AROUNDTOWN SA

ANNUAL REPORT

for the year ended December 31, 2023

2023

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AROUNDTOWN SA

OFFICERS AND PROFESSIONAL ADVISORS

Board of Directors	Mr. Frank Roseen Ms. Jelena Afxentiou Mr. Ran Laufer Mr. Markus Leininger Ms. Simone Runge-Brandner Mr. Markus Kreuter Mr. Daniel Malkin (appointed on June 28, 2023)
Réviseur d'Entreprises agréé	KPMG Audit S.à.r.l. Cabinet de révision agréé 39, Avenue John F. Kennedy L-1855 Luxembourg
Legal Advisors	GSK Luxembourg SA
Registered Office	37, boulevard Joseph II L-1840 Luxembourg

AROUNDTOWN SA

MANAGEMENT REPORT

The management of Aroundtown SA (the "Company", "Aroundtown" or "AT") presents the Company's annual report for the year ended December 31, 2023.

DEVELOPMENTS AND PERFORMANCE

The Company continued with active debt management using the sales proceeds coming from its subsidiaries and redeemed €0.6 billion nominal value of its various straight bond series with contractual maturities between 2025 - 2026 (as well as contractual redemption of 2023 schuldschein), presenting a solid debt maturity prolongation (see note 12.3 of the financial statements). Additionally, the Company marked down €0.7 billion nominal value of its various straight bond series with contractual maturities between 2025 - 2031 and perpetual notes, that were bought by its affiliates. The loss for the year amounted to €63.4 million and the total equity of the Company amounted to €7.4 billion as at December 31, 2023.

FINANCIAL RISK MANAGEMENT

The Company is exposed to liquidity, operating and other risks. For more information see note 14 of the appended financial statements.

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 2023.

OWN SHARES

The Company did not acquire its own shares in 2023 and as at December 31, 2023 held directly 32,287,892 shares and additional 411,599,321 shares through its subsidiaries. There were deliveries of own shares by the Company as part of the mandatory convertible notes settlement. For more information see notes 11.1.2 and 11.1.3 of the financial statements.

CAPITAL STRUCTURE

The Company's ordinary shares are listed on the Frankfurt Stock Exchange – Prime Standard and included in the MDAX index of the Deutsche Börse (symbol: AT1). The Company also has perpetual notes and senior straight bonds listed on the Irish Stock Exchange (in particular its EMTN Programme), Luxembourg Stock Exchange and Frankfurt Stock Exchange. There are no restrictions on the transfer of the Company's traded securities.

LIKELY FUTURE DEVELOPMENTS

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

AROUNDTOWN SA

MANAGEMENT REPORT *(continued)*

COMPLIANCE WITH TRANSPARENCY LAW

The Company is subject to, among others, the Luxembourg law of January 11, 2008 on transparency requirements for issuers, as amended (the "**Transparency Law**"). In particular, the Company continuously monitors the compliance with the disclosure requirements with respect to regulated information within the meaning of article 1(10) (the "**Regulated Information**") of the Transparency Law and therefore publishes, stores with the Luxembourg Stock Exchange as the officially appointed mechanism (OAM) and files with the Commission de Surveillance du Secteur Financier (the "**CSSF**") the Regulated Information on an ongoing basis.

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

The standalone Aroundtown SA financial statements are published annually on the same day of Aroundtown SA consolidated annual report.

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

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

(a) With regard to article 11(1)(a) and (c) of the Takeover Law (capital structure), the relevant information is available under note 11 (Equity) of the financial statements. In addition, the Company's shareholding structure showing each shareholder owning 5% or more of the Company's share capital is available below and on the Company's website, where the shareholding structure chart is updated as per shareholder notifications on a regular basis.

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

(c) In accordance with the requirements of Article 11(1)(c) of the Takeover Law, the following significant shareholdings were reported to the Company until December 31, 2023:

Shareholder name	**Amount of shares** (1)	**Percentage of voting rights**
Aroundtown SA and its wholly owned affiliates	259,951,076	16.91% (2)
Avisco Group PLC / Vergepoint Limited (3)	230,660,516	15.01%
TLG Immobilien AG	183,936,137	11.97% (2)
Stumpf Capital GmbH (4)	154,351,365	10.04%

(1) Total number of issued and fully paid ordinary shares as of December 31, 2023: 1,537,025,609
(2) Voting rights are suspended
(3) Controlled by Mr. Yakir Gabay
(4) Controlled by Mr. Georg Stumpf

(d) With regard to article 11(1)(d) of the Takeover Law, each ordinary share of the Company gives right to one vote according to article 8.1 of the Articles of Association. There are no special control rights attaching to the ordinary shares. The voting rights attached to ordinary shares held by TLG Immobilien AG in the Company are suspended. The suspension of the voting rights applies to any other shares acquired by the Company, either directly or through subsidiaries, pursuant to its buy-back programme.

(e) With regard to article 11(1)(e) of the Takeover Law, control rights related to the issue of ordinary shares are directly exercised by the relevant employees. The key terms and conditions in relation to the Company's incentive share plan are described under note 11.1.7 (share-based payment agreements) of the financial statements.

(f) With regard to article 11(1)(f) of the Takeover Law, the Articles of Association impose no voting rights limitations. However, the sanction of suspension of voting rights automatically applies, subject to the Transparency Law to any shareholder (or group of shareholders) who has (or have) crossed the thresholds set out in the Transparency Law but have not notified the Company accordingly. In this case, the exercise of voting rights relating to the shares exceeding the fraction that should have been notified is suspended. The suspension of the exercise of voting rights is lifted the moment the shareholder makes the notification.

(g) With regard to article 11(1)(g) of the Takeover Law, as of December 31, 2023, the Company was not aware of any agreements between shareholders that would lead to a restriction on the transfer of shares or voting rights.

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

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

(i) With regard to article 11 (1)(i) of the Takeover Law, the Board of Directors is endowed with wide-ranging powers to exercise all administrative tasks in the interest of the Company including the establishment of an Advisory Board, an Audit Committee, a Risk Committee, a Remuneration

Committee and a Nomination Committee. Further details on the powers of the Board are described in the section "Officers and Professional Advisors" and "Corporate Governance" of this annual report.

Pursuant to article 7.2 of the Articles of Association, the Board is authorized to issue shares under the authorised share capital as detailed under note 11.1.1 (share capital) and note 11.3 (Share-based payment agreements) of the financial statements. According to article 8.7 of the Articles of Association, the Company may redeem its own shares to the extent and under the terms permitted by law. The Company concluded its previously announced share buyback program at the end of 2022. Further details on the Company's concluded share buyback program are described under note 11.1.2 (Treasury shares and share buyback programs) of the financial statements.

(j) With regard to article 11(1)(j) of the Takeover Law, the Company's listed straight bonds, perpetual notes and security issuances (listed under note 12 of the financial statements) under the EMTN programme contain change of control provisions that provide noteholders with the right to require the Company to repurchase their notes upon a change of control of the issuer. The Company's International Swaps and Derivatives Association (ISDA) master agreement securing derivate transactions with regard to its listed debts contains a termination right if the Company is financially weaker after a takeover.

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

Luxembourg, March 27, 2024

....	....
Frank Roseen	Jelena Afxentiou
Executive Director	Executive Director

AROUNDTOWN SA

ESG – ENVIRONMENTAL, SOCIAL AND GOVERNANCE

COMMITMENT TO HIGH ESG STANDARDS

At Aroundtown, we are committed to generating sustainable value creation for all our stakeholders and in this regard, we set ourselves high ESG standards to ensure the sustainability of our business practices. Recognizing that our long-term success is interconnected with our environmental and social performance, we aim to make meaningful contributions to the achievement of several of the United Nations Sustainable Development Goals (UNSDGs) and demonstrate our commitment through our membership of the UN Global Compact. In line with its principles, we strive to create value while minimizing our environmental footprint, leveraging positive social impact and upholding high standards of governance and transparency. Overall, our investment strategy aims to provide benefits for all stakeholders: society, shareholders, employees, tenants, business partners, local communities, and ecosystems. For this reason, we have embedded ESG principles across all departments, with Aroundtown Group's Sustainability Department steering these efforts. We are pleased to report our progress towards achieving our long-term ESG goals and are proud to share with you some of our initiatives and accomplishments in this ESG reporting section.

With regard to Environmental topics, our efforts have been focused on working towards achieving a higher share of green buildings and investing in measures to reduce emissions and waste. During 2023, we achieved significant milestones in BREEAM certifications and certified 100% of the Dutch office portfolio. The successful certification of the Dutch office portfolio, initiated as a pilot project in 2021, served as a foundation for knowledge transfer across the entire portfolio, leading to the certification of our first German offices in 2023. Overall, 36% of the office portfolio certified and we expect gradual progress in the coming period. Developments and major refurbishments are aimed at certification eligibility, and we are analyzing certification options in the hotel portfolio. In line with our Energy Strategy, which aims at achieving our carbon reduction goals, we made further investments in energy efficient measures such as installation of Photovoltaics, Combined Heat and Power, EV charging stations and efficient windows, lighting, roofs, façade and heating systems. These initiatives contribute to our society's shared CO2 reduction path while also leading to improved green building certifications, heightened demand and increased overall value.

On Social topics, our efforts were focused on making further commitments to the well-being of our communities and increasing the quality of our tenant service. With our Aroundtown Foundation, we engaged in numerous charities across our portfolio locations in order to support the development of our communities, working in close contact with local partners and authorities, such as SOS-Kinderdorf e.V., ShelterBox e.V., Joblinge, and wünschdirwas. Our Social Days program continued in 2023 where our employees were given the opportunity to volunteer in multiple projects with local communities. Furthermore, our People Development & Talent Management team has increased training and development opportunities, covering a wide range of soft and hard skills. In addition, capitalizing on the high quality of our residential tenant Service Center, we have integrated further support channels in our commercial tenant Service Center and achieved 24/7 availability and TÜV and ISO certifications.

With regard to Governance, we continued to improve processes, policies and sustainability reporting. In particular, we prepared for the Corporate Sustainability Reporting Directive (CSRD), which is applicable to Aroundtown from January 2024, and started gathering additional data points ready for the European Sustainability Reporting Standards (ESRS). As a result of years of continuous improvements in all ESG matters, we have once again received a high level of recognition and numerous awards. In December 2023, we were included in the Dow Jones Sustainability Index for a second consecutive year. Recently, both Aroundtown and GCP were included in the Bloomberg Gender-Equality Index 2023, showing our serious commitment in promoting diversity and anti-discrimination. We were also included in the MDAX ESG+ index, and maintained our strong rating with the Sustainalytics ESG Risk Rating in the low-risk category, ranked among top 6th percentile globally across all industries.

In addition, we received the EPRA BPR Gold award for the 7th time and the EPRA sBPR Gold award for the 6th time consecutively, reflecting our high standards of financial transparency and sustainability reporting.

We have made updates to our sustainability reporting. Our performance and impact with regard to ESG matters can be found on our website, as well as in our Non-Financial Report 2023, which has been reviewed with limited assurance, and is now part of the Group's Consolidated Annual Report 2023. The Non-Financial Report also contains our in-depth environmental disclosures with relevant methodological notes following EPRA sBPR guidelines, as well as the required disclosures for its activities in accordance with the EU Taxonomy Regulation Article 8. In preparation for the first compliance window of the EU's Corporate Sustainability Reporting Directive (CSRD) in 2025, the report was also prepared to be in alignment with the recommendations of the European Sustainability Reporting Standards (ESRS) to the possible extent. For 2023, we will also publish a Sustainability In-Focus report to provide a more concise summary, including additional highlights of the year, which will be published by the end of April 2024.

ENVIRONMENTAL RESPONSIBILITY

Aroundtown Group established a comprehensive Energy and Environmental Policy that addresses all aspects of energy management and environmental responsibility. With the aim to reduce environmental pollution by installing sustainable energy systems which improve energy and cost efficiency, it also focuses on switching procured energy to renewable energy sources in order to reduce our carbon footprint. It furthermore promotes improving the heating energy efficiency of buildings to reduce energy demand of the existing building stock. From the outset, environmental factors are included in the investment strategy, due diligence process and the business plan. Over the life cycle of the assets and as part of the repositioning process, Aroundtown Group seeks to continuously reduce their environmental footprint. As part of this process, we conduct regular environmental due diligences and risk assessments, which include multiple aspects of environmental management, such as water and waste management, climate risk, energy efficiency and greenhouse gases (GHG) reduction potential. Aroundtown Group's efforts to reduce carbon emissions and generate clean energy support the United Nations Sustainable Development Goals, particularly those relating to Affordable and Clean Energy (#7) and Climate Action (#13).

To reduce its environmental footprint, address carbon emission reductions, as well as to improve attractiveness of its properties with regard to sustainability and advanced green technology, AT has established an Energy Strategy. As the energy market is furthermore shifting towards more decentralized and renewable/green-based energy, it is important for Aroundtown Group to address these changes and improve its competitive position within the market. The Energy Strategy supports the targeted 40% reduction in CO_2 emissions by 2030 by mainly investing in efficient and renewable energy generation, and storage systems, electrical vehicle charging stations, smart meters and advanced energy measurement software across the portfolio. The strategy is focused on:

- Comprehensive due diligence at the acquisition stage including energy efficiency aspects, enabling us to develop asset improvement and refurbishment plans to achieve energy efficiency improvements
- Implementation of environmental management policies and procedures, including data collection, digitalization and reporting, preventative maintenance and ongoing operational improvement
- Sustainable energy measures encompassing investment in solar and wind power systems, combined heat and power (CHP), electric vehicle (EV) charging stations, smart meters and a total energy management system
- Progressively switching all electricity from Renewable Energy Certificates (RECs) to PPA certified renewable energy by 2027

ESG – ENVIRONMENTAL, SOCIAL AND GOVERNANCE *(continued)*

- Collaborating with tenants with whom we seek to implement green elements into lease agreements

During 2023, Aroundtown Group made further investments in energy efficient measures such as PV's, CHP's, EV charging stations and efficient windows, lighting, roofs, façade and heating systems. The objective of the Group is to reduce the consumption of energy with a high carbon footprint by increasing the use of renewable energy and setting periodic emission reduction targets. A substantial share of the fossil-operated heating plants has already been switched, and further units will continue to be converted on an ongoing basis. Additionally, Aroundtown Group employs strategic partnerships with energy suppliers (gas and electricity), who must possess relevant certifications.

The details are published in the Consolidated Annual Report 2023 available on AT's website, with a supplementary Sustainability In-Focus report to be published by the end of April 2024.

Furthermore, Aroundtown Group is aware that sustainable water and waste management is not only beneficial from an environmental perspective, but also yields cost savings for tenants, thereby enhancing the attractiveness of the assets for all stakeholders. In 2023, Aroundtown Group welcomed a Water Resource Specialist to guide our efforts in this regard. The focus is currently on exploring the potential for remote water meters to not only detect water leaks and unusual water usages more effectively but also create awareness and influence tenant behavior. In the Netherlands, for instance, systems that communicate real-time water consumption trends to tenants have been introduced, encouraging water conservation practices among our tenants. Another measure aiming at reducing the water footprint of our assets is the implementation of water-saving fixtures in sanitary facilities.

