



Q2

Interim Report
First Half-Year of 2015

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

Key Financial Figures

In '000	01.01.2015	01.01.2014
Profit and loss key figures	– 30.06.2015	– 30.06.2014
Gross rental income	80,855	25,055
Earnings from the sale of properties	23,507	1,267
Adjusted EBITDA	49,155	8,050
Balance sheet key figures	30.06.2015	31.12.2014
Investment properties	2,119,403	1,170,159
EPRA NAV	646,563	342,211
LTV in %*	68.88	68.72
EPRA NAV per share in EUR**	14.03	10.74
Non-financial key figures	30.06.2015	31.12.2014
Number of rental units under management	48,484	25,559
thereof proprietary units in existing portfolio	45,581	24,086
thereof proprietary units for privatisation	1,700	995
Number of units sold	1,443	1,217
thereof privatised units***	196	837
thereof non-core units sold	1,247	380
contractually secured units****	3,504	6,764
Occupancy rate in %*****	88.5	87.2
Monthly in-place rent in EUR/m ² *****	4.89	5.02
Number of employees	251	102
Other key financials	01.01.2015	01.01.2014
	– 30.06.2015	– 30.06.2014
EBITDA	86,965	31,987
EBT	61,797	124,084
Consolidated net profit	56,481	105,647
Net cash flow from operating activities	22,877	10,848
Net cash flow from investing activities	-262,562	-54,527
Net cash flow from financing activities	302,942	56,092

* excluding convertible bonds

** based on the number of shares outstanding as at 30 June 2015

*** first six months 2015/short financial year (six months, 1 July 2014 to 31 December 2014)

**** transfer of benefits and obligations still outstanding at 30 June 2015

***** proprietary rental units

***** in-place rent as at 30 June 2015, respectively 31 December 2014

Key Property Portfolio Figures

Federal State	Rental units	Proportion of total portfolio in % (units)	Total rental area in m²	Proportion of total portfolio in % (m²)	Average rent in EUR per m²*	Occupancy rate in %
as at 30.06.2015						
Lower Saxony	14,926	32.75	917,945	32.01	4.71	91.37
North Rhine-Westphalia	9,865	21.64	679,380	23.69	4.97	85.95
Saxony	6,632	14.55	411,375	14.35	4.63	86.48
Saxony-Anhalt	3,795	8.33	215,983	7.53	4.57	83.66
Brandenburg	3,685	8.08	225,230	7.85	4.62	86.50
Berlin**	1,623	3.56	105,408	3.68	5.44	98.64
Thuringia**	1,544	3.39	84,942	2.96	5.39	93.07
Mecklenburg-Western Pomerania	1,508	3.31	83,493	2.91	4.84	83.33
Schleswig-Holstein	637	1.40	35,541	1.24	5.88	94.74
Rhineland-Palatinate	615	1.35	41,242	1.44	6.75	91.29
Hesse	485	1.06	45,836	1.60	6.78	90.37
Bavaria	161	0.35	14,158	0.49	5.71	78.33
Baden-Württemberg	57	0.13	4,773	0.17	8.18	94.31
Bremen	48	0.11	2,377	0.08	5.20	91.90
Total	45,581	100.00	2,867,683	100.00	4.89	88.47

Additional rental areas	Rental units
Privatisation portfolio ACCENTRO Real Estate AG***	1,700
Acquired rental units, transfer of benefits and obligations still outstanding	3,504

* target rent as at 30 June 2015

** excluding project developments

*** primarily Berlin

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Letter from the Management Board

**Dear shareholders,
ladies and gentlemen,**

The first half of 2015 marked another important milestone in our company's growth story. In "year four" since the start of our realignment with the aim of becoming a leading residential real estate company, ADLER Real Estate AG has established itself as a relevant market participant within the industry. Following the successful takeover of WESTGRUND AG shortly before the end of the first half of the year, not only do we already own approximately 50,000 residential units, but we also occupy fifth place in the list of the largest listed German residential real estate companies by number of units. Furthermore, ADLER, formerly a major industrial company during its long and rich history, has now returned to being one of the most important companies on the German stock market – namely one of the 160 companies to be listed in one of the four major DAX indices. ADLER has been listed in the SDAX, small cap index of Deutsche Börse, since 22 June 2015 and is also included in the FTSE EPRA Global Real Estate Index and in the GPR General Index.

Some parts of the financial press have described our takeover of WESTGRUND AG as further evidence of consolidation on the residential property market. In light of our actual size on the market, we consider this assessment to be a little premature. With around 50,000 rental units, our market share is only around 0.012 per cent of the entire German residential property market. Even the largest residential portfolio holders in Germany, currently have a market share of less than 0.9 per cent. In other words, hardly any other industry in Germany is as fragmented as the residential property market and therefore, it bears an immense potential in terms of concentration among market participants and residential portfolio holders.

We took another major step in mid-August with the acquisition of a 24.79 per cent stake in conwert Immobilien Invest SE via an interim holding company. Based in Vienna, conwert holds more than 30,000 units, with the vast majority – more than 25,000 residential and commercial units – located in Germany, along with a good 2,500 class A units in the strong growing market of Vienna. With this investment, we have once again taken advantage of an opportunity that presented itself at relatively short notice in line with our event driven/special situation strategy. We believe that conwert is deeply undervalued. The stock market in particular has failed to adequately recognise the strong value of conwert's residential properties in major A-cities such as Berlin, Potsdam, Leipzig and Dresden as well as the exposure to commercial properties in its portfolio. We expect conwert's new management team to follow its announcement that it will sell these commercial properties in order to press ahead with

growth in its core business of residential property management – an approach that also fits our strategy. We are eager to enjoy good cooperation with conwert and also believe that there are considerable opportunities for our subsidiary ACCENTRO Real Estate AG to privatise selected conwert rental units in A-cities in a socially balanced yet successful manner.

In addition to growth through acquisitions, in recent months we significantly expanded our team of highly qualified employees, some of whom have been added as a result of takeovers and recruitment in recent months. The new additions to the team are working to integrate the newly acquired portfolios and of course, to leverage synergy potential. For example, portfolios spread out in the north of the state of Lower Saxony are allocated to one housing association in Wilhelmshaven for management purposes, while the management of assets in eastern and southern Lower Saxony and the neighbouring state of Saxony-Anhalt are managed through the Helmstedt housing association in eastern Lower Saxony. This enables us to use our local management capacities far more effectively and efficiently. We have also started to make use of the purchasing power resulting from the critical mass we have achieved. For example, an insurance brokerage company in which we hold an equity interest is already reviewing all of the building and other insurance policies concluded for our now substantial portfolio.

In the sub-portfolios we have acquired, there are good opportunities for raising successively the current occupancy rate of around 88.5 per cent, as well as increasing moderately rental income in line with market trends. We are working hard to establish the foundations for leveraging this potential, such as by modernising vacant rental units or adjusting rents – some of which have not been increased for a number of years – to reflect the current rent level.

We expect to continue to generate higher income from our existing business, thereby demonstrating that ADLER is not only an investor, but also a highly substantial portfolio company that is growing in value.

Yours,

A handwritten signature in black ink, appearing to read 'Harloff', with a stylized flourish at the end.

Axel Harloff
Management Board

Basis of the Group

BUSINESS MODEL ADLER Real Estate AG is focused on establishing and expanding a substantial residential property portfolio throughout Germany. It primarily acquires equity interests in portfolios that are predominantly situated in B locations in German conurbations. These portfolios, after deducting all current costs including debt servicing still 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 acquisitions, the Group's objectives concentrate on sustainable portfolio management and improving the portfolios' performance, such as reducing vacancy rates and by putting in place other efficiency measures. The Group's central asset management ensures optimal operating performance and core productivity in managing the residential properties. This takes the form of a transparent, end-to-end, closely linked organisation that is intended to enable the letting and management of the residential portfolios. This process puts great focus is the interests of our customers, i.e. the interests of the tenant inhabiting affordable houses and ensuring other requirements are kept up-to-date.

Alongside managing residential properties, ADLER pursues optimising its portfolios. Following the majority takeover of ACCENTRO Real Estate AG, the Group now includes Germany's largest privatiser of residential property. ACCENTRO markets suitable residential properties from the ADLER Group's portfolio on a targeted basis, and also brokers individual apartments on behalf of third parties to owner-occupiers and investors who want to buy properties directly and thus creating a quasi-pension income.

Following the completion of the acquisition of WESTGRUND AG, Berlin, in late June 2015, ADLER is now one of the five largest listed German residential real estate companies with a portfolio of almost 50,000 residential and commercial units. The company, in addition to the FTSE EPRA GLOBAL REAL ESTATE Index and the GRP General Index, has since 22 June 2015 been included in Deutsche Börse's SDAX small cap index.

