



# Semi-annual-report

## 2007

### HIGHLIGHTS

- Complete Takeover of MÜBAU Real Estate GmbH
- EUR 4.0 million write-up through sales confirmed

## > FINANCIAL RATIOS ADLER REAL ESTATE GROUP

in EUR	Jun. 30, 2007	Dec. 31, 2006	+/- in %
<b>Balance Sheet Ratios</b>			
Equity	35,000,417	27,653,596	26.6%
Equity ratio	71.5%	74.6%	
Subscribed capital	15,000,000	15,000,000	0.0%
Consolidated total assets	48,977,078	37,048,318	32.2%

in EUR	Jun. 30, 2007	Jun. 30, 2006	+/- in %
<b>Key Figures</b>			
Total operating income	10,993,781	1,171,574	838.4%
EBIT	7,698,490	72,011	10,590.7%
Consolidated Profit for the year	7,600,695	345,327	2,101.0%
Earnings per share in EUR	0.51	0.03	1,589.0%
Employees	18	8	125.0%

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## > FOREWORD OF THE MANAGEMENT BOARD

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Ladies and gentlemen,

The expansion of ADLER Real Estate AG's operations was successfully continued in the first half of 2007. With the completed acquisition of MÜBAU Real Estate GmbH, the Company was able to add a residential properties segment to its strategic activities. At the beginning of 2007, ADLER Real Estate AG acquired 93.9% of the shares in MÜBAU Real Estate GmbH, acquiring the remaining 6.1% in June 2007. With this transaction, ADLER Real Estate AG acquired ownership of three housing developments with a combined area of around 300,000 sqm, as well as three existing properties with a combined area of around 49,000 sqm.

In addition to the acquisition of MÜBAU Real Estate GmbH and the associated addition of the residential properties business unit, ADLER Real Estate AG also expanded its commercial properties segment, building on the initial collaboration in Luxembourg at the end of 2006 to conclude two additional joint ventures with AIG Global Real Estate over the course of 2007. ADLER Real Estate holds a 10% interest in Airport Center Luxembourg GmbH, with one high-quality office building.

ADLER Real Estate AG holds 15% in each of the two new acquired portfolios of four high-quality office properties in the metropolitan area of Munich and twelve high-quality office properties e.g. in Berlin, Frankfurt and Munich.

The three acquisitions involve a combined total of about 106,000 sqm of leasable space and an investment volume of EUR 193 million. ADLER Real Estate Service GmbH will assume asset management functions in all three cases.

The Company was able to report one other collaborative effort in March 2007: with a 60% interest in the development of the Duisburg-North logistics center. ADLER Real Estate AG will develop a centrally located property with a total area of 126,000 sqm together with THG Real Estate GmbH.

As part of the statutory requirement to reserve prior depreciation when properties recover in value,

Company realized a total of EUR 4.5 million in proceeds from the sale of two properties in Munich and Berlin, thus improving liquidity. These sales confirmed ADLER Real Estate AG's appraisals.

ADLER Real Estate AG's earnings for the first half of the year showed an improvement consistent with the course of its operations, as operating income increased nearly tenfold, from EUR 1.17 million on June 30, 2006 to EUR 10.99 million in the first half of 2007. After deducting depreciation and expenses, the EBIT reported in the 2007 first-half report was EUR 7.70 million, as the consolidated earnings reported by ADLER Real Estate AG increased from EUR 0.35 million on June 30, 2006 to EUR 7.60 million in the first half of 2007. Total assets were EUR 48.98 million on June 30, 2007, up by about 32% from December 31, 2006. This improvement is largely attributable to the consolidation of MÜBAU Real Estate GmbH and the resulting increase in real estate assets by EUR 14.73 million.

ADLER Real Estate AG will continue to explore strategic alliances with domestic and foreign partners and enter into collaborations which will allow ADLER Real Estate AG to continue to grow. These joint ventures will put the Company in a position to build up a diversified portfolio of properties and increase its recurring revenues, particularly from asset management services. They also allow the Company to build trust with project partners, providing a strong base of references for ADLER's new customer business. At the moment, the Company is planning project developments with a combined investment volume of over EUR 160 million. We expect ADLER Real Estate to continue to grow in the years to come.

Above all, we would like to thank our employees and our strategic partners for their dedication and high-quality work. We also extend our warmest thanks to our shareholders for the trust they have placed in us.

Barbara Yaltrak

Axel Harloff

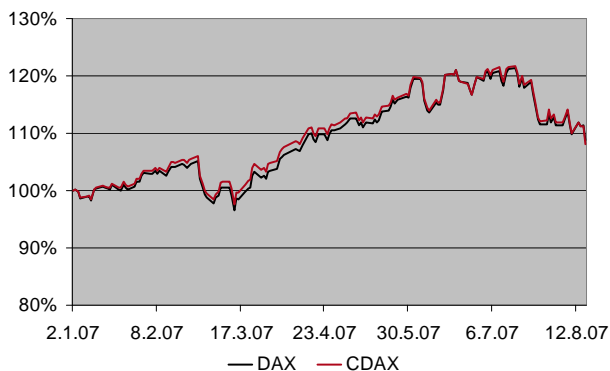
## > THE ADLER-STOCK AND INVESTOR RELATIONS

### The Mood in the Stock Market

The mood in the German financial markets improved in the first half of the year, as the German stock index reached a new multi-year high of 8,106 points on July 16, 2007, up 21.3% on the year. The development of the CDAX was largely consistent with that of the DAX.