With regards to waste management, Aroundtown Group focuses its efforts on increasing recycling rates by providing facilities to support waste separation at its sites. We engage with tenants to promote better waste management practices to further optimize waste and operational costs through waste management systems. It is important to note that waste management measures are incentivized in Germany and other locations of the portfolio. An example of such an incentive is having no charges for recycled waste. The updated Energy and Environmental Policy will further strengthen our water and waste strategy in coming periods.

PROGRAMS FOR BUSINESS PARTNERS

Aroundtown has a comprehensive compliance framework, which includes our company policies, codes of conduct, as well as a whistle-blower reporting system. Part of this framework is also focused on supplier management, requiring business partners to sign a Code of Conduct as a mandatory component of their contract. This requires them to comply with all relevant legal standards on topics such as anti-corruption and bribery, as well as respect of human rights.

For further information on Aroundtown Group's environmental, social and governance responsibility, please see the 2023 Consolidated Annual Report, which includes our Non-Financial Report.

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CORPORATE GOVERNANCE

The Group places a strong emphasis on corporate governance, executed responsibly by the Board of Directors and the management teams. The Group is proud of the high confidence of its investors, which is reflected in the impressive placement of funds by major global investment banks. Among AT's shareholders and bondholders are the large international leading institutional investors and major global investment and sovereign funds.

Aroundtown follows a very strict Code of Conducts which applies to its employees and business partners, and include policies for Anti-Bribery, Anti-Corruption, Anti-Discrimination, Conflict of Interest and others.

Aroundtown is not subject to any compulsory corporate governance code of conduct or respective statutory legal provisions. In particular, Aroundtown is not required to adhere to the "Ten Principles of Corporate Governance" of the Luxembourg Stock Exchange or to the German Corporate Governance Code, which are only applicable to domestic issuers, save for recommendations C.10 (with sole reference to its applicability to the Chair of the Audit Committee), D.3, D.9 and D.11 of the German Corporate Governance Code (Deutscher Corporate Governance Kodex). Aroundown has therefore issued a declaration that it does not deviate from the aforementioned recommendations of the German Corporate Governance Code. In general, Aroundtown already complies with most of the principles and continues to take steps to implement environmental, social and corporate governance best practices throughout its business. The Group's efforts support the United Nations Sustainable Development Goals, particularly those relating to Peace, Justice and Strong Institutions (#16) and Partnerships for the Goals (#17).

The Group also became an active participant in the UN Global Compact in June 2022, one of the world's largest corporate sustainability initiatives, signaling the Group's commitment to strong corporate governance through adherence the UNGC Ten Principles.

BOARD OF DIRECTORS

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

On a regular basis, the Board of Directors evaluates the effective fulfilment of their remit and compliance with corporate governance procedures implemented by the Group. This evaluation is also performed by the Audit and Risk Committees. The Board of Directors currently consists of a total of seven members, of which three are independent and one is non-executive. The members are elected by the general meeting of shareholders and resolve on matters on the basis of a simple majority, in accordance with the articles of association. The number of directors, their term and their remuneration are determined by the general meeting of shareholders and the maximum term of directors' appointment per election is six years according to Luxembourg law, but directors may be re-appointed after such term.

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

ANNUAL GENERAL MEETING

The next Annual General Meeting of the shareholders is intended to take place on June 26, 2024 in Luxembourg.

<u>CORPORATE GOVERNANCE</u> *(continued)*

MEMBERS OF THE BOARD OF DIRECTORS

Name	Position
Mr. Frank Roseen	Executive Director
Ms. Jelena Afxentiou	Executive Director
Mr. Ran Laufer	Non-Executive Director
Mr. Markus Leininger	Independent Director
Ms. Simone Runge-Brandner	Independent Director
Mr. Markus Kreuter	Independent Director
Mr. Daniel Malkin	Independent Director – appointed in June 2023

The Annual General Meeting held in June 2023 approved the renewal of the mandate of all the directors and the automatic expiration on the Annual General Meeting to be held in 2027. Additionally, at the Extraordinary General Meeting held in July 2023, it was resolved to limit the total number of members of the Board of Directors to a maximum amount of seven directors.

SENIOR AND KEY MANAGEMENT

Name	Position
Mr. Barak Bar-Hen	Co-CEO and COO
Mr. Eyal Ben David	CFO
Mr. Oschrie Massatschi	CCMO (Chief Capital Markets Officer)

ADVISORY BOARD

The Board of Directors established an Advisory Board to provide expert advice and assistance to the Board of Directors. The Board of Directors decides on the composition, tasks and term of the Advisory Board as well as the appointment and dismissal of its members. The Advisory Board has no statutory powers under the Luxembourg Companies Act or the articles of association 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.

MEMBERS OF THE ADVISORY BOARD

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

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CORPORATE GOVERNANCE *(continued)*

AUDIT COMMITTEE

The Board of Directors established an Audit Committee. The Board of Directors decides on the composition, tasks and term of the Audit Committee as well as the appointment and dismissal of its members. The responsibilities of the Audit Committee relate to the integrity of the financial statements, including reporting to the Board of Directors on its activities and the adequacy of internal systems controlling the financial reporting processes and monitoring the accounting processes, including reviewing accounting policies and updating them regularly. The Audit Committee recommends to the Board of Directors the appointment and replacement of the approved independent auditor and provides guidance to the Board of Directors on the auditing of the annual financial statements of the Group 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. The Audit Committee consists of the independent directors Mr. Markus Kreuter (Chairman), Mr. Markus Leininger, Ms. Simone Runge-Brandner and Mr. Daniel Malkin.

RISK COMMITTEE AND RISK OFFICER

The Board of Directors established a Risk Committee tasked with assisting and providing expert advice to the Board of Directors in fulfilling its oversight responsibilities, relating to the different types of risks, recommending a risk management structure including its organization and its process as well as assessing and monitoring the effectiveness of risk management systems. The Risk Committee is supported by the Risk Officer, who brings a systematic and disciplined approach to evaluate and improve the culture, capabilities, and practices integrated with strategy-setting and execution. The Risk Officer's responsibilities are determined and monitored by the Risk Committee, whose oversight is established pursuant to the Rules of Procedure of the Risk Committee. The Risk Committee provides advice on actions of compliance, in particular, by reviewing the Group's procedures for detecting risk, the effectiveness of the Group's risk management and internal control system and by assessing the scope and effectiveness of the systems established by the management to identify, assess and monitor risks. The Board of Directors decides on the composition, tasks and term of the Risk Committee and the appointment and dismissal of its members. Members of the Risk Committee are Mr. Markus Kreuter (Chairman), Mr. Markus Leininger, Ms. Simone Runge, Mr. Daniel Malkin, Mr. Frank Roseen and Mr. Ran Laufer.

INTERNAL CONTROLS AND RISK MANAGEMENT SYSTEMS

The Group closely monitors and manages any potential risk and sets appropriate measures in order to mitigate the occurrence of any possible failure to a minimum. The risk management is led by the Risk Committee, which constructs the risk management structure, organization and processes, and coordinates risk-related training. The Risk Committee monitors the effectiveness of risk management functions throughout the organization, ensures that infrastructure, resources and systems are in place for risk management and are adequate to maintain a satisfactory level of risk management discipline. The Group categorizes the risk management systems into two main categories: internal risk mitigation and external risk mitigation.
The internal controls and compliance of the Group is supervised by Mr. Christian Hupfer, the CCO (Chief Compliance Officer) of the Group.

CORPORATE GOVERNANCE *(continued)*

INTERNAL RISK MITIGATION

Internal controls are constructed from five main elements:

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

COMPLIANCE, CODE OF CONDUCT, DATA PROTECTION AND INFORMATION & CYBER SECURITY

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

The Group agreed on binding standards to achieve an ethical business conduct within its Group, its employees and other personnel to expressly distance from corrupt behaviors and unethical business and such principles shall be explicitly acknowledged by its business partners, too. The Code of Conduct which is mandatory for Aroundtown's business partners includes matters such as respecting and recognizing employees' rights pertaining to freedom of association and the exercise of collective bargaining, providing fair remuneration in wages, refraining from child, forced and compulsory labor, respecting the minimum age requirements within given countries and providing a workplace free of harassment and discrimination of any kind.
The Code of Conduct for employees is supplemented by topical guidelines, the Diversity Policy and Anti-Discrimination Policy. The diversity of perspectives from differences in nationality, ethnicity, race, culture, age, gender, religion, ideology, sexual identity, or physical ability are all respected. Discrimination on the basis of any of these characteristics constitutes an infringement of basic human

rights and is explicitly prohibited throughout the Group. In addition to these general requirements, the Group also promotes diversity in many different areas, such as a professional and cultural background and talent pool. The commitment to diversity is guided by the Diversity Committee which implemented a diversity training program during the orientation period for employees. Additionally, Aroundtown is a signatory of the "Diversity Charter". The details about the Group's diversity management and key figures can be found in its sustainability reporting materials published on AT's website.

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

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

The Group has established procedures to protect the confidentiality and integrity of management information and data across all business process. Furthermore, the Group had implemented a wide range of guidelines and provisions, with the ratification of the EU General Data Protection Regulation (GDPR), including enhanced mandatory awareness training on GDPR. The Group has implemented Standard Operating Procedures (SOPs) to ensure that all personal data stored and processed in the course of the Group's operations are safe from manipulation and misuse. Additionally, the Group adopted an information security and privacy strategy in order to maintain a high level of controls to help minimize the potential risks. The diligence of the Group with regards to all compliance issues presents itself in the pleasing level of zero compliance related violations. The Code of Conducts for employees as well as business partners can be found on AT's website.

EXTERNAL RISK MITIGATION

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

NOMINATION COMMITTEE

The Board of Directors established a Nomination Committee to identify suitable candidates for director positions and examine their skills and characteristics. The Nomination Committee consists of the Independent Directors, Mr. Markus Leininger, Mr. Markus Kreuter, and Ms. Simone Runge-Brandner.

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CORPORATE GOVERNANCE *(continued)*

REMUNERATION COMMITTEE

The Board of Directors established a Remuneration Committee to determine and recommend to the Board the Remuneration policy for the Chairman of the Board, the Executive Directors and Senior Management including evaluation of short-term performance-related remuneration to senior executives. The Remuneration Committee consists of the Independent Directors, Mr. Markus Leininger, Mr. Markus Kreuter and Ms. Simone Runge-Brandner.

ESG COMMITTEE

The Board of Directors established an ESG Committee to supervise the company´s ESG processes. In addition, the Committee reviews and assesses the company's contribution to sustainable development. The ESG Committee consists of Mr. Frank Roseen and the Independent Directors, Mr. Markus Leininger (Chairman) and Mr. Markus Kreuter, and is assisted by the Sustainability Department.

SHAREHOLDERS' RIGHTS

The Group respects the rights of all shareholders and ensures that they receive equal treatment. All shareholders have equal voting rights and all corporate publications are transmitted through general publication channels as well as on a specific section on its website. The shareholders of Aroundtown SA exercise their voting rights at the general meeting of the shareholders, whereby each share is granted one vote. The voting rights attached to shares held by TLG Immobilien AG in Aroundtown SA are suspended. The suspension of the voting rights also applies to shares held and/ or acquired by Aroundtown SA, either directly or through subsidiaries, pursuant to its buyback programme. The Annual General Meeting of the shareholders takes place at such place and time as specified in the notice of the meeting. At the Annual General Meeting of the shareholders the Board of Directors presents, among others, the directors report as well as consolidated financial statements to the shareholders. The Annual General Meeting resolves, among others, on the financial statements of Aroundtown, the appointment of the approved independent auditor of the Group and the discharge to and appointment or re-election of the members of the Board of Directors, in case their mandate is about the expire.

AROUNDTOWN SA

RESPONSIBILITY STATEMENT

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

Luxembourg

March 27, 2024

....	....
Frank Roseen	Jelena Afxentiou
Executive Director	Executive Director

AROUNDTOWN SA

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended December 31,	
		2023	**2022**
	Note	**in € thousands**	
Revenue	5	568,600	584,770
Administrative and other expenses	6	(9,120)	(12,418)
Operating profit		**559,480**	**572,352**
Impairment of investment in subsidiaries	9	(435,231)	(65,495)
Net finance expenses	7	(180,725)	(284,477)
(Loss) / profit before tax		**(56,476)**	**222,380**
Current and deferred tax (expense) / income	8	(6,928)	889
(Loss) / profit for the year		**(63,404)**	**223,269**
(Loss) / profit attributable to:			
Owners of the Company		(129,557)	156,958
Perpetual notes investors		66,153	66,311
(Loss) / profit for the year		**(63,404)**	**223,269**
Other comprehensive (loss) / income:			
Items that are or may be reclassified subsequently to profit or loss, net of tax:			
Cash flow hedges and cost of hedging		(21,206)	24,753
Total comprehensive (loss) / income for the year		**(84,610)**	**248,022**
Total comprehensive (loss) / income attributable to:			
Owners of the Company		(150,763)	181,711
Perpetual notes investors		66,153	66,311
Total comprehensive (loss) / income for the year		**(84,610)**	**248,022**

AROUNDTOWN SA

STATEMENT OF FINANCIAL POSITION

	Note	As at December 31, 2023	2022
		in € thousands	
Assets			
Property, plant and equipment		20	36
Investment in subsidiaries	9	17,667,958	19,924,575
Financial assets at fair value through profit or loss		4,235	4,880
Other non-current assets		3,792	53,670
Loan receivables	10	903,144	955,766
Derivative financial assets	14	53,886	98,378
Deferred tax assets	8	4,786	8,610
Non-current assets		**18,637,821**	**21,045,915**
Cash and cash equivalents	14	227,011	618,213
Short-term deposits		46,328	-
Trade and other receivables		40,276	41,077
Derivative financial assets	14	224,730	45,972
Current assets		**538,345**	**705,262**
Total assets		**19,176,166**	**21,751,177**

AROUNDTOWN SA

STATEMENT OF FINANCIAL POSITION *(continued)*

	Note	As at December 31, 2023	2022
		in € thousands	
Equity	11		
Share capital		15,370	15,370
Share premium and other reserves		5,018,094	5,182,149
Treasury shares		(161,536)	(300,075)
Retained earnings		57,961	187,518
Equity attributable to the owners of the Company		**4,929,889**	**5,084,962**
Equity attributable to perpetual notes investors	11.2	2,509,781	2,537,280
Total Equity		**7,439,670**	**7,622,242**
Liabilities			
Loans and borrowings	12	2,095,019	3,733,702
Bonds and schuldscheins	12	8,292,970	9,545,155
Derivative financial liabilities	14	267,429	394,563
Other non-current liabilities	14	14,976	29,202
Deferred tax liabilities	8	3,348	7,333
Non-current liabilities		**10,673,742**	**13,709,955**
Loans and borrowings	12	758,274	74,725
Bonds and schuldscheins	12	49,800	99,993
Derivative financial liabilities	14	131,341	-
Trade and other payables		2,779	126,541
Provisions and current liabilities		120,560	117,721
Current liabilities		**1,062,754**	**418,980**
Total liabilities		**11,736,496**	**14,128,935**
Total equity and liabilities		**19,176,166**	**21,751,177**

The Board of Directors of Aroundtown SA authorized these financial statements for issuance on March 27, 2024