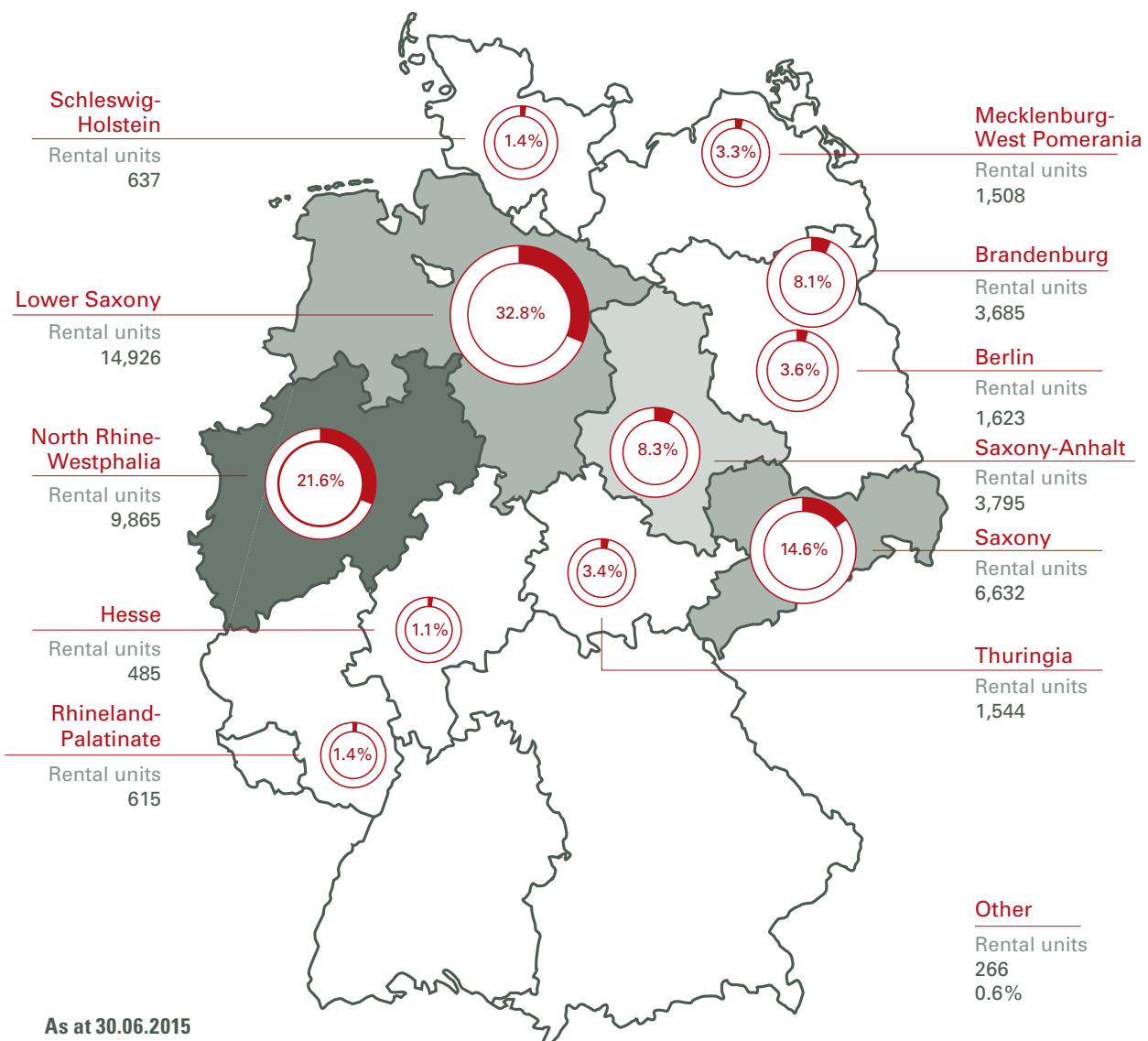
ADLER's activities are broken down into two business segments of Rental and Trading.

RENTAL In the Rental segment, ADLER concentrates on establishing and expanding a residential property portfolio throughout Germany and its sustained management with the objective of achieving value enhancements and benefitting from appreciation potential. To this end, ADLER plans capital expenditure programs aimed at allowing it to improve letting rates and steadily increase the

existing rental income. Increases in the property portfolios values are expected to be realised as a direct effect of CAPEX investments in regards to energy saving measures, renovation of vacant units and other items.

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 whilst reducing operating costs to the benefit of tenants – particularly heating costs, which can account for up

Total residential property portfolio, distribution by federal state



to a quarter of total rent. Renovation and apartment modernisation measures can make vacant apartments more attractive, 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 company ACCENTRO Real Estate AG. This 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 notable one, thus generating a considerable 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 in the form of financial holding company that manages and controls properties and facility management companies via the Group's management companies. A key role is played by ADLER's central asset management, which manages the respective property management companies locally, typically under the terms of service agreements. 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 proceeds from the sale of properties, which depend 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 at Group level are largely performed via the wholly owned subsidiary Adler Real Estate Service GmbH, which had 54 employees at the end of June 2015. Together with the employees of the property companies and the subsidiaries, ADLER had a total of 251 full-time and part-time employees at the end of the reporting period.

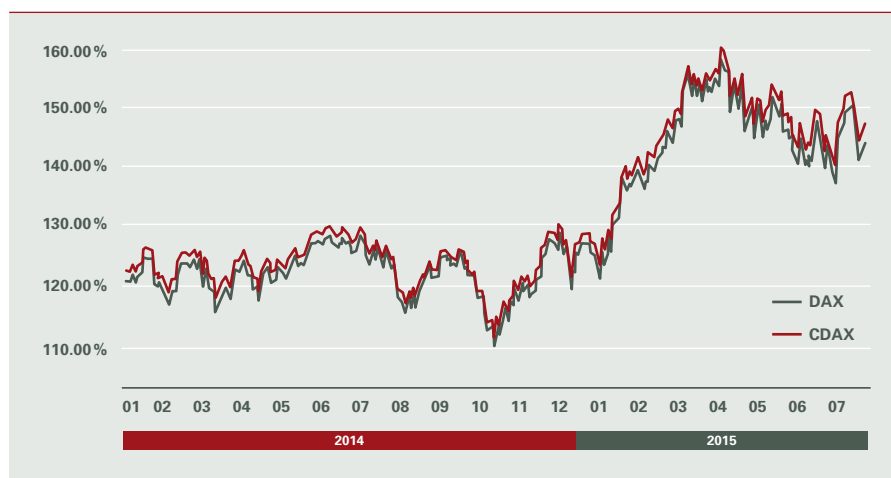
EMPLOYEES

The DAX, which had started 2015 with a surge, lost considerable ground compared with its all-time high on 10 April in the wake of the seemingly endless crisis in Greece. The key driver of the bull market at the start of the year 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. Strong economic performance, and in particular the expectation among researchers of more substantial growth in the German economy, also helped. Alongside the crisis in Greece, the market was subsequently also impacted by the interest rate turnaround, which triggered a minor crash on the bond market in late April/early May when the average yield for sovereign bonds rapidly climbed by more than 0.5 percentage points from its all-time low of 0.05 per cent. In light of the escalating crisis in Greece, the stock markets surrendered a large majority of their gains again by June, although they remain significantly higher than at the start of the year.

DEVELOPMENT ON THE STOCK MARKETS AND CAPITAL MARKETS

Sentiment on the stock exchanges

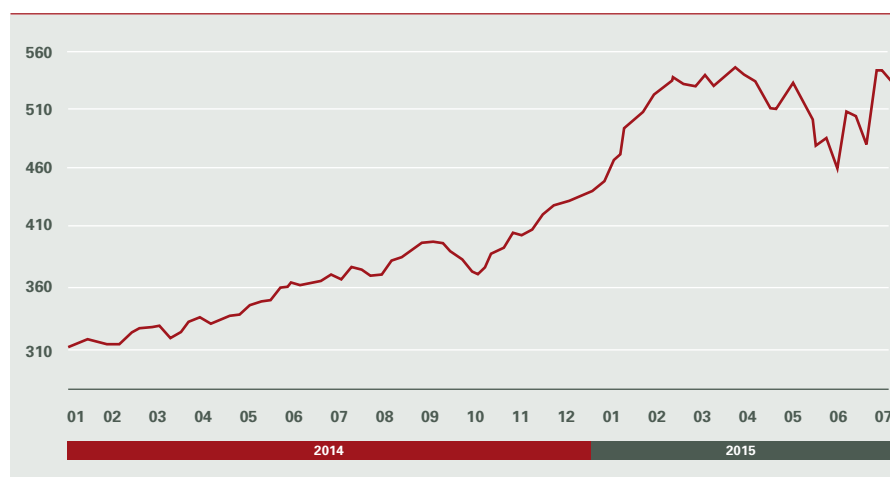
Performance of DAX and CDAX since January 2014



Development of property shares

The strong upturn of property share prices which had started in October 2014 initially accelerated in the first months of 2015. Here, too, investors were driven by the low interest policy of the ECB, recognising an extremely favourable financing environment including on a long-term basis and evidently also expecting apartment rents to continue rising. Furthermore, the takeover of GAGFAH by Deutsche Annington fuelled speculation of possible further takeovers or pending consolidation. The interest rate turnaround in late April/early May and the subsequent crisis in Greece led to the first price correction. At the same time, however, property share prices in July 2015 were still up significantly on the start of the year.

E&G DIMAX (in points)



Development of the ADLER share

ADLER shares continued to appreciate with the price upturn that began in autumn 2014 as well as the strong surge which began approximately in the middle of January 2015. The share's performance benefited from ADLER's continued growth and the announcement of its intention to acquire WESTGR-UND AG. The share price reached a temporary high of EUR 16.24 in early June, more than double the level at the start of the year. The interest rate turnaround and the general consolidation on the stock markets as a whole, and among property shares in particular, also left its mark on ADLER's share price performance. At the time this report went to print, however, ADLER's share price was still up significantly on the start of the year.

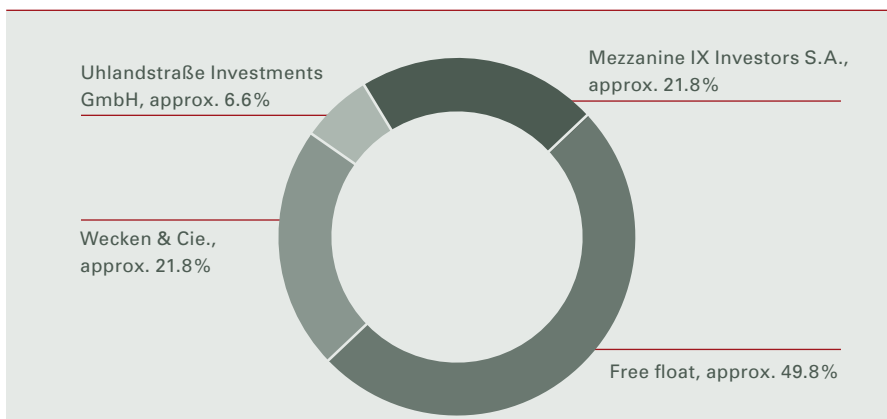
Performance of ADLER Real Estate AG Share (in EUR)



The shareholder structure of ADLER Real Estate AG changed significantly as a result of the acquisition of 94.9 per cent of the share capital of WESTGRUND. A total of 14.08 million new ADLER shares were issued and exchanged for WESTGRUND shares in accordance with the takeover bid. ADLER's share capital increased accordingly, with the allocations and the further exercise of convertible bonds resulting in share capital of EUR 46.08 million. As of 8 July 2015, ADLER's shares were distributed among the major shareholders as follows: 21.81 per cent are held by Wecken & Cie., 21.80 per cent are held by Mezzanine IX Investors S.A., and 6.56 per cent are held by Uhlandstraße Investments GmbH. 49.83 per cent of the shares are in free float.