Towards the end of July 2007, the index consolidated to around 7,400 points, closing on August 13, 2007 at 7,474 points. This decline was due to growing uncertainty in the financial markets with respect to the US mortgage market, and the associated danger of a financial market liquidity shortage. By providing additional short-term capital and subsequently reducing the discount rate by 0.5% on August 17, 2007, to 5.75%, the US Federal Reserve lowered one of its key interest rates, thus ensuring adequate liquidity in the financial markets. Leading economic and financial experts believe that these developments will have only a minor impact on long-term economic growth.

Development of DAX & CDAX year to-date



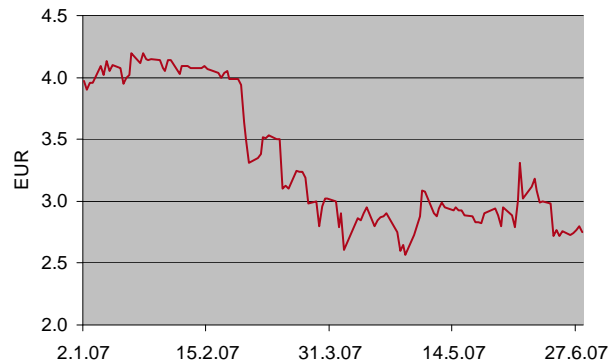
### Development of Real Estate Stocks

German real estate stocks have underperformed this year. Measured by the German real estate stock index (the DIMAX), German real estate stocks dropped an average of 14%, as the DIMAX fell from 535 points at the beginning of 2007 to 458 points at the end of July 2007. The DIMAX, published by the banking firm Ellwanger & Geiger, has documented the performance of German exchange-listed real estate companies since 1988. The first comprehensive performance index for German real

estate companies, the DIMAX is currently (as of August 2007) comprised of 74 titles, weighted according to their market capitalization.

### Performance of ADLER Stock

Development of stock price year to-date

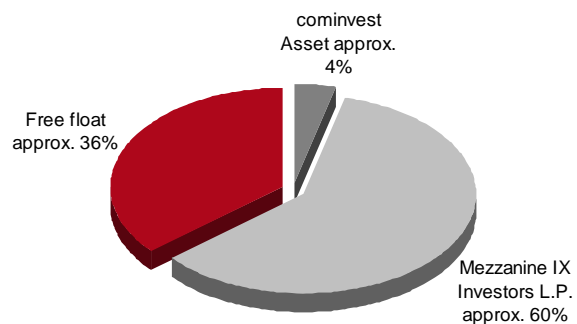


The price of ADLER stock declined from EUR 3.97 at the beginning of the year to EUR 2.79 on April 30, 2007, a level at which the stock remained until the end of May. In the week following publication of the quarterly report for the first quarter of 2007 on May 31, 2007, the stock price of ADLER Real Estate AG rose from EUR 2.80 to EUR 3.31. On June 30, 2007, the ADLER stock was listed at EUR 2.75.

### Shareholder Structure

The shareholder structure of ADLER Real Estate AG is unchanged relative to the structure on March 31, 2007. The US investor Mezzanine IX Investors L.P. holds about 60% of the shares, cominvest Asset Management GmbH holds about 4% and about 36% of shares are currently in free float.

Shareholder Structure (June 30, 2007)



## > THE ADLER-STOCK AND INVESTOR RELATIONS

### Two Independent Research Studies

Independent Research analyzed ADLER Real Estate AG in April 2007, publishing a price target of EUR 4.00 as the result of its study, and issuing a rating of BUY. Another analysis was undertaken in June 2007 by HypoVereinsbank AG, which also ascertained a price target of EUR 4.00 and a rating of BUY. This study placed particular emphasis on the Company's solid financial position and high earnings, as well as noting the interest potential of the Company's existing project developments.

### Investor Relations

ADLER Real Estate AG's financial communications are based on the Prime Standard rules. In addition to routinely publishing quarterly reports in German and English, the Company attends capital market

conferences, such as the HSBC Trinkhaus Real Estate Conference in spring of 2007. Other conference events are planned, including the Real Estate Stock Initiative conference in October 2007. The Company intends to enter the Prime Standard segment of the Frankfurt Stock Exchange in the medium term, which will open the Company to a broader and more international investor base. Up-to-date reports are also available on the website of ADLER Real Estate AG, [www.adler-ag.de](http://www.adler-ag.de), and additional information is published as developments occur.