....
Frank Roseen
Executive Director

....
Jelena Afxentiou
Executive Director

AROUNDTOWN SA

STATEMENT OF CHANGES IN EQUITY

	Note	Attributable to the owners of the Company							
		Share capital	Share premium and other reserves	Cashflow hedge and cost of hedge reserves	Treasury shares	Retained earnings	Equity attributable to the owners of the Company	Equity attributable to perpetual notes investors	Total equity
		in € thousands							
Balance as at January 1, 2023		**15,370**	**5,149,257**	**32,892**	**(300,075)**	**187,518**	**5,084,962**	**2,537,280**	**7,622,242**
(Loss) / profit for the year		-	-	-	-	(129,557)	(129,557)	66,153	(63,404)
Other comprehensive loss for the year, net of tax		-	-	(21,206)	-	-	(21,206)	-	(21,206)
Total comprehensive (loss) / income for the year		-	-	**(21,206)**	-	**(129,557)**	**(150,763)**	**66,153**	**(84,610)**
Transactions with the owners of the Company									
Contributions and distributions									
Equity settled share-based payment	11.1.7	-	(4,754)	-	-	-	(4,754)	-	(4,754)
Settlement of mandatory convertible notes	11.1.3	-	(138,539)	-	138,539	-	-	-	-
Total contributions and distributions		-	**(143,293)**	-	**138,539**	-	**(4,754)**	-	**(4,754)**
Transactions with perpetual notes investors									
Markdown of perpetual note units		-	444	-	-	-	444	(27,341)	(26,897)
Payment to perpetual notes investors		-	-	-	-	-	-	(66,311)	(66,311)
Total transactions with perpetual notes investors		-	**444**	-	-	-	**444**	**(93,652)**	**(93,208)**
Balance as at December 31, 2023		**15,370**	**5,006,408**	**11,686**	**(161,536)**	**57,961**	**4,929,889**	**2,509,781**	**7,439,670**

AROUNDTOWN SA

STATEMENT OF CHANGES IN EQUITY *(continued)*

	Note	Share capital	Share premium and other reserves	Cashflow hedge and cost of hedge reserves	Treasury shares	Retained earnings	Equity attributable to the owners of the Company	Equity attributable to perpetual notes investors	Total equity
		Attributable to the owners of the Company							
		in € thousands							
Balance as at January 1, 2022		**15,370**	**5,517,261**	**8,139**	**(457,378)**	**30,560**	**5,113,952**	**2,537,280**	**7,651,232**
Profit for the year		-	-	-	-	156,958	156,958	66,311	223,269
Other comprehensive income for the year, net of tax		-	-	24,753	-	-	24,753	-	24,753
Total comprehensive income for the year		-	-	**24,753**	-	**156,958**	**181,711**	**66,311**	**248,022**
Transactions with the owners of the Company									
Contributions and distributions									
Equity settled share-based payment	11.1.7	-	212	-	1,535	-	1,747	-	1,747
Dividend distributions	11.1.4	-	(368,216)	-	155,768	-	(212,448)	-	(212,448)
Total contributions and distributions		-	**(368,004)**	-	**157,303**	-	**(210,701)**	-	**(210,701)**
Transactions with perpetual notes investors									
Payment to perpetual notes investors		-	-	-	-	-	-	(66,311)	(66,311)
Total transactions with perpetual notes investors		-	-	-	-	-	-	**(66,311)**	**(66,311)**
Balance as at December 31, 2022		**15,370**	**5,149,257**	**32,892**	**(300,075)**	**187,518**	**5,084,962**	**2,537,280**	**7,622,242**

AROUNDTOWN SA

STATEMENT OF CASH FLOWS

	Note	Year ended December 31, 2023	2022
		in € thousands	
Cash flows from operating activities			
(Loss) / profit for the year		(63,404)	223,269
Adjustments for the (loss) / profit:			
Depreciation and amortization		16	19
Interest income	5	(25,014)	(36,735)
Dividend income	5	(543,586)	(548,035)
Impairment of investment in subsidiaries	9	435,231	65,495
Net finance expenses	7	180,725	284,477
Current and deferred tax expense / (income)	8	6,928	(889)
Change in working capital		1,169	3,123
Dividend received		82,866	75,163
Tax paid		-	(5)
Net cash from operating activities		**74,931**	**65,882**
Cash flows from investing activities			
(Investments in) proceeds from subsidiaries and other financial assets, net		(200,630)	320,023
Loan repayments from subsidiaries, net		557,940	702,300
Net cash from investing activities		**357,310**	**1,022,323**
Cash flows from financing activities			
Payments to mandatory convertible notes investors		(5,869)	(12,757)
Payments to perpetual notes investors		(66,311)	(66,311)
Buy-back and redemption of bonds	12.5	(545,092)	(546,469)
Proceeds of loans from financial institutions, net	12.5	-	139,860
Dividend paid to the owners of the Company	11.1.4	-	(212,448)
(Payments to) proceeds from hedge relations, derivatives and others		(49,442)	58,745
Interest and other financial expenses paid, net		(155,746)	(126,231)
Net cash used in financing activities		**(822,460)**	**(765,611)**
Net change in cash and cash equivalents		**(390,219)**	**322,594**
Cash and cash equivalents as at January 1		618,213	284,884
Effect of movements in exchange rates on cash held		(983)	10,735
Cash and cash equivalents as at December 31		**227,011**	**618,213**

AROUNDTOWN SA

NOTES TO THE FINANCIAL STATEMENTS
for the year ended December 31, 2023

1. GENERAL

Incorporation and principal activities

Aroundtown SA (the "Company" or "Aroundtown"), a public limited liability company (Société Anonyme), incorporated under the laws of the Grand Duchy of Luxembourg, having its registered office at 37, boulevard Joseph II, L-1840, Luxembourg (formerly: 40, rue du Curé, L-1368, Luxembourg). Aroundtown's ordinary shares are listed on the Prime Standard of the Frankfurt Stock Exchange and included in the MDAX index of the Deutsche Börse (symbol: AT1).

Aroundtown is a holding company, that holds via subsidiaries and affiliates (together: "Aroundtown Group") real estate assets with a focus on income generating quality properties with value-add potential in central locations in top tier European cities, primarily in Germany and the Netherlands. Aroundtown Group invests in commercial and residential real estate which benefits from strong fundamentals and growth prospects.

Aroundtown also prepares consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) that are approved for issuance and available on the same day of these financial statements.

Company rating

Aroundtown's credit rating is 'BBB+' with a negative outlook given by Standard and Poor's (S&P). The rating of 'BBB+' also applies to the Company's unsecured debt. The Company's subordinated perpetual notes' rating is 'BBB-'.

In December 2023, S&P reaffirmed the rating as described above.

2. BASIS OF PREPARATION

(a) Statement of compliance

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

(b) Basis of measurement

The separate financial statements have been prepared on a going concern basis, in accordance with IAS 27 – *Separate Financial Statements* and under the historical cost convention, except for the measurement of the following:

- Financial assets at fair value through profit or loss – measured at fair value;
- Derivative financial assets and liabilities – measured at fair value;
- Deferred taxes assets and liabilities – measured at the amount expected to be paid to (recovered from) the tax authorities, using the tax rates and tax laws that have been enacted or substantially enacted by the end of the reporting period.

2. BASIS OF PREPARATION *(continued)*

(c) Use of estimates and judgments

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

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

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 an asset or liability 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 asset or liability is initially measured at fair value, and subsequently, that difference is recognized in profit or loss on an appropriate basis over the life of the instrument.

Impairment of investments in subsidiaries

The Company periodically evaluates the recoverability of investments in subsidiaries whenever indicators of impairment are present. Indicators of impairment include such items as declines in revenues, earnings or cash flows or material adverse changes in the economic or political stability of a particular country, which may indicate that the carrying amount of the investment is not recoverable. If facts and circumstances indicate that investment in subsidiaries may be impaired, the recoverable amount associated with this investment (being the higher of fair value less costs of disposal and value in use, that is the present value of the future cash flows expected to be derived from the investment) would be compared to its carrying amounts to determine if a write-down to fair value is necessary.

2. BASIS OF PREPARATION *(continued)*

Impairment of investments in financial assets

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

Current 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 provisions in the period in which such determination is made.

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 of and for the year ended December 31, 2023, there were no breaches in covenants identified (see note 12.4). As a result, these financial statements have been prepared on the basis of the going concern assumption.

(d) Functional and presentation currency

The financial statements are presented in Euro, which is the functional currency of the Company, and reported in thousands of euros, except when otherwise indicated. As at December 31, 2023, the Company has financial instruments in British Pound (GBP), US Dollar (USD), Swiss Franc (CHF), Norwegian Krone (NOK), Canadian Dollar (CAD), Australian Dollar (AUD), Japanese Yen (JPY) and Hong Kong Dollar (HKD). The main exchange rates versus the Euro were as follows:

	EUR/GBP ("British Pound")	EUR/USD ("US Dollar")
December 31, 2023	**0.869**	**1.105**
December 31, 2022	0.887	1.067
Average rate during the year 2023	0.870	1.081
Average rate during the year 2022	0.853	1.053
Changes (in %):		
Year ended December 31, 2023	(2.0%)	3.6%
Year ended December 31, 2022	5.6%	(5.8%)

3. MATERIAL ACCOUNTING POLICIES

3.1. Changes in accounting policies and disclosures

In the current year, the Company has applied a number of new and amended IFRS Accounting Standards issued by the International Accounting Standards Board (IASB) and adopted by the EU that are mandatorily effective in the EU for an accounting period that begins on or after January 1, 2023. Their adoption has not had any material impact on the disclosures or on the amounts reports in these financial statements.

- **IFRS 17 *Insurance Contracts* (including the June 2020 Amendments to IFRS 17)**

IFRS 17 establishes the principals for the recognition, measurement, presentation and disclosure of insurance contacts and supersedes IFRS 4 *Insurance Contacts*.

IFRS 17 outlines a general model, which is modified for insurance contracts with direct participation features, described as the variable fee approach. The general model is simplified if certain criteria are met by measuring the liability for remaining coverage using the premium allocation approach. The general model uses current assumptions to estimate the amount, timing and uncertainty of future cash flows and it explicitly measures the cost of that uncertainty. It takes into account market interest rates and the impact of policyholders' options and guarantees.

- **Amendments to IAS 1 *Presentation of Financial Statements* and IFRS Practice Statement 2: *Disclosure of Accounting policies***

The amendments change the requirements in IAS 1 with regard to disclosure of accounting policies. The amendments replace all instances of the term 'significant accounting policies' with 'material accounting policy information'. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The supporting paragraphs in IAS 1 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material.

The IASB has also developed guidance and examples to explain and demonstrate the application of the 'four-step materiality process' described in IFRS Practice Statement 2.

- **Amendments to IAS 8 *Accounting policies, Changes in Accounting Estimates and Errors*: Definition of Accounting Estimates**

The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty".

The definition of a change in accounting estimates was deleted. However, the IASB retained the concept of changes in accounting estimates in the Standard with the following clarifications:

  - A change in accounting estimate that results from new information or new developments is not the correction of an error

3. MATERIAL ACCOUNTING POLICIES *(continued)*

  - The effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors

The IASB added two examples (Examples 4-5) to the Guidance on implementing IAS 8, which accompanies the Standard. The IASB has deleted one example (Example 3) as it could cause confusion in light of the amendments.

- **Amendments to IAS 12 *Income Taxes*: Deferred Tax related to Assets and Liabilities arising from a Single Transaction**

The amendments introduce a further exception from the initial recognition exemption. Under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences.

Depending on the applicable tax law, equal taxable and deductible temporary differences may arise on initial recognition of an asset and liability in a transaction that is not a business combination and affects neither accounting nor taxable profit. For example, this may arise upon recognition of a lease liability and the corresponding right-of-use asset applying IFRS 16 at the commencement date of a lease.

Following the amendments to IAS 12, an entity is required to recognize the related deferred tax asset and liability, with the recognition of any deferred tax asset being subject to the recoverability criteria in IAS 12.

The IASB also adds an illustrative example to IAS 12 that explains how the amendments are applied.

The amendments apply to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period an entity recognizes:

i. A deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized) and a deferred tax liability for all deductible and taxable temporary differences associated with:

   - Right-of-use assets and lease liabilities
   - Decommissioning, restoration and similar liabilities and the corresponding amounts recognized as part of the cost of the related asset

ii. The cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at that date.

- **Amendments to IAS 12 Income Taxes: International Tax Reform - Pillar Two Model Rules**

The Company has adopted the amendments to IAS 12 upon their release in May 2023. The amendments introduce a temporary mandatory exception from deferred tax accounting for the top-up tax, which is effective immediately and require new disclosures about the Pillar Two exposure.

The mandatory exception applies retrospectively. However, because no new legislation to implement the top-up tax was enacted or substantively enacted in any jurisdiction in which the Company and its affiliates operate and no related deferred tax was recognized at that date, the retrospective application has no impact on the Company’s statement of financial position.

3. MATERIAL ACCOUNTING POLICIES *(continued)*

3.2. Investments in subsidiaries

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

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

At each reporting date, the Company reviews the carrying amount of its investments in subsidiaries, and to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and an impairment loss is recognized immediately in profit or loss. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized immediately in profit or loss to the extent that it eliminates the impairment loss which has been recognized for the asset in prior years. Any increase in excess of this amount is treated as a revaluation increase.

3.3. Revenue recognition

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

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

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

- <u>Interest income</u>
  Interest income is recognized on a time-proportion basis using the effective interest rate (EIR) method.

3. MATERIAL ACCOUNTING POLICIES *(continued)*

3.4. Finance costs

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

3.5. Foreign currency translation

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

3.6. Tax

Income tax expense comprises current and deferred tax. It is recognized in profit or loss except for instances relating to items recognized directly in equity or in other comprehensive income (OCI).

The Company has determined that the global minimum top-up tax – which it is required to pay under Pillar Two legislation – is an income tax in the scope of IAS 12. The Company has applied a temporary mandatory relief from deferred tax accounting for the impacts of the top-up tax and accounts for it as a current tax when it is incurred.

(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 provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax liabilities are recognized for all taxable temporary differences, except:

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

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

3. MATERIAL ACCOUNTING POLICIES *(continued)*

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

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of deductible temporary differences associated with investments in subsidiaries, branches and associates and interests in joint arrangements, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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

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

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

3.7. Dividends

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

3. MATERIAL ACCOUNTING POLICIES *(continued)*

3.8. Financial instruments

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

I. Financial assets

i. Initial recognition and measurement

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

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

In order for a financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

ii. Subsequent measurement

For the purposes of subsequent measurement, financial assets are classified in four categories:

1. Financial assets at amortized cost (debt instruments)
2. Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
3. Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon de-recognition (equity instruments)
4. Financial assets at fair value through profit or loss

3. MATERIAL ACCOUNTING POLICIES *(continued)*

Financial assets at amortized cost (debt instruments)

This category is the most relevant to the Company. The Company measures financial assets at amortized cost if both of the following conditions are met:

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

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

Financial assets at fair value through OCI (debt instruments)

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

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

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

Financial assets at fair value through OCI (equity instruments)

Upon initial recognition, the Company can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as other financial results in the statement of profit or loss and other comprehensive income when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

3. MATERIAL ACCOUNTING POLICIES *(continued)*

Financial assets at fair value through profit or loss

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

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

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

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

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

3. MATERIAL ACCOUNTING POLICIES *(continued)*

iii. De-recognition

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

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

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

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

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

iv. Impairment of financial assets

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

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

3. MATERIAL ACCOUNTING POLICIES *(continued)*

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

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

II. Financial liabilities

i. Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss or at amortized cost.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. These costs are subsequently expensed to the profit or loss via EIR method.

ii. Subsequent measurement

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

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognized in the statement of profit or loss.

