



Q1

Interim Report
First Quarter 2015

This document is a non-binding translation only.
For the binding document please refer to the German version, published under www.adler-ag.com

Key Financial Figures

In '000	01.01.2015	01.01.2014
Profit and loss key figures	- 31.03.2015	- 31.03.2014
Gross rental income	25,208	8,111
Earnings from the sale of properties	7,663	684
Adjusted EBITDA	13,853	3,673
Balance sheet key figures	31.03.2015	31.12.2014
Market value property portfolio	1,347,851	1,170,159
EPRA NAV	382,968	342,211
LTV in % *	67.1	68.7
EPRA NAV per share in EURO **	11.98	10.74
Non-financial key figures	31.03.2015	31.12.2014
Number of rental units under management	32,088	25,559
thereof proprietary units	30,840	24,086
Number of units sold	159	1,217
thereof privatised units***	105	837
thereof non-core units sold	54	380
Occupancy rate in %****	88.1%	87.2%
Monthly in-place rent in EURO/m ² *****	4.92	5.02
Number of employees	214	102
Other key financials	31.03.2015	31.03.2014
EBITDA	60,628	28,428
EBT	45,957	22,552
Consolidated net profit	42,904	21,399
Net cashflow from operating activities	4,851	1,840
Net cashflow from investing activities	-70,847	-37,013
Net cashflow from financing activities	60,611	32,950

* excluding convertible bonds

** based on the number of shares outstanding as at 31 March 2015

*** First Quarter 2015/Short financial year (six months, 1 July 2014 to 31 December 2014)

**** proprietary rental units

***** in-place rent as at 31 March 2015 respectively 31 December 2014

Key Property Portfolio Figures

Federal State as at 31.03.2015	Rental Units	Proporti- on of total portfolio in % (units)	Total rental area in m ²	Proporti- on of total portfolio in % (sqm)	Average rent in EUR per m ² *	Occupancy Rate in %
Lower Saxony	9,785	31.73	581,456	29.98	4.63	90.20
North Rhine-Westphalia	9,590	31.10	644,098	33.21	5.02	86.13
Saxony	4,673	15.15	291,208	15.01	4.60	84.91
Saxony-Anhalt	2,136	6.93	122,831	6.33	4.69	85.80
Berlin**	1,255	4.07	79,004	4.07	5.23	98.50
Thuringia**	1,020	3.31	51,856	2.67	5.26	93.93
Schleswig-Holstein	637	2.07	35,541	1.83	5.88	92.84
Brandenburg	545	1.77	42,250	2.18	4.93	90.59
Hesse	500	1.62	47,274	2.44	6.68	89.61
Mecklenburg-Western Pomerania	407	1.32	18,926	0.98	6.87	89.72
Bavaria	161	0.52	14,158	0.73	5.70	77.49
Rhineland-Palatinate	67	0.22	5,699	0.29	5.73	77.01
Baden-Wuerttemberg	64	0.21	5,364	0.28	8.04	93.33
Total	30,840	100.00	1,939,665	100.00	4.92	88.13

* in-place rent as at 31.03.2015

** excluding project development Erfurt, including non-current assets held for sale

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Letter from the Management Board

**Dear shareholders,
ladies and gentlemen,**

once again, we started the financial year by taking very large growth steps. As a result, we will again exceed the expansion achieved in the previous year. As a first step, the acquisition of the interest in Wohnungsbaugesellschaft JADE mbH, based in Wilhelmshaven with some 6,570 units was closed.

The second large step was the acquisition of a majority stake in Berlin-based WESTGRUND AG, which holds some 20,000 units (including a purchase which has not yet been concluded). In February, we published our resolution to make a takeover bid to WESTGRUND shareholders. For financing the cash component, we placed an additional corporate bond with a volume of EUR 300 million just before Easter. This time the coupon was 4.75% p.a., considerably less than our first bond two years ago which had an interest rate of 8.75%. We consider this as a sign of the remarkably increased confidence of the capital market in the development of our Company. In addition to the necessary cash, we managed to achieve a further major part of the acquisition on the basis of signing irrevocable undertakings. Here we were given a binding commitment for more than 50% of WESTGRUND shares. Finally, with 100% approval, our Extraordinary General Meeting on 29 April 2015 resolved the proposed non-cash capital increase which was necessary for the acquisition. Shareholders pre-emptive rights were disapplied. In this way, we achieved our objective of being able to consolidate WESTGRUND fully into the ADLER Group after the acquisition.

Solely on the basis of these two transactions – JADE and WESTGRUND – our Company more than doubled its portfolio to over 50,000 units within six months from the end of 2014.

On the basis of taking these large steps, ADLER is growing to become a respectable market participant. It is probable that our shares will be included for trading in the SDAX. As a result, we will be a must-have share in the investment strategy of international and other large investors. Our new group will also take large strides on the operating level, and successively leverage the considerable synergy potential from the WESTGRUND acquisition. The development on the market remains very good. Despite political intervention ("rent increase cap"), apartment rents in German are steadily rising. The ongoing low interest rates (actually zero interest rate) on the capital markets brings us two advantag-

es – we can optimise financing for our portfolios and also benefit with further acquisitions. Our very successful subsidiary ACCENTRO, which we acquired almost exactly one year ago, benefits from growing demand for apartments, which are bought by the occupiers themselves as a protection against further rent increases or which can be used as a meaningful alternative to secure pension income by an increasing section of the population.

In this context, we anticipate that ADLER will again post a very good development also over the whole of the 2015 financial year. Alongside the strong overall growth due to the large acquisitions, operating income will also improve.

Yours

A handwritten signature in black ink, appearing to read "Harloff". The signature is fluid and cursive, with a distinctive flourish at the end.

Axel Harloff

Management Board

Basis of the Group

BUSINESS MODEL ADLER Real Estate AG focused on the establishment and expansion of an important residential property portfolio throughout Germany. It primarily acquires equity interests in portfolios that are predominantly situated in B-locations in German conurbations, portfolios which after deducting all current costs including debt servicing generate positive cash flow and offer potential for sustainable value growth. The primary aim is to acquire majority interests in order to ensure that the company can exercise sufficient influence over the optimal management of the portfolios.

In addition to portfolio acquisition, the Group's objectives are sustainable portfolio management and better utilisation of residential portfolios, i.e. reducing vacancy rates by implementing optimisation measures. Central asset management has the mandate of securing optimal operating performance and core productivity in managing residential property. This takes the form of a transparent, end-to-end, closely linked organisation that is intended to enable the optimal letting and management of the residential portfolios. In the process the central focus is the interest of the customer, i.e. the interest of the tenant in affordable housing and up-to-date requirements.

Alongside managing residential property, ADLER is optimising its portfolios. As a result of the majority takeover of ACCENTRO Real Estate AG (formerly ESTAVIS AG), it has control over the largest German company with a focus on residential privatisation. ACCENTRO markets suitable residential properties from the ADLER portfolio on a targeted basis, and also brokers individual apartments on behalf of third parties to owner-occupiers and investors who want to buy an apartment to secure pension income.

