

Q1 2009

**Interim Announcement of the
Group within the 1st half-year**

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INTERIM ANNOUNCEMENT OF THE GROUP WITHIN THE FIRST HALF OF THE YEAR IN ACCORDANCE WITH § 37x, § 37y OF THE SECURITIES ACT

Hamburg, 15 May 2009. ADLER Real Estate AG, which publishes an interim report for the first time this year, was hampered in the first three months of 2009 by the weakening of the general economy. The financial and economic crisis, which in the final months of 2008 caused a massive slump in orders for high-value consumer goods, as well as a decline in orders in general, was responsible for immense losses in the first quarter of 2009, as sales and revenues in key industries fell by 20 percent, 30 percent and more, and US GDP dropped by 6.1%, its steepest decline since World War II.

The crisis affected different segments of the German real estate market in different ways. Especially hard hit was the commercial real estate market, as demand for office space in particular has slumped severely. As a result, the realization of many commercial real estate projects is now in doubt, especially since most banks are unwilling to provide financing. In residential real estate, however, demand is even stronger than it was in 2008, a good year. Residential properties in central regions and high-population areas have benefited from the growing fear of inflation, and demand for residential properties in good to excellent downtown locations is particularly strong. There is less demand for luxury properties. Demand in Germany's mid-sized and small urban centers, and in rural areas especially, is down considerably, as these regions continue to be affected by the general demographic shift towards urban areas, as well as an aging population and fears that property

values in those areas will continue to fall.

In this environment, ADLER Real Estate AG has been able to report only slight revenues growth over the year before, not enough to keep the company in the black. Net revenues increased to TEUR 630 (year before: TEUR 280), due primarily to sales of residential properties in Moosburg. The company's operating profit was TEUR -997, down from TEUR -742 last year. Given the fact that DB Immobilien GmbH had to file for insolvency in the first quarter due to a nearly complete collapse of its brokerage business for commercial real estate, we had to write down the book value of our minority interest in DB Immobilien to zero, in line with our conservative accounting practices. Nevertheless, DB Immobilien is seeking an insolvency plan procedure which would allow it to stay in business following a restructuring process. Any marketing activities by DB Immobilien for our subsidiary Münchener Baugesellschaft which are already underway will continue unchanged.

Given the fact that DB Immobilien GmbH has filed for insolvency, the book value of ADLER's interest in DB Immobilien was written down to zero, in line with the company's conservative accounting practices.

In addition to the TEUR 330 write-down which became necessary in that regard, the increase in the company's net loss was largely attributable to the currency hedging transaction in connection with its investment in the McKinney project (TEUR 100; year before:

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TEUR 0). Other operating expenses fell by TEUR 142, from TEUR 495 last year to TEUR 353, due to a reduction in administrative and outside consulting expenses, while personnel expenses were about the same as they were the year before, TEUR 430.

Net financial income fell to TEUR -151 (from TEUR -29 last year) due to a decline in interest revenues and an increase in financing expenses.

Net consolidated earnings were TEUR -1,147 (last year: TEUR -732), so that shareholders' equity is now TEUR 29,554 (31 December 2008: TEUR 30,608).

As of 31 March 2009, the company had TEUR 2,573 in liquid funds (as of 31 December 2008: TEUR 6,263). This outflow of cash is largely attributable to investments in the McKinney (TEUR 2,101), Moosburg (TEUR 220) and Herriotstrasse (TEUR 190) projects, as well as the cost of day-to-day operations.

Through active leasing management, actual leasing rates in the office buildings of the "Munich" and "Germany" portfolios have been increased even further, to about 70% for the Munich portfolio and around 78% for the Germany portfolio. The Munich portfolio is fully leased from a financial perspective, given the presence of rent guarantees. ADLER has a 15% interest in each portfolio through a joint venture with AIG Global Real Estate Investment (Europe) Ltd.

ADLER continued to work on its various projects during the reporting period in order to lay the groundwork for future transactions and ensure steadily growing transaction revenues. In the development plan procedure for the **Fanny-Zobel-Straße** site in Berlin, the consultation process has been initiated. Once it is completed, in a few weeks, the competent authorities will weigh possible objections to the plan, after which the resolution can be scheduled and the new development plan can take effect, so that we expect the new plan to take effect in 2009. Once the building rights are specified in this manner, negotiations with potential buyers can be completed.

During the reporting period, a well-known marketing and research institute began to develop ideas for using the site in the **Kaiserlei office district in Offenbach**, now used as a parking lot. The chance of a near-term sale is therefore greater. The chances of selling the remaining land on the **Herriotstraße** property in Frankfurt Niederrad have also improved considerably with the adoption of a new development plan. Bureaucratic preparations for an amendment to the Niederrad development plan are already underway. ADLER is pursuing several options with a view towards selling the remaining land.

Improvements to the **Moosburg an der Isar** site owned by Münchener Baugesellschaft mbH were largely completed in the fourth quarter of last year. The noise proofing system was completed, except for bridge

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work to the B11 and a small section bordering a nearby nursery. DB Immobilien GmbH, will market the site.

of the year which should ensure positive net earnings in 2009.

Development of the **Dallgow-Döberitz** site west of Berlin is also progressing. The municipality has now approved various amendments to and clarifications of the development plan, which will allow the site to be divided into various sections, each with a different marketing concept. The **Großbeeren** development zone is benefiting increasingly from Berlin's new international airport in Schönefeld. Due to its proximity to the airport, which will take over all of the capital's flight traffic sometime between 2010 and 2012, this area has seen an influx of airport workers and their families.

Despite the tough conditions, ADLER expects to conclude some transactions in the course

Financial Calendar

July 2, 2009

Annual General Meeting

November 2009

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August 2009

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