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

3. MATERIAL ACCOUNTING POLICIES *(continued)*

Financial liabilities at amortized cost

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

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

iii. De-recognition

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

III. Interbank Offered Rates (IBOR) Reform

IBOR reform Phase 2 requires, as a practical expedient, for changes to the basis for determining contractual cash flows that are necessary as a direct consequence of IBOR reform to be treated as a change to a floating rate of interest, provided the transition from IBOR to a risk-free rate (RFR) takes place on a basis that is ‘economically equivalent’. To qualify as ‘economically equivalent’, the terms of the financial instrument must be the same before and after transition except for the changes required by IBOR reform. For changes that are not required by IBOR reform, the Company applies judgement to determine whether they result in the financial instrument being derecognized. Therefore, as financial instruments transition from IBOR to RFRs, the Company applied judgement to assess whether the transition had taken place on an economically equivalent basis. In making this assessment, the Company considered the extent of any changes to the contractual cash flows as a result of the transition and the factors that had given rise to the changes, with consideration of both quantitative and qualitative factors. Factors of changes that are economically equivalent include: changing the reference rate from an IBOR to a RFR; changing the reset days between coupons to align with the RFR; adding a fallback to automatically transition to an RFR when the IBOR ceases; and adding a fixed credit spread adjustment based on that calculated by the International Swaps and Derivatives Association (ISDA) or which is implicit in the market forward rates for the RFR. The transition has been completed as of December 31, 2023.

IV. Offsetting of financial instruments

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

3. MATERIAL ACCOUNTING POLICIES *(continued)*

3.9 Share capital

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

3.10 Mandatory convertible notes

Mandatory convertible notes are classified as equity, and coupon related to the noteholders is recognized in the statement of changes in equity. Both the noteholders and the Company may convert the notes into Company's shares using a fixed ratio that does not vary with changes in fair value. At maturity, the unconverted notes are mandatorily converted into shares. The Company may, at its sole discretion, elect to defer the payment of interest on the notes (Arrears of Interest). Arrears of Interest are presented as liability, and must be paid by the Company upon conversion event and should not compound interest. Issuance costs incurred are deducted from the initial carrying amount of the notes.

3.11 Treasury shares

When shares recognized as equity are repurchased, the amount of the consideration paid including direct acquisition costs is recognized as a deduction from equity. Repurchased shares are classified as treasury shares, presented in the treasury share reserve and are not revaluated after the acquisition. When treasury shares are subsequently sold or reissued, the amount received is recognized as an increase in equity and the resulting surplus or deficit on the transaction is presented in the share premium.

3.12 Perpetual notes

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

3. MATERIAL ACCOUNTING POLICIES *(continued)*

3.13 Hedging activities and derivatives

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

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

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

At the inception of a hedge relationship, the Company formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

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

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

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

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

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

3. MATERIAL ACCOUNTING POLICIES *(continued)*

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

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

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

Fair value hedges

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

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

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

3.14 Cash and cash equivalents

Cash and cash equivalents in the statement of financial position and in the statement of cash flow comprise cash at banks and on hand and short-term highly liquid deposits with an original maturity of three months or less, that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

3.15 Comparatives

Where necessary, comparative figures have been adjusted to confirm to changes in presentation in the current year, and marked as “reclassified”.

3. MATERIAL ACCOUNTING POLICIES *(continued)*

3.16 Standards issued but not yet effective

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

With effective date of January 1, 2024:

- **Amendments to IAS 1 *Presentation of Financial Statements* – Classification of Liabilities as Current or Non-Current**

  The amendments to IAS 1 published in January 2020 affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items.

  The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equit7y instruments, other assets or services.

  The amendments are applied retrospectively for annual periods beginning on or after January 1, 2024, with early application permitted.

- **Amendments to IAS 1 *Presentation of Financial Statements* – Non-current Liabilities with Covenants**

  The amendments to IAS 1 issued in August 2022 specify that only covenants that an entity is required to comply with on or before the end of the reporting period affect the entity's right to defer settlement of a liability for at least twelve months after the reporting date (and therefore must be considered in assessing the classification of the liability as current or non-current). Such covenants affect whether the right exists at the end of the reporting period, even if compliance with the covenant is assessed only after the reporting date (e.g. a covenant based on the entity's financial position at the reporting date that is assessed for compliance only after the reporting date).

  The IASB also specifies that the right to defer settlement of a liability for at least twelve months after the reporting date is not affected if an entity only has to comply with a covenant after the reporting period. However, if the entity's right to defer settlement of a liability is subject to the entity complying with covenants within twelve months after the reporting period, an entity discloses information that enables users of financial statements to understand the risk of the liabilities becoming repayable within twelve months after the reporting period. This would include information about the covenants (including the nature of the covenants and when the entity is required to comply with them), the carrying amount of related liabilities and facts and circumstances, if any, that indicate that the entity may have difficulties complying with the covenants.

  The amendments are applied retrospectively for annual reporting periods beginning on or after January 1, 2024. Earlier application of the amendments is permitted.

3. MATERIAL ACCOUNTING POLICIES *(continued)*

- **Amendments to IFRS 16 Leases – Lease Liability in a Sale and Leaseback**

  The amendments to IFRS 16 add subsequent measurement requirements for sale and leaseback transactions that satisfy the requirements in IFRS 15 Revenue from Contracts with Customers to be accounted for as a sale. The amendments require the seller-lessee to determine 'lease payments' or 'revised lease payments' such that the seller-lessee does not recognise a gain or loss that relates to the right of use retained by the seller-lessee, after the commencement date.

  The amendments do not affect the gain or loss recognised by the seller-lessee relating to the partial or full termination of a lease. Without these new requirements, a seller-lessee may have recognised a gain on the right of use it retains solely because of a remeasurement of the lease liability (for example, following a lease modification or change in the lease term) applying the general requirements in IFRS 16. This could have been particularly the case in a leaseback that includes variable lease payments that do not depend on an index or rate.

  As part of the amendments, the IASB amended an Illustrative Example in IFRS 16 and added a new example to illustrate the subsequent measurement of a right-of-use asset and lease liability in a sale and leaseback transaction with variable lease payments that do not depend on an index or rate. The illustrative examples also clarify that the liability that arises from a sale and leaseback transaction that qualifies as a sale applying IFRS 15 is a lease liability.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2024. Earlier application is permitted. If a seller-lessee applies the amendments for an earlier period, it is required to disclose that fact.

  A seller-lessee applies the amendments retrospectively in accordance with IAS 8 to sale and leaseback transactions entered into after the date of initial application, which is defined as the beginning of the annual reporting period in which the entity first applied IFRS 16.

The Company has not early adopted any standards, interpretations or amendments that have been adopted by the EU in issue but not yet effective, and does not expect that their adoption will have a material impact on the financial statements.

4. FAIR VALUE MEASUREMENT

4.1. Fair value hierarchy

The following tables present the Company's financial assets and liabilities measured and recognized at fair value as at December 31, 2023 and as at December 31, 2022 on a recurring basis under the relevant fair value hierarchy. Also presented are the financial assets and liabilities that are not measured at fair value and whose carrying amount significantly differs from their fair value:

	As at December 31, 2023			
		Fair value measurement using		
	Carrying amount	Total fair value	Quoted prices in active market (Level 1)	Significant observable inputs (Level 2)
	in € thousands			
Financial assets				
Financial assets at fair value through profit or loss	4,235	4,235	-	4,235
Derivative financial assets	278,616	278,616	-	278,616
	282,851	**282,851**	**-**	**282,851**
Financial liabilities				
Derivative financial liabilities	398,770	398,770	-	398,770
Bonds and schuldscheins (*)	8,342,770	7,176,404	7,126,783	49,621
	8,741,540	**7,575,174**	**7,126,783**	**448,391**

(*) the carrying amount excludes accrued interest

	As at December 31, 2022			
		Fair value measurement using		
	Carrying amount	Total fair value	Quoted prices in active market (Level 1)	Significant observable inputs (Level 2)
	in € thousands			
Financial assets				
Financial assets at fair value through profit or loss	4,880	4,880	-	4,880
Derivative financial assets	144,350	144,350	-	144,350
	149,230	**149,230**	**-**	**149,230**
Financial liabilities				
Derivative financial liabilities	394,563	394,563	-	394,563
Bonds and schuldscheins (*)	9,645,148	7,326,621	7,270,449	56,172
	10,039,711	**7,721,184**	**7,270,449**	**450,735**

(*) the carrying amount excludes accrued interest

4. FAIR VALUE MEASUREMENT *(continued)*

Level 1: the fair value of financial instruments traded in active markets (such as debt and equity securities) is based on quoted market prices at the end of the reporting period.

Level 2: the fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximize the use of observable market data and rely as little as possible on entity-specific estimates. If all significant input required to fair value of financial instrument are observable, the instrument is included in level 2.

Level 3: if one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

The Company's policy is to recognize transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

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

4.2. Valuation techniques used to determine fair values

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

- The fair values of the quoted bonds are based on price quotations at the reporting date. The fair value of unquoted bonds is measured using the discounted cash flow method with observable inputs.
- There is an active market for the Company's listed equity investments and quoted debt instruments.
- For the fair value measurement of investments in unlisted funds, the net asset value is used as a valuation input and an adjustment is applied for lack of marketability and restrictions on redemptions as necessary. This adjustment is based on management judgement after considering the period of restrictions and the nature of the underlying investments.
- The Company enters into derivative financial instruments with various counterparties, principally financial institutions with investment grade credit ratings. Interest rate and foreign exchange swap and forward contracts are valued using valuation techniques, which employ the use of market observable inputs. The most frequently applied valuation technique includes forward pricing and swap models using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates, yield curves of the respective currencies, currency basis spreads between the respective currencies, interest rate curves and forward rate curves.

5. REVENUE

	Year ended December 31,	
	2023	2022
	in € thousands	
Interest income (*)	25,014	36,735
Dividend income (*)	543,586	548,035
	568,600	**584,770**

(*) see note 13.1

6. ADMINISTRATIVE AND OTHER EXPENSES

	Year ended December 31,	
	2023	2022
	in € thousands	
Legal and professional fees	2,318	3,204
Audit fees (1)	771	733
Other administrative expenses (2)	6,031	8,481
	9,120	**12,418**

(1) the Company's fees in 2023 for KPMG Luxembourg audit firm for legal annual audit and other non-audit services was €685 thousand (2022: €635 thousand) and €86 thousand (2022: €98 thousand), respectively
(2) see note 13.1 – professional fees expenses to related parties

As at December 31, 2023 the Company had 6 employees (2022: 5 employees). During the year, the Company had average of 5 employees (2022: 5 employees).

7. NET FINANCE EXPENSES

	Year ended December 31,	
	2023	2022
	in € thousands	
Finance expenses to banks, bonds and schuldscheins, net	168,412	127,261
Interest expenses to related parties	84,206	52,230
Changes in fair value and foreign currency translations of financial assets and liabilities, net (*)	(79,104)	100,967
Finance-related costs	7,211	4,019
	180,725	**284,477**

(*) for the gain / loss resulted in the bond buybacks, see note 12.3

8. TAXATION

8.1. Tax rate applicable to the Company

The Company is subject to taxation under the laws of Luxembourg. The corporate tax rate in Luxembourg is 24.94% (2022: 24.94%).

8.2. Deferred tax assets and liabilities

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

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

	Assets (liabilities), net
	in € thousands
Balance as at January 1, 2022	**7,890**
Deferred tax charged to profit or loss	877
Deferred tax credited to other comprehensive income	(7,490)
Balance as at December 31, 2022	**1,277**
Deferred tax charged to profit or loss	(6,885)
Deferred tax charged to other comprehensive income	7,046
Balance as at December 31, 2023	**1,438**

Based on the most recent available information and assessments, the Company has unused losses for tax of approximately €323.7 million that expire in up to 16 years.

Deferred tax assets and liabilities are netted against each other when the same taxation authority is involved, as well as the realization period and tax nature legally allow to set off current tax assets against current tax liabilities.

8.3. Reconciliation of effective tax rate

	Year ended December 31,	
	2023	2022
	in € thousands	
(Loss) / profit before tax	(56,476)	222,380
Tax using domestic rate	24.94%	24.94%
Total tax calculated at the statutory tax rate	14,085	(55,462)
Change in taxes on income resulting from the following factors:		
Tax-exempt income (*)	(14,128)	55,474
Recognition of deferred tax on temporary differences	(6,885)	877
Tax and deferred tax (expenses) income	**(6,928)**	**889**

(*) the main source of the Company's revenue is dividend income from its subsidiaries. This income is tax exempt and considered to the extent that it reduces the "Total tax calculated at statutory tax rate" to €0

8. TAXATION *(continued)*

8.4. Global minimum top-up tax

The Company is incorporated and operates in Luxembourg and its subsidiaries and affiliates operate in various other countries, which have enacted new legislation to implement the global minimum top-up tax (the "Pillar Two Legislation"). The Company expects to be subject to the top-up tax in relation to some of its subsidiaries and affiliates' operations, where the statutory tax rate is below 15 percent, as the minimum rate defined in the Pillar Two Legislation. The Company has applied a temporary mandatory relief from deferred tax accounting for the impacts of the top-up tax and accounts for it as a current tax when it is incurred. Hence, since the newly enacted tax legislation is only effective from January 1, 2024, there is no current tax impact for the year ended December 31, 2023.

The Company is in the process of assessing its exposure to the Pillar Two Legislation. Due to the complexities in applying the legislation, the quantitative impact is not yet reasonably estimable. The Company is currently engaged with tax specialists for applying the legislation starting 2024 financial year.

9. INVESTMENTS IN SUBSIDIARIES

	2023	2022
	in € thousands	
Balance as at January 1	**19,924,575**	**19,535,193**
Additions (1)	87,705	454,877
Redemption of redeemable shares (2)	(1,909,091)	-
Impairment of investment in subsidiaries	(435,231)	(65,495)
Balance as at December 31	**17,667,958**	**19,924,575**

(1) of which €87.4 million (2022: €85.8 million) represent conversion of loan receivables into investments
(2) during 2023, the Company redeemed preference shares in its subsidiaries and offset the redeemed amount from loans and borrowings from related companies

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

			As at December 31,	
Name	**Place of incorporation**	**Principal activities**	**2023 Holding %**	**2022 Holding %**
TLG Immobilien AG ("TLG")	Germany	Holding of investments	88.11%	88.16%
Edolaxia Group Limited (*)	Cyprus	Holding of investments	100%	100%
Alfortia Limited	Cyprus	Holding of investments	100%	100%
Aroundtown Limited	Cyprus	Holding of investments	100%	100%
Bluestyle Limited	Cyprus	Holding of investments	100%	100%
Aroundtown Holdings B.V.	Netherlands	Holding of investments	100%	100%
AT Securities B.V.	Netherlands	Financing	100%	100%
ATF Netherlands B.V.	Netherlands	Financing	100%	100%

(*) as at December 31, 2023, the Company held indirectly, via its holdings in Edolaxia Group Limited, 62.68% in Grand City Properties S.A. ("GCP") (excluding own shares of GCP held in treasury) (December 31, 2022: 60.11%)

9. INVESTMENTS IN SUBSIDIARIES *(continued)*

The Company periodically evaluates the recoverability of its investments in subsidiaries whenever indicators of impairment are present. Indicators of impairment include items such as declines in revenues, earnings or cash flows or material adverse changes in the economic or political stability of the particular country, which may indicate that the carrying amount of an asset is not recoverable in full. If the circumstances indicate that investment in subsidiaries might be impaired, the recoverable amount of these subsidiaries would be compared to their carrying amounts to determine if a write-down is necessary. The Company's assessment for impairment indicated an impairment in the value of €435,231 thousand (2022: €65,495 thousand).