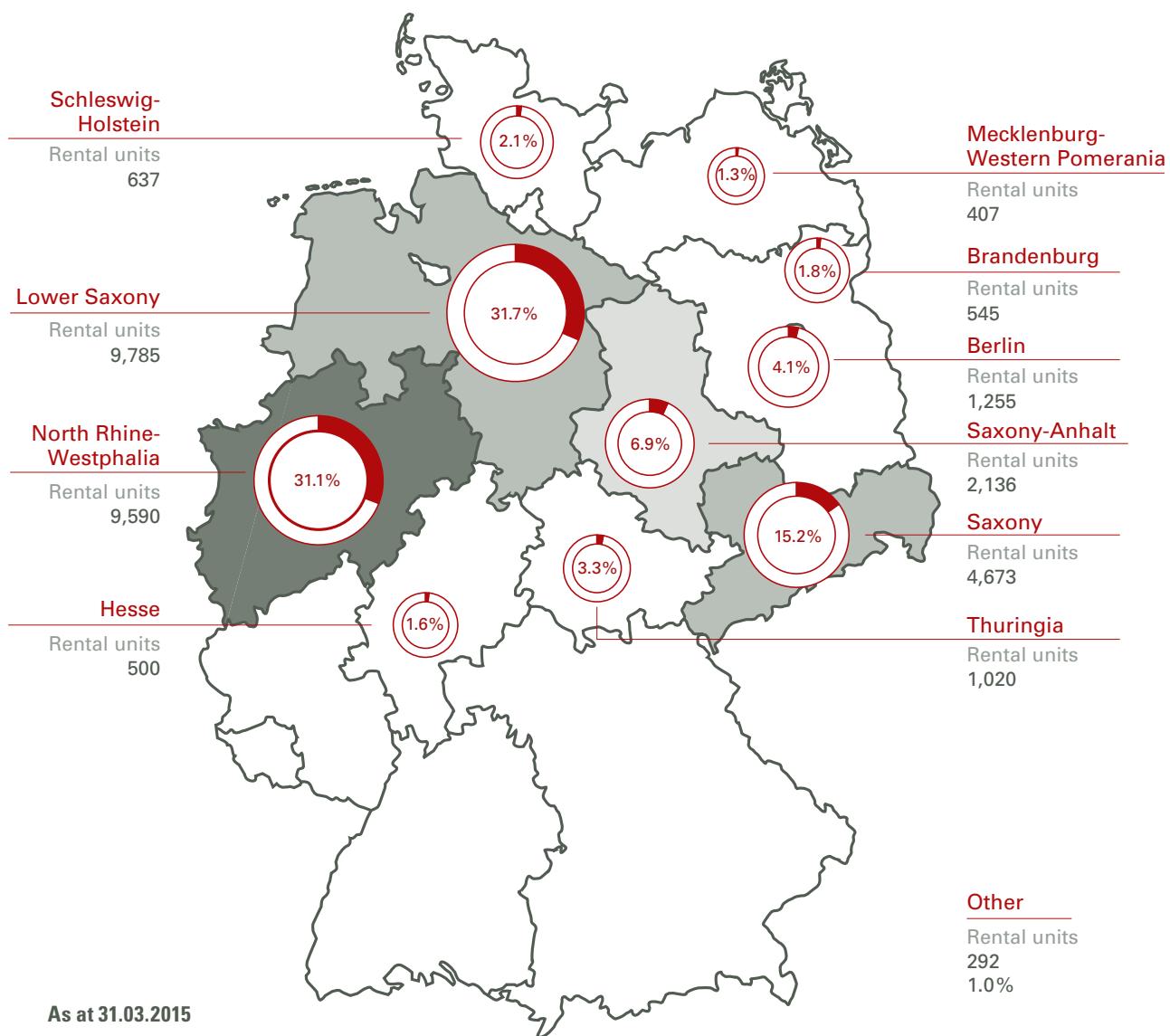
With around 30,840 residential and commercial units at the end of March 2015, ADLER Real Estate AG is one of the ten largest listed German housing companies in terms of market capitalisation. The company is listed on the Regulated Market of Deutsche Börse. The pending acquisition of WESTGRUND AG in 2015 means that ADLER is expected to have a portfolio of more than 50,000 apartments by mid-2015 and is thus – in terms of residential units – already is the fifth five largest listed residential real estate company in Germany.

ADLER's activities are broken down into the two business areas or segments Rental and Trading.

Real Estate Portfolio In the Rental segment, ADLER Real Estate AG concentrates on establishing and expanding a residential property portfolio throughout Germany and its sustained management with the objective of achieving value enhancement and value enhancement potential. To this end, ADLER plans investment programmes aimed at allowing it to improve the letting rates of apartments in the

competition for tenants and steadily increase the existing rental income. This is also intended to free up potential for increasing value in the form of construction involving free plots, in-fill housing and development reserves or by implementing energy-saving renovation measures.

Distribution by federal estate



Building modernisation, particularly in the form of energy-related renovation, also allows corresponding measures to significantly increase the value of properties. This can allow higher rents to be realised or reduce operating costs, and particularly heating costs, which can account for up to a quarter of total rent, to the benefit of tenants. Renovation and apartment modernisation measures can make vacant apartments more attractive for letting in competition with other providers, resulting in properties that are let quickly and well.

Trading The Trading segment of the ADLER Group is primarily covered by the majority interest in the listed ACCENTRO Real Estate AG (formerly ESTAVIS AG). The segment encompasses trading in residential properties and individual apartments. ACCENTRO markets suitable residential properties and individual apartments from the ADLER Group, as well as on behalf of third parties, in a targeted manner to owner-occupiers in Germany and abroad. By privatising apartments, assets can be sold at a premium to book value, in some cases a considerable one, thus generating a considerable increased added value for ADLER. Properties for which no further value increases can be identified or which are too far away from larger portfolios to be managed in an optimum fashion, are generally sold to smaller private investors.

MANAGEMENT SYSTEM ADLER Real Estate AG operates as a financial holding company that manages and controls property and facility management companies via the Group's management companies. A vital role is played by ADLER's central asset management, which manages the respective property management companies locally, typically under the terms of service agreements. However, the Group also has its own property holding companies that perform property and facility management for residential portfolios using in-house capacities.

A software solution that has been largely implemented is already optimising portfolio management, thus supporting the necessary asset and property management in parts of the portfolio. The software solution ensures that an overview of the full situation in the various portfolios, development in terms of letting, rental income and potential for rental development can be obtained at all times in future, thereby allowing the necessary investments to be controlled. The transparent and seamless administration of the residential property portfolio and the respective management options not only form the basis for professional portfolio management, but also provide the foundation for integrating additional portfolios. The key performance indicator in the Rental segment is cash flow, which is influenced by occupancy rates, termination and new letting rates, basic net rents, management costs and debt servicing.

In the Trading segment, EBIT is used as a financial performance indicator for business management purposes. EBIT is primarily determined by the pro-

ceeds on the sale of properties, which depends on factors such as the number of reservations of owner-occupied apartments by potential buyers and the actual selling prices realised. The latter is recorded in terms of both the number of apartments and the sales volume.

As the Group holding company, ADLER Real Estate AG does not have any employees other than the Management Board. The office organisation and operational tasks within the Group are largely performed via the wholly-owned subsidiary ADLER Real Estate Service GmbH, which had 49 employees at the end of March 2015. The employees of this company are deployed at the respective project companies flexibly and in line with their specialist capacities. Together with the employees of the property companies and the subsidiaries, ADLER had a total of 214 full-time and part-time employees at the end of the reporting period.

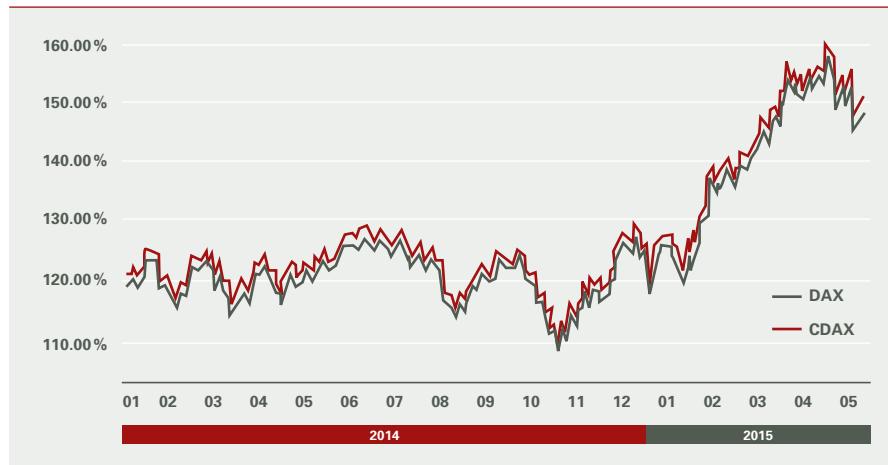
EMPLOYEES

The DAX started 2015 with a surge. Up to 10 April, the index increased to a new all-time high of 12,374.7 points, up 26.7% on the figure at the start of the year. The key driver of this bull market was the European Central Bank which decided in January to pump EUR 1.1 trillion into the markets in the period up to September 2016 by buying sovereign bonds. Support also came from the good economic development in the USA and on the back of the lower euro price driven by the period of low interest driven by the ECB. This provides further tailwind to the export opportunities of German industry. Nascent concern relating to the economic development in the USA, the euro slightly rising again and speculation about a turnaround on interest markets stopped the surge of the DAX as of the editorial close of this interim report.

