	Mar 31, 2019	Dec 31, 2018	
	(Unaudited)	(Audited)	
Investment properties	4,061	4,050	1
Other non-current assets	22	16	
<b>Non-current assets</b>	<b>4,083</b>	<b>4,066</b>	
Cash and cash equivalents	24	28	
Other current assets	80	76	1
<b>Current assets</b>	<b>104</b>	<b>104</b>	
<b>Total assets</b>	<b>4,187</b>	<b>4,170</b>	
Interest-bearing debt	1,606	1,609	2
Other liabilities	123	115	
Deferred tax liabilities	251	249	
<b>Total liabilities</b>	<b>1,980</b>	<b>1,973</b>	
<b>Total equity attributable to shareholders of the Company</b>	<b>2,160</b>	<b>2,151</b>	
Non-controlling interests	47	47	
Total equity	2,207	2,197	
<b>Total shareholders' equity and liabilities</b>	<b>4,187</b>	<b>4,170</b>	
<b>EPRA NAV</b>	<b>2,443</b>	<b>2,430</b>	<b>3</b>
No. of shares	44.1	44.1	
<b>EPRA NAV per share</b>	<b>55.37</b>	<b>55.05</b>	<b>3</b>

## Comments

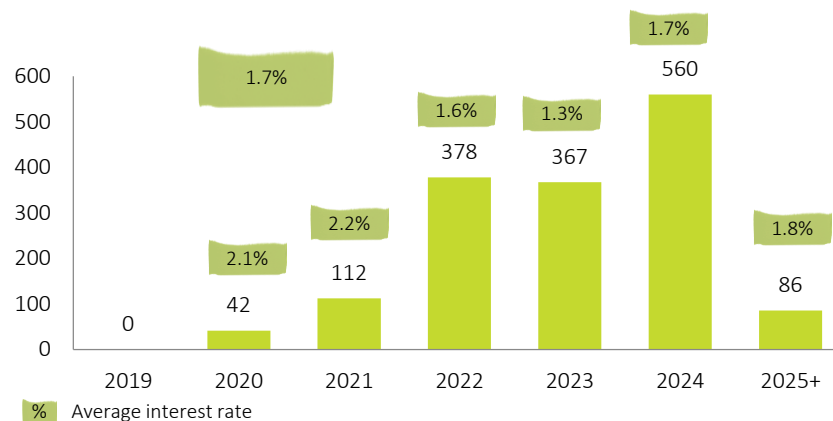
- 1 The portfolio value of EUR 4,099m as March 31, 2019 includes investment properties (EUR 4,054m) and trading properties (EUR 45m fair value/EUR 32m book value – included in other current assets).
- 2 Interest-bearing debt consists of bank loans, capital market debts and a loan from Harel Insurance related to the WayPoint portfolio in a total amount of EUR 1,606m.
- 3 Our EPRA NAV amounts to EUR 2,443m or EUR 55.37 per share as at March 31, 2019.

# SOLID BALANCE SHEET WITH FIXED RATE FINANCING

## Key financing figures

- Long-term debt of EUR 1,606m, 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. 4.4 years and average interest rate of 1.7%
- Net LTV at the end of Q1 2019 is at 39.6%

Diversified permanent profile with weighted average debt maturity of approximately 4.4 years



## 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

## Bond Covenants

	Covenant	Q1 2019
Loan-to-value ratio (bond)	≤ 60%	<b>38.8%</b>
Secured loan-to-value ratio	≤ 45%	<b>24.1%</b>
Unencumbered asset ratio	≥ 125%	<b>252.4%</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	Q1 2019	Q1 2018	Year 2018
Net rental income	33.7	29.8	128.0
Income from facility services	2.0	1.5	6.6
<b>Income from rental activities</b>	<b>35.7</b>	<b>31.3</b>	<b>134.6</b>
Cost of rental activities	(7.8)	(5.7)	(26.2)
<b>Net operating income</b>	<b>27.9</b>	<b>25.6</b>	<b>108.4</b>
NOI from rental activities margin	82.8%	85.9%	84.7%
Overhead costs	(4.0)	(3.1)	(14.6)
<b>EBITDA from rental activities</b>	<b>23.9</b>	<b>22.5</b>	<b>93.8</b>
EBITDA from rental activities margin	70.9%	75.6%	73.3%
Net profit from privatizations	0.6	0.4	2.5
<b>EBITDA total</b>	<b>24.5</b>	<b>22.9</b>	<b>96.3</b>
Net cash interest	(6.7)	(6.4)	(25.4)
Other net financial costs	(5.9)	(0.3)	(6.1)
Depreciation & amortization	(0.3)	(0.1)	(0.5)
<b>EBT</b>	<b>11.6</b>	<b>16.1</b>	<b>64.2</b>

## Comments

- 1** Income from rental activities increased by 14% and is driven by I-f-I rental growth of 5.3%. Q1 reflects an annualized income from rental activities of EUR 143m

### Strong rental growth supported by our investment strategy

In % (LTM)	Jan 1 - Mar 31, 2019(*)	Jan 1 - Dec 31, 2018
New lettings after CAPEX	2.9%	2.4%
New lettings fluctuation	0.3%	2.0%
Regular rent increases	1.9%	2.3%
Fluctuation without CAPEX	0.2%	0.6%
<b>Total</b>	<b>5.3%</b>	<b>5.6%</b>