<b>Name</b>	ADLER Real Estate AG	<b>Indices</b>	CDAX General Standard Index DIMAX
<b>Registered office location</b>	Frankfurt/Main HRB 7287	<b>Stock Exchange Listings</b>	Xetra Frankfurt Berlin-Bremen Düsseldorf Hamburg Munich
<b>SIN</b> (15 million non-par shares)	500 800	<b>Designated Sponsors</b>	Bayrische Hypo- und Vereinsbank AG, Close Brothers Seydler AG
<b>ISIN</b>	DE0005008007	<b>Subscribed Capital</b>	EUR 15 million
<b>Number of Shares</b>	15,000,000		
<b>Industry</b>	Real Estate		
<b>Listed at</b>	Official trading		

> INTERIM MANAGEMENT REPORT  
as at June 30, 2007

**COURSE OF BUSINESS AND MAJOR EVENTS IN  
THE FIRST HALF OF 2007**

In the first half of 2007, ADLER Real Estate AG (ADLER) was able to execute transactions of decisive importance for the further growth of the Company. In addition to the acquisition of MÜBAU Real Estate GmbH (MÜBAU) at the beginning of the year, a 126,000 sqm attractive logistical property in Duisburg-Nord was acquired in April 2007 as part of a joint venture. Meanwhile, a total of three properties were sold, which will generate around EUR 12.24 million in proceeds for the Company.

**MÜBAU Real Estate GmbH**

Of decisive importance for the Company this financial year was the acquisition of MÜBAU, in fact that the first half of 2007 was dominated by the acquisition and integration of MÜBAU. ADLER Real Estate AG purchased 93.9% interest of partnership in MÜBAU and its subsidiaries in January 2007, and the remaining 6.1% at the end of June 2007.

Along with MÜBAU and its 7 subsidiaries, ADLER acquired a portfolio of three project developments and three existing properties. Also, by acquiring the interest in MÜBAU, three employees were overtaken by Adler Real Estate Service GmbH as of January 1, 2007.

The acquisition costs are comprised of two components, for a total of EUR 1.244 million, including the purchase price paid to the seller, MRE Holding GmbH, and the expense incurred for the redemption of third-party obligations.

	in 000 EUR
<u>Acquisition costs of the investment</u>	<u>1,244</u>
<u>Shareholders' equity after re-valuation</u>	<u>9,393</u>
<u>Excess amount</u>	<u>8,149</u>

The amount by which the Company's share of the re-valued shareholders' equity of MÜBAU exceeds the purchase price of EUR 8.149 million was reported as other operating income.

**Münchener Baugesellschaft mbH**

Münchener Baugesellschaft mbH was established in order to continue the successful housing business of the predecessor company. MÜBAU's three project development sites were brought into Münchener Baugesellschaft in the course of reorganization in limited partnerships.

The Company has now begun operations on its own, with three housing projects in Dallgow and Großbeeren, both near Berlin, and Dresden Altrachau.

**Berlin, Dallgow:** The municipality of Dallgow, with 7,400 residents, is located inside the beltway around the capital in the State of Brandenburg, about 4 km from the city limits and about 20 km from downtown Berlin. Building rights exist for the property, about 38,600 sqm in all, for residential construction: 145 parcels are available for single-family homes, two-family houses or townhouses. MÜBAU has already built and sold houses on neighboring properties in an initial phase. Plans are to sell the properties to developers along with the building rights, plans and improvements, or to market the properties to investors in conjunction with developers.

**Berlin, Großbeeren:** In the southern suburbs of Berlin, inside the Berlin beltway, is the municipality of Großbeeren, in the State of Brandenburg. The Berlin city limits are about 6 km away and the downtown is around 16 km away. Building rights exist for the 150,000 sqm property for residential construction. A collaboration with developers is sought for this property as well.

**Dresden, Altrachau:** With one of the last properties still available in downtown Dresden, capital of the State of Saxony and home to about 0.5 million residents, Münchener Baugesellschaft mbH now has about 108,000 sqm of attractive building land. The land is located in the Altrachau district in the northwestern part of the city, about 8 km from the historic downtown, and with outstanding accessibility via commuter rail and tram. A development plan application is currently in the approval process. Building rights are expected in the next 18 months.

## > INTERIM MANAGEMENT REPORT

### as at June 30, 2007

#### **Duisburg Project Development**

In conjunction with a regional project developer, a 126,119 sqm property in Duisburg was acquired from ThyssenKrupp in April 2007. The buyer is Logistik-Zentrum Duisburg-Nord GmbH, in which ADLER holds a 60% interest. The first purchase price installment, for a section of the property encompassing 39,231 sqm, was paid in April 2007, and the second installment, for a section comprising 86,888 sqm, is due on August 31, 2007. The transfer of benefits and obligations will be made after the purchase price for each section is paid. The Company plans to build a logistical center on the property.