DEVELOPMENT ON THE STOCK MARKETS AND CAPITAL MARKETS

Sentiment on the stock exchanges

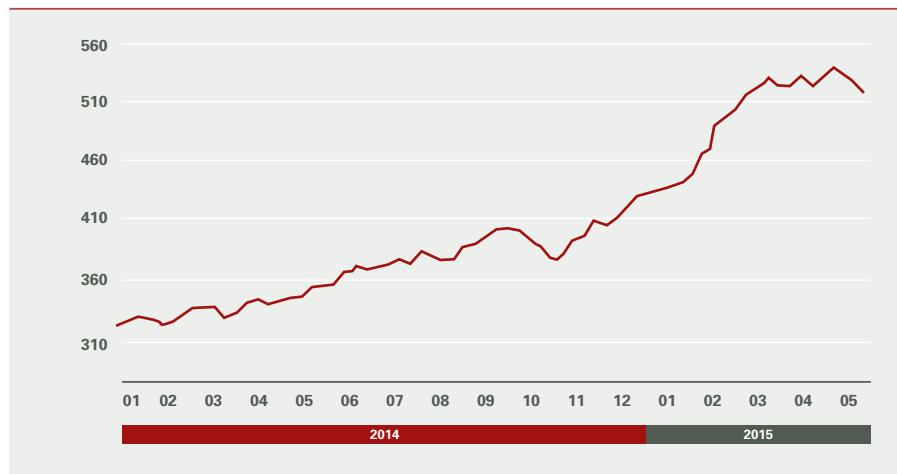
Performance of DAX und des CDAX since January 2014



**Development
of property shares**

The strong upturn of property share prices which had started in October 2014 accelerated in the first months of 2015. Here too investors were driven by the low interest policy of the ECB. They recognised a very low financing environment for property shares, also on a longer-term basis and also obviously expect apartment rents to continue rising. Furthermore, the takeover of GAGFAH by Deutsche Annington fuelled speculation on possible further takeovers and pending consolidation.

E&G DIMAX (in points)



**Development
of the ADLER share**

The ADLER share continued its price upturn with a strong surge from approximately the middle of January. The price moved up to a high of EUR 14.73, almost double the level at the start of the year. Particularly the acquisition of the stake in the portfolio in Wilhelmshaven and the announcement of a takeover bid for WESTGRUND AG additionally fuelled what was the general strong upward trend.

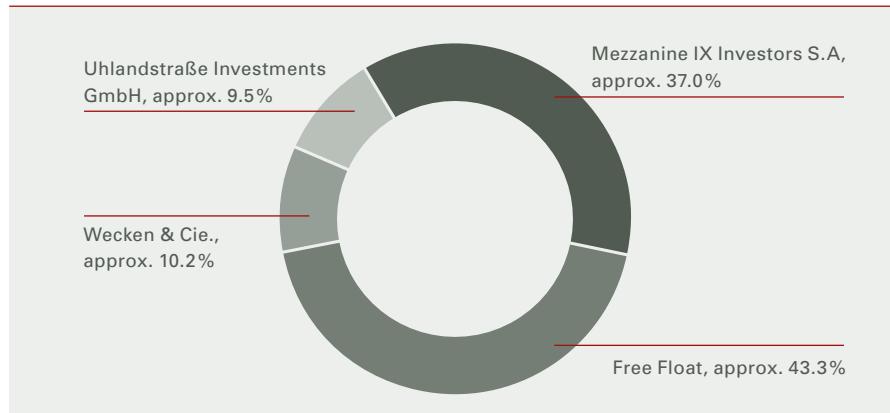
Performance of ADLER Real Estate AG Share (in EUR)



There was virtually no change to the shareholder structure at ADLER Real Estate AG in the first months of 2015. It was only the exercise of convertible bonds which resulted in minimum changes. To the end of March 2015, the capital stock rose further to EUR 31,970,204 / 31,970,204 shares as the owners of the 2013/2017 and 2013/2018 convertible bonds exercised their conversion right. With its stake of 37.0%, Mezzanine IX, Investors S.A. remains the largest ADLER shareholder. For the current figures, refer to the ADLER Real Estate AG website at www.adler-ag.com under the Investor Relations tab. There was the following shareholder structure at 31 March 2015:

SHAREHOLDER STRUCTURE

Shareholder Structure as on 31 March 2015



Economic report

GENERAL ECONOMY AND THE PROPERTY MARKET

The German economy, which has a big impact on the German property markets and thus also on the development at ADLER Real Estate AG, is developing strongly upwards. Key factors pushing the economy to a good start in 2015 were the low oil prices and the weak euro. Additionally the economy is being supported by the ongoing low level of interest rates and increasing consumption on the part of consumers who are spending money saved on energy costs. The German government and economic research institutes as well as the EU Commission all are forecasting strong economic growth, at least for 2015. While the spring assessment of the economic research institutions anticipates an upturn of gross domestic product by 2.1%, the German government is expecting an increase of 1.8%.

And for the Eurozone strong growth is again indicated overall. According to the Munich-based ifo-Institut, the economic climate in the euro zone is currently better than it has been for eight years. The relevant ifo Barometer, which is based on a quarterly survey of roughly 300 economic experts, climbed considerably in the second quarter of 2015, by 16.5 points to 129.2. The index thus was much higher than its long-term average of 106.1 points. It was Germany that generated the main contribution to the favourable situation. Despite the optimistic sentiment, it is considered that there are risks moving forward, for example as a result of the large strike of the German railway at the beginning of May or the economy cooling in the USA, which as a counterpart to the euro weakness, has to cope with a strong US dollar for its exports.

The good economic trend and especially declining energy costs have created further scope for the general increase of basic net rents. According to the spring assessment of the property experts, residential rents in Germany continued to rise in 2014, in western Germany by 1.7% in real terms and in eastern Germany by 1.1%. As a result, rents in western Germany have again almost reached the level of 2004, and equalised the decline in rents which occurred in the interim period. In the first quarter of 2015, residential rents rose further. An indicator here is the trend of the rents offered. According to the ImmobilienScout24 platform, they increased from the end of December 2014 by 0.9 percentage points to a figure of 121.7 points, up 2.6 percentage points on March 2014.

On the investment market for residential property in Germany, there was a record result in the first quarter of 2015. However, this was fuelled largely by the Deutsche Annington takeover of GAGFAH. The transaction volume of almost EUR 11.04 billion was 116% higher than the comparable quarter in the previous year. However, without the large transaction mentioned, the transaction volume would have declined by 40% to EUR 3.06 billion.

The first quarter of the ADLER Real Estate AG financial year was again dominated by strong expansion. At the end of January, ADLER concluded its participation in Wilhelmshaven-based Wohnungsbaugesellschaft JADE mbH, with its property and facility management subsidiaries, a transaction that has been secured on the basis of contract signed last year in October. The value of the portfolios is considerably more than EUR 200 million. As a result, the total portfolio of residential properties in the ADLER Group increased to 30,840 units as of the end of March 2105.

The properties in Wilhelmshaven are in a very solid condition, have almost no renovation backlog and are mostly situated in good locations in Germany's largest naval city. Around two-thirds of the apartments were constructed in the 1930s and 1940s. Annual basic net rent is currently EUR 20.5 million. The occupancy rate is approximately 93% with an upward trend.

There was a successful further increase in the 2014/2019 bond that was issued in April 2014 and which had already been raised to EUR 100 million in July 2014. It being topped up by EUR 30 million to EUR 130 million contributed to financing the acquisition. The issue price was 102%. The corporate bond has a term to 1 April 2019 and a coupon of 6.00% p.a.