10. LOAN RECEIVABLES

	2023	**2022**
	in € thousands	
Balance as at January 1	**955,766**	**874,311**
New loans (repaid) granted, net	(77,636)	44,720
Interest charged	25,014	36,735
Balance as at December 31 (see note 13.1)	**903,144**	**955,766**

The main terms of the significant loan receivables are as follows:

Borrower	**Principal**	**Weighted average rate**	**Maturity**
	in € thousands	**(%)**	
TLG Immobilien AG (*)	519,500	1.5	2026
Aroundtown Limited	295,088	4.2	2032-2033

(*) back-to-back loan receivables to the substituted straight bonds from TLG, having the same maturity and interest rate like the correlated bonds plus an arm's-length margin

The exposure of the Company to credit risk is reported in note 14.3.2.

11. EQUITY

11.1. Equity attributable to the owners of the Company

11.1.1. Share capital

	2023		2022	
	Number of shares	**in € thousands**	**Number of shares**	**in € thousands**
Authorized				
Ordinary shares of €0.01 each	3,000,000,000	30,000	3,000,000,000	30,000
Issued and fully paid				
Balance as at January 1	1,537,025,609	15,370	1,537,025,609	15,370
Balance at the end of the year	**1,537,025,609**	**15,370**	**1,537,025,609**	**15,370**

Issued capital
There were no movements in the share capital during the years 2023 and 2022.

11.1.2. Treasury shares

Following are the own shares held by the Company:

	2023	2022
	Number of shares	
Balance at January 1	**59,979,211**	**91,581,452**
Delivered as part of dividend distribution (see note 11.1.4)	-	(31,134,933)
Delivered for share-based payment (see note 11.3.1)	-	(467,308)
Delivered as part of mandatory convertible notes settlement (see note 11.1.3)	(27,691,319)	-
Balance at December 31	**32,287,892**	**59,979,211**

The treasury shares were acquired by the Company via tender offers and buyback programs (pursuant to resolutions taken by the Company's Board of Directors that followed the authorization received by the Ordinary General Meeting held in May 2020 to buying back of own shares) and have been serving the Company in settling of scrip dividends and other share-based transactions. As of December 31, 2023, total amount of 443,887,213 of own shares are held in treasury by the Company and its investees (thereof 32,287,892 by the Company) representing 28.88% of the Company's share capital (in 2022: 471,981,352 were held in total by the Group, representing 30.71% of the share capital, thereof 59,979,211 held by the Company).

The treasury shares are accounted for at their original purchase price and are not subsequently revaluated. Upon sale or delivery, the amount received is recognized as an increase in equity and the resulting surplus or deficit on the transaction is presented in the share premium.

The shares bought back and which are held in treasury by the Company and the Company's wholly owned affiliates are suspended from voting and dividend rights. In other cases, shares held in treasury are also suspended from voting rights but entitled to dividends.

11. EQUITY *(continued)*

11.1.3. Mandatory convertible notes

In March 2023, the Company delivered to the mandatory convertible notes investors 27,691,319 of its own shares from the Company's treasury shares to settle the mandatory convertible notes originally issued in March 2020, according to which the notes shall be mandatorily converted into shares of the Company in the following three years after issuance, using a preset conversion price (dividend adjusted). The delivered treasury shares amounted to €138.5 million which was the historical cost upon their buyback by the Company.

11.1.4. Dividend distributions

On June 29, 2022, the shareholders' Annual General Meeting ("AGM") resolved upon the distribution of the dividend attributed to 2021 financial year in the amount of €0.23 per share from the share premium, in accordance with the proposal of the Company's Board of Directors. The Company provided the shareholders with the option receive their net dividend in the form of Aroundtown shares ("Scrip Dividend"). The results and payment took place in July 2022 and concluded in delivering 31,134,933 shares from the Company's treasury shares and cash payment of €212.5 million.

On March 28, 2023, The board of directors of the Company has decided not to recommend a dividend payment for 2022 financial year at the Company's annual general meeting, following the increase in macro-economic and capital markets uncertainty and volatility. The decision not to pay was officially accepted by the annual general meeting that took place on June 28, 2023.

11.1.5. 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 (including the proceeds received by placing the mandatory convertible note) and from conversions of convertible bonds into ordinary shares, and can be distributed at any time. The account also consists of the share-based payment reserve and the other comprehensive income components arising from the hedge accounting, which temporarily cannot be distributed.

11.1.6. Legal reserve

The Company is required to allocate a minimum of 5% of its annual net increase to a legal reserve after deduction of any losses brought forward, until this reserve equals 10% of the subscribed share capital. The appropriation to legal reserve is affected after approval of the annual general meeting of the shareholders. This reserve is presented under Share premium and other reserves in the statement of financial position and cannot be distributed. As of December 31, 2023, the legal reserve amounted to €1.1 million.

11. EQUITY *(continued)*

11.1.7. Share-based payment agreements

11.1.7.1 Description of share-based payment arrangements

As at December 31, 2023, the Company had the following share-based payment arrangements:

Incentive Share plan

The annual general meeting has approved to authorize the Board of Directors to issue up to 8.5 million shares for an incentive plan for the Board of Directors, key management and senior employees. The incentive plan has up to 4 years vesting period with specific milestones to enhance management long-term commitment to the Company's strategic targets.

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

Grant date	Number of shares (in thousands)	Contractual life of the incentive
January 2020 – December 2026	3,636	Up to 4 years

11.1.7.2 Reconciliation of outstanding share options

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

	2023	2022
	Number of shares in thousands	
Outstanding on January 1	2,552	2,924
Granted during the year	2,620	433
Exercised during the year (*)	(1,536)	(805)
Outstanding on December 31	**3,636**	**2,552**

(*) in accordance with the terms and conditions of the incentive share plan, 403 thousand shares (2022: 467 thousand) were delivered from the Company's treasury (held by a subsidiary of the Company) shares to employees across the Aroundtown Group, and the rest amounts were either settled in cash or cancelled

11.2 Perpetual notes

11.2.7 Overview of the Company's perpetual notes

As described in the significant accounting policies, these notes are accounted for as equity instruments – the issuer may, at its sole discretion, elect to defer the payment of coupons on the notes. These unpaid coupon arrears must be paid by the issuer upon the occurrence of certain events, including but not limited to dividends, distributions or other payments made to instruments such as the Company's ordinary shares, which rank junior to the perpetual notes. Any such deferred amounts shall not be compounded. The principal value of the notes may be redeemed at the issuer's sole discretion and on certain dates as detailed below under "First Call Date". If the Company decides not to redeem a perpetual note, the annual coupon rates for following periods are updated according to the "Next Reset Margin" (updated every 5 years from the time when the perpetual note is not called by the Company), and the next possible call date shall be in each subsequent year.

11. EQUITY *(continued)*

Set below are the outstanding nominal values as of December 31, 2023:

Issuer	Note	Currency	Nominal amount in original currency	Nominal amount in euro	Annual coupon rate until next reset date	First Call Date	Next Reset Margin
			in thousands	in € thousands	%		%
Aroundtown SA	(a) (b)	EUR	394,500	394,500	2.125	01/2024	2.000 + 5Y Mid-Swap
Aroundtown SA	(c) (d)	GBP	400,000	447,900	3.000	06/2024	4.377 + 5Y Mid-Swap
Aroundtown SA		EUR	600,000	600,000	3.375	09/2024	3.980 + 5Y Mid-Swap
Aroundtown SA		EUR	500,000	500,000	2.875	01/2025	3.460 + 5Y Mid-Swap
Aroundtown SA	(a)	EUR	578,800	578,800	1.625	07/2026	2.419 + 5Y Mid-Swap

(a) an aggregate amount of €26.7 million nominal value has been marked-down after buybacks made by a subsidiary of the Company
(b) on December 13, 2023, the Company announced its decision not to exercise the option to voluntarily call the 2.125% perpetual note series in January 2024. Consequently, as from January 17, 2024, the perpetual note series bears annual coupon with an increased rate of 4.542% (equal to 2.0% + 5-year Mid-Swap as of the reset date). The next call date by the Company's discretion and the next reset margin shall be in January 2025 and 2.25% + 5-year Mid-Swap, respectively
(c) effective euro coupon rate using cross-currency swap
(d) the euro amount is based on the historical rate as of placement of the notes

12 LOANS AND BORROWINGS, BONDS AND SCHULDSCHEINS

12.1 Composition

	Weighted average interest rate (*)	Maturity	As at December 31 2023	2022
			in € thousands	
Bank loans	0.75% + Euribor (6M)	2028	139,897	139,872
Loans from related companies (**)	4.9%	2025-2044	1,955,122	3,593,830
Bonds and schuldscheins	2.17%	2025-2038	8,292,970	9,545,155
Total non-current loans and borrowings, straight bonds and schuldscheins			**10,387,989**	**13,278,857**
Bank loans	0.75% + Euribor (6M)	2024	3,137	730
Loans from related companies	0.0%	2024	755,137	73,995
Current portion of bonds and schuldscheins	1.6%	2024	49,800	99,993
Total current loans and borrowings and bonds			**808,074**	**174,718**

(*) as at December 31, 2023
(**) an amount of €1.9 billion of receivables arising from redemption of preference shares in subsidiaries was offset from the loans from related companies. Furthermore, €0.7 billion were presented as loans from related party that acquired several of the Company's bond series and hence entered as a lender

12. LOANS AND BORROWINGS, STRAIGHT BONDS AND SCHULDSCHEINS *(continued)*

12.2 Straight bonds and schuldscheins composition

Set out below, is an overview of the Company's straight bonds and schuldscheins as at December 31, 2023 and as at December 31, 2022:

Series	Note	Currency	Nominal amount in original currency	Nominal amount in euro	Coupon rate (p.a.)	Contractual maturity	Carrying amount as at December 31, 2023	Carrying amount as at December 31, 2022
			as at December 31, 2023				2023	2022
			in millions	in € millions	%		in € thousands	
Non-current portion								
Series H	(a) (b) (c)	USD	400.0	372.4	1.365	03/2032	349,407	361,004
Series NOK	(a) (b) (c)	NOK	750.0	79.3	0.818	07/2027	66,175	70,635
Series I	12.3	EUR	206.9	206.9	1.875	01/2026	204,962	247,575
Series J	12.3	GBP	483.5	556.3	3.0	10/2029	545,626	551,223
Series K	12.3	EUR	478.9	478.9	1.0	01/2025	476,715	693,870
Series L	(b) (c) (f)	USD	150.0	125.2	1.78% + Euribor (6M)	02/2038	115,423	123,395
Series M	(c), 12.3	CHF	239.8	214.4	0.732	01/2025	258,718	253,525
Series N		EUR	800.0	800.0	1.625	01/2028	788,421	785,711
Series O	12.3	EUR	296.8	296.8	2.0	11/2026	294,463	301,890
Series P	(b) (c) (g), 12.3	AUD	202.0	127.3	1.244% + Euribor (6M)	05/2025	118,637	151,897
Series R	(b) (c) (h), 12.3	CAD	181.8	119.5	2.72% + Euribor (6M)	09/2025	116,802	167,661
Series T	(b) (i)	EUR	150.0	150.0	2.266% + Euribor (6M)	09/2030	149,932	149,922
Series U		EUR	75.0	75.0	2.97	09/2033	73,661	73,550
Series V		EUR	50.0	50.0	2.7	10/2028	49,716	49,676
Series W		EUR	76.0	76.0	3.25	11/2032	74,872	74,784
Series X	(c), 12.3	CHF	99.8	91.3	1.72	03/2026	107,626	101,351
Series 27	(b) (c)	HKD	430.0	48.3	1.62	03/2024	-	51,677
Series 28	(b) (c) (j), 12.3	USD	540.8	478.5	2.636% + Euribor (6M)	03/2029	453,217	527,663
Series 29	(b) (c) (k)	NOK	1,735.0	179.0	2.52% + Euribor (6M)	03/2029	132,229	148,826
Series 30	(b) (c) (l), 12.3	GBP	388.7	455.3	2.11% + Euribor (6M)	04/2031	382,868	369,012
Series 31	(c)	JPY	7,000.0	61.3	1.42	05/2029	44,596	49,567
Series 32	12.3	EUR	603.8	603.8	0.625	07/2025	599,931	791,607
Series 33		EUR	600.0	600.0	1.45	07/2028	593,361	592,103
Series 34	(b) (c)	NOK	500.0	45.9	1.055	07/2025	44,440	47,492
Series 36	12.3	EUR	519.5	519.5	1.5	05/2026	519,500	600,000
Series 38	12.3	EUR	727.8	727.8	0.0	07/2026	720,107	985,217
Series 39	12.3	EUR	1,027.9	1,027.9	0.375	04/2027	1,011,565	1,224,322
Total non-current portion							**8,292,970**	**9,545,155**
Current portion								
Series S	(e), 12.3	EUR	-	-	0.75% + Euribor (6M)	08/2023	-	99,993
Series 27		HKD	430.0	48.3	1.62	03/2024	49,800	-
Total straight bonds and schuldscheins							**8,342,770**	**9,645,148**
Total accrued interest on straight bonds and schuldscheins	(d)						**89,951**	**97,112**

12. LOANS AND BORROWINGS, STRAIGHT BONDS AND SCHULDSCHEINS *(continued)*

(a) coupon and principal are linked to Consumer Price Index (CPI) through derivative instruments
(b) effective coupon in euro
(c) the Company hedged the currency risk of the principal amount until maturity
(d) presented as part of the provisions and current liabilities in the statement of financial position
(e) schuldschein
(f) the Company hedged the currency risk of the principal amount and coupon with a cross-currency swap; the effective annual euro coupon is 1.75% p.a., semi-annually until Q1-2023, and 1.780% p.a. plus Euribor (6M), semi-annually for the following years until maturity
(g) the Company hedged the currency risk of the principal amount and coupon with a cross-currency swap; the effective annual euro coupon is 1.605% p.a., semi-annually until Q2-2023, and 1.244% p.a. plus Euribor (6M), semi-annually for the following years until maturity
(h) the Company hedged the currency risk of the principal amount and coupon with a cross-currency swap; the effective annual euro coupon is 1.7% p.a., semi-annually until Q3-2023, and 2.72% p.a. plus Euribor (6M), semi-annually for the following years until maturity
(i) the Company hedged the interest rate risk, the effective annual euro coupon is 2.0% until Q3-2023, and a semi-annual coupon of 2.266% p.a. plus Euribor (6M) for the following years until maturity
(j) the Company hedged the currency risk of the principal amount and coupon with a cross-currency swap; the effective annual euro coupon is 1.75% p.a., semi-annually until Q1-2023, and 2.636% p.a. plus Euribor (6M), semi-annually for the following years until maturity
(k) the Company hedged the currency risk of the principal amount and coupon with a cross-currency swap; the effective annual euro coupon is 1.75% p.a. until Q1-2023, and 2.52% p.a. plus Euribor (6M), semi-annually for the following years until maturity
(l) the Company hedged the currency risk of the principal amount and coupon with a cross-currency swap; the effective annual euro coupon is 1.75% p.a. until Q2-2023, and 2.11% p.a. plus Euribor (6M), semi-annually for the following years until maturity