#### **Sales in the First Half of the Year**

In the first half of the year, the Company sold one ADLER property and two MÜBAU portfolio properties. The transfer of benefits and obligations for the Munich-Dornach property, including payment of the purchase price, took place in April 2007. Purchase contracts have been concluded for the Hellersdorfer Strasse property in Berlin and the Verler Strasse property in Gütersloh. The transfer of benefits and obligations for the Verler Strasse property in Gütersloh took place in August 2007, and the transfer for the Hellersdorfer Strasse property in Berlin is expected in September.

#### **FINANCIAL, EARNINGS AND LIQUIDITY POSITION**

The Group's total assets on the reporting date amount to EUR 48.977 million up about 32% from December 31, 2006. This increase is primarily attributable to the EUR 14.727 million improvement in real estate assets due to the first-time inclusion of MÜBAU Real Estate GmbH, Hamburg, in the consolidated financial statements. In addition, net cash in banks as of the reporting date, June 30, 2007, came to EUR 11.273 million compared to EUR 10.391 million at the end of last year.

Due to the upcoming sale of the Gütersloh property, the latter property was transferred to the "Non-current assets held for sale" item in accordance with IFRS 5.

The capital reserve comes from the capital increase of June 11, 2006. The sum in excess of the mathematical nominal value was transferred to the capital reserve, minus the cost of the capital increase, in the amount of EUR 1.232 million (IAS 32.37). In the wake of the capital increase, an offering prospectus was created and the expenses accruing for that purpose in the first half of 2007, EUR 0.429 million minus the notional tax expense of EUR 0.165 million were also deducted from the capital reserve pursuant to IAS 32.37.

The second-quarter sales of EUR 4.115 million were generated primarily by the sale of a 9,200 sqm property in Munich-Dornach. The transfer of benefits and obligations and payment of the purchase price took place in April 2007. That sales figure also includes rental income from the lease of parking spaces and two commercial properties.

Other operating income rose by EUR 8.882 million including EUR 7.166 million in income from the consolidation of MÜBAU, EUR 0.983 million from acquisition of the remaining interest in MÜBAU and EUR 0.960 million from reversal of the provision for litigation risks, as the limitation period on the claims in question expired on December 31, 2006.

Net operating earnings (EBIT) of EUR 7.698 million were earned during the reporting period. The EUR 7.626 million improvement in EBIT was primarily attributable to other operating income earned in the course of the acquisition of MÜBAU.

The initial consolidation of MÜBAU generated EUR 8.149 million in income with no effect on payments. The liquid funds received in the course of the acquisition of MÜBAU were EUR 0.227 million higher than the payments made for the acquisition in the first half of 2007.

The Company's free cash flow in the first quarter was affected primarily by the sale of the Munich-Dornach property and the purchase of the Duisburg property from ThyssenKrupp, reaching a net total of EUR + 0.882 million for the first half of the year.

The period result is not affected by seasonal fluctuations. There were no capital increases or dividends in the first half of the year.



## > INTERIM MANAGEMENT REPORT

### as at June 30, 2007

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More detailed segment-by-segment reporting will be dispensed with since operations continue to center on project development.

As of the reporting date, June 30, 2007, 18 persons were employed in ADLER Group (previous year: 8).

The property at Hellersdorfer Straße, Berlin, held through MÜBAU, was sold in April 2007. The purchase price was consistent with the valuation upon initial consolidation. The first purchase price installment was received in July 2007.

MÜBAU sold the Gütersloh property in May 2007, with the transfer of benefits and obligations expected in August. In this case as well, the purchase price is consistent with the valuation upon initial consolidation.

#### **REPORT ON RISKS**

ADLER Group has created a risk management system which is customized for the current Company size, with flat hierarchical levels. The Management Board of ADLER Real Estate AG is not currently aware of any current or future risks which endanger the existence of ADLER. Moreover, the statements published in the report on risks for the financial year 2006 retain their validity.

#### **OUTLOOK**

ADLER Group is in a very good position right now. It has an attractive, largely unencumbered portfolio of properties, which has been further enlarged and improved by the acquisition of MÜBAU Real Estate GmbH, while at the same time having enough liquidity to make planned investments in its future due to the capital increase last year and the recent sales.

Among ADLER's commercial project developments, the projects in Saarbrücken, Berlin and Duisburg are promising. These developments are no speculative endeavor for ADLER: a high percentage of the space must be leased before construction begins. This is also a requirement for obtaining outside financing. In general, discussions are held with potential final investors at an early stage.

In ADLER's housing business, a large step forward was taken with the creation of Münchener Baugesellschaft, which immediately began operations with its initial properties. The acquisition of an attractive property in Bavaria is also planned. The Company expects the deal to be finalized in August 2007.

In the portfolio segment, the Company met and exceeded its goals. After making its first investment in Luxembourg last year, in partnership with AIG Global Real Estate, the Company acquired two German portfolios in August of this year. The Company's interest is 10% in the Luxembourg portfolio and 15% of the German portfolios. Through the joint acquisition with AIG Global Real Estate, the Company now holds shares in a total of 17 high-value properties which it could not have purchased on its own due to the high capital requirement.