On 16 February 2015, ADLER published the resolution to make a takeover offer to shareholders of the Berlin-based WESTGRUND AG, which was designed as a mix of cash and non-cash contributions, consisting of 0.565 ADLER shares plus an additional cash consideration of EUR 9.00 for every three shares in WESTGRUND. Based on the closing price on 13 February 2015, the takeover bid corresponds to around EUR 5.00 per WESTGRUND share. The new ADLER shares will participate in dividends from 1 January 2015. On the basis of an irrevocable undertaking with some large shareholders of WESTGRUND, the acceptance of the takeover bid was agreed early. This secured the acceptance of 50.1% in WESTGRUND.

In addition to further growth, ADLER regards the acquisition of WESTGRUND AG as the opportunity to leverage considerable synergies to an order of approximately EUR 20 million over the next three years. Both ADLER and WESTGRUND pursue the objective of establishing a significant residential property portfolio in Germany with a particular focus on German B-locations and outskirts of urban regions in order to generate a positive cash flow after deduction of all current costs. At the end of the reporting quarter, WESTGRUND held approximately 18,000 residential units. Furthermore, at the end of 2014, WESTGRUND had secured the acquisition of an additional 2,700 residential units. Following the acquisition, the ADLER Group will have a portfolio totalling 50,000 residential units in Germany.

ECONOMIC DEVELOPMENT OF THE GROUP

Alongside the acquisition steps, in the reporting quarter ADLER focussed on the integration and commenced the further development of the residential property portfolios acquired in 2014. A key feature was further linking the local property managers to central asset management and setting up a comprehensive and transparent reporting system. An important part of the efforts is improving occupancy rates of the acquired residential units. Thus, ADLER is investing on an ongoing basis in renovating apartments which were empty when acquired. At the end of March 2015, the occupancy rate was 88.1%, up in nominal terms on the figure at the end of 2014 (87.1%). The average rent reached a figure of EUR 4.92 per square metre of residential space.

In the Trading segment, ACCENTRO started the new year well. In the reporting period, 105 apartments were privatised, mainly in Berlin. In the first quarter, the sale of a number of residential units was somewhat delayed since they were acquired or contracted to be privatised in the previous periods and still had to be renovated. Consolidated revenue was EUR 9.0 million, above the comparable period of the previous year (EUR 7.6 million). The increase is due to higher income from portfolio properties. This higher income is due to ACCENTRO additions in the previous periods. From Group portfolios and on behalf of third parties, ACCENTRO has a buffer of 1,694 residential units planned for privatisation (as at 31 March 2015).

Results of operation, Net assets and Financial position

Result of operations As a result of the considerable growth in 2014 and the acquisition of a further important interest in the Wilhelmshaven residential properties portfolio, income in the ADLER Group rose sharply in the first quarter of 2015. The most important figures in the income statement developed as follows:

In EUR million	31.03.2015	31.03.2014
Gross rental income	40.178	12.115
– of which net rental income	25.208	8.111
Earnings from property lettings	17.520	4.842
Income from the sale of properties	8.234	0.684
Income from the sale of properties	0.275	0.254
Income from fair value adjustments of investment properties	5.569	0
Other operating income	44.070	25.285
Adjusted EBITDA	13.853	3.673
EBIT	60.415	28.424
Financial costs	-14.784	-5.996
Earnings before taxes	45.956	22.552
Consolidated net profit after taxes	42.903	21.400
Occupancy rate in %	88.13	89.22
Monthly in-place rent (EUR/square metre)	4.92	5.07
Property portfolio (number of rental units)	30.840	10.142

Gross rental income surged by a factor of almost four to EUR 40.178 million (Q1 2014: EUR 12.115 million). Expenses from property lettings did not rise as quickly, accelerating only by a factor of approximately three to EUR 22.659 million (Q1 2014: EUR 7.273 million). Earnings from the sale of properties declined to EUR 0.275 million (Q1 2014: EUR 0.684 million), as a large number of the sold properties had already been posted at market value, something which was more than underscored by the successful trading.

Other operating income rose to EUR 44.07 million (Q1 2014: EUR 25.285 million). This income resulted primarily from the impact from the acquisition of the interest in the Wilhelmshaven housing association. The negative difference generated with this merger was recognised in the income statement immediately as a non-recurring factor. Income from fair value adjustments of investment properties was a further positive effect. It increased to EUR 5.569 million (Q1 2014: zero).

In line with the Group's growth and the resulting considerable upturn in headcount, personnel expenses rose to EUR 2.315 million (Q1 2014: EUR 0.405 million) and other operating expenses EUR 4.491 million (Q1 2014: EUR 1.548 million).

The adjusted EBITDA of EUR 13.853 million is adjusted for the income from the remeasurement of investment properties (EUR 5.569 million) and the provisionally calculated income from the first-time consolidation of WBG JADE mbH (EUR 42.291 million) as well as depreciation and additional non-recurring expenses and income (together EUR 1.298 million).

EBIT increased to EUR 60.414 million (Q1 2014: EUR 28.424 million). After deduction of financial costs totalling EUR 14.784 million (Q1 2014: EUR 5.996 million), earnings before tax (EBT) totalled EUR 45.956 million (Q1 2014: EUR 22.552 million). After taxes of EUR 3.053 million (Q1 2014: EUR 1.153 million) consolidated net profit for the year of EUR 42.903 million was generated, double the figure of the first quarter of the previous year (Q1 2014: EUR 21.400 million). The profit upturn was higher than the guidance published in the context of reporting as of 31 December 2014.

In the reporting period, higher income resulted primarily from the Rental segment. This is shown by the breakdown across the individual segments as follows:

In EUR million	Trading	Rental	Other	Total
	Q1 2015	Q1 2015	Q1 2015	Q1 2015
Gross rental income and income from the sale of properties	4.440	43.588	0.385	48.412
of which:				
Gross rental income	1.157	38.901	0.121	40.178
Income from disposals	2.712	4.687	0.264	7.663
Income from brokerage	0.571	0	0	0.571

The entire Group operating result was driven almost exclusively by net operating income in the Rental segment totalling EUR 60.441 million. The Trading segment contributed EUR 0.027 million while Other Activities which are not part of the core business generated an operating loss of EUR 0.054 million.

In EUR million	Trading	Rental	Other	Total
	Q1 2015	Q1 2015	Q1 2015	Q1 2015
EBIT	0.027	60.441	-0.054	60.414

Finance costs result from the direct financing of property portfolios as well as the issue of bonds and convertible bonds. They are broken down across the individual segments as follows:

in EUR million	Trading	Rental	Other	Total
	Q1 2015	Q1 2015	Q1 2015	Q1 2015
Net finance costs	-0.598	-13.738	-0.036	-14.372

FFO (Funds from Operations) were as following in the first quarter:

Funds from Operations (FFO)

in EUR million	Q1 2015	Q1 2014
Consolidated net profit	42.904	21.399
Financial result	14.372	5.861
Income taxes	3.053	1.153
Depreciation and amortisation	0.213	0.004
Income from fair value adjustments of investment properties	-5.569	0.000
Net income from at-equity valued investment associates	0.086	0.011
EBITDA IFRS	55.059	28.428
Non-recurring and extraordinary items	-41.205	-24.751
Adjusted EBITDA	13.853	3.677
Interest expense FFO	-12.698	-6.451
Current income taxes	-0.168	-0.012
Capitalisable maintenance	2.769	1.393
Earnings before interest and taxes – attributable to Segment Trading/Other	0.027	n/a
FFO I	3.784	-1.393
Earnings before taxes – attributable to Segment Trading/Other	-0.663	n/a
Net income from at-equity valued investment associates	-0.086	-0.011
FFO II	3.035	-1.404

For the 2015 financial year, ADLER is anticipating FFO I of at least EUR 7 million purely on the basis of the property portfolio of 30,840 units at the end of the first quarter of 2015.

Net assets Ongoing growth is evident in the increase of the Group's total assets of EUR 1.416 billion to EUR 1.687 billion. A key factor impacting this increase was investment properties rising to a volume of EUR 1.348 billion (Q1 2014: EUR 1.17 billion).