SHAREHOLDER STRUCTURE

Shareholder Structure as at 8 July 2015



Economic report

GENERAL ECONOMY AND THE PROPERTY MARKET

The German economy failed to regain momentum to the extent predicted by economic forecasters in the first half of 2015. The experts had anticipated GDP growth of 2.1 per cent in their spring forecasts for the year as a whole; however, the figure for the first quarter was just 0.3 per cent higher than in the previous year, and the second quarter is expected to have seen growth of just 0.5 to 0.7 per cent. Concerns about the future of Europe in light of the escalating crisis in Greece and the threat of the country's exit from the Eurozone were a major reason for this muted performance.

The development of what is now the world's second-largest economy, the People's Republic of China, provided even greater cause for concern. The country's economic growth rate has not been progressing as strongly as in the past, meaning it is no longer able to drive the entire global economy. Share prices on the overheated Chinese stock market plummeted, a trend that was only halted following extensive government intervention. The high expectations in terms of economic development, reflected in the sharp rise in the German business climate index ifo, have increasingly deteriorated. The index only returned to a positive trend in July – by now rather unexpectedly – as the impact of the Greek crisis in particular waned.

This development shows that the German economy was ruled more by psychology than tangible facts, since it is actually operating under ideal conditions. Interest rates remain extremely low, although signs of a turnaround have been emerging since late April and are likely to be reinforced by the long-awaited increase in the US headline rate before the end of this year. The Euro is increasingly approaching parity with the US-Dollar, which is making the German economy even more competitive abroad and leading to a further upturn in export opportunities. Accordingly, the external trade balance, which was already showing a record surplus, is continuing to grow.

Meanwhile, the conditions for the domestic economy again enjoyed extremely positive development in the first half of the year. Consumers benefited from sustained low oil prices, a growing number of new and improved collective wage agreements served to increase purchasing power, and unemployment continued to fall. The measures taken by the European Central Bank, which has been flooding the Eurozone with cheap money since January in order to encourage bank lending, also now appear to be bearing fruit. According to the ECB, lending in the Eurozone increased by 0.5 per cent in May and banks are easing their lending conditions.

Investor interest in the German residential property market increased significantly once again. The transaction volume of around EUR 15 billion was a new record, although this was attributable to a large extent to the acquisition of GAGFAH by Deutsche Annington. Even after eliminating this transaction, however, the prior-year figure of EUR 7.83 billion was beaten by 16 per cent. After starting the year with strong growth, residential rents flattened slightly in the second quarter. According

to the index published by the analysis institute empirica, rents stagnated compared with the same quarter of the previous year in Germany's top seven cities as well as in the regions that are seeing population decline, with only the top B-cities still enjoying tangible growth. In terms of the country as a whole, asking rents rose by just 0.6 per cent in the second quarter 2015.

In the first half of the 2015 financial year, ADLER Real Estate AG continued on its path of strong expansion, and doubled its residential property portfolio compared with the end of the previous year thanks to two major transactions. The first step was the conclusion of the majority interest in the Wohnungsbaugesellschaft Jade mbH, Wilhelmshaven, and its property and facility management subsidiaries, which was already secured in October last year. The Wohnungsbaugesellschaft Jade mbH has a solid residential property portfolio of around 6,750 units.

The second step was the majority acquisition of the listed property company WESTGRUND, Berlin. In February this year, ADLER announced its intention to acquire the company by way of a voluntary public takeover bid. WESTGRUND's shareholders were offered 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 corresponded to around EUR 5.00 per WESTGRUND share.

The Extraordinary General Meeting convened by ADLER on 29 April 2015 unanimously resolved the non-cash capital increase with shareholders' pre-emptive rights disapplied that was necessary for the acquisition. The transaction was closed on schedule in late June 2015, as the shareholders had offered 94.9 per cent of WESTGRUND's shares for exchange. The implementation of the transaction increased ADLER's share capital by EUR 14.08 million to EUR 46.08 million. The cash component reached a volume of around EUR 224.21 million.

ADLER and WESTGRUND have near-identical business models. WESTGRUND also concentrates on the acquisition and management of residential properties. The company operates solely in Germany, with a focus on the north and east of the country. Like ADLER, WESTGRUND's strategy was to purchase only properties that generate a positive cash flow immediately on acquisition. With the exception of Berlin, its housing portfolio is located in medium-sized and smaller cities with a stable socioeconomic environment. WESTGRUND offers medium- to low-income tenants affordable accommodation at standard market quality.

WESTGRUND had 16,034 residential and commercial units at the end of June 2015. In late 2014, WESTGRUND secured an additional interest in a residential property portfolio consisting of 2,696 residential and 85 commercial units, 75 per cent of which were acquired in July. The residential properties are primarily located in

ECONOMIC DEVELOPMENT OF THE GROUP

**Further strong growth
thanks to acquisitions**

Lower Saxony (61.4 per cent) and Saxony (31.3 per cent). By the end of July, WESTGRUND's portfolio consisted of 18,112 residential and commercial units.

To finance the transaction, ADLER again successfully issued two corporate bonds in the first half of the year. In January, the 2014/2019 corporate bond that was issued in April 2014 and which had already been raised to EUR 100 million in July 2014 was topped up by a further EUR 30 million to EUR 130 million. The issue price was 102 per cent. The corporate bond has a term to 1 April 2019 and a coupon of six per cent p.a.

In addition, a corporate bond with a volume of EUR 300 million was successfully placed in early April. This bond has a term of five years and a coupon of 4.75 per cent p.a., which was determined in a bookbuilding process. The offer was conducted purely as a private placement and addressed solely to qualified investors outside the United States. Funds not required for the acquisition were used by ADLER to refinance existing liabilities.

**Good development
in operating business**

Operating business, i.e. the management and optimisation of the residential property portfolios, enjoyed good development in the first half of 2015. Activities focused on further linking the local property managers to central asset management and setting up a comprehensive and transparent reporting system. In addition, opportunities for adjusting residential rents in the portfolios were examined and, in some cases, implemented. This will lead to a slight increase in rents across the portfolio as a whole in the second half of the year. Opportunities for modernisation are also being examined to a greater extent and are being initiated on a step-by-step basis. Apartments that are vacant or becoming available are updated to a suitably modern condition so that they can be subsequently re-let at the market rental level. In the first half of 2015, a total of EUR 10.33 million was invested in on-going maintenance and modernisation throughout the Group.

The occupancy rate improved slightly. Based on the residential property portfolio at the end of the first quarter, the rate increased – excluding the WESTGRUND AG holdings – to 88.18 per cent as of the end of June (end of March 2015: 88.13 per cent). Taking into account all changes, particularly the consolidation of WESTGRUND, the 45,581 rental units of the expanded ADLER Group had an occupancy rate of 88.47 per cent at the end of the first half of the year. The average rent reached a figure of EUR 4.89 per square metre of residential space.

The Trading segment also developed well in the first half of the year. A total of 196 apartments were privatised in the reporting period. The subsidiary ACCENTRO, which focuses on privatisation, also successfully sold a housing portfolio in Berlin that was not suitable for privatisation. The stake sold was for a residential property portfolio with a total of 1,174 units and a net rentable area of 76,386 square metres. The transaction generated cash and cash equivalents of around EUR 51.5 million.

ACCENTRO is using these funds to improve its financing structure and to acquire residential properties that are primarily suitable for privatisation. Accordingly, in May it invested EUR 27.4 million in 364 units in the popular Berlin neighbourhoods of Neukölln, Spandau, Friedenau, Zehlendorf, Reinickendorf and Alt-Tegel. ACCENTRO generated consolidated revenue of EUR 24.3 million in the first half of the year (same period of the previous year: EUR 12.4 million).

Results from operations, Net assets and Financial position

Result of operations

In the first half of 2015, ADLER's income at group level increased significantly compared with the same period of the previous year. This was due to the contribution of the portfolios acquired in 2014, as well as the acquisition of the residential property portfolio in Wilhelmshaven in January 2015. These investments were included in earlier financial reports but only on a pro rata basis not showing the stabilised income contribution to the Group. The most relevant figures in the income statement are as follows:

In EUR '000	H1 2015	H1 2014
Gross rental income	80,855	25,005
of which net rental income	51,740	16,614
Earnings from property lettings	39,244	10,290
Income from the sale of properties	23,507	1,267
Earnings from the sale of properties	2,544	591
Income from fair value adjustments of investment properties	10,581	105,295
Other operating income	62,095	25,478
Adjusted EBITDA	49,155	8,050
EBIT	97,089	137,273
Financial costs	-35,755	-13,425
Earnings before taxes	61,797	124,084
Consolidated net profit after taxes	56,481	105,647
Occupancy rate in %	88.5	87.2*
Monthly in-place rent (EUR/square metre)	4.89	5.02*
Property portfolio (number of rental units)	45,581	21,223

* as at 31.12.2014

Gross rental income increased by more than three times to EUR 80.86 million (H1 2014: EUR 25.01 million). In line with this development, earnings from property lettings increased to EUR 39.24 million (EUR 10.29 million), mainly due to an increased number of sales related to inventories and investment Properties. Earnings from the sale of properties improved to EUR 2.54 million (EUR 0.59 million). Income from the sale of properties rose significantly to EUR 23.51 million (EUR 1.27 million), mainly due to increased number of sales related to inventories and investment properties. The earnings from the sale of properties improved to EUR 2.54 million (EUR 0.59 million) accordingly.