The Company's third business segment, asset management, benefited from the portfolio acquisitions. A total of around EUR 200 million in real estate assets are now under management, in addition to the Company's own portfolio.

On July 19, 2007, the Frankfurt Stock Exchange admitted for official trading 5,000,000 shares of bearer shares created by the capital increase adopted by the Management Board on June 27, 2006, with the Supervisory Board's approval, and entered into the Commercial Register of the Local Court of Frankfurt am Main on July 18, 2006, in exchange for cash contributions from the authorized capital, as well as up to 200,000 bearer shares created by the conditional capital increase adopted by the general meeting on April 21, 2006 in connection with the Company's stock option plan.

> CONSOLIDATED BALANCE SHEET  
(IFRS) as at June 30, 2007

<b>ASSETS in EUR</b>	<b>June 30, 2007</b>	<b>Dec. 31, 2006</b>
<b>Non-current assets</b>	<b>2,290,090.20</b>	<b>2,435,516.31</b>
Intangible assets	4,167.98	4,829.70
Property, plant and equipment	777,001.22	42,345.61
Available-for-sale financial assets	1,436,800.00	2,333,800.00
Shares in the associates	72,121.00	54,541.00
<b>Currents assets</b>	<b>46,686,988.21</b>	<b>34,612,801.56</b>
Inventories	26,555,056.14	22,449,365.86
Trade receivables	135,928.02	792,788.46
Income tax assets	108,119.83	108,319.91
Other current assets	1,048,195.02	871,165.88
Cash on hand and at bank	11,273,425.63	10,391,161.45
Available-for-sale non-current-assets	7,566,263.57	0.00
<b>ASSETS</b>	<b>48,977,078.41</b>	<b>37,048,317.87</b>

> CONSOLIDATED BALANCE SHEET  
(IFRS) as at June 30, 2007

<b>EQUITY AND LIABILITIES in EUR</b>	<b>June 30, 2007</b>	<b>Dec. 31, 2006</b>
<b>Shareholders equity</b>	<b>35,000,416.86</b>	<b>27,653,595.86</b>
Shareholders equity	15,000,000.00	15,000,000.00
Capital reserve	7,577,434.43	7,841,308.53
Retained earnings	420,572.49	420,572.49
Net profit	11,998,796.81	4,391,714.84
Minority shares	3,613.13	0.00
<b>Non-current Liabilities</b>	<b>10,679,171.77</b>	<b>5,711,316.81</b>
Pension provisions	900,833.00	900,833.00
Other provisions	1,035,723.88	310,483.81
Financial liabilities	8,243,632.17	4,500,000.00
Liabilities for deferred taxes	498,982.72	0.00
<b>Current Liabilities</b>	<b>3,297,489.78</b>	<b>3,683,405.20</b>
Other provisions	1,632,707.20	2,055,157.20
Income tax liabilities	239,847.00	266,222.00
Trade payables	711,771.28	624,376.36
Other non-current liabilities	713,164.30	737,649.64
<b>EQUITY AND LIABILITIES</b>	<b>48,977,078.41</b>	<b>37,048,317.87</b>

> CONSOLIDATED INCOME STATEMENT  
(IFRS) as at June 30, 2007

In EUR	Jan. 1st - June 30, 2007	Jan. 1st - June 30, 2006
Sales revenue	4,114,726.76	2,573,822.97
Changes in inventories	-2,324,309.72	-1,789,434.16
Other operating income	9,203,364.16	387,185.11
<b>Total operating income</b>	<b>10,993,781.20</b>	<b>1,171,573.92</b>
Expenses for materials	-1,484,847.06	0.00
Personnel expenses	-652,815.13	-342,952.25
Depreciation and amortization	-89,215.11	-5,105.85
Other operating expenses	-1,068,431.50	-751,504.45
Income from investment associates	17.50	0.00
<b>Result from operating activities (EBIT)</b>	<b>7,698,489.90</b>	<b>72,011.37</b>
Interest income	192,242.07	29,859.29
Financial expenses	-243,741.57	-5,640.38
<b>Profit before income tax (EBT)</b>	<b>7,646,990.40</b>	<b>96,230.28</b>
Income tax	-46,295.32	249,096.96
<b>Consolidated profit for the year</b>	<b>7,600,695.08</b>	<b>345,327.24</b>
Splitted as follows:		
Shareholders of the parent company	7,607,081.95	345,327.24
Minorities	-6,386.87	0.00
Basic earnings per share	0.51	0.03
Diluted earnings per share	0.51	0.03