At EUR 177.692 million, this increase was primarily attributable to investment property, which accounted for EUR 1.348 billion or 79.9% of total assets. The growth in investment property is attributable to the additions of EUR 249.108 million, disposals and reclassifications totalling EUR 76.985 million and remeasurement gains of EUR 5.569 million.

Additional properties of EUR 93.845 million are reported in inventories. These properties are carried at cost rather than fair value. The goodwill reported in non-current assets is attributable to the acquisition of ACCENTRO AG.

In Non-current assets held for sale of EUR 91.527 million Real Estate units held for sale and assets held for sale are included. According to this, the related debts of EUR 51.746 million are reported as liabilities held for sale. This topic is mainly related to ESTAVIS Berlin Hohenschönhausen GmbH, ESTAVIS Filmfabrik GmbH & Co. KG and ESTAVIS Vermögensverwaltung GmbH.

In addition to rent receivables, trade receivables primarily consist of purchase price receivables for the sale of property and property holding companies.

As well as investments in current securities (EUR 17.188 million), other current assets of EUR 54.320 million primarily consists of earmarked funds in the amount of EUR 20.848 million.

Total equity amounted to EUR 360.965 million, of which EUR 334.533 million was attributable to the shareholders of ADLER AG and EUR 26.432 million to minority shareholders of the companies controlled by ADLER AG. Details can be found in the statement of changes in equity. The equity ratio amounted to 21.40% at the reporting date (31 December 2014: 21.97%).

In connection with the transactions made, debt at 1.169.013 million was 91.74% non-current and EUR 105.202 million at 8.26% current borrowings. The main sources of borrowing are bonds, convertible bonds and loans from banks, which include promissory note loans initiated by these banks. In addition, liabilities for deferred taxes were reported in non-current liabilities in the amount of EUR 36.793 million.

Loan to Value (LTV)

As well as increasing the volume of investment property reported, ADLER's intensive acquisition activity has led to a higher level of financial liabilities. Excluding the convertible bonds, the ratio of net financial liabilities to assets adjusted for cash improved in the year under review.

In EUR million	31.3.2015	31.12.2014
Convertible bonds	33.960	33.937
Bonds	172.492	144.782
Liabilities to banks	968.461	838.897
Cash and cash equivalents	-27.675	-33.060
Net financial liabilities	1.147.238	984.556
Assets adjusted for cash	1.659.251	1.383.399
LTV incl. convertible bonds	69.14%	71.17%
LTV excl. convertible bonds	67.10%	68.72%

ADLER calculates its net asset value (NAV) in accordance with the guidelines issued by the EPRA (European Public Real Estate Association). ADLER applies the equity attributable to ADLER's shareholders in calculating NAV. The EPRA NAV increased by EUR 40.757 million to EUR 382.968 million.

Net Asset Value (NAV)

Based on the number of shares outstanding at the reporting date, EPRA NAV per share amounted to EUR 11.98 and diluted EPRA NAV per share amounted to EUR 10.18.

In EUR million	31.3.2015	31.12.2014
Shareholders' equity	360.965	311.211
Non-controlling interests	-26.432	-19.810
Equity attributable to ADLER shareholders	334.533	291.401
Net liabilities for deferred taxes	36.793	39.083
Differences between the fair values and carrying amounts of inventory properties	10.750	10.750
Fair value of derivative financial instruments	0.892	0.977
EPRA NAV	382.968	342.211
Goodwill	-27.081	-27.081
Adjusted NAV	355.887	315.130
Number of shares at the reporting date	31,970,204	31,876,672
EPRA NAV per share in EUR	11.98	10.74
Number of shares at the reporting date (diluted)	39,370,528	39,370,528
EPRA NAV per share (diluted) in EUR	10.18	9.14

Financial position Following the elimination of non-cash expenses and income, cash flow was as follows:

In EUR million	Q1 2015	Q1 2014
Cash flow from operating activities	4.851	1.840
Cash flow from investing activities	-70.847	-37.013
Cash flow from financing activities	60.611	32.950
Change in cash and cash equivalents	-5.385	-2.223
Cash and cash equivalents at beginning of period	33.060	5.874
Cash and cash equivalents at end of period	27.675	3.650

The larger managed portfolio increased cash flow from operating activities in comparison to the same period of the previous year.

A key factor driving cash flow from investing is the acquisition in the interest of WBG JADE mbH and its subsidiaries.

Cash flow from financing activities includes funds from taking up financing loans in the context of the above acquisition and topping up the 2014/2019 bond by a further EUR 30.0 million.

Other assets include restricted cash and cash equivalents of EUR 20,848 million and short-term deposits of EUR 17,188 million.

The Group was able to meet its payment obligations at all times.

OPPORTUNITIES AND RISK

In February, ADLER decided to acquire WESTGRUND AG. The takeover bid was structured in line with the regulations of the German Securities Trading Act and published on 30 April 2015. According to the regulations of the German Securities Trading Act, the average share prices (weighted by the volume of trade) of ADLER and WESTGRUND in the three months prior to the resolution on a takeover bid were calculated to determine the swap ratio. The relevant average share price of the WESTGRUND share was EUR 3.97, that of the ADLER share EUR 8.32. In line with the takeover bid, this results in a price for the WESTGRUND share of EUR 4.57, a premium of EUR 0.60 per share or approximately 15%. To secure the acquisition, irrevocable undertakings were agreed with WESTGRUND shareholders, who hold more than 50.1% of WESTGRUND shares.

There was no extensive due diligence at WESTGRUND. An examination was made solely on the basis of publicly available information on WESTGRUND, such as annual reports, company presentations and analyst reports with specific reference to the audit opinions and audits on the part of auditing companies.

Thus the existing risk remains in respect to miscalculated investment decisions and the payment of an excessive purchase price, specifically on the basis of an inadequate assessment of the values to be acquired, of administration and management processes including inherent risks.

There were no material changes to the opportunities and risks presented in the management report on the 2014 financial year. No risks jeopardising the company as a going concern can be discerned, either now or for the future.

REPORT ON POST-BALANCE SHEET DATE EVENTS

As already stated at the beginning, in February this year, ADLER resolved to make a takeover bid to the WESTGRUND AG shareholders. To finance the cash component, a corporate bond with a volume of EUR 300 million was successfully placed in the first week of April, before Easter. This bond has a duration of five years and a coupon of 4.75% p.a., which was determined in a bookbuilding process. It yields 5% p.a. The offer was conducted purely as a private placement and ad-

dressed solely to qualified investors outside the United States. Funds not required for the acquisition were largely used for refinancing existing liabilities in the ADLER Group.

For the further preparation of the takeover bid, ADLER convened an Extraordinary General Meeting on 29 April 2015. The meeting passed the necessary resolution on a non-cash capital increase with existing shareholders pre-emptive subscription rights disapplied. This was done without any "No" votes and without any abstentions. On 30 April 2015, the German Federal Financial Supervisory Authority approved the offer documentation for the takeover bid, so that the takeover bid was published on the same day. In accordance with the resolution of the Annual General Meeting, the current capital stock in line with the Articles of Association is to be increased by the relevant issue of new ADLER shares of EUR 31,876 million, depending on the acceptance ratio in the context of the intended takeover bid, by up to EUR 14.987 million to up to EUR 46.864 million. The new ADLER shares participate in dividends from 1 January 2015.

In the course of the further focus on residential privatisation, the subsidiary ACCENTRO successfully sold further properties at the end of April which were not intended for privatisation. The stake was sold in a residential properties portfolio with a total of 1,174 units and a net rentable area of 76,386 square metres. From the sale, ACCENTRO generated profits of approximately EUR 13.1 million in its consolidated financial statements in line with IFRS, which are expected to impact in the second quarter of 2015. From the transaction, the Company also receives cash and cash equivalents totalling approximately EUR 51.5 million. The cash and cash equivalents are to be used primarily for acquiring residential properties which are particularly suitable for privatisation.