Other operating income amounted to EUR 62.10 million (EUR 25.48 million) and is primarily related to the negative goodwill measured in the context of purchase price allocation for Wohnungsbaugesellschaft JADE mbH in an amount of EUR 42.29 million, which was reported immediately in the profit and loss as a non-recurring effect. This negative goodwill is largely due to the excess of the fair value of the investment properties reported at Wohnungsbaugesellschaft JADE mbH over the purchase price. This measurement was based on assessments by independent experts.

Other operating income also includes a gain of EUR 15.95 million on the deconsolidation of three companies that were classified as assets held for sale as of 31 March 2015 (see the notes to the consolidated interim financial statements). The deconsolidation of Erste ADLER Real Estate GmbH & Co. KG together with Verwaltungsgesellschaft Erste ADLER RE mbH resulted in a gain of circa EUR 299 thousand for the Group.

Income from fair value adjustments of investment properties amounted to EUR 10.58 million (previous year: EUR 105.30 million) and was composed of income from fair value adjustments of EUR 24.49 million (EUR 105.30 million) and expenses from fair value adjustments of EUR 13.91 million (EUR 0). This related solely to subsequent measurement in the 2015 financial year, whereas the figure for the first half of the previous year primarily contained the effects of initial measurement to fair value.

Reflecting the Group's growth, personnel expenses increased to EUR 5.49 million (EUR 1.15 million) and operating expenses rose to EUR 11.43 million (EUR 3.23 million), of which EUR 3.31 million related to non-recurring items.

All in all, EBIT amounted to EUR 97.09 million (EUR 137.27 million). After deduction of financial costs totalling EUR 35.76 million (EUR 13.43 million) and taxes of EUR 5.32 million (EUR 18.44 million), consolidated net profit amounted to EUR 56.48 million (EUR 105.65 million). This corresponds to the guidance published in the context of reporting as of 31 December 2014.

The increase in income (excluding the change in the value of investment property) was primarily attributable to the Rental segment. Income and EBIT are broken down across the segments as follows:

In EUR '000	Trading	Rental	Other	Group
01.01. – 30.06.2015				
Gross rental income and income from the sale of properties	14,465	89,103	794	104,362
thereof:				
Gross rental income	2,335	78,315	205	80,855
Income from disposals	10,817	10,788	589	22,194
Income from brokerage	1,313	0	0	1,313
Change in the value of investment property	0	10,581	0	10,581
EBIT	490	96,327	271	97,088
Income from investments accounted for using the equity method	15	-455	0	-440
Financial result	-1,240	-33,566	-46	-34,852
Earnings before taxes	-766	62,435	128	61,797

The Group's operating result was driven almost exclusively by net operating income in the Rental segment amounting to EUR 96.33 million or 99.22 per cent of the overall figure. The Trading segment accounted for EUR 0.49 million or around 0.50 per cent, while other activities not part of the Group's core business generated an operating result of EUR 0.27 million.

FFO (Funds from Operations) were as following in the first half of the year:

In EUR '000	H1 2015	H1 2014
Net result	56,481	105,646
Financial result	34,852	13,031
Income taxes	5,316	18,437
Depreciation and amortisation	457	10
Income from fair value adjustments of investment properties	-10,581	-105,295
Net income from at-equity valued investment associates	440	158
EBITDA IFRS	86,965	31,987
Non-recurring and extraordinary items	-37,810	-23,938
Adjusted EBITDA	49,155	8,050
Interest expense FFO	-26,252	-9,537
Current income taxes	-371	-29
Capitalisable maintenance	2,331*	2,478
Earnings before interest and taxes – Trading segment/Other	-18,578	n/a
FFO I	6,285	962
Earnings before interest and taxes – Trading segment/Other	18,578	n/a
Change of fair value upon sale	8,490	0
Net income from at-equity valued investment associates	-440	-158
FFO II	32,913	803

* without measures of modernisation which will be active first time by second quarter 2015

Adler's total assets increased by EUR 1.20 billion to EUR 2.61 billion. This was due to the acquisitions of the WBG Jade mbH, Wilhelmshaven portfolio in January 2015 with acquired assets amounting to EUR 264.75 million and, in particular, the takeover of WESTGRUND AG in late June with assets amounting to EUR 968.16 million.

Net assets

The purchase price allocation for Westgrund AG generated goodwill in an amount of EUR 123.86 million, while preliminary purchase price allocation for WBG Jade mbH resulted in other operating income of EUR 42.29 million.

Investment properties increased by EUR 949.24 million to EUR 2,119.40 million as of 30 June 2015 compared with 31 December 2014. This was largely due to the acquisition of the WESTGRUND Group (EUR 761.20 million) and Wohnungsbau-gesellschaft JADE mbH (EUR 249.11 million), as well as revaluation gains of EUR 10.58 million. This was partially offset by the disposal of the Hohenschönhausen portfolio (EUR -69.40 million).

Other non-current assets include purchase price pre-payments for investment properties.

Non-current assets held for sale in the amount of EUR 7.20 million include properties and assets held for sale. Accordingly, the liabilities associated with these assets in the amount of EUR 1.97 million are reported as liabilities held for sale. 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 13.40 million), other current assets of EUR 69.46 million primarily consist of earmarked funds in the amount of EUR 2.039 million.

Total equity amounted to EUR 580.364 million, of which EUR 528.546 million was attributable to the shareholders of ADLER AG and EUR 51.82 million to minority shareholders of the companies controlled by ADLER AG. Details can be found in the consolidated statement of changes in equity. The equity ratio amounted to 22.21 per cent at the reporting date (21.97 per cent).

Debt also increased as a result of the transactions conducted during the period. It consisted of non-current borrowings in the amount of EUR 1.72 billion (84.46 per cent) and current borrowings of EUR 315.95 million (15.54 per cent). Non-current liabilities assumed as part of the acquisition of WESTGRUND in the amount of EUR 178.76 million are reported in current liabilities to banks as they contain change of control clauses (see notes, chapter "Non current liabilities").

As well as increasing the volume of investment property reported, ADLER's intensive acquisition activity has led to a higher level of financial liabilities. The ratio of net financial liabilities to assets adjusted for cash excluding convertible bonds was essentially unchanged as of the reporting date.

Loan-to-value (LTV)

In EUR '000	30.06.2015	31.12.2014
Convertible bonds	36,580	33,937
Bonds	430,513	144,782
Liabilities to banks	1,399,646	838,897
Cash and cash equivalents	96,327	33,060
= Net financial liabilities [a]	1,770,412	984,556
Assets adjusted for cash [b]	2,517,276	1,383,399
LTV incl. convertible bonds [a divided by b]	70.33%	71.17%
LTV excl. convertible bonds [a excluding convertible bonds divided by b]	68.88%	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. EPRA NAV increased by EUR 304,35 million to EUR 646,56 million.

Net Asset Value (NAV)

In EUR '000	30.06.2015	31.12.2014
Shareholders' equity	580,364	311,211
Non-controlling interests	-51,818	-19,810
Equity attributable to ADLER shareholders	528,546	291,401
Net liabilities for deferred taxes	80,256	39,083
Differences between the fair values and carrying amounts of inventory properties	32,492	10,750
Fair value of derivative financial instruments	5,269	977
EPRA NAV	646,563	342,211
Goodwill	-150,942	-27,081
Adjusted NAV	495,621	315,130
Number of shares at the reporting date	46,075,315	31,876,672
EPRA NAV per share in EUR	14.03	10.74
Number of shares at the reporting date (diluted)	53,446,220	39,370,528
EPRA NAV per share (diluted) in EUR	12.43	9.14

Financial position In the period under review, the ADLER Group's financial position was again characterised by a high level of investment activity and an increase in gross rental income. It developed as follows:

Key figures from the statement of cash flows in EUR '000	H1 2015	H1 2014*
Cash flow from operating activities	22.887	10.848
Cash flow from investing activities	-262.562	-54.527
Cash flow from financing activities	302.942	56.092
Change in cash and cash equivalents	63.267	12.413
Cash and cash equivalents at beginning of period	33.060	6.895
Cash and cash equivalents at end of period	96.327	19.308

* The previous year's figures have been restated for changes in classification.

The larger managed portfolio meant that cash flow from operating activities increased compared with the same period of the previous year. All in all, cash flow from operating activities increased to EUR 22.89 million after EUR 10.85 million in the first half of the previous year.

Cash flow from investing activities was dominated by the acquisition of the equity interest in Wohnungsbaugesellschaft Jade GmbH and its subsidiaries, the acquisition of WESTGRUND AG and the purchase of five companies with project development sites on the one hand, and the disposal of the portfolio in Berlin-Hohenschönhausen on the other.

Cash flow from financing activities included the cash inflow from the financing loans taken up largely in connection with the acquisitions of WESTGRUND and WBG Jade, Wilhelmshaven, as well as the further increase in the 2014/2019 bond of EUR 30.0 million and the issue of the 2015/2020 corporate bond in the amount of EUR 300 million.

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



Opportunities and risk
Report on post-balance-sheet
date events
Report on expected developments



OPPORTUNITIES AND RISK

In May 2015, ADLER's privatisation subsidiary ACCENTRO notarised the acquisition of a residential portfolio comprising of 364 units with a total letting area of approximately 21,680 square metres. This portfolio will be destined towards the ongoing privatisation program of affordable houses. The units are located in the Berlin neighbourhoods of Neukölln, Spandau, Friedenau, Zehlendorf, Reinickendorf and Alt-Tegel. The investment amounted to circa EUR 27.4 million.