> CONSOLIDATED CASH FLOW STATEMENT  
(IFRS) as at June 30, 2007

In EUR	Jan. 1st - June 30, 2007	Jan. 1st - June 30, 2006
Operating profit	7,698,489.90	72,011.37
+ Depreciation of non-current assets	89,215.11	5,105.85
- Non-cash income and expenses	-8,149,349.00	0.00
- Decrease in provisions	-1,027,377.54	-4,538,239.07
+ Decrease in inventories, trade and other assets not attributable to financing activities	2,960,080.38	6,896,450.45
+/- Increase / decrease in trade payables and other liabilities not attributable to investing or financing activities	-512,250.81	82,350.20
+ Interest payments	192,242.07	29,859.29
- Interest disbursements	-243,741.57	-5,640.38
+/- Tax payments	-46,295.32	249,096.96
<b>= Net Cash inflow for operating activities</b>	<b>961,013.22</b>	<b>2,790,994.67</b>
+ Acquisition of subsidiary companies less acquired net liquid funds	227,476.51	0.00
- Cash used for investments in plant, property and equipment	-39,239.57	-6,924.51
+/- Cash used / proceeds from disposals of non-current financial assets and receivables classified under investing activities	10,000.00	0.00
- Cash used for investments in non-current financial assets	-42,580.00	-950,000.00
<b>= Net cash inflow (2006: Net cash outflow) from investing activities</b>	<b>155,656.94</b>	<b>-956,924.51</b>
- Cash used for expenses in connection with equital capital disposals	-146,444.58	0.00
- Cash used for repayments of financial loans	-87,961.40	0.00
<b>= Net cash outflow from financing activities</b>	<b>-234,405.98</b>	<b>0.00</b>
Cash and cash equivalents at the beginning of the period	10,391,161.45	1,362,637.15
Net cash inflow from operating activities	961,013.22	2,790,994.67
Net cash inflow (2006: Net cash outflow) from investing activities	155,656.94	-956,924.51
Net cash outflow from financing activities	-234,405.98	0.00
<b>= Cash and cash equivalents of the end of the period</b>	<b>11,273,425.63</b>	<b>3,196,707.31</b>

> CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
(IFRS) as at June 30, 2007

	Subscribed Capital	Capital reserve	Retained earnings	Net profit/ loss for the year	Capital and reserves owed to the shareholders of parent company	Minority shares	Total Equity
<b>in 000 EUR</b>							
<b>Balance as at January 1, 2007</b>	15,000	7,841	420	4,392	27,653	0	27,653
Consolidated profit	0	0	0	-547	-547	-6	-553
Costs of the capital increase	0	-264	0	0	-264	0	-264
Initial consolidation of MÜBAU/Duisburg	0	0	0	8,154	8,154	10	8,164
<b>Balance as at June 30, 2007</b>	15,000	7,577	420	11,999	34,996	4	35,000

	Subscribed Capital	Capital reserve	Retained earnings	Net profit/ loss for the year	Capital and reserves owed to the shareholders of parent company	Minority shares	Total Equity
<b>in 000 EUR</b>							
<b>Balance as at January 1, 2006</b>	10,000	0	420	-4,164	6,256	0	6,256
Consolidated profit	0	0	0	345	345	0	345
<b>Balance as at June 30, 2006</b>	10,000	0	420	-3,819	6,601	0	6,601

## > NOTES TO INTERIM FINANCIAL STATEMENTS

as at June 30, 2007

### Accounting and Valuation Methods

All new or modified IFRS and IFRIC interpretations whose application became mandatory on January 1, 2007 were followed when preparing the interim financial statements. The application of those new or modified rules had no impact on the Company's financial, earnings and liquidity position as reported in the interim financial statements, or on its cash flow.

In preparing these interim financial statements and ascertaining comparative figures for 2006, the same consolidation principles and accounting and valuation methods were applied as were used in the 2006 consolidated financial statements. A detailed description of those methods is included in the Notes to the 2006 consolidated financial statements. The present interim financial statements comply with the rules for interim financial reporting in IAS 34.

### Consolidated Companies

The Group's consolidated financial statements are prepared for ADLER Real Estate AG, Frankfurt, as the parent company. As of the balance sheet date, fully or proportional consolidated companies and investments are valued using the equity method. The consolidated companies include seventeen subsidiaries, not including the parent company. Among the subsidiaries is MÜBAU Real Estate GmbH and its six subsidiaries, which were included in the consolidated financial statements for the first time on January 1, 2007, in accordance with IFRS 3. These companies are included in the consolidated financial statements in accordance with the rules for fully consolidated companies. Of the companies included in ADLER's consolidated financial statements, 18 companies were fully consolidated, 1 company was proportional consolidated and 11 companies were reported at equity.

### Consolidation of MÜBAU

In January 2007, ADLER Real Estate AG purchased 93.9% of shares in MÜBAU and its subsidiaries, acquiring the remaining 6.1% in June 2007. With the acquisition of the remaining shares, ADLER now holds all shares in the Company. MÜBAU has an attractive portfolio of unencumbered housing

development properties, as well as two leased commercial properties.