REPORT ON EXPECTED DEVELOPMENTS

General economic conditions are continuing to develop well in the current year. The German government, the German Council of Economic Experts and various economic research institutes expect, as has already been described, that gross domestic product in Germany will rise strongly, with the forecasts anticipating an increase in a range between 1.8% and 2.2%. Interest rates remain very low and are expected to remain at this level. As a result of the low oil price and the higher collective wage agreements, consumers have more funds. The consequence is that increasing expenditure on consumption is anticipated. Residential rents are rising steadily and have further upside potential due to higher consumer income and declining energy costs, which result in lower operating costs.

The acquisition of WESTGRUND AG, which is set to be completed towards the middle of the year, will substantially accelerate ADLER's growth. Including secured acquisitions, the WESTGRUND Group has a portfolio of approximately 20,000 units across Germany. In the past, it steadily expanded its property portfolio by buying up selected portfolios. As with ADLER, its investment focus was on properties which generated positive cash flow on acquisition. Together with WESTGRUND, ADLER will hold approximately 50,000 units and further growth is not excluded.

After the acquisition, it is planned to standardise company structures. In this way, structural costs can be saved, because they are not incurred separately at both companies, but only once. This will result in an improved personnel and operating cost ratio.

Together ADLER and WESTGRUND have an even stronger negotiating position in order to further optimise conditions for future acquisitions and in purchasing. This also relates to contracts with utilities and insurance companies, although leveraging this potential depends on previous conditions and especially on the relevant terms of the current contacts. But as these are primarily costs which are allocated to tenants, there are possibilities of appropriately increasing net rents which are paid to ADLER in the Group as the tenants pay less for ancillary costs.

In the local management and in asset management, there are additional options to increase efficiency and to reduce costs. After the acquisition, ADLER will have some 14,600 units in Lower Saxony, including a good 4,800 from WESTGRUND. In Saxony-Anhalt the combined portfolios of WESTGRUND and ADLER have almost 3,800 units. ADLER has another key focus in North Rhine Westphalia where it has almost 10,000 units. The local management thus is closer to more administration units. In respect to renovation, it can take advantage of its greater purchasing power. In Berlin, WESTGRUND alone has almost 2,000 units. Here there are further synergies, with opportunities for the ADLER subsidiary ACCENTRO, as some of these units are suitable for privatisation.

Finally, the acquisition of WESTGRUND will also strengthen the profile on the capital markets. The combined market capitalisation of ADLER and WESTGRUND achieves a volume exceeding EUR 800 million. This improves trading and liquidity for the ADLER share, thus making it even more interesting for larger investors. A further factor here is the expected inclusion in the German share index for small caps, the SDAX. This is driven by the fact that many national and international investors must invest in the SDAX stock due to their investment profile. This is why we are expecting that such an enhanced profile on the capital markets will also allow company financing at improved conditions, both for equity and debt.

Earnings performance in the current financial year will also depend on this integration and the extent to which the extensive synergy potential is leveraged. In addition, there are opportunities for developing the residential portfolio, increasing the occupancy rate and implementing potential rent increases. The occupancy rate which inched up to just over 88 % in the first quarter is likely to firm further in the second quarter, and move past the 90 % mark in the course of the year. This will further improve rental income and the results of operations. For fiscal year 2015 ADLER expects an FFO I of at least EUR 7 million just on the basis of the property portfolio of 30,833 units by the end of the first quarter of 2015.

The financing situation of the Group will also improve over the course of the year. The single factor of the WESTGRUND acquisition will result in the loan-to-value ratio moving down to a figure in the region of 67%.

The Trading segment will also enjoy income growth. On the basis of the successful sales of its portfolio in Berlin, ACCENTRO will generate additional profits of approximately EUR 13.1 million, as early as the second quarter.

Overall, ADLER anticipates that the result of operations will steadily improve in the current year, particularly in the operating business.

**Group interim financial statement
as at 31 March 2015**

Consolidated Balance Sheet

(IFRS) as at 31 March 2015

In EUR '000	31.03.2015	31.12.2014
Assets	1,686,926	1,416,459
Non-current assets	1,381,418	1,203,649
Goodwill	27,081	27,081
Intangible assets	1,581	1,727
Property, plant and equipment	773	494
Investment properties	1,347,851	1,170,159
Loans to associated companies	907	907
Investments in associated companies	1,095	1,123
Other financial investments	1,175	1,175
Deferred tax claims	956	983
Current assets	213,981	206,681
Inventories	93,845	89,617
Trade receivables	37,993	27,547
Income tax claims	147	173
Other current assets	54,320	56,283
Cash and cash equivalents	27,675	33,060
Non-current assets held for sale	91,527	6,129

In EUR '000	31.03.2015	31.12.2014
Equity and liabilities	1,686,926	1,416,459
Shareholders' equity	360,965	311,211
Capital stock	31,970	31,877
Capital reserve	108,225	108,078
Retained earnings	-291	-349
Currency translation reserve	94	20
Net retained profit	194,535	151,775
Equity attributable to owners of the parent company	334,533	291,401
Non-controlling interests	26,432	19,810
Non-current liabilities	1,169,013	1,010,927
Pension reserves	12,832	4,281
Deferred tax liabilities	36,793	39,083
Other provisions and accrued liabilities	437	802
Liabilities from convertible bonds	33,894	33,894
Liabilities from bonds	169,061	140,804
Financial liabilities to banks	915,104	791,087
Other non-current liabilities	892	977
Current liabilities	105,202	94,321
Other provisions and accrued liabilities	457	482
Income tax liabilities	1,903	3,213
Liabilities from convertible bonds	66	43
Liabilities from bonds	3,431	3,978
Financial liabilities to banks	53,357	47,810
Trade payables	24,387	21,123
Other current liabilities	21,600	17,673
Liabilities held for sale	51,746	0

Consolidated Statement of Comprehensive Income

(IFRS) for the period from 1 January to 31 March 2015

In EUR '000	31.03.2015	31.03.2014
Gross rental income	40,178	12,115
Expenses from property lettings	-22,659	-7,273
Earnings from property lettings	17,520	4,842
Income from the sale of properties	8,234	684
Expenses from the sale of properties	-7,959	-430
Earnings from the sale of properties	275	254
Personnel expenses	-2,315	-405
Other operating income	44,070	25,285
Other operating expenses	-4,491	-1,548
Income from fair value adjustments of investment properties	5,569	0
Depreciation and amortisation	-213	-4
Earnings before interest and tax (EBIT)	60,415	28,424
Financial income	412	135
Financial costs	-14,784	-5,996
Net income from at-equity valued investment associates	-86	-11
Earnings before tax (EBT)	45,957	22,552
Income taxes	-3,053	-1,153
Consolidated net profit	42,904	21,399
Actuarial gains/losses before taxes	0	0
Deferred taxes on actuarial gains/losses	0	0
OCI gains/losses not reclassifiable into profit or loss	0	0
OCI SWAP – reclassifiable –	85	0
Deferred taxes OCI – reclassifiable –	-27	0
OCI own bonds – reclassifiable –	0	0
Gains/losses from currency translation	74	0
OCI gains/losses not reclassifiable into profit or loss	132	0
Total comprehensive income	43,036	21,399
Profit attributable to:		
Owners of the parent company	42,761	21,365
Non-controlling interests	143	34
Total comprehensive income attributable to:		
Owners of the parent company	42,893	21,365
Non-controlling interests	143	34
Earnings per share, basic (EUR)	1.34	1.29
Earnings per share, diluted (EUR)	1.10	0.89