The risk associated with poor investment decisions in regards to the payment of an excessive purchase price specifically on the basis of an inadequate assessment of the values as well as some of the other risks associated with the administration and management including other inherent risks, still remain. The same applies to those portfolios destined for privatisation/owner occupancy. This specific risk also applies if the portfolios cannot be privatised at the planned asking prices or at all.

There were no material changes compared with the opportunities and risks presented in the management report on the 2014 financial year and in the interim report on the first quarter of 2015. 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

On 17 August 2015, ADLER Real Estate AG acquired all of the shares of MountainPeak Trading Limited in exchange for total consideration of around EUR 285 million. MountainPeak, which forms part of the activities of entrepreneur Teddy Sagi, holds a 24.79 per cent stake in conwert Immobilien Invest SE, Wien. With this investment, ADLER is again pursuing its strategic objective of advancing its growth towards becoming a major residential real estate company. The purchase price for the strategic participation is already fully funded.

ADLER will finance part of the purchase price by issuing a mandatory convertible bond in favour of the seller with a volume of EUR 175 million, a coupon of 0.5 per cent, a conversion price of EUR 16.50 per ADLER share and a term of three years. ADLER will present the issue of this convertible bond and the creation of corresponding contingent capital to an extraordinary meeting for approval. The meeting will be convened in the near future.

According to its own information, conwert held real estate portfolios with a value of around EUR 2.8 billion in the first quarter of 2015, comprising a total of approx-

imately 30,000 units in Germany and Austria as well as outside these countries to a lesser extent (around three per cent). conwert holds around 25,150 residential and commercial properties with a value of around EUR 1.77 billion in Germany alone. The residential properties are largely situated in high-growth metropolitan regions such as Berlin, which accounts for more than 5,000 units with a value of around EUR 400 million or 28 per cent of the value of conwert's residential property holdings in Germany. Other major cities include Potsdam (1,671 units with a value of EUR 190 million), Leipzig (4,573 units with a value of EUR 245 million), Dresden (582 units) and North Rhine-Westphalia (3,060 units with a value of EUR 145 million).

conwert holds around 4,220 units in Austria. 77 per cent or 2,500 units with a value of around EUR 370 million are located in Vienna, where property values and prices are currently seeing significant growth. According to its own information, conwert is planning to focus on residential property and intends to increase the residential share of its overall portfolio to 80 per cent between now and 2016.

REPORT ON EXPECTED DEVELOPMENTS

The positive general macroeconomic conditions will also remain in place over the remainder of the year. This applies to general level of interest rates in the Eurozone, which is still at a very low level despite the recent rise and therefore remains advantageous for the continuous optimisation of ADLER's cost of borrow and for financing acquisitions. Continued low oil prices and rising consumer income are opening up scope for the adjustment of apartment rents. The consistent development of German industry, additionally boosted by the low Euro exchange rate, is safeguarding jobs and creating new ones, which is also helping to ensure a sound market situation in residential letting.

With the acquisition of WESTGRUND, ADLER took another major step towards becoming a large residential real estate company. The WESTGRUND portfolio will contribute to the continued positive development of operating earnings from the beginning of the second half of the year, since WESTGRUND's residential portfolios also generate a positive cash flow.

By standardising company structures and integrating the residential portfolios, ADLER can generate a range of synergies with the newly acquired target. In Lower Saxony, for example, where ADLER already holds majority interests in two strong and successfully operating property associations, the new Group now has approximately 14,900 rental units. Spread out holdings in the north of Lower Saxony state are allocated to the housing association in Wilhelmshaven, while the

properties in eastern and southern Lower Saxony and the neighbouring state of Saxony-Anhalt will be allocated to WBG Helmstedt in the future. This allows local management capacities to be used more effectively and efficiently. As a result of the growth in the Group's overall size, its purchasing power in relation to utilities and external service providers has also increased. Cost savings firstly benefit tenants, since operating costs can be reduced as a result of improved conditions. However, in turn lower operating costs create greater scope for the targeted adjustments of net rent in line with the market.

The Loan to Value (LTV) exclusive convertible bonds increased as a result of the acquisition of WESTGRUND slightly to 68.88 per cent (68.72 per cent). ADLER is aiming to reduce its LTV. The targeted increase in the occupancy rate to at least 90 per cent should also be achievable in the short term.

This goes hand in hand with further increases in rental income. Furthermore, in some regions ADLER has already begun to adjust apartment rents that have not been increased for years or that are generally significantly lower than the market rent. The forecast for the development of FFO I from the 2014 annual report, according to which FFO I would amount to at least EUR 7 million in 2015 on the basis of the housing portfolio achieved by the end of March (30,840 units), was already exceeded in the first half of the year. ADLER is therefore anticipating FFO I of around EUR 14 million for the year as a whole.

Finally, ADLER is maintaining its goal of generating further strong growth, provided the general conditions remain as good as they are at present. In mid-August, ADLER took advantage of an attractive opportunity to acquire a 24.79 per cent stake in conwert Immobilien Invest SE, Vienna, via an interim holding company. We see this participation as a strategic opportunity to benefit from conwert's prospects and development and are hoping to enter into a more extensive cooperation.

While ADLER primarily focuses on investments in B locations in German conurbations, conwert's residential properties are mainly located in major cities such as Berlin, Leipzig, Dresden and Vienna. We believe that the residential properties in these markets offer in some cases significant rental and value growth potential with corresponding positive effects for conwert's operating earnings. There are considerable opportunities for conwert in major cities in particular, where there is extremely strong demand for residential property as an investment. This strategic objective can be supported by ACCENTRO's experience and success. ADLER also believes that conwert's substantial value recovery potential means there are good prospects for both the new participation and the market capitalisation of ADLER itself.

As a result of the acquisition of WESTGRUND, ADLER has already reached a new magnitude and can therefore play a more important role in the competition for the acquisition of other interesting residential real estate portfolios. ADLER's inclusion in the German share index for small caps, the SDAX, is also extremely helpful in this context, as it has made ADLER more interesting for a larger number of national, and in particular international, investors. This is why we are expecting such an enhanced profile for us on the capital markets to also allow company financing at improved conditions for equity and debt alike.

All in all, ADLER expects to steadily improve its results of operations again in the second half of 2015, particularly in its operating business.





Group interim financial statement
as at 30 June 2015



Consolidated Balance Sheet

(IFRS) as at 30 June 2015

In EUR '000	30.06.2015	31.12.2014
Assets	2,613,603	1,416,459
Non-current assets	2,282,860	1,203,649
Goodwill	150,942	27,081
Intangible assets	1,502	1,727
Property, plant and equipment	996	494
Investment properties	2,119,403	1,170,159
Loans to associated companies	0	907
Investments in associated companies	1,093	1,123
Other financial investments	1,203	1,175
Other non-current assets	6,810	0
Deferred tax claims	911	983
Current assets	323,544	206,681
Inventories	119,633	89,617
Trade receivables	37,938	27,547
Income tax claims	200	173
Other current assets	69,446	56,283
Cash and cash equivalents	96,327	33,060
Non-current assets held for sale	7,198	6,129

In EUR '000	30.06.2015	31.12.2014
Equity and liabilities	2,613,603	1,416,459
Shareholders' equity	580,364	311,211
Capital stock	46,075	31,877
Capital reserve	277,168	108,078
Retained earnings	-197	-349
Currency translation reserve	77	20
Net retained profit	205,423	151,775
Equity attributable to owners of the parent company	528,546	291,401
Non-controlling interests	51,818	19,810
Non-current liabilities	1,717,285	1,010,927
Pension reserves	12,865	4,281
Deferred tax liabilities	81,167	39,083
Other provisions	376	802
Liabilities from convertible bonds	34,056	33,894
Liabilities from bonds	423,966	140,804
Financial liabilities to banks	1,152,762	791,087
Other non-current liabilities	12,093	977
Current liabilities	313,986	94,321
Other provisions	228	482
Income tax liabilities	5,424	3,213
Liabilities from convertible bonds	2,524	43
Liabilities from bonds	6,547	3,978
Financial liabilities to banks	246,884	47,810
Trade payables	24,726	21,123
Other current liabilities	27,654	17,673
Liabilities held for sale	1,968	0

Consolidated Statement of Comprehensive Income

(IFRS) for the period from 1 January to 30 June 2015

In EUR '000	first half year 2015	first half year 2014*	second quarter 2015	second quarter 2014*
Gross rental income	80,855	25,005	40,677	12,889
Expenses from property lettings	-41,611	-14,715	-18,952	-7,442
Earnings from property lettings	39,244	10,290	21,724	5,447
Income from the sale of properties	23,507	1,267	15,273	583
Expenses from the sale of properties	-20,963	-676	-13,004	-246
Earnings from the sale of properties	2,544	591	2,269	338
Personnel expenses	-5,492	-1,146	-3,177	-741
Other operating income	62,095	25,478	18,025	193
Other operating expenses	-11,426	-3,225	-6,935	-1,677
Income from fair value adjustments of investment properties	10,581	105,295	5,012	105,295
Depreciation and amortisation	-457	-10	-244	-6
Earnings before interest and tax (EBIT)	97,089	137,273	36,674	108,849
Financial income	903	394	491	259
Financial costs	-35,755	-13,425	-20,971	-7,429
Net income from at-equity valued investment associates	-440	-158	-354	-147
Earnings before tax (EBT)	61,797	124,084	15,840	101,532
Income taxes	-5,316	-18,437	-2,263	-17,284
Consolidated net profit	56,481	105,647	13,577	84,248
Actuarial gains/losses before taxes	0	0	0	0
Deferred taxes on actuarial gains/losses	0	0	0	0
OCI gains/losses not reclassifiable into profit or loss	0	0	0	0
OCI SWAP – reclassifiable –	224	0	139	0
Deferred taxes OCI – reclassifiable –	-72	0	-45	0
OCI own bonds – reclassifiable –	0	0	0	0
Gains/losses from currency translation	57	9	-17	9
OCI gains/losses not reclassifiable into profit or loss	209	9	77	9
Total comprehensive income	56,690	105,656	13,654	84,257
Profit attributable to:				
Owners of the parent company	53,648	100,424	10,887	79,059
Non-controlling interests	2,833	5,223	2,690	5,189
Total comprehensive income attributable to:				
Owners of the parent company	53,857	100,433	10,964	79,068
Non-controlling interests	2,833	5,223	2,690	5,189
Earnings per share, basic (EUR)	1.66	5.90	0.32	4.61
Earnings per share, diluted (EUR)	1.37	4.08	0.27	3.19

* The previous year's figures have been restated for changes in classification.