12.3 Redemption, buyback and markdowns

During the year, the Company completed tenders to buy-back some of its straight bonds and their mark down. Furthermore, tenders to buy-back and acquisitions in the secondary market were executed by a related entity of the Company – nominal values which were also marked-down by the Company and became payables towards the related entity. The buy-back made by the Company resulted in recognizing a gain of €91,633 thousand (2022: loss of €3,716 thousand). Set forth are the amounts marked-down during the year 2023 due to buybacks and maturity:

Straight bond / schuldschein	Currency	Contractual maturity	Nominal value marked-down		Outstanding nominal value as at December 31, 2023
			in millions (original currency)	in € millions	in millions (original currency)
Series I	EUR	01/2026	44.1	44.1	206.9
Series J	GBP	10/2029	16.5	19.3	483.5
Series K	EUR	01/2025	221.1	221.1	478.9
Series M	CHF	01/2025	10.3	10.5	239.8
Series O	EUR	11/2026	8.4	8.4	296.8
Series P	AUD	05/2025	48.0	29.3	202.0
Series R	CAD	09/2025	68.2	46.8	181.8
Series S	EUR	08/2023	100.0	100.0	Redeemed
Series X	CHF	03/2026	0.2	0.2	99.8
Series 28	USD	03/2029	59.2	53.3	540.8
Series 30	GBP	04/2031	11.3	13.3	388.7
Series 32	EUR	07/2025	196.2	196.2	603.8
Series 36	EUR	05/2026	80.5	80.5	519.5
Series 38	EUR	07/2026	272.2	272.2	727.8
Series 39	EUR	04/2027	222.1	222.1	1027.9
Total marked-down				**1,317.3**	

12. LOANS AND BORROWINGS, STRAIGHT BONDS AND SCHULDSCHEINS *(continued)*

Set forth are the amounts marked-down during the year 2022 due to buybacks and maturity:

Straight bond / schuldschein	Currency	Contractual maturity	Nominal value marked-down		Outstanding nominal value as at December 31, 2022
			in millions (original currency)	in € millions	in millions (original currency)
Series Q	GBP	07/2027	81.1	97.3	Fully redeemed
Series Y	EUR	02/2026	100.0	100.0	Fully redeemed
Series Z	EUR	02/2024	125.0	125.0	Fully redeemed
Series 37	EUR	09/2022	221.7	221.7	Fully redeemed
Total marked-down				**544.0**	

12.4 Main security, pledge and negative pledge as defined in the bonds' term and conditions

This note provides an overview of certain covenants of the Company under its series of bonds (other than the perpetual notes, which do not contain financial covenants) which are outstanding as at December 31, 2023. The complete terms and conditions of each series of bonds are set forth in the relevant bond documentation. Capitalised terms used in this note have the meanings set forth in the terms and conditions of the relevant series of bonds.

Save for one of the Company's outstanding series of bonds (Series 36), which contains a similar provision, the Company undertakes that it will not, and will procure that none of its Subsidiaries will, up to (and including) the Final Discharge Date, incur any Indebtedness (other than any Refinancing Indebtedness) if, immediately after giving effect to the incurrence of such additional Indebtedness and the application of the net proceeds of such incurrence - the sum of:

a) (i) the Consolidated Indebtedness (less Cash and Cash Equivalents) as at the Last Reporting Date; and (ii) the Net Indebtedness (less Cash and Cash Equivalents) incurred since the Last Reporting Date would exceed 60 per cent. (depending on the relevant series of bonds) of the sum of (without duplication): (i) the Total Assets (less Cash and Cash Equivalents) as at the Last Reporting Date; and (ii) the value of all assets acquired or contracted for acquisition by the Group as determined at the relevant time in accordance with IFRS and the accounting principles applied by the Company in the latest Financial Statements as certified by the auditors of the Company, since the Last Reporting Date or, as the may be, the purchase price of any Real Estate Property acquired or contracted for acquisition by the Group since the Last Reporting Date); and (iii) the proceeds of any Indebtedness incurred since the Last Reporting Date (but only to the extent that such proceeds were not used to acquire Real Estate Property or to reduce Indebtedness); and
b) (i) the Consolidated Secured Indebtedness (less Cash and Cash Equivalents) as at the Last Reporting Date; and (ii) the Net Secured Indebtedness (less Cash and Cash Equivalents) incurred since the Last Reporting Date shall not exceed 45 per cent. of the sum of (without duplication): (i) the Total Assets (less Cash and Cash Equivalents) as at the Last Reporting Date; (ii) the value of all assets acquired or contracted for acquisition by the Group as determined at the relevant time in accordance with IFRS and the accounting principles applied by the Company in the latest Financial Statements as certified by the auditors of the Company since the Last Reporting Date or, as the case may be, the purchase price of any Real Estate Property acquired or contracted for acquisition by the Group since the Last Reporting Date); and (iii) the proceeds of any Indebtedness incurred since the Last Reporting Date (but only to the extent that such proceeds were not used to acquire Real Estate Property or to reduce Indebtedness).

12. LOANS AND BORROWINGS, STRAIGHT BONDS AND SCHULDSCHEINS *(continued)*

In most of the Company's outstanding series of bonds (excluding Series 36), the Company undertakes that the sum of: (i) the Unencumbered Assets (less Cash and Cash Equivalents) as at the Last Reporting Date; and (ii) the Net Unencumbered Assets (less Cash and Cash Equivalents) newly recorded since the Last Reporting Date will at no time be less than 125 per cent. of the sum of: (i) the Unsecured Indebtedness (less Cash and Cash Equivalents) at the Last Reporting Date; and (ii) the Net Unsecured Indebtedness (less Cash and Cash Equivalents) incurred since the Last Reporting Date.

The Company undertakes that, on each Reporting Date, the Interest Coverage Ratio will be at least 1.8.

Save for one of the Company's series of bonds, which contains a similar provision, the Company's outstanding series of bonds contain a customary negative pledge clause that prohibits the Company, so long as any of the Senior Notes remain outstanding, from creating or having outstanding any Security Interest (other than a Permitted Security Interest) upon any of its present or future business, undertaking, assets or revenues (including any uncalled capital) to secure any Capital Markets Indebtedness, unless the Company promptly takes any and all action necessary to ensure that:

(i) all amounts payable by it under the Senior Notes and the Trust Deed are secured by the Security Interest equally and ratably with the Capital Markets Indebtedness to the satisfaction of the Trustee; or

(ii) such other Security Interest or other arrangement is provided either (i) as the Trustee in its absolute discretion deems not materially less beneficial to the interests of the Senior Noteholders or (ii) as is approved by an Extraordinary Resolution of the Senior Noteholders.

The exposure of the Company to interest rate risk in relation to financial instruments is reported in note 14.3.1.1. There have been no breaches in covenants during the year and up to the date of approval of these financial statements.

AROUNDTOWN SA

NOTES TO THE FINANCIAL STATEMENTS
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12. LOANS AND BORROWINGS, STRAIGHT BONDS AND SCHULDSCHEINS *(continued)*

12.5 Reconciliation of liabilities arising from financing activities

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

			Non-cash changes			
	31.12.2022	**Financing cash flows (1)**	**Foreign exchange effect**	**Other (2)**	**Other changes (3)**	**31.12.2023**
	In € thousands					
Straight bonds and schuldscheins (4)	9,742,260	(703,384)	(38,846)	25,211	(592,520)	**8,432,721**
Loans and borrowings	3,808,427	(3,337)	12,412	37	(964,246)	**2,853,293**
Net derivative financial (assets) liabilities	250,213	(248,952)	67,909	50,984	-	**120,154**
Total	**13,800,900**	**(955,673)**	**41,475**	**76,232**	**(1,556,766)**	**11,406,168**

			Non-cash changes			
	31.12.2021	**Financing cash flows (1)**	**Foreign exchange effect**	**Other (2)**	**Other changes (3)**	**31.12.2022**
	In € thousands					
Straight bonds and schuldscheins (4)	10,391,306	(672,700)	(137,045)	22,767	137,932	**9,742,260**
Loans and borrowings	3,536,004	139,860	40,469	85,862	6,232	**3,808,427**
Net derivative financial (assets) liabilities	68,612	(20,815)	(60,381)	297,271	(34,474)	**250,213**
Total	**13,995,922**	**(553,655)**	**(156,957)**	**405,900**	**109,690**	**13,800,900**

(1) financing cash flows include interest payments and proceeds from (repayment / buy-back of) financial instruments, net
(2) other non-cash changes include discount and issuance cost, amortization for the bonds, unrealized revaluation gains and transfers in exchange of dividend payable
(3) other changes include interest payments, results on early repayment of debt and drawdown/ repayment of loans to related parties
(4) including accrued interest

13. RELATED PARTY TRANSACTIONS

Related party transactions (as defined in IAS 24 *Related Party Disclosures)* performed by / with the Company and its affiliated undertakings and key management personnel are set out below, as well as the identity and nature of the related party and transaction.

Related parties are companies which have the ability to control or exercise significant influence over the Group entities, or which the Group entities control or exercises significant influence over. Related persons are the members of the Board of Directors and the executive management of the Company.

13.1. The transactions and balances with related party entities are as follows:

	As at December 31,	
	2023	**2022**
	in € thousands	
Receivables from related companies (1) (3)	2,700	34,318
Financial assets at fair value through profit or loss	4,235	4,880
Loans to related companies (3) – see note 10	903,144	955,766
Payables to related companies (2)	1,257	84,814
Loans from related companies – see note 12	2,709,002	3,667,825

	Year ended December 31,	
	2023	**2022**
	in € thousands	
Dividend income from related parties (4)	543,586	548,035
Interest income	25,014	36,735
Interest expenses	(84,206)	(52,230)
Professional fees expenses to related parties	(664)	(4,774)

(1) presented as part of the trade and other receivables and other non-current assets in the statement of financial position

(2) presented as part of the trade and other payables in the statement of financial position

(3) no provisions have been made for doubtful debts in respect of the amounts owed by related parties

(4) the dividend from related parties derived from the following subsidiaries:

Aroundtown Limited	€400,000 thousand (2022: €450,000 thousand)
TLG Immobilien AG	€87,522 thousand (2022: €88,428 thousand)
Aroundtown Holdings B.V.	€55,840 thousand (2022: €6,316 thousand)
Keystreet Investments Limited	€152 thousand (2022: nil)
Aroundtown Real Estate Limited	€72 thousand (2022: €80 thousand)
ATF Netherlands B.V.	nil (2022: €2,042 thousand)
AT Securities B.V.	nil (2022: €1,169 thousand)

AROUNDTOWN SA

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13. RELATED PARTY TRANSACTIONS *(continued)*

13.2. Key Management remuneration

The members of the Board of Directors and the chief officers of the Company ("Key Management Personnel") are considered as a related parties to the Company pursuant to IAS 24.

The Company has undertaken since the financial year 2022 to align the Board of Directors' and senior management's remuneration with the provisions of the Remuneration Policy. During the financial year 2023, the Company has conformed the total remuneration package (consisting of base salary, allowances as well as short-term and long-term incentive remuneration) of its executive directors and senior management with the requirements of the Remuneration Policy. In particular, the variable remuneration (consisting of short-term cash incentives and long-term share incentives) granted to the Company's executive directors and senior management is tied to the achievement of certain pre-defined performance measures as provided for in the Company's Remuneration Policy. The changes agreed are scheduled to take effect as of financial year 2023 (in the case of three (3) executive directors and members of the senior management) and 2024 respectively (in the case of two (2) members of the senior management).

Members of the Board of Directors

	Year ended December 31, 2023							
	Executive Directors		Non-executive director	Independent directors				
	in € thousands							
Fixed and variable incentive	Mr. Frank Roseen (3)	Ms. Jelena Afxentiou	Mr. Ran Laufer (3)	Mr. Markus Leininger	Ms. Simone Runge-Brandner (4)	Mr. Markus Kreuter	Mr. Daniel Malkin (5)	**Total**
Salary, fees and short term incentive and supplementary payments (1)	360,000	336,601	170,000	150,616	187,000	125,000	104,589	1,433,806
Share incentive program (2)	124,000	55,800	-	-	-	-	-	179,800
Total Remuneration	**484,000**	**392.401**	**170,000**	**150,616**	**187,000**	**125,000**	**104,589**	**1,613,606**

(1) based on employer's costs, excluding VAT
(2) multi-year fixed and variable share incentive program
(3) also includes the remuneration for the position as a director in TLG
(4) also includes the remuneration for the position as an independent director in GCP
(5) appointed in June 2023

Chief officers

Mr. Barak Bar-Hen, the Company's Chief Executive Officer (Co-CEO) and Chief Operating Officer, was entitled to a total remuneration of €1,525 thousand, of which €750 thousand was in bonus.

Mr. Eyal Ben David, the Company's Chief Financial Officer, was entitled to a total remuneration of €2,310 thousand, of which €1,540 thousand was in the form of long-term share incentives.

Mr. Oschrie Massatschi, the Company's Chief Capital Markets Officer, was entitled to a total remuneration of €610 thousand, of which €87 thousand was in the form of long-term share incentives.

Balances with Executive Directors and Chief officer

As at December 2023, the Company had outstanding loans of €4 million to Executive Directors and Chief officers. The loans are payable from 2024 and until 2027 and bear annual interest rate of between 1.6% and 3%.

There were no other transactions between the Company and the Key Management Personnel, except as described in note 11.1.7

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

14.1. Financial Assets

Set out below, is an overview of financial assets, other than investments in subsidiaries, held by the Company as at December 31, 2023 and as at December 31, 2022:

	As at December 31,	
	2023	2022
	in € thousands	
Financial assets at amortized cost:		
Cash and cash equivalents	227,011	618,213
Trade and other receivables and other non-current assets	44,068	94,747
Loan receivables (1)	903,144	955,766
Short-term deposits	46,328	-
Financial assets at fair value through profit or loss:		
Financial assets at fair value through profit or loss	4,235	4,880
Derivative financial assets (2) – see note 14.4.1	217,693	19,888
Total financial assets	**1,442,479**	**1,693,494**

(1) the Company has not recognized any impairment for expected credit losses on loan receivables and assessed that the impact on these financial assets is immaterial
(2) excluding derivative financial assets designated as hedging instruments in hedge relationships in the amount of €60,923 thousand (2022: €124,462 thousand)

14.2. Financial liabilities

Set out below, is an overview of financial liabilities, held by the Company as at December 31, 2023 and as at December 31, 2022:

	As at December 31,	
	2023	2022
	in € thousands	
Financial liabilities at amortized cost:		
Loans and borrowings	2,853,293	3,808,427
Straight bonds and schuldscheins	8,342,770	9,645,148
Accrued interest on straight bonds (1)	89,951	97,111
Accrued interest on mandatory convertible notes and current portion of custody interest (1)	30,609	20,610
Other non-current liabilities– see note 14.4.1	14,976	29,202
Trade and other payables	2,779	126,541
Financial liabilities at fair value through profit or loss:		
Derivative financial liabilities (2)	234,141	243,185
Total financial liabilities	**11,568,519**	**13,970,224**

(1) presented as part of provisions and current liabilities in the statement of financial position
(2) excluding derivative financial liabilities designated as hedging instruments in hedge relationships amounted to €164,629 thousand (2022: €151,378 thousand)

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

14.3. Risks management objectives and policies

The Company is exposed to market risk (including interest rate risk, currency risk and price risk), credit risk and liquidity risk. The Company seeks to minimize the effects of these risks by using derivative financial instruments to hedge these risk exposures. The use of financial derivatives is governed by the Company's policies approved by the Board of Directors, which provide written principles on mitigating the various risks, the use of financial derivatives and non-derivative financial instruments and the investment of excess liquidity. The Board of Directors is supported by a Risk Committee that advises on financial risks and the appropriate financial risk governance framework for the Company. The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate exposure limits and controls, monitor risks and adherence to limits. Risk management policy and systems are reviewed regularly to reflect changes in market conditions and in the Company's activities.