The final condition precedent for the acquisition of MÜBAU was met in January 2007. The acquisition costs are comprised of two components, for a total of EUR 1.244 million, including the purchase price paid to the seller, MRE Holding GmbH, and the expense incurred for the redemption of third-party obligations.

	in 000 EUR
<u>Acquisition costs of the investment</u>	<u>1,244</u>
<u>Shareholders' equity after re-valuation</u>	<u>9,393</u>
<u>Excess amount</u>	<u>8,149</u>

The amount by which the company's share of the re-valued shareholders' equity of MÜBAU exceeds the purchase price, in the amount of EUR 8.149 million, was reported as other operating income. As of the consolidation date, the amounts listed below were incorporated into the consolidated balance sheet.

MÜBAU Real Estate GmbH	2007/1/1
	in 000 EUR
<u>Non-current assets</u>	<u>8,378</u>
<u>Current assets</u>	<u>7,137</u>
<u>Shareholder's equity after revaluation</u>	<u>9,394</u>
<u>Non-current debt</u>	<u>1,218</u>
<u>Current debt</u>	<u>4,903</u>

MÜBAU contributed EUR -0.325 million to the Group's earnings in the first half of the year.

### Notes to the Financial, Earnings and Liquidity Position

The Group's total assets on the balance sheet date came to EUR 48.977 million, up 32% from December 31, 2006. This increase is primarily attributable to the EUR 14.727 million improvement in real estate assets due to the first-time inclusion of MÜBAU Real Estate GmbH, Hamburg, in the

## > NOTES TO INTERIM FINANCIAL STATEMENTS

as at June 30, 2007

consolidated financial statements. In addition, net cash in banks as of the reporting date, June 30, 2007, came to EUR 11.273 million, compared to EUR 10.391 million at the end of last year.

Due to the upcoming sale of the Gütersloh property, the latter property was transferred to the "Non-current assets held for sale" item in accordance with IFRS 5.

The capital reserve comes from the capital increase of June 11, 2006. The sum in excess of the mathematical nominal value was transferred to the capital reserve, minus the cost of the capital increase, in the amount of EUR 1.232 million (IAS 32.37). In the wake of the capital increase, an offering prospectus was created and the expenses accruing for that purpose in the first half of 2007, EUR 0.429 million, minus the notional tax expense of EUR 0.165 million, were also deducted from the capital reserve pursuant to IAS 32.37.

The sales of EUR 4.115 million in the first half of the year were generated primarily by the sale of a 9,200 sqm property in Munich-Dornach. The transfer of benefits and obligations and payment of the purchase price took place in April 2007. That sales figure also includes rental income from the lease of parking spaces and two commercial properties.

Other operating income raised by EUR 8.816 million relative to the first half of last year, including EUR 7.166 million in income from the consolidation of MÜBAU, EUR 0.983 million from acquisition of the remaining shares in MÜBAU and EUR 0.960 million from reversal of the provision for litigation risks, as the limitation period on the claims in question expired on December 31, 2006.

Net operating earnings (EBIT) of EUR 7.698 million were earned during the reporting period. The EUR 7.626 million improvement in EBIT was primarily attributable to other operating income earned in the course of the acquisition of MÜBAU.

The initial consolidation of Mübau generated EUR 8.149 million in income with no effect on

payments. The liquid funds received in the course of the acquisition of MÜBAU were EUR 0.227 million higher than the payments made for the acquisition in the first half of 2007.

The Company's free cash flow in the first quarter was affected primarily by the sale of the Munich-Dornach property and the purchase of the Duisburg property from ThyssenKrupp, reaching a net total of EUR + 0.882 million for the first half of the year.

The period result is not affected by seasonal fluctuations. There were no capital increases or dividends in the first half of the year.

More detailed segment-by-segment reporting will be dispensed with since operations continue to center on project development.

As of the reporting date, June 30, 2007, 18 persons were employed in ADLER Group (previous year: 8).

The property at Hellersdorfer Straße, Berlin, held through MÜBAU, was sold in April 2007. The purchase price was consistent with the valuation upon initial consolidation. The first purchase price installment was received in July 2007.

MÜBAU sold the Gütersloh property in May 2007, with the transfer of benefits and obligations expected in August. In this case as well, the purchase price is consistent with the valuation upon initial consolidation.

In conjunction with a regional project developer, a 126,119 sqm property in Duisburg was acquired from ThyssenKrupp in April 2007. The buyer is Logistik-Zentrum Duisburg-Nord GmbH, in which ADLER holds a 60% interest. The first purchase price installment, for a section of the property encompassing 39,231 sqm, was paid in April 2007, and the second installment, for a section comprising 86,888 sqm, is due on August 31, 2007. The transfer of benefits and obligations will be made after the purchase price for each section is paid. The Company plans to build a logistical center on the property.



## > NOTES TO INTERIM FINANCIAL STATEMENTS

as at June 30, 2007

### **Related Persons**

Supervisory Board Member Andreas Helwig received a fee of EUR 32,130.02 for consulting services in connection with preparation of the offering prospectus and other consulting services and assistance rendered to the Management Board.

### **Disclosures with Respect to Subscription Rights of Corporate Officers and Employees**

As part of the stock option program adopted by the General Meeting in 2006, the Management Board Members held 200,000 stock options on the balance sheet date (December 31, 2006: 200,000 stock options). Additional information about the stock option program can be found in our Annual Report.