Consolidated Statement of Cash Flows

(IFRS) for the period from 1 January to 30 June 2015

In EUR '000	first half year 2015	first half year 2014*
Earnings before interest and taxes (EBIT)	97,089	137,273
+ Depreciation and amortisation	457	10
-/+ Net income from at-equity valued investment associates	-440	-158
-/+ Net income from fair value adjustments of investment properties	-10,583	-105,306
-/+ Non-cash income/expenses	-58,093	-26,257
- Decrease in provisions and accrued liabilities	-1,976	-64
-/+ Increase/decrease in inventories, trade receivables and other assets not attributable to financing activities	2,849	4,770
-/+ Increase/decrease in trade payables and other liabilities not attributable to investment or financing activity	-6,535	458
+ Interest received	369	159
+/- Tax payments	-250	-37
= Net cash flow from operating activities	22,887	10,848
- Acquisition of subsidiaries, net of cash acquired	-281,414	-41,235
+ Disposal of subsidiaries, net of cash disposed	54,614	0
- Purchase of investment properties	-17,487	0
- Purchase of property, plant and equipment	-256	-2
- Payments into short-term deposits	-18,019	-13,289
= Net cash flows from investing activities	-262,562	-54,527
- Payments for expenses relating to issue of share capital	-338	-437
+ Proceeds from issue of bonds	294,828	50,000
- Proceeds from issue of convertible bonds	-12,183	-1,886
- Interest payments	-28,919	-11,196
+ Proceeds from bank loans	181,806	365,655
- Repayment of bank loans	-132,252	-346,044
= Net cash flows from financing activities	302,942	56,092
Reconciliation to Consolidated Balance Sheet		
Cash and cash equivalents at beginning of periods	33,060	6,895
Net cash flow from operating activities	22,887	10,848
Net cash flow from investing activities	-262,562	-54,527
Net cash flow from financing activities	302,942	56,092
= Cash and cash equivalents at end of periods	96,327	19,308

* The previous year's figures have been restated for changes in classification.

Consolidated Statement of Changes in Equity

(IFRS) for the period from 1 January to 30 June 2015

In EUR '000	Capital stock	Capital reserves
As at January 1, 2014	16,548	13,132
Net result	0	0
Other result - reclassifiable	0	0
Change in scope of consolidation	0	0
Share increase and decrease without any change in status	0	11,026
Capital increase	12,021	65,173
Conversion of convertible bond	211	93
As at June 30, 2014	28,780	89,424
As at January 1, 2015	31,877	108,078
Net result	0	0
Other result - reclassifiable	0	0
Change in scope of consolidation	0	0
Capital increase	14,075	168,890
Conversion of convertible bond	123	200
As at June 30, 2015	46,075	277,168

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	100,424	100,424	5,223	105,647
0	9	0	9	0	9
0	0	0	0	8,037	8,037
0	0	0	11,026	-7,652	3,374
0	0	0	77,194	0	77,194
0	0	0	304	0	304
160	-50	142,978	261,292	20,218	281,510
-349	20	151,775	291,401	19,810	311,211
0	0	53,648	53,648	2,833	56,481
152	57	0	209	0	209
0	0	0	0	29,175	29,175
0	0	0	182,965	0	182,965
0	0	0	323	0	323
-197	77	205,423	528,547	51,818	580,364

Selected Notes on the group interim financial statements in accordance with IFRS as at 30 June 2015

GENERAL INFORMATION ADLER Real Estate Aktiengesellschaft the Group's parent company is domiciled at Herriotstr. 5, Frankfurt am Main, Germany. The company is entered in the commercial register of the Frankfurt am Main Local Court under HRB 7287. The financial year is the calendar year. The company's trading address is Gänsemarkt 50, Hamburg, Germany.

ADLER is a listed real estate company that focuses on establishing and expanding a substantial and profitable residential property portfolio. Its activities are centred around the acquisition and management of residential properties throughout Germany.

ADLER invests in residential properties that offer potential for sustained value appreciation whose current income can contribute to the company's overall success. The company's operational strategy includes actively creating added value by improving existing residential property portfolios by way of actively managing, renovating or modernising the individual units.

Trading and privatisation has also been one of ADLER's core activities since ACCENTRO Real Estate AG, Berlin, was taken over by ADLER.

ACCOUNTING POLICIES **Basis of preparation**

The consolidated interim financial statements as of 30 June 2015 were prepared in accordance with the International Financial Reporting Standards (IFRSs) as they are required to be applied within the EU. The consolidated financial statements, consisting of the consolidated balance sheet, the consolidated income statement, the consolidated statement of changes in equity, the consolidated statement of cash flows and selected notes to the financial statements, in particular, take into account the requirements of IAS 34 "Interim Financial Reporting".

In accordance with IAS 34.41, the preparation of the consolidated interim financial statements are based on reasonable estimates and assumptions to a greater extent than those included in the company's annual financial reporting. There were no changes in estimates with a material impact on the Group's net assets, financial position and results of operations during the interim reporting period.

The interim financial statements were prepared in Euros (EUR), the base currency of the parent company. All figures are rounded to thousand Euro (EUR thousand, EUR '000). This may result in rounding differences. Figures indicated in brackets generally refer to the previous year.

Intragroup transactions and items and unrealised gains and losses from transactions between Group companies are eliminated. Deferred taxes are recognised for temporary consolidation differences as required by IAS 12.

Further information on the accounting policies applied can be found in the consolidated financial statements for the year ended 31 December 2014, which form the basis for the present consolidated interim financial statements.

Accounting standards applied for the first time in the 2015 financial year

The following new or revised standards and interpretations were required to be applied for the first time in the 2015 financial year and did not have any material impact on the consolidated financial statements of ADLER:

- Improvements to selected IFRSs 2010-2012
- Improvements to selected IFRSs 2011-2013
- Amendments to IAS 19 "Employee Benefits"

Subsidiaries are included in the consolidated financial statements in accordance with the provisions of IFRS 10. Subsidiaries are all entities that are controlled by the Group. The Group controls an entity when it has direct or indirect decision making powers over the respective Group companies in the form of voting rights or other rights, participates in the positive and negative variable returns from the Group company and can influence these returns through its decision-making power. This criteria must be fulfilled cumulatively.

BASIS OF CONSOLIDATION

Subsidiaries are included in the consolidated financial statements (full consolidation) from the date on which the Group obtains control. They are deconsolidated from the date on which control ceases.

Companies over which the Group can exercise a significant influence are accounted for as associates using the equity method in accordance with IAS 28. Significant influence is presumed when a Group company holds at least 20 per cent but no more than 50 per cent of the voting rights, either directly or indirectly.

Further information on the basis of consolidation can be found in the "Basis of consolidation" section of the 2014 annual report (page 84 onwards).

SCOPE OF CONSOLIDATION AND BUSINESS COMBINATIONS Including the parent company, the scope of consolidation includes a total of 116 companies (77) that are fully consolidated and seven companies (six) that are booked at equity.

The changes as of 30 June 2015 are primarily due to the acquisition of WESTGRUND AG and its subsidiaries, Wohnungsbaugesellschaft JADE mbH and the disposal of the three subsidiaries classified as available for sale.

Acquisition of the WESTGRUND Group

Under the voluntary public takeover bid that was extended to the shareholders of WESTGRUND, Berlin, on 30 April 2015, a total of 74,735,335 shares of WESTGRUND were tendered as of the end of the extended acceptance period at midnight on 16 June 2015. This corresponds to around 94.90 per cent of the share capital and voting rights of WESTGRUND. The acquisition was completed in the form of a combined cash and exchange offer.

The acquisition date on which the Group obtained control of WESTGRUND was the 26 June 2015, this being the date on which the last condition for completion under the terms of the takeover bid – the entry of the inclusion of the non-cash capital increase in the Frankfurt am Main commercial register – was fulfilled. This transaction is treated as a business combination within the meaning of IFRS 3 with effect from 26 June 2015 and included for the first time in the consolidated financial statements as of 30 June 2015. All in all, the acquisition of WESTGRUND resulted in 31 companies being included in the scope of consolidation for the first time.

WESTGRUND is a Berlin-based group focusing on the acquisition and management of residential properties in Germany. At the end of the first half of the year, WESTGRUND had a total of 16,034 residential and commercial units under management. With largely identical business models and strategies, both ADLER and WESTGRUND pursue the objective of further expanding their property portfolios in Germany, which are primarily located in German B locations and in the outskirts of urban regions. With the acquisition, ADLER is aiming to leverage a wide range of synergies in the areas of management, organisation and financing in particular.

The total purchase price for the acquisition of 94.90 per cent of the share capital of WESTGRUND was EUR 407.32 million. This figure is composed of a cash component (EUR 224.21 million) and the fair value of the equity instruments granted (EUR 183.12 million). The equity component relates to 14,075,155 new no-par value bearer shares of ADLER resulting from the non-cash capital increase, which

were granted to the new shareholders of ADLER in exchange for their shares of WESTGRUND (share swap). The equity component was measured using the Xetra opening price on 26 June 2015, which was EUR 13.01 per share.