14.3.1. Market risk

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

14.3.1.1. Interest rate risk

The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's long-term debt obligations with floating interest rates (mainly to EURIBOR rates). The Company manages its interest rate risk by hedging long-term debt with floating rate using swap contracts. The Company had no long-term debt for which the benchmark rate had been replaced with an alternative benchmark rate as at December 31, 2023.

The table below shows the breakdown of the Company's financial debt between fixed to floating rates:

	As at December 31,	
	2023	**2022**
	in € thousands	
Fixed rate	9,583,919	13,137,969
Floating rate	1,612,144	240,881
	11,196,063	**13,378,850**

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

Interest rate sensitivity

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

	Increase / decrease in Basis points	Effect on profit before tax and pre-tax equity
		in € thousands
2023	+100	(17,748)
	-100	17,748
2022	+100	(2,394)
	-100	2,403

14.3.1.2. Foreign currency risk

The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's straight bonds issued in a foreign currency. The Company uses cross-currency swap contracts to hedge the foreign currency exchange rates fluctuation, that minimize the expose to that risk (see note 14.4.2).

14.3.1.3. Equity price risk

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

14.3.2. Credit risk

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

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

Loan receivables

An impairment analysis is performed at each reporting date using a provision to measure expected credit loss. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic condition with respect to the loan receivables with its affiliate undertakings resulted in an immaterial impairment.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in note 14.1.

Financial instruments and cash and cash equivalents

Credit risk from balances with banks and financial institutions is managed by the Company's treasury department in accordance with the Company's policy.

The Company holds its cash and cash equivalents and its derivative instruments with highly-rated (mostly between A- to A by the leading global rating agencies) banks and financial institutions. Concentration risk is mitigated by not limiting the exposure to a single counter party. The Company has performed an ECL calculation on the cash and cash equivalents accounts and presented the current balance net of the ECL provision.

The composition of cash and cash equivalents was as follows:

	As at December 31,	
	2023	**2022**
	in € thousands	
Cash at banks	71,887	258,422
Cash deposits of up to three months	155,124	359,791
Total cash and cash equivalents	**227,011**	**618,213**

None of the cash and cash equivalents items are restricted.

Credit line

The Company ensures accessible additional liquidity by maintaining active revolving credit facilities (RCF) from various financial institutions. As at December 31, 2023, the Company had RCF with weighted maturity of one year, all undrawn.

The main terms and conditions including covenants, pledge and negative pledge of the RCF are similar to those of the bonds and schuldscheins detailed in note 12, with relevant adjustments.

14.3.3. Liquidity risk

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

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

The following are the remaining contractual maturities of financial liabilities, including estimated interest payments, the impact of derivatives and excluding the impact of netting agreements as at December 31, 2023, and as at December 31, 2022:

As at December 31, 2023

		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 (*)	8,432,721	9,595,352	26,889	208,199	1,772,739	2,004,176	5,583,349
Bank loans (*)	143,034	162,276	2,492	2,464	4,943	4,943	147,434
Trade and other payables	2,779	2,779	463	2,316	-	-	-
Total	**8,578,534**	**9,760,407**	**29,844**	**212,979**	**1,777,682**	**2,009,119**	**5,730,783**

(*) including accrued interest

As at December 31, 2022

		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 and schuldscheins (*)	9,742,260	11,002,782	27,970	225,760	229,855	2,272,485	8,246,712
Bank loans (*)	140,602	166,510	2,410	2,410	4,820	4,820	152,050
Trade and other payables	41,727	41,727	6,954	34,773	-	-	-
Total	**9,924,589**	**11,211,019**	**37,334**	**262,943**	**234,675**	**2,277,305**	**8,398,762**

(*) including accrued interest

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

14.3.4. Operating Risk

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

14.3.5. Other risks

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

Geopolitical situation involving Russia and Ukraine

On February 24, 2022, Russia initiated a full-scale invasion of Ukraine and escalating the Russo-Ukraine War (the “War”) and hostilities have continued since then. The War has received widespread international condemnation and in reaction to Russian hostilities many nations and organizations, including Germany and the European Union, have announced sanctions against Russia, Russian companies, and individuals in and from Russia. Aroundtown Group is not directly impacted by the War, as neither its portfolio nor its operations have direct exposure to Ukraine or Russia. However, Aroundtown Group is impacted by the indirect consequences of the War. As a result of the War, inflationary pressures have increased, specifically heating and energy costs, which have an impact on the operating costs of Aroundtown Group. Such pressures may also have an impact on the ability of the group’s tenants to pay rent and/or for Aroundtown Group to recover expenses related to recoverable expenses from tenants. Furthermore, the increased energy costs have led to a wider inflationary pressure. Higher levels of inflation have impacted interest rates and borrowing costs, while increased volatility in the capital markets have reduced Aroundtown Group’s ability to raise capital at attractive prices, resulting in an increase in its cost of capital and potentially limiting its growth opportunities. While much of the volatility has reduced and price levels have reduced to some extent in recent periods, risk of renewed price volatility remains, which could have negative financial impacts on the Company.

As a result of the large number of refugees that have entered and are expected to continue enter the European Union and Germany following the War. This has resulted in an increased strain on the residential real estate market in Germany. This further exacerbates the supply and demand mismatch, increase political pressure for home construction or market intervention. The full effects are currently still unclear and will depend significantly on the duration and final outcome of the Invasion as well as the distribution of refugees across the European Union.

While the War is currently limited to Ukraine on one side and Russia and several of its allies on the other, continued escalation may result in other countries joining the conflict and at this stage the group is unable to assess the full impact of such a scenario on the Company, and the likelihood of its occurrence.

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

Inflationary environment

The COVID-19 pandemic, supply chain disruptions, the high amount of cash injected into the market as a monetary response and the geopolitical situation around Russia and Ukraine, among others, have resulted in a high inflationary environment. Inflationary pressure has been particularly strong in energy prices, in particular for oil and gas, caused by the War, and material prices. While in recent periods pressures have eased to a certain extent, inflation remains above central bank targets. Furthermore, risks remain that may result in inflationary pressures increasing once more. This may also result in tenant's inability to bear the costs that are passed through to them as part of the lease agreements. While in the recent period of high inflation no material losses in regard to collection from tenants has been recorded, it cannot be ruled out that losses of rent will occur in the future or that Aroundtown Group will be unable to collect operating costs from tenants and that Aroundtown Group will lose considerable rental income. In order to mitigate the risk, the Company is proactively informing tenants on their consumption of energy and provides information on how to reduce consumption.

Higher levels of inflation particularly for energy and materials may have an impact on Aroundtown Group's ability to acquire materials for capex measures at a reasonable price and increase utility costs or result in delays across Aroundtown Group's operations. Furthermore, higher levels of inflation across the economy may result in higher personnel expenses and expenses related to external services, which could have a negative impact on Aroundtown Group's profitability. In addition, higher levels of inflation have resulted in rapid and significant increases in interest rates and consequently resulted in significant volatility in capital markets, which has a negative impact on the cost and availability of new financing for Aroundtown Group on one hand and may put further upward pressure on discount rates and cap rates if prolonged, which could consequently have a further adverse impact on the fair value of Aroundtown Group's assets and share price performance.

The ability of landlords to increase rents under existing tenancy agreements is limited under German law, especially in residential properties in Germany where rent increases may be limited as a result of tenant protection. In the commercial portfolio, the majority of the leases are indexed or have stepped rent which enables the Company to capture inflation faster. However, it may take the Company to capture the full impact of inflation and the inflation rate may exceed the Company's ability to increase rents for certain properties. In addition, even if rent increases are contractually agreed, or legally permissible, enforcement may not be feasible in certain cases due to solvency issues of tenants that cannot afford such rent increases.

An increase in interest rates

In order to battle the increased inflation levels, the European Central Bank has raised interest rate levels rapidly and has declared that it would maintain high interest levels at least until inflation slows down and it reached the desired level. This has led to a significant rise in interest rates in Germany and throughout the Eurozone and led to a decrease in real estate valuations and investments, resulting in lower transaction level and lower demand for real estate, among other effects. An increase in interest rates could adversely impact Aroundtown Group's business in a number of ways, including:

The discount and cap rates used to calculate the value of Aroundtown Group's properties recorded on the Company's balance sheet in accordance with IAS 40, tends to increase in an environment of rising interest rates, which in turn could result in Aroundtown Group's properties having a lower fair value.

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

Although Aroundtown Group's current debt structure primarily involves debt at fixed interest rates or, where variable interest rates apply, is predominantly subject to interest rate hedging agreements, the increase in interest rates may have a negative impact on Aroundtown Group's ability to refinance existing debt or incur additional debt on favorable terms. Financial institutions such as banks may seek to reduce their exposure to the real estate sector and also might be subject to increased equity requirements and balance sheet regulations resulting in restraints to lend out money to customers which could make it more difficult for Aroundtown Group to obtain bank financing at desired terms. In general, rising interest rates (or market expectations regarding future increases in interest rates) would make financing required by Aroundtown Group for its refinancing, acquisition, capital expenditure and/or other real estate activities more expensive, which could reduce Aroundtown Group's profits.

When negotiating financing agreements or extending such agreements, Aroundtown Group depends on its ability to agree to terms and conditions that will provide for interest payments that will not impair its profit targets, and for amortization schedules that do not restrict its ability to pay intended dividends. Further, the Group may be unable to enter into hedging instruments that may become necessary if variable interest rates are agreed upon or may only be able to do so at significant costs. If the current environment in which high rates prevail will remain for a prolonged period, Aroundtown Group's financing costs, including costs for hedging instruments, may increase, which would likely reduce Aroundtown Group's profits.

Aroundtown Group's equity includes a material amount of perpetual notes. Such notes include in their terms a reset of their respective interest rates every five years (reset date), starting from the first call date, based on a specified margin plus a 5-year swap rate (reset rate). If a reset date falls in a period of high interest rates it is likely that such notes will carry a materially higher interest going forward, thereby reducing the profits available to shareholders. Furthermore, the Company generally aims to replace its perpetual notes issues on their first voluntary call date by a new issue. In times of high interest rates, the rates that the Company would pay on a new issuance may differ materially from the reset rate, it may therefore be uneconomical for the Company to call the respective notes and issue new notes, as has been the case with its notes with the first call date in January and in October 2023.

The willingness of purchasers to acquire real estate in an environment of rising interest rates may be negatively affected, thereby restricting Aroundtown Group's ability to dispose of its properties on favorable terms when desired. Most purchasers finance their acquisitions with lender provided financing through mortgages and comparable security (in Germany so-called land charges). Lack of availability of such financing at attractive rates therefore reduces demand for properties.

Any of the foregoing factors may have a material adverse effect on Aroundtown Group's business, net assets, financial condition, cash flows and results of operations.

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

Climate related risks

The significant impact of human activity on ecosystems and the climate have become apparent in recent years, with temperatures rising, severe weather events such as drought, floods and wildfires occurring more frequently, changes in rainfall patterns and mean global sea levels rising, as well as increased pressures on biodiversity, among others. Consequently, climate risks have increased and environmental impacts have become more important in the decision making of investors, lenders, regulators and consumers. As a result, the Company does not only face changing physical climate risks but also transitional climate risks resulting from changes in investor and consumer demand, from regulatory changes as well as from other societal factors.

The Company faces several physical climate-related risks. As a result of changing climate patterns severe weather events in the group's regions become more likely and severe, which may result in more frequent flooding or other weather-related damages. The Company actively attempts to identify these risks and implement measures to mitigate the impact of such risks to the Company, for example through insurance. To better understand the Company's exposure to physical risks, the company has adopted a tool for asset-level assessment of physical risk develop. This analysis will serve the Company in determining which risks are material in order to develop adaptation solutions. However, it cannot be guaranteed that the Company correctly identifies all risks and therefore may be underinsured against such risks. Furthermore, increased occurrence of severe weather events will likely result in higher insurance premiums. In addition, increased flood risk as well as increasing sea levels put increased stress on dikes, levees and related infrastructure which will likely result in higher costs for such infrastructure which in turn may lead to higher fees and taxes to fund the increased costs, particularly impacting the group's assets situated in regions affected by increased flood risk and/or rising sea levels. While the above-mentioned insurance costs, taxes and fees can generally be passed on to tenants through the service charges, in case of vacancies such costs are carried by the Company.

In addition to physical climate-related risks the Company also faces transitional risks. As a result of the more apparent impact of climate changes in recent years regulators have increased their efforts to mitigate current as well as potential future impacts of climate change through a wide range of regulations.

As part of its Climate Action Programme 2030, the German federal government has introduced a fixed price for carbon dioxide emissions in the transport and real estate sectors as from January 2021. The price per metric ton of carbon dioxide emitted as heating or fuel emissions (CO2 and CO2 levy) was set at an initial price of euro 25.00 per metric ton of carbon dioxide and will, based on the current regime, gradually increase to euro 45.00 per metric ton until 2025 and increase further thereafter. On January 1, 2023 the Carbon Dioxide Cost Sharing Act came into effect, according to which the landlord will be obliged to bear part of the costs (previously carried in full by tenants). The CO2 costs will be divided equally between tenant and landlord, unless another split is negotiated in the lease agreement. From 2025 a similar tiered model is planned also for non-residential buildings. The shifting of some or all of the relevant costs to landlords will have a negative effect on the Company's operating margins and financial results.

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

Emerging regulations in the Group's regions pursuing a phase-out of fossil fuels and improved energy efficiency present technological risks to the Company which requires careful attention when planning maintenance and capex measures. Some examples are Germany's Building Energy Act (GEG), which bans the installation of new oil heating systems in 2026, whereas the UK Government announced in September 2023 several coming changes to the Heat and Buildings Strategy, one notable point being delaying the banning the installation of gas boilers from 2026 now until 2035. At the EU level, the EU Council and EU Parliament reached an agreement in December 2023 on the recast of the Energy Performance of Buildings Directive (EPBD) to include new minimum energy performance requirements for buildings that progressively increase over time, although the specific requirements can only be known once national-level implementation commences among member states who will define their own target pathways. Noncompliance with the energy requirements under the new EPBD would result in an inability to let the assets and requires increased capital expenditures to become compliant. In the UK the Domestic Minimum Energy Efficiency Standard limits letting of properties with EPC ratings F or G, and although a bill for more aggressive requirements had been in the works it has since been scrapped by the government and it remains unclear whether any further requirements will be set. The Company continuously monitors changes in regulations and aims to minimize the financial risk through pro-active carbon reduction and energy efficiency policies and programs.