Consolidated Statement of Cash Flows

(IFRS) for the period from 1 January to 31 March 2015

In EUR '000	01.01.2015 - 31.03.2015	01.01.2014 - 31.03.2014
Earnings before interest and taxes (EBIT)	60,414	28,425
+ Depreciation and amortisation	213	4
-/+ Net income from at-equity valued investment associates	0	-11
-/+ Net income from fair value adjustments of investment properties	-5,569	0
-/+ Non-cash income/expenses	-42,291	-26,420
- Decrease in provisions and accrued liabilities	-1,641	-45
-/+ Increase/decrease in inventories, trade receivables and other assets not attributable to financing activities	-9,609	2,937
-/+ Increase/decrease in trade payables and other liabilities not attributable to investment or financing activity	3,557	-3,056
+ Interest received	-55	18
+/- Tax payments	-168	-12
= Net cash flow from operating activities	4,851	1,840
- Acquisition of subsidiaries, net of cash acquired	-66,943	-36,967
+ Disposal of subsidiaries, net of cash disposed	2,202	0
- Purchase of investment properties	-1,574	0
- Purchase of property, plant and equipment	-79	-2
- Payments into short-term deposits	-4,453	-44
= Net cash flows from investing activities	-70,847	-37,013
+ Proceeds from issue of bonds	30,500	0
- Proceeds from issue of convertible bonds	-1,756	0
- Interest payments	-8,134	-6,451
+ Proceeds from bank loans	166,772	89,495
- Repayment of bank loans	-126,771	-50,094
= Net cash flows from financing activities	60,611	32,950
Reconciliation to Consolidated Balance Sheet		
Cash and cash equivalents at beginning of periods	33,060	5,874
Net cash flow from operating activities	4,851	1,840
Net cash flow from investing activities	-70,847	-37,014
Net cash flow from financing activities	60,611	32,950
= Cash and cash equivalents at end of periods	27,675	3,650

Consolidated Statement of Changes in Equity

(IFRS) for the period from 1 January to 31 March 2015

In EUR '000	Capital stock	Treasury shares	Capital reserves
As at January 1, 2014	16,548	0	13,132
Net result	0	0	0
Change in scope of consolidation	0	0	0
Share increase and decrease without any change in status	0	0	11,026
Conversion of convertible bond	109	0	148
Others	0	0	0
As at March 31, 2014	16,657	0	24,306
As at January 1, 2015	31,877	0	108,078
Net result	0	0	0
Other result - reclassifiable	0	0	0
Change in scope of consolidation	0	0	0
Conversion of convertible bond	93	0	147
As at March 31, 2015	31,970	0	108,225

Retained earnings	Currency translation reserve	Net retained profit	Equity attributable to the owners of the parent company	Non-controlling interests	Total equity
160	-59	42,554	72,335	14,610	86,945
0	0	21,365	21,365	34	21,399
0	0	0	0	3,305	3,305
0	0	0	11,026	-7,652	3,374
0	0	0	257	0	257
0	0	8	8	0	8
160	-59	63,927	104,991	10,297	115,288
 -349	 20	 151,775	 291,401	 19,810	 311,211
0	0	42,760	42,760	143	42,903
58	74	0	132	0	132
0	0	0	0	6,479	6,479
0	0	0	240	0	240
 -291	 94	 194,535	 334,533	 26,432	 360,965

Selected Notes on the interim financial statements as at 31 March 2015

General information The interim financial statements were prepared in EUR '000. Unless stated otherwise, all figures are rounded to thousand euro (EUR '000) or million euro (EUR million). For reasons of calculation, in the tables and notes there may be rounding differences to the precise mathematical figures.

Accounting policies The interim financial statements as of 31 March 2015 were prepared in line with the International Financial Reporting Standards (IFRS) as they are to be applied within the EU. When preparing the interim financial statements and determining the comparable previous-year figures the same principles of consolidation and accounting are used as in the consolidated financial statements for 2014. A detailed description of these methods forms part of the notes to the 2014 consolidated financial statements. The current interim financial statements of the Group have been prepared in line with the regulations of interim reporting set out in IAS 34.

In the current financial year, application of the following new and amended accounting standards is mandatory:

Standard / Interpretation	
IFRS 2010-2012	Improvements to IFRS 2010-2012
IFRS 2011-2013	Improvements to IFRS 2011-2013
IAS 19	Leistungsorientierte Pläne - Arbeitnehmerbeiträge
IFRIC 21	Abgaben

These did not result in any material changes in accounting for the ADLER AG consolidated financial statements. None of the standards were applied early.

Scope of consolidation and business combinations The interim financial statements are prepared with ADLER Real Estate AG, Frankfurt am Main, as the controlling company. As of the reporting date, the scope of consolidation covered 84 companies which were fully consolidated and six companies which were carried at equity.

Acquisition of Wohnungsbaugesellschaft JADE mbh

In October 2014, ADLER concluded a purchase agreement on the acquisition of a 94.9% interest in the Wilhelmshaven-based Wohnungsbaugesellschaft JADE mbH. The transfer of benefits and obligations and thus the initial consolidation took place as of 31 January 2015.

As there has not yet been a final determination of the purchase price, the purchase price allocation to the acquired assets and liabilities is provisional. The provisional cost can be allocated to the acquired assets and liabilities as follows:

EUR '000	
Investment property	249,108
Other non-current assets	227
Current assets	11,405
Cash and cash equivalents	4,012
Assets acquired	264,752
Non-current assets	-8,596
Current liabilities	-127,522
Liabilities acquired	-136,118
Net assets at 100%	128,634
Non-controlling interests	-6,490
Negative goodwill	-42,291
Cost	79,853

The carrying value of the investment properties increased by EUR 177.7 million in comparison to 31 December 2014. Key factors here were the intention to sell in respect to certain investment properties on the part of ACCENTRO AG and the resulting classification as "held for sale assets" on the one hand and the investment properties of EUR 249.1 million acquired in the context of the acquisition of Wohnungsbaugesellschaft JADE mbH on the other.

Selected notes on the consolidated balance sheet

The increase in inventories by EUR 4.2 million as of 31 December 2014 relates primarily to the acquisition of a company for the privatisation business by ACCENTRO AG. No operations were commenced by ACCENTRO AG.

Receivables from the sale of land totalling EUR 9.4 million relate primarily to the increase of trade receivables in comparison to the end of the year.

As at 31 March 2015, cash totalled EUR 27.7 million after EUR 33.1 million to the end of the year. EUR 10.1 million (previous year: EUR 4.3 million) of this is earmarked for debt servicing and EUR 17.6 million freely disposable (previous year: EUR 28.8 million).

Non-current assets held for sale relate primarily to the following companies:

ESTAVIS Berlin Hohenschönhausen GmbH
ESTAVIS Filmfabrik GmbH & Co. KG
ESTAVIS Vermögensverwaltung GmbH

In the course of the stronger strategic focus on the privatisation business, AC-CENTRO AG, which is included in the consolidated financial statements of ADLER, is aiming to sell the companies named above. For this reason, they are classified as a disposal group or as available-for-sale assets. At the time of publication, sales agreements for individual companies had been agreed in some cases or are in the final negotiating phase, so that the closure of the contracts, i.e. the legal transfer of the stakes and thus the loss of control is very probable in the second quarter of 2015.

According to IFRS, available-for-sale assets and the relevant liabilities are stated as current.

As a result of conversions of company bonds, the capital stock of ADLER changed to EUR 31.9 million.

The corporate bonds issued of EUR 202.9 million are stated under non-current liabilities.

In comparison to 31 December 2014, non-current financial liabilities to banks increased by EUR 124.0 million, due largely to the acquisition of Wohnungsbaugesellschaft JADE mbH.

The increase in current financial liabilities to banks by EUR 5.5 million against the end of the previous year relates largely to interest on loans which are paid half-yearly.

In respect to the held-for-sale liabilities, refer to the comments on non-current assets held for sale.

Income from property lettings breaks down as follows:

**Selected notes on the
consolidated statement of
comprehensive income**

EUR '000	31.03.2015	31.03.2014
Net rent	25,208	8,111
Income from oncharged operating costs	13,511	3,993
Other income from property management	1,459	11
Income from real estate management	40,178	12,115

In the reporting period, the development of net rent and income from oncharged operating costs resulted from the new business acquired.

In the first quarter of 2015, the year-on-year increase in net rents related primarily to ACCENTRO AG of EUR 5,556 thousand (Q1 2014: EUR 0 thousand), the Magnus III Portfolio of EUR 7,532 thousand (Q1 2014: EUR 0 thousand) and of Wohnungsbaugesellschaft JADE mbH of EUR 3,422 thousand (Q1 2014: EUR 0 thousand).