As final purchase price allocation was still outstanding at the reporting date, the allocation of the purchase price to the acquired assets and liabilities is provisional. The acquired assets and liabilities had the following provisional fair values at the date of initial consolidation:

In EUR '000	
Investment property	761,201
Goodwill	123,861
Other non-current assets	7,057
Current assets	36,151
Cash and cash equivalents	39,888
Assets acquired	968,158
Non-current liabilities	-288,673
Current liabilities	-250,272
Liabilities acquired	-538,945
Net assets at 100%	429,213
Non-controlling interests	-21,889
Cost	407,324

Preliminary purchase price allocation results in goodwill of EUR 123.86 million.

The acquired trade receivables amount to EUR 2.52 million and correspond to their fair value.

With regard to the measurement of non-controlling interests, the option provided by IFRS 3.19 to measure non-controlling interests on the basis of their interest in the identified net assets was exercised.

As a result of its inclusion in the scope of consolidation from 26 June 2015, WESTGRUND contributed EUR 1.35 million to the consolidated net profit before taxes reported in the statement of comprehensive income. No income from WESTGRUND is included in the statement of comprehensive income for the period from initial consolidation until the reporting date. If WESTGRUND had been fully consolidated with effect from 1 January 2015, it would have contributed EUR 45.13 million to income from property lettings and EUR 40.71 million to the consolidated net profit before taxes (EBT).

Acquisition-related costs were recognised in other operating expenses in the amount of EUR 0.19 million. Transaction costs in connection with the share swap were deducted from the capital reserve in equity in the amount of EUR 0.15 million.

Acquisition of Wohnungsbaugesellschaft JADE mbH

In October 2014, ADLER completed on the purchase agreement for the acquisition of a 94.9 per cent interest in the Wilhelmshaven-based Wohnungsbaugesellschaft JADE mbH. The transfer of benefits and obligations, and hence initial consolidation, took place by 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:

In 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 liabilities	-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

Acquisition of property holding companies

In the second quarter of 2015, ADLER acquired property portfolios that are intended for portfolio management via holding companies. The shares of the following property holding companies were acquired via the interim holding company Magnus Siebte Immobilienbesitz und Verwaltungs GmbH, in which ADLER holds 100 per cent of the shares:

- WBL Wohnungsgesellschaft Berlin Lichtenberg 1 GmbH (94.9%)
- WBL Wohnungsgesellschaft Berlin Lichtenberg 2 GmbH (94.9%)
- WBL Wohnungsgesellschaft Berlin Lichtenberg 3 GmbH (94.9%)
- WBL Wohnungsgesellschaft Berlin Lichtenberg 4 GmbH (94.9%)
- WBL Wohnungsgesellschaft Berlin Lichtenberg 5 GmbH (94.9%)

The acquisition does not relate to operations within the meaning of IFRS 3 and was recognised as an indirect property purchase, with the cost of the holding companies being allocated to the individually identifiable assets and liabilities on the basis of their fair values. Investment property in the amount of EUR 25.600 million was acquired via the holding companies.

Since the acquisition of ACCENTRO in mid-2014, the ADLER Group has been organised in the following segments:

SEGMENT REPORTING

1. **Rental:** Investment properties and inventory properties that are not intended for sale as individual residential units.
2. **Trading:** Buying and selling properties. In this segment, individual residential units are generally sold to private investors. Brokerage in the context of residential privatisation is also included in this segment.

Included in the column "Other" are other Group activities which do not constitute an independent segment.

Segment reporting follows the internal reporting system to the ADLER Management Board, which is the top management body in line with IFRS (management approach). Reporting is aligned to the segments Trading and Rental. The Group only trades with properties located in Germany, which is the reason there is no international geographical segmentation.

Income and EBIT in the first half of the year is broken down across the segments as follows:

ADLER Group	Trading	Rental	Other	Group
In EUR '000 1 January – 30 June 2015				
Gross rental income and income from the sale of properties	14,465	89,103	794	104,362
thereof:				
Gross rental income	2,335	78,315	205	80,855
Income from disposals	10,817	10,788	589	22,194
Income from brokerage	1,313	0	0	1,313
Change in the value of investment property	0	10,581	0	10,581
EBIT	490	96,327	271	97,088
Income from investments accounted for using the equity method	15	-455	0	-440
Financial result	-1,240	-33,566	-46	-34,852
Earnings before taxes	-766	62,435	128	61,797

Since the acquisition of ACCENTRO in mid-2014 the Trading segment, which is considered as a separate division of ADLER, has generated an income of EUR 14.47 million for the first half of the year, which was primarily generated from property disposals amounting to of EUR 10.82 million. EBIT in this segment amounted to EUR 0.49 million, while earnings before taxes amounted to EUR -0.77 million. Income in the Rental segment amounted to EUR 89.10 million and primarily benefited from the new business acquired in the previous year. EBIT in this segment amounted to EUR 96.33 million in the first half of the year, while earnings before taxes amounted to EUR 62.44 million.

Income and EBIT in the second quarter of 2015 is broken down across the segments as follows:

ADLER Group	Trading	Rental	Other	Group
In EUR '000 1 April – 30 June 2015				
Gross rental income and income from the sale of properties	10,025	45,515	409	55,949
thereof:				
Gross rental income	1,178	39,414	84	40,676
Income from disposals	8,105	6,101	325	14,531
Income from brokerage	742	0	0	742
Change in the value of investment property	0	5,012	0	5,012
EBIT	463	35,886	325	36,674
Income from investments accounted for using the equity method	15	-369	0	-354
Financial result	-642	-19,828	-10	-20,480
Earnings before taxes	-195	15,816	220	15,841

Income of circa EUR 10.03 million was generated in the Trading segment in the second quarter of 2015 (first quarter: EUR 4.40 million). This was largely due to the higher number of property disposals in the second quarter.

The tables above do not contain comparative prior-period figures as ADLER has only had two independent segments since the acquisition of ACCENTRO in June 2014.

Segment assets, segment liabilities and segment investments were as follows at 30 June 2015:

ADLER Group	Trading	Rental	Other	Consolidation	Group
In EUR '000 as of 30 June 2015					
Assets per segment	170,948	2,531,490	10,783	-100,711	2,612,510
Investments accounted for using the equity method	947	122	24	0	1,093
Total segment assets	171,895	2,531,612	10,807	-100,711	2,613,603
Segment liabilities	117,046	2,007,259	9,645	-100,711	2,033,239
Segment investments	43,933	1,168,224	0	0	1,212,157

The increase in segment assets and liabilities in the Rental segment is primarily attributable to the acquisition of WESTGRUND.

Segment assets, segment liabilities and segment investments were as follows at 31 December 2014:

ADLER Group	Trading	Rental	Other	Consolidation	Group
In EUR '000 as of 31 December 2014					
Assets per segment	142,703	1,353,862	19,073	-100,302	1,415,336
Investments accounted for using the equity method	947	124	52	0	1,123
Total segment assets	143,650	1,353,986	19,125	-100,302	1,416,459
Segment liabilities	87,557	1,099,962	18,031	-100,302	1,105,248
Segment investments	61,816	613,331	0	0	675,147

SELECTED NOTES ON THE CONSOLIDATED BALANCE SHEET

Investment properties

Investment properties on the company's balance sheet increased by EUR 949.24 million as of 30 June 2015 compared to EUR 2.12 billion as of the 31 December 2014. This was largely due to the acquisition of the WESTGRUND Group (EUR 761,20 million) and Wohnungsbaugesellschaft JADE mbH (EUR 249,11 million), as well as fair value adjustments of EUR 10.58 million. This was partially offset by the disposal of the Hohenschönhausen portfolio (EUR 69.4 million).

The fair value of individual properties and property portfolios (Level 3 of the fair value adjustment hierarchy – on the basis of measurement models) was calculated on the basis of discounted future cash flows (DCF method) or using the gross rental method.

Cash and cash equivalents

Cash and cash equivalents totalled EUR 96.33 million at 30 June 2015 after EUR 33.06 million at the end of the previous year. EUR 21.38 million (EUR 4.30 million) of this figure is earmarked for debt servicing and EUR 74.94 million (EUR 28.76 million) is freely disposable.

Non-current assets held for sale

Airport Center Luxembourg GmbH

The participation in Airport Center Luxembourg GmbH, which was accounted for using the equity method, and the loan extended to this company, were classified as a disposal group held for sale in accordance with IFRS 5. A sales

agreement had already been concluded at the publication date. Fair value adjustment less selling costs (EUR 625,000) resulted in the recognition of an impairment loss of EUR 294,000.

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

The shares in ESTAVIS Berlin Hohenschönhausen GmbH, with a residential property portfolio totalling 1,174 units and a net rentable area of 76,386 square metres, were sold in accordance with an agreement dated 30 April 2015. In addition, all of the shares in ESTAVIS Filmfabrik GmbH & Co. KG and its general partner ESTAVIS Vermögensverwaltungs GmbH were sold in the second quarter. The deconsolidation of these three companies resulted in a profit of EUR 15.95 million for the Group, which was reported in other operating income.

Properties

Non-current assets held for sale include apartments and apartment buildings in the amount of EUR 6.57 million (EUR 6.13 million). The liabilities associated with these assets are reported as available-for-sale liabilities in the amount of EUR 1.97 million (EUR 0).

Shareholders' equity

The share capital of ADLER AG amounted to EUR 46.08 million at 30 June 2015 (EUR 31.88 million) and is divided into 46.08 million no-par value bearer shares (31.88 million no-par value bearer shares) each with one voting right per share.

The share capital increased by EUR 14.08 million as a result of the non-cash capital increase in connection with the acquisition of WESTGRUND. The amount generated from the issue of the new shares in excess of the notional value was appropriated to the capital reserve in the amount of EUR 169.04 million. The cost of raising equity capital in connection with the non-cash capital increase was deducted from the capital reserve in the amount of EUR 0.15 million.

Further details can be found in the consolidated statement of changes in equity.