The increased focus of regulators and market participants has additionally resulted in increased reporting and transparency requirements for companies. Higher reporting and transparency requirements result in increased administrative hurdles and costs for the Group, negatively impacting its efficiency and financial results. Furthermore, the Group's sustainability strategy incorporates self-set targets for material environmental, social and corporate governance matters (ESG). If any of these self-set ESG goals are not met, this could damage the Group's reputation. Considering the increasing focus of market participants and lenders on sustainability and "green financing", this could have a negative impact on the Group's refinancing and access to further financing, for example, via the capital market or by taking out loans, at all or on attractive terms. If the Group fails to meet expectations and trends related to sustainability aspects in a timely manner or at all, there could be a decline in demand from tenants. Furthermore, this could also lead to investors divesting from the Group's bonds or shares, as they also expect ESG goals to be met. From a regulatory perspective, failure to achieve the sustainability goals may also have a negative impact on the Group. For example, the introduction of the CO2 levy, minimum energy performance standards or further tightening of regulatory requirements to achieve alignment with the targets of the Paris Agreement could directly or indirectly increase the Group's costs or decrease rental income. To take on a proactive approach, the Company has developed a CO2 pathway to guide the investment in on-site renewable energy and building energy efficiency improvements needed to achieve it's 2030 emission reduction target while enabling further emission reductions down the line.

In order mitigate risks related to CO2 emissions, and in order to reach the Company's environmental targets, the Group is developing an investment program, which covers a wide variety of activities involving both energy efficiency improvements and renewable energy projects. The size and scope of the investment program depends on the availability of governmental subsidies and grants, as is also subject to increasing cost of material. Furthermore, potential new requirements set by the regulators or set as a market standard, could increase the amount the Company would need to invest and potentially accelerate the execution time of the investment program.

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

In 2022, the Company began the process of aligning to the Task Force on Climate-Related Financial Disclosures (TCFD) Recommendations framework. Although the TCFD has been disbanded and integrated into the International Sustainability Standards Board (ISSB), the framework's core principles for corporate climate-related risk disclosures have also been adopted by the European Sustainability Reporting Standards (ESRS) E1 Standard, with which the Company must be fully compliant in its reporting beginning for the year 2024. The early decision to align to best practices on climate-related risk disclosures leaves the Company in a good position for ensuring compliance, although it is a process requiring continuous effort. As part of this process, the Company continuously updates its climate-related risk assessment each year, with the most prominent and emerging climate-related risks already integrated into the enterprise risk management system. The Building Resilience Task Force, an interdepartmental team dedicated to this effort, continues to further develop control mechanisms and risk mitigation measures for climate-related risks.

14.4. Hedging activities and derivatives

14.4.1. Derivative financial instruments

	Note	As at December 31, 2023	As at December 31, 2022
		in € thousands	
Derivative financial assets			
Derivatives that are designated and effective as hedging instruments	14.4.2	60,923	124,462
Derivatives that are not designated in hedge accounting relationships	14.4.3	18,660	19,888
Other derivative financial instruments	14.4.4	199,033	-
		278,616	**144,350**
Derivative financial liabilities			
Derivatives that are designated and effective as hedging instruments	14.4.2	164,629	151,378
Derivatives that are not designated in hedge accounting relationships	14.4.3	119,207	(*) 116,197
Other derivative financial instruments	14.4.4	114,934	(*) 126,988
		398,770	**394,563**

(*) reclassified

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

14.4.2. Hedge accounting relationships

14.4.2.1. Cash flow hedges

As at December 31, 2023, the Company had foreign exchange rate and interest rate swap agreements in place as follows:

Bond	Hedging instrument (*)	Currency	Company receives (in notional currency thousands)	Company pays (in € thousands)
Series H	FX-Swap	United States Dollar	400,000	372,439
Series NOK	FX-Swap	Norwegian Krone	750,000	79,316
Series 27	FX-Swap	Hong Kong Dollar	430,000	48,324
Series 34	FX-Swap	Norwegian Krone	500,000	45,922

(*) all swaps are linked to bonds' maturities

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

The fair value of cross currency and interest rate swaps at the reporting date is determined by discounting the future cash flows using the curves at the reporting date and the credit risk inherent in the contract and is disclosed below.

As the critical terms of the cross-currency swap contracts and their corresponding hedged items are the same, the Company performs a qualitative assessment of effectiveness and it is expected that the value of the cross-currency swap contracts and the value of the corresponding hedged items will systematically change in opposite direction in response to movements in foreign exchange rates. The main sources of hedge ineffectiveness in these hedge relationships are minor initial fair values of the hedging instruments and the effect of the counterparty and the Company's own credit risk on the fair value of the cross-currency swap contracts, which is not reflected in the fair value of the hedged item attributable to the change in foreign exchange rates.

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

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

Risk category	Carrying amount Assets	Carrying amount Liabilities	Line item in the financial statements	Net change in fair value used for measuring ineffectiveness for the period
	in € thousands			in € thousands
As at December 31, 2023				
Foreign exchange rate and interest rate swaps	13,937	18,471	Derivative financial assets/ liabilities	(45,698)
As at December 31, 2022				
Foreign exchange rate and interest rate swaps	43,404	4,910	Derivative financial assets/ liabilities	72,854

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

	Carrying amount	Line item in the financial statements	Net change in fair value used for measuring ineffectiveness for the period
	in € thousands		in € thousands
As at December 31, 2023			
Straight bonds	509,819	Straight bonds	45,593
As at December 31, 2022			
Straight bonds	530,579	Straight bonds	(73,953)

The ineffectiveness recognized in the statement of profit or loss and other comprehensive income was a loss of €105 thousand (2022: loss of €1,099 thousand).

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

14.4.2.2. Fair value hedges

As at December 31, 2023, the Company had foreign exchange rate and interest rate swap agreements in place as follows:

Bond	Hedging instrument (*)	Currency	Company receives (in notional currency millions)	Company pays (in € millions)
Series L	FX-Swap	United States Dollar	150.0	125.2
Serie M (a)	FX-Swap	Swiss Franc	239.8	204.1
Series P	FX-Swap	Australian Dollar	202.0	127.3
Series R	FX-Swap	Canadian Dollar	181.8	119.5
Series X (a)	FX-Swap	Swiss Franc	99.8	87.7
Series 28	FX-Swap	United States Dollar	540.8	478.5
Series 29	FX-Swap	Norwegian Krone	1,735.0	179.0
Series 30	FX-Swap	British Pound	388.7	455.3
Series 31 (a)	FX-Swap	Japanese Yen	7,000.0	61.3

(*) all swaps are linked to bonds' maturities

The swaps are being used to hedge the exposure to changes in fair value of the Company's straight bonds which arise from foreign exchange rate and interest rate risks. In addition, the Company has entered into several interest rate swap agreements. For further information regarding the effective coupon rate see note 12.2.

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

Risk category	Carrying amount		Line item in the financial statements	Net change in fair value used for measuring ineffectiveness for the period
	Assets	Liabilities		
	in € thousands			in € thousands
As at December 31, 2023				
Foreign exchange rate and interest rate swaps	46,986	146,158	Derivative financial assets/ liabilities	1,476
As at December 31, 2022				
Foreign exchange rate and interest rate swaps	81,058	146,468	Derivative financial assets/ liabilities	(218,977)

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

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

	Carrying amount	Line item in the financial statements	Net change in fair value used for measuring ineffectiveness for the period
	in € thousands		in € thousands
As at December 31, 2023			
Straight bonds	1,730,117	Straight bonds	(1,045)
As at December 31, 2022			
Straight bonds	1,892,898	Straight bonds	218,541

The ineffectiveness recognized in the statement of profit or loss was a profit of €431 thousand (2022: loss of €436 thousand).

(a) For these series, the Company designates the spot element of forward foreign exchange contracts to hedge its currency risk and applies a hedge ratio of 1:1. The forward elements of forward exchange contracts are excluded from the designation of the hedging instrument and are separately accounted for as a cost of hedging, which is recognized in equity in cost of hedging reserve. The Company's policy is for the critical terms of the forward exchange contracts to align with the hedge item.

The Company determines the existence of an economic relationship between the hedging instrument and hedged item based on the currency, amount and timing of their respective cash flows. The Company assesses whether the derivative designated in each hedging relationship is expected to be and has been effective in offsetting changes in cash flows of the hedged item using the hypothetical derivative method.

In these hedge relationships, the main sources of ineffectiveness are:

- The effect of the counterparties' and Company's own credit risk on their fair value of the forward foreign exchange contracts, which is not reflected in the change in fair value of the hedged cash flows attributable to the change in exchange rates; and
- Changes in timing of the hedged transactions.

14.4.3. Derivatives not designated as hedging instruments

The Company uses interest rate swaps and cross-currency swaps to manage its exposure to interest rate movements on its bond instruments. These derivative financial instruments are linked to the bond maturities and apply to certain bond series as described in note 12.2.

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

14.4.4. Other derivatives

As part of the share-to-share voluntary takeover offer the Company has made to the shareholders of TLG in February 2020, the Company and an existing shareholder of TLG (the "Investor") entered into an agreement (the "Agreement"), pursuant to which the Investor had agreed to refrain from tendering ca. 12 million of TLG shares (the "Custody Shares") in the offer or to dispose of them in the absence of the Company's consent in a due time and no sooner than 34 months after entering the Agreement ("Minimum Period"). As a consideration for such undertaking, the Investor has been entitled to receive for the period it held the Custody Shares an agreed minimum gross return on the Custody Shares ("Custody Interest") and a preset share price for the Custody Shares. Following the Minimum Period, the Investor has the right to dispose of the Custody Shares. By doing so, the Company committed to indemnify the Investor for any difference between the consideration of such disposal and the preset share price ("PPM Instrument"). To postpone such disposal decision for up to 10 years, the Company has the option to provide an interest-bearing loan, secured by the Custody Shares, in the amount of the preset share price multiple by the Custody Shares. In accordance with IFRS, the Company accounted for the Custody Interest as a financial liability in its statement of financial position and the PPM Instrument as a derivative financial liability measured at fair value through profit or loss, derived by the share price of TLG being the underlying asset. During the year, the Company made available €350 million, backed with the Custody Shares, of which €199 million in the form of short-term credit default swap which is presented as a derivative financial asset and accounted for at fair value. As at December 31, 2023, the PPM Instrument amounted to €114.9 million (2022: €127.0 million).

14.5 Capital management

The Company manages its capital to ensure that it will be able to continue as a going concern while increasing the return to shareholders through the strive to improve the debt to equity ratio monitored on a consolidated basis. The Company's overall strategy remains unchanged from last year. The management closely monitors the bond covenants, in order to ensure that it remains within its quantitative thresholds and maintain a strong credit rating. The Company seeks to preserve its and the Aroundtown Group's conservative capital structure. As at December 31, 2023 the Company did not breach any of its debt covenants, nor did it default on any other of its obligations under its debt agreements. The Company regularly reviews compliance with Luxembourg and local regulations regarding restrictions on minimum capital. During the years covered by these financial statements, the Company complied with all externally imposed capital requirements.

15. CONTINGENT ASSETS AND LIABILITIES

The Company had no significant contingent liabilities as at December 31, 2023.

16. COMMITMENTS

The Company granted unconditional and irrevocable guarantees on its wholly owned subsidiaries ATF Netherlands B.V. and AT Securities B.V.'s obligations and to others in an aggregated amount of up to €1.1 billion. The guarantee to the subsidiaries was granted as part of their issued perpetual note.

17. SIGNIFICANT SUBSEQUENT EVENTS

1. After the reporting period, the Company redeemed an amount of €7.7 billion of its redeemable preference shares in subsidiaries for its nominal value.
2. On March 26, 2024, the Company's Board of Directors has decided not to recommend a dividend payment for 2023 at the Company's Annual General Meeting scheduled for June 26, 2024.

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To the Shareholders of
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REPORT OF THE REVISEUR D'ENTREPRISES AGREE

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Aroundtown SA (the "Company"), which comprise the statement of financial position as at 31 December 2023, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2023 and of its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards 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 23 July 2016 on the audit profession ("Law of 23 July 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 23 July 2016 and ISAs as adopted for Luxembourg by the CSSF are further described in the « Responsibilities of "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 Code of Ethics for Professional Accountants, including International Independence Standards, issued by the International Ethics Standards Board for Accountants ("IESBA Code") as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the financial statements, and have fulfilled our other ethical responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

Impairment of Investment in subsidiaries

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

We refer to accounting policy at note 3.2 “Investments in subsidiaries” and note 9 “Investments in subsidiaries” of the financial statements.

As at 31 December 2023, investments in subsidiaries represent 92.2% of the total assets of the Company. These represent the partial conversion of loans receivable given to the Company’s subsidiaries and represent investment of the Company in the underlying group and its underlying assets, which are investment properties. Recoverability of the investments in subsidiaries depend on the subsidiaries’ performances, thus management performs impairment assessment at each reporting date.

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

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

b. How the matter was addressed in our audit

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

- We obtained an understanding of the impairment assessment process through inquiries with management, based on their knowledge of the recent developments in the financial position and cash flows of the subsidiaries;

- We assessed the design and implementation of the key controls around the identification of triggers and assessment of impairment;

- We reviewed management’s assessment related to the timing and recognition of the impairment events and charges and corroborated them with the underlying data;

- We performed a reconciliation of the investments recorded by the Company and the equity position of the subsidiaries as per their audited financial information;

- We assessed the impairment calculation for the investments in subsidiaries by reviewing the subsidiaries’ financial information. This to ensure that their net assets are sufficient to recover the value of the participations.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information stated in the annual report including 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 IFRS Accounting Standards 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.

The Board of Directors is responsible for presenting [and marking up] the financial statements in compliance with the requirements set out in the Delegated Regulation 2019/815 on European Single Electronic Format ("ESEF Regulation").

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 23 July 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.

Our responsibility is to assess whether the financial statements have been prepared in all material respects with the requirements laid down in the ESEF Regulation.
As part of an audit in accordance with the EU Regulation N° 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

— Identify and assess the risks of material misstatement of the 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 the 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, actions taken to eliminate threats or 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 Shareholders on 15 December 2023 and the duration of our uninterrupted engagement, including previous renewals and reappointments, is seven years.

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

The Corporate Governance Statement is included in the management report. The information required by Article 68ter paragraph (1) letters c) and d) of the law of 19 December 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 N° 537/2014 were not provided and that we remained independent of the Company in conducting the audit.

We have checked the compliance of the financial statements of the Group as at 31 December 2023 with relevant statutory requirements set out in the ESEF Regulation that are applicable to financial statements.

For the Company it relates to:

- Financial statements prepared in a valid xHTML format.

In our opinion, the financial statements of Aroundtown S.A. as at 31 December 2023, identified as 529900H4DWG3KWMBMQ39-2023-12-31-en.xhtml, have been prepared, in all material respects, in compliance with the requirements laid down in the ESEF Regulation.

Our audit report only refers to the financial statements of Aroundtown S.A. as at 31 December 2023, identified as 529900H4DWG3KWMBMQ39-2023-12-31-en.xhtml, prepared and presented in accordance with the requirements laid down in the ESEF Regulation, which is the only authoritative version.

Luxembourg, 27 March 2024

KPMG Audit S.à r.l.
Cabinet de révision agréé

Muhammad Azeem

Partner