In the first quarter of 2015, the year-on-year increase in advance payment on operating costs relates primarily to ACCENTRO AG of EUR 5,477 thousand (Q1 2014: EUR 0 thousand), the Magnus III Portfolio of EUR 2,681 thousand (Q1 2014: EUR 0 thousand) and of Wohnungsbaugesellschaft JADE mbH of EUR 613 thousand (Q1 2014: EUR 0 thousand).

Expenses from property lettings break down as follows:

EUR '000	31.03.2015	31.03.2014
Operating costs	-17,579	-5,002
Maintenance expenses	-5,183	-2,251
Other property management expenses	103	-20
Expenses from property lettings	-22,659	-7,273

In the reporting period, the increase of operating costs and maintenance expenses is due to the earnings impact of the new business acquired.

The increase in operating costs relates primarily to ACCENTRO AG of EUR 6,167 thousand (Q1 2014: EUR 0 thousand), the Magnus III Portfolio of EUR 4,405 thousand (Q1 2014: EUR 0 thousand) and of Wohnungsbaugesellschaft JADE mbH of EUR 1,528 thousand (Q1 2014: EUR 0 thousand).

The increase in maintenance expenses relates primarily to ACCENTRO AG of EUR 839 thousand (Q1 2014: EUR 0 thousand), the Magnus III Portfolio of EUR 1,840 thousand (Q1 2014: EUR 0 thousand) and of Wohnungsbaugesellschaft JADE mbH of EUR 967 thousand (Q1 2014: EUR 0 thousand).

Income from the sale of properties breaks down as follows:

EUR '000	31.03.2015	31.03.2014
Income from the sale of properties	7,663	684
Brokerage revenue	571	0
Income from property disposals	8,234	684

Income from property disposals relates to sales by ACCENTRO AG and disposals from the Magnus III Portfolio which were not included in the equivalent quarter of the previous year.

Expenses from the sale of properties breaks down as follows:

EUR '000	31.03.2015	31.03.2014
Carrying amounts of inventory properties disposed of	-7,323	-430
Other	-636	0
Expenses from the sale of properties	-7,959	-430

The carrying amounts of property disposals relate to sales by ACCENTRO AG and disposals from the Magnus III Portfolio which were not included in the equivalent quarter of the previous year. The disposals in Q1 2014 mainly relate to the MBG Dallgow GmbH & Co. KG and the MBG Moosburg GmbH & Co. KG.

Other operating income

Other operating income amounted to EUR 44,070 thousand (Q1 2014: EUR 25,285 thousand) and relate primarily to the negative goodwill measured in

the context of the purchase price association for the Wohnungsbaugesellschaft JADE mbH. It was reported immediately in the income statement as a non-recurring factor. This negative goodwill is due primarily to the fair value of the investment properties reported in Wohnungsbaugesellschaft JADE mbH. These were higher than the acquisition price. This measurement was based on assessments of independent experts.

Result from the measurement of investment properties breaks down as follows:

EUR '000	31.03.2015	31.03.2014
Income from fair value adjustments on investment properties	8,841	0
Expenses from fair value adjustments on investment properties	-3,272	0
Income from fair value adjustments of investment properties	5,569	0

Income from fair value adjustments of investment property of EUR 5,569 thousand (Q1 2014: EUR 0 thousand) included the result from the measurement of ESTAVIS Berlin Hohenschönhausen GmbH and a purchase price adjustment.

Financial costs break down as follows:

EUR '000	31.03.2015	31.03.2014
Ongoing interest expenses	-10,637	-2,912
Interest expense bonds/convertible bonds	-3,920	-1,286
Non-recurring financing costs	-227	-1,797
Financial costs	-14,784	-5,996

Ongoing interest expenses amounted to EUR 10,637 thousand (Q1 2014: EUR 2,912 thousand). The year-on-year increase was due primarily to interest expenses of the new business acquired in the previous financial year.

Segment reporting

The ADLER Group is organised in the following segments:

1. Rental: this covers the investment properties.
2. Trading: buying and selling properties. Here in general individual apartments are sold to private investors. Brokerage in the context of apartment privatisation is also included in this segment..

The “Other” column combines other Group activities which do not constitute an independent segment. This relates primarily to the existing holdings of ADLER AG which have already been sold or are in the final stage of being sold. Segment reporting follows the internal reporting system to the ADLER AG Management Board, which is the top management body in line with IFRS (management approach). Reporting is aligned to the Trading and Rental segments. The Group trades only with properties located in Germany. For this reason there is no geographical segmentation.

Income and EBIT is broken down across the three segments as follows:

ADLER Group	Trading Q1 2015	Rental Q1 2015	Other Q1 2015	Group Q1 2015
EUR '000				
Income from property management and effects from the disposal of properties thereof:				
Rent	1,157	38,901	121	40,178
Sales	2,712	4,687	264	7,663
Conveyance	571	0	0	571
Change in the fair value of investment properties	0	5,569	0	5,569
EBIT	27	60,441	-54	60,414
Result of investments accounted for using the equity method	0	-86	0	-86
Financial result	-598	-13,738	-36	-14,372
Earnings before taxes	-571	46,619	-92	45,956

In the Trading segment, income of EUR 4,440 thousand was generated, EUR 2,712 thousand of which resulted from sales. EBIT in this segment amounted to EUR 27 thousand, while earnings before taxes amounted to EUR 571 thousand.

Income in the Rental segment amounted to EUR 43,588 thousand, benefiting primarily from the new business acquired in the previous year. EBIT in this segment amounted to EUR 60,441 thousand, while earnings before taxes amounted to EUR 46,619 thousand.

Segment assets, segment liabilities and segment investments were as follows:

ADLER Group	Trading	Rental	Other	Consolidation	Group
EUR '000	Q1 2015	Q1 2015	Q1 2015	Q1 2015	Q1 2015
Assets per segment	148,144	1,623,964	18,868	-105,145	1,685,831
Investments accounted for using the equity method	947	124	24	0	1,095
Total segmental assets	149,091	1,624,088	18,892	0	1,686,926
Segment liabilities	95,381	1,266,116	17,863	-105,145	1,274,215
Segment investments	3,179	250,736	0	0	253,915

Segment assets relate primarily to property, plant and equipment, investment properties, inventories as well as receivables to third parties and to the other segment. Goodwill is allocated to the Trading segment.

Segment liabilities relate primarily to financial liabilities, operating liabilities and liabilities to the other segment.

Segment investments contain additions to property, plant and investments, intangible assets and investment properties.

Other disclosures

Related parties

There were no material changes to the information on related parties in comparison to the information provided as of 31 December 2014.

Risk report

In respect to the risks of the future development of business, refer to the information in the Risk Report in the consolidated financial statements as of 31 December 2014.

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, constitutes 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, and the actual developments can deviate 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.

At a Glance

Name	ADLER Real Estate AG
Registered office location	Frankfurt am Main, HRB 7287
SIN	500 800
ISIN	DE0005008007
Ticker Symbol	ADL
Reuters	ADLG.DE
Industry	Real Estate
Listed at	Official trading
Indices	CDAX, Prime Standard Index, DIMAX, EPRA-Index
Stock Exchange	Xetra, Frankfurt am Main
Designated Sponsor	ODDO SEYDLER BANK AG
Subscribed Capital	EUR 31,970,204, splitted into 31,970,204 non-par shares (as at March 31, 2015)
Publisher	ADLER Real Estate AG Gänsemarkt 50 20354 Hamburg www.adler-ag.com Telefon: +49 (0)40 29 81 30-0 Telefax: +49 (0)40 29 81 30-99 info@adler-ag.com
Register Court	Frankfurt am Main, HRB 72 87
Management Board	Axel Harloff
Supervisory Board	Dr. Dirk Hoffmann, Berlin (Chairman) Thomas Katzuba von Urbisch, Monte Carlo/Monaco, (Vice Chairman) Thilo Schmid, Blotzheim/France
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