\* Last 12 months

- 2** NOI and EBITDA margins are lower than full year of 2018. However, in line with Q4 2018 as expected
- 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	Q1 2019	Q1 2018	Year 2018
EBITDA from rental activities	23.9	22.5	93.8
Net cash interest	(6.7)	(6.4)	(25.4)
Current income taxes	(0.4)	(0.2)	(1.6)
<b>FFO 1 (from rental activities)</b>	<b>16.7</b>	<b>15.9</b>	<b>66.8</b>
Maintenance capital expenditure	(4.3)	(3.4)	(13.0)
<b>AFFO (from rental activities)</b>	<b>12.5</b>	<b>12.5</b>	<b>53.8</b>
Net profit from privatizations	0.6	0.4	2.5
<b>FFO 2 (incl. disposal results)</b>	<b>17.4</b>	<b>16.3</b>	<b>69.3</b>
Avg. number of shares	44.1	44.1	44.1
FFO 1 EUR per share	0.38	0.36	1.51
FFO 2 EUR per share	0.39	0.37	1.57

## Comments

- EBITDA from rental activities increased by 6% due to our strong 5.3% like-for-like rental growth. Q1 reflects an annualized EBITDA of EUR 95m
- FFO 1 has increased by 5% due to our operational performance
- Maintenance is in line with our long-term averages. CAPEX is slightly elevated due to the high level of unit modernization during Q1 2019
- During Q1 2019 we sold 17 units, generating gross profit of EUR 1.2m

## 3 Maintenance and CAPEX

In EUR/per m <sup>2</sup>	Jan 1 – Mar 31, 2019 (*)	Jan 1 - Dec 31, 2018
Maintenance	7.4	7.5
Capitalized maintenance	10.3	8.1
Energetic modernization	2.9	3.6
Modernization CAPEX	25.8	20.0
<b>Total</b>	<b>46.4</b>	<b>39.2</b>

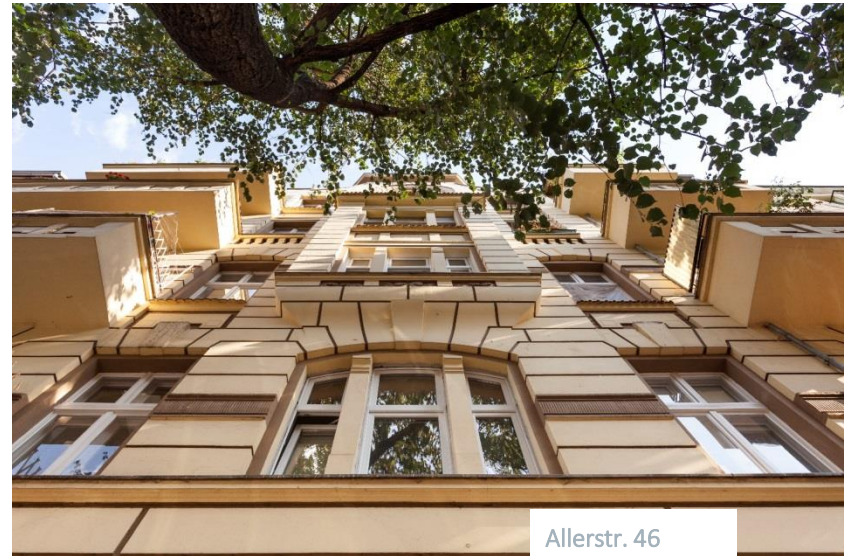
\* Annualized figures based on total lettable area

# 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



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Steglitz



Allerstr. 46  
Neukölln

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# FINANCIAL CALENDAR

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# Financial Calendar<sup>19</sup>

<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>



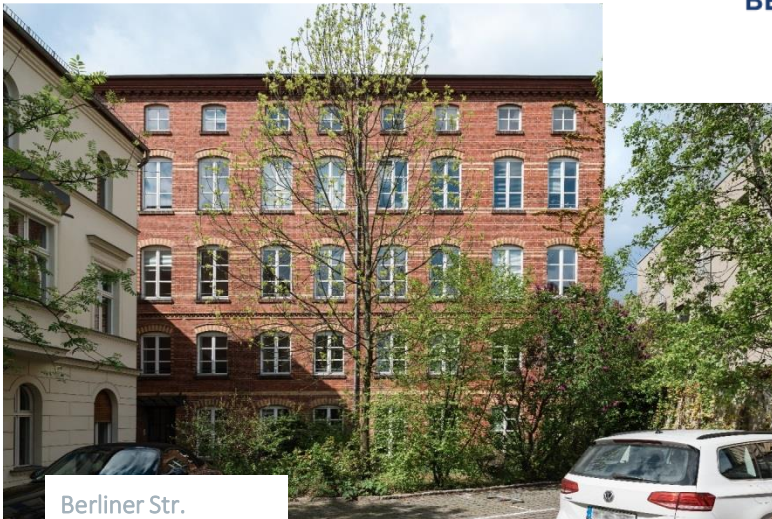
# First-Class References



Alte Schönhauser Str.  
Mitte



Badensche Str. 32  
Wilmerdorf



Berliner Str.  
Prenzlauer Berg



Buddestraße  
Reinickendorf





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

EXHIBITION →



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