### **Major Events after June 30, 2007**

ADLER acquired a portfolio in August, in conjunction with AIG Global Real Estate Investment Ltd, consisting of four Munich office buildings with a total area of around 35,000 sqm. The total investment volume is around EUR 58 million.

Also in August, ADLER joined with AIG Global Real Estate Investment Ltd to acquire another portfolio, consisting of twelve office properties in Berlin, Frankfurt, Munich and other German cities, with a total of around 54,000 sqm of leasable space. The total investment volume is around EUR 78 million.

ADLER holds a 15% interest in the Luxemburg-based real estate investment company which made the acquisition. As part of its collaboration with AIG Global Real Estate, ADLER Real Estate Service GmbH will assume all asset management functions.

On July 19, 2007, the Frankfurt Stock Exchange admitted for official trading 5,000,000 shares of bearer shares created by the capital increase adopted by the Management Board on June 27, 2006, with the Supervisory Board's approval, and entered into the Commercial Register of the Local Court of Frankfurt am Main on July 18, 2006, in exchange for cash contributions from the authorized capital, as well as up to 200,000 bearer shares created by the conditional capital increase adopted by the General Meeting on April 21, 2006 in connection with the Company's stock option plan.

## > DECLARATION PURSUANT

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### **Declaration Pursuant to § 37y No. 1 of the Securities Trading Act**

"We hereby affirm to the best of our knowledge, pursuant to the applicable accounting principles for interim financial reporting, with due regard for the requirements of § 37w of the Securities Trading Act, that the interim consolidated financial statements convey a true and fair view of the Group's financial, earnings and liquidity position, that the course of business, including the results of operations and the position of the Group, is represented in the interim consolidated management report in such a manner as to convey a true and fair view and that all essential opportunities and risks foreseeable for the Group in the remainder of the financial year are described."

ADLER Real Estate Aktiengesellschaft

The Management Board

## > CERTIFICATE OF AUDIT REVIEW

### Review Report

To ADLER Real Estate AG, Frankfurt

We have reviewed the condensed consolidated interim financial statements - comprising the condensed balance sheet, condensed income statement, condensed cash flow statement, condensed statement of changes in equity and selected explanatory notes - and the interim group management report of ADLER Real Estate AG, Frankfurt, for the period from January 1 to June 30, 2007, which are part of the half-year financial report pursuant to § (Article) 37w WpHG ("Wertpapierhandelsgesetz": German Securities Trading Act). The preparation of the condensed consolidated interim financial statements in accordance with the IFRS applicable to interim financial reporting as adopted by the EU and of the interim group management report in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports is the responsibility of the parent Company's Board of Managing Directors. Our responsibility is to issue a review report on the condensed consolidated interim financial statements and on the interim group management report based on our review.

We conducted our review of the condensed consolidated interim financial statements and the interim group management report in accordance with German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Those standards require that we plan and perform the review so that we can preclude through critical evaluation, with moderate assurance, that the condensed consolidated interim financial statements have not been prepared, in all material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU and that the interim group management report has not been prepared, in all material respects, in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports. A review is limited primarily to inquiries of company personnel and analytical procedures and therefore does not provide the assurance attainable

in a financial statement audit. Since, in accordance with our engagement, we have not performed a financial statement audit, we cannot express an audit opinion.

Based on our review, no matters have come to our attention that cause us to presume that the condensed consolidated interim financial statements have not been prepared, in all material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU nor that the interim group management report has not been prepared, in all material respects, in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports.

Hamburg, August 31, 2007

PricewaterhouseCoopers  
Aktiengesellschaft  
Wirtschaftsprüfungsgesellschaft

(Muellner)  
Auditor

(Wilke)  
Auditor

## > LEGAL REMARKS

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### **Legal remarks**

This report contains future-oriented statements that reflect the current management views of ADLER Real Estate AG regarding future events. Every statement in this report that reflects intentions, assumptions, expectations or predictions, as well as the assumptions on which they are based, is such a future-oriented statement. These statements are based on plans, estimates and forecasts currently available to the management of ADLER Real Estate AG. Therefore, they only apply to the day on which they are made. By their nature, future-oriented statements are subject to risks and uncertainty factors that can result in actual developments deviating considerably from the future-oriented statements or the events implicitly expressed in them. ADLER Real Estate AG is not obligated, nor does it intend, to update such statements in view of new information or future events.

## > FINANCIAL CALENDARS AND IMPRINTS

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### FINANCIAL CALENDERS

October 2007

Initiative Immobilien Aktie Conference

November 2007

Nine Months Report 2007

### IMPRINTS

#### **Publisher**

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Barbara Yaltrak

Axel Harloff

#### **Concept and Content / Investor Relations**

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ADLER Real Estate AG

GFEI Gesellschaft für Effekteninformation mbH

[www.gfei.de](http://www.gfei.de)