Non-current liabilities

The increase in deferred tax liabilities is primarily due to the acquisition of WESTGRUND. Preliminary purchase price allocation resulted in the recognition of deferred tax liabilities of EUR 44.60 million

The increase in liabilities from bonds is largely attributable to the newly issued corporate bond. On 8 April 2015, ADLER issued a corporate bond with a nominal volume of EUR 300 million and an interest rate of 4.75%. The bond has a term of five years. The net proceeds from the issue were mainly used to finance the acquisition of WESTGRUND, Berlin.

The increase in non-current financial liabilities to banks is primarily due to the liabilities of WESTGRUND that were assumed as part of the business combination.

Current liabilities

Non-current liabilities assumed as part of the acquisition of WESTGRUND in the amount of EUR 178.75 million are reported in current liabilities to banks as they contain change-of-control clauses. The lender had not issued a declaration of consent as of the reporting date 30 June 2015; this declaration was issued on 12 August 2015.

SELECTED NOTES ON THE STATEMENT OF COMPREHENSIVE INCOME

Gross rental income

Gross rental income breaks down as follows:

In EUR '000	H1 2015	H1 2014
Net rental income	51,740	16,614
Income from recoverable expenses	28,272	8,370
Other income from property management	843	21
Total Gross Rental Income	80,855	25,005

The development of net rental income and income from recoverable expenses in the reporting period resulted from the new acquisitions.

The year-on-year increase in net rental income related primarily to ACCENTRO AG in the amount of EUR 11.21 million (EUR 0), the Magnus III Portfolio in the amount of EUR 14.87 million (EUR 0) and Wohnungsbaugesellschaft JADE mbH in the amount of EUR 8.51 million (EUR 0).

The year-on-year increase in income from recoverable expenses related primarily to ACCENTRO in the amount of EUR 10.96 million (EUR 0), the Magnus III Portfolio in the amount of EUR 6.72 million (EUR 0) and Wohnungsbaugesellschaft JADE mbH in the amount of EUR 1.24 million (EUR 0).

Expenses from property lettings

Expenses from property lettings break down as follows:

In EUR '000	H1 2015	H1 2014
Apportionable and non-apportionable operating costs	35,352	10,542
Maintenance	6,193	4,133
Other property management expenses	66	40
Total	41,611	14,715

The increase in operating costs and maintenance expenses in the period under review is due to the earnings impact of the new business acquired.

The increase in operating costs relates to ACCENTRO in the amount of EUR 12.90 million (EUR 0), the Magnus III Portfolio in the amount of EUR 10.30 million (EUR 0) and Wohnungsbaugesellschaft JADE mbH in the amount of EUR 1.56 million (EUR 0).

Income from the sale of properties

Income from the sale of properties breaks down as follows:

In EUR '000	H1 2015	H1 2014
Income from the sale of inventory properties	11,423	1,267
Income from the sale of investment properties	10,771	0
Brokerage revenue	1,313	0
Total	23,507	1,267

Income from the sale of properties relates to sales by ACCENTRO and disposals from the Magnus III Portfolio that were not included in the first half of the previous year.

Expenses from the sale of properties

Expenses from the sale of properties break down as follows:

In EUR '000	H1 2015	H1 2014
Carrying amounts of inventory properties disposed of	9,595	676
Carrying amounts of investment properties disposed of	9,738	0
Selling costs	793	0
Purchased services for brokerage revenue	837	0
Total	20,963	676

The balance sheet value of those properties disposed of by ACCENTRO relate to sales and disposals from the Magnus III Portfolio that were not included in the first half of the previous year.

Other operating income

Other operating income amounted to EUR 62.10 million (previous year: EUR 25.50 million) and primarily related to the negative goodwill measured in the context of purchase price allocation for Wohnungsbaugesellschaft JADE mbH in the amount of EUR 42.30 million, which was reported immediately in the profit or loss as a non-recurring effect. This negative goodwill is largely due to the excess of the fair value of the investment properties reported at Wohnungsbaugesellschaft JADE mbH over the purchase price. This adjustment was based on assessments by independent experts.

Other operating income also includes a gain of EUR 15.95 million on the de-consolidation of three companies that were classified as assets held for sale as of 31 March 2015 (see Notes to the Consolidated Balance Sheet). The de-consolidation of Erste ADLER Real Estate GmbH & Co. KG together with Verwaltungsgesellschaft Erste ADLER RE mbH resulted in a gain of EUR 0.30 million for the Group.

Income from fair value adjustments of investment properties

Income from fair value adjustments of investment properties amounted to EUR 10.6 million (EUR 105.30 million) and was composed of income from fair value adjustments of EUR 24.50 million (EUR 105.30 million) and expenses from fair value adjustments of EUR 13.91 million (EUR 0).

Financial costs

Financial costs break down as follows:

In EUR '000	H1 2015	H1 2014
Ongoing interest expenses	22,171	7,552
Interest expense bonds/convertible bonds	11,369	3,413
Non-recurring financing costs	2,215	2,460
Total	35,755	13,425

Ongoing interest expenses increased as a result of the financing for the new business acquired in the current reporting period. The higher interest expense for bonds/convertible bonds is primarily attributable to the interest expense for the corporate bond issued on 8 April 2015 with a nominal volume of EUR 300 million.

The classification of financial instruments required in accordance with IFRS 7 was unchanged compared with 31 December 2014. There were no reclassifications within the categories of financial instruments or the fair value hierarchy in the period under review. The financial instruments of WESTGRUND that were assumed were already recognised at fair value on initial consolidation and were allocated in line with the Group's existing classification.

DISCLOSURES ON FINANCIAL INSTRUMENTS AND FAIR VALUE DISCLOSURES

The classification of assets and liabilities measured at fair value in accordance with the input factors of the measurement method was unchanged compared with 31 December 2014. Investment properties were measured at their fair value at the reporting date and were still allocated to Level 3 of the fair value hierarchy. There were no reclassifications between the hierarchical levels in the period under review.

Related party disclosures

OTHER DISCLOSURES

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

Other financial commitments

As of 30 June 2015, the Group had other financial commitments of EUR 20.57 million on a consolidated basis. These other financial commitments were composed of rental and lease commitments in the amount of EUR 5.60 million and commitments under management and support agreements in the amount of EUR 14.97 million.

On 30 December 2014, WESTGRUND VIII GmbH entered into a purchase agreement obliging it to acquire the "Ajax" portfolio consisting of around 2,696 residential units. The transfer of benefits and obligations had not yet taken place at the reporting date. Purchase price obligations of around EUR 100.50 million resulting from the purchase agreement are still due after the balance sheet date.

A purchase price obligation of EUR 3.10 million is mandatory as a result of another real estate purchase agreement.

Financial risk management

The material risks monitored and controlled by the Group's financial risk management are interest rate risk, counterparty default risk, liquidity risk and refinancing risk. These risks have not changed significantly since 31 December 2014. A detailed description of these risks can be found in the notes to the consolidated financial statements for the year ended 31 December 2014.

Events after the reporting date

On 17 August 2015, ADLER acquired all of the shares of MountainPeak Trading Limited in exchange for total consideration of around EUR 285 million. MountainPeak, which forms part of the activities of entrepreneur Teddy Sagi, holds a 24.79 per cent stake in conwert Immobilien Invest SE, Vienna, one of the leading real estate companies in the German-speaking nations with residential and commercial property holdings in Austria and Germany. With this investment, ADLER is again pursuing its strategic objective of advancing its growth as a major residential real estate company. The purchase price for the strategic participation is already fully funded.

ADLER has financed part of the purchase price by issuing a mandatory convertible bond in favour of the seller with a volume of EUR 175 million, a coupon of 0.5 per cent, a conversion price of EUR 16.50 per ADLER share and a term of three years. ADLER has agreed to present the issue of the convertible bond and the creation of corresponding contingent capital to an extraordinary meeting for approval. The meeting will be convened in the near future.

In late July, the Group successfully concluded financing negotiations for the acquisition of the "Ajax" portfolio. Around 2,100 units have already been acquired, corresponding to around 75 per cent of the target portfolio of just under 2,700 residential units. The acquisition of the remaining 25 per cent of the portfolio is expected to be completed over the coming months.

Frankfurt/Main, August 31, 2015

Affirmation by the Legal Representatives

Statements Pursuant to § 37y No. 1 of the Securities Trading Act

"I hereby confirm that, to the best of knowledge, these Interim Consolidated Financial Statements provide a true and fair view of the Group's financial, earnings and liquidity position in accordance with applicable principles for interim financial reporting and with due regard for the requirements of § 37w of the Securities Trading Act and that the Interim Consolidated Management Report presents the course of business, including the Group's position and results, in such a manner as to convey a true and fair view, as well as describing the major opportunities and risks which can be expected to arise in the remainder of the year."

ADLER Real Estate Aktiengesellschaft
Frankfurt/Main, August 31, 2015

A handwritten signature in black ink, appearing to read 'Harloff', with a stylized flourish at the end.

Axel Harloff
Management Board

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/Main, HRB 7287
SIN	500 800
ISIN	DE0005008007
Ticker Symbol	ADL
Reuters	ADLG.DE
Industry	Real Estate
Listed at	Official trading
Indices	SDAX, CDAX, FTSE EPRA/NAREIT Global Real Estate Index, DIMAX
Stock Exchange	Xetra, Frankfurt/Main
Designated Sponsor	ODDO SEYDLER BANK AG
Subscribed Capital	EUR 46,075,315, divided into 46,075,315 non-par shares (as at 30 June 2015)
Publisher	ADLER Real Estate AG Gänsemarkt 50 20354 Hamburg www.adler-ag.com Telephone: +49 (0)40 2981 300 Telefax: +49 (0)40 2981 3099 info@adler-ag.com
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Supervisory Board	Dr Dirk Hoffmann, Berlin (Chairman) Thomas Katzuba von Urbisch, Monte Carlo/Monaco (Vice Chairman) Thilo Schmid, Blotzheim/France
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