

Q3

Interim Report for the  
first nine months 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](http://www.adler-ag.com)



## Key Financial Figures

| In EUR '000   | 01.01.2015                         | 01.01.2014                         |
|---|------------------------------------|------------------------------------|
| <b>Consolidated Statement of Income</b>                 | <b>– 30.09.2015</b>                | <b>– 30.09.2014</b>                |
| Gross rental income                                     | 152,142                            | 54,487                             |
| Income from the sale of properties                      | 45,786                             | 11,115                             |
| EBIT  | 127,066                            | 145,305                            |
| Consolidated net profit                                 | 59,738                             | 101,071                            |
| FFO I   | 9,897                              | 2,653                              |
| FFO I per share in € <sup>1)</sup>                      | 0.21                               | 0.09                               |
| FFO II  | 38,457                             | 2,608                              |
| FFO II per share in € <sup>1)</sup>                     | 0.83                               | 0.09                               |
| <b>Consolidated balance sheet</b>                       | <b>30.09.2015</b>                  | <b>31.12.2014</b>                  |
| Investment Properties                                   | 2,242,376                          | 1,170,159                          |
| EPRA NAV  | 657,138                            | 342,214                            |
| EPRA NAV per share in EUR <sup>1)</sup>                 | 14.26                              | 11.79                              |
| LTV in % <sup>2)</sup>                                  | 65.9                               | 68.7                               |
| <b>Cashflow</b>   | <b>01.01.2015<br/>– 30.09.2015</b> | <b>01.01.2014<br/>– 30.09.2014</b> |
| Net cash flow from operating activities                 | 17,380                             | 13,694                             |
| Net cash flow from investing activities                 | -382,277                           | -92,637                            |
| Net cash flow from financing activities                 | 396,792                            | 115,930                            |
| <b>Portfolio</b>  | <b>30.09.2015</b>                  | <b>31.12.2014</b>                  |
| Number of residential units under management            | 52,088                             | 25,559                             |
| thereof proprietary units in existing portfolio         | 48,336                             | 24,086                             |
| thereof proprietary units for privatisation             | 1,968                              | 995                                |
| Number of units sold                                    | 1,836                              | 1,217                              |
| thereof privatised units <sup>3)</sup>                  | 539                                | 837                                |
| thereof non-core units sold                             | 1,297                              | 380                                |
| Contractually secured units <sup>4)</sup>               | 502                                | 6,764                              |
| Occupancy rate in % <sup>5)</sup>                       | 88.1                               | 87.2                               |
| Monthly in-place rent <sup>6)</sup> in €/m <sup>2</sup> | 4.90                               | 5.02                               |
| <b>Employees</b>  | <b>01.01.2015<br/>– 30.09.2015</b> | <b>01.01.2014<br/>– 30.09.2014</b> |
| Number of employees                                     | 257                                | 102                                |
| FTE's (Full-time-equivalents)                           | 237                                | 92                                 |

<sup>1)</sup> based on the number of shares outstanding at the reporting date

<sup>2)</sup> excluding convertible bonds

<sup>3)</sup> nine months 2015/short financial year (six months, 1 July 2014 to 31 December 2014)

<sup>4)</sup> transfer of benefits and obligations still outstanding at the reporting date

<sup>5)</sup> proprietary rental units

<sup>6)</sup> in-place rent at the respective reporting date



## Key Property Portfolio Figures

| <b>Federal State</b>           | <b>Rental units</b> | <b>Proportion of total portfolio in % (units)</b> | <b>Total rental area in m<sup>2</sup></b> | <b>Proportion of total portfolio in % (m<sup>2</sup>)</b> | <b>Average rent<sup>1)</sup> in EUR per m<sup>2</sup></b> | <b>Occupancy rate in %</b> |
|--------------------------------|---------------------|---|---|---|---|----------------------------|
| <b>as at 30 September 2015</b> |                     |   |   |   |   |                            |
| Lower Saxony                   | 16,591              | 34.3  | 1,028,180                                 | 33.7  | 4.75  | 90.6                       |
| North Rhine-Westphalia         | 9,851               | 20.4  | 679,316                                   | 22.3  | 4.98  | 86.3                       |
| Saxony                         | 7,574               | 15.7  | 472,362                                   | 15.5  | 4.66  | 84.7                       |
| Saxony-Anhalt                  | 3,796               | 7.8   | 216,167                                   | 7.1   | 4.56  | 83.5                       |
| Brandenburg                    | 3,683               | 7.6   | 225,156                                   | 7.4   | 4.65  | 86.6                       |
| Thuringia <sup>2)</sup>        | 1,687               | 3.5   | 93,090                                    | 3.0   | 5.36  | 92.2                       |
| Berlin <sup>2)</sup>           | 1,622               | 3.4   | 105,436                                   | 3.5   | 5.50  | 98.0                       |
| Mecklenburg-Western Pomerania  | 1,508               | 3.1   | 83,486                                    | 2.7   | 5.00  | 85.7                       |
| Schleswig-Holstein             | 691                 | 1.4   | 38,403                                    | 1.3   | 5.82  | 93.3                       |
| Rhineland-Palatinate           | 615                 | 1.3   | 41,242                                    | 1.4   | 6.75  | 92.3                       |
| Hesse                          | 459                 | 1.0   | 43,780                                    | 1.4   | 6.79  | 91.2                       |
| Bavaria                        | 161                 | 0.3   | 14,158                                    | 0.5   | 5.59  | 85.0                       |
| Baden-Württemberg              | 50                  | 0.1   | 4,236                                     | 0.1   | 7.42  | 76.1                       |
| Bremen                         | 48                  | 0.1   | 2,380                                     | 0.1   | 5.19  | 86.2                       |
| <b>Total</b>                   | <b>48,336</b>       | <b>100.0</b>                                      | <b>3,047,390</b>                          | <b>100.0</b>  | <b>4.90</b>   | <b>88.1</b>                |

| <b>Additional rental areas</b>  | <b>Rental units</b> |
|---|---------------------|
| Privatisation portfolio ACCENTRO Real Estate AG <sup>3)</sup>                 | 1,968               |
| Acquired rental units, transfer of benefits and obligations still outstanding | 502                 |

<sup>1)</sup> target rent as at 30 September 2015

<sup>2)</sup> excluding project developments

<sup>3)</sup> primarily Berlin



## Contents

|       |   |           |
|-------|---|-----------|
| 8–9   | Letter from the Management Board                                    |           |
| 10–30 | Group Management Report   |           |
|       | <b>Foundations of the Group</b>                                     | <b>10</b> |
|       | Business model  | 10        |
|       | Rental  | 10        |
|       | Total residential property portfolio, distribution by federal state | 11        |
|       | Trading   | 12        |
|       | Management System   | 12        |
|       | Employees   | 13        |
|       | Development on the stock markets and capital markets                | 13        |
|       | Shareholder structure   | 15        |
|       | <b>Economic report</b>  | <b>16</b> |
|       | General economy and the property market                             | 16        |
|       | Economic development of the Group                                   | 17        |
|       | <b>Results from operations, Net assets, Financial position</b>      | <b>20</b> |
|       | Results from operations   | 20        |
|       | Net assets  | 24        |
|       | Financial position  | 26        |
|       | <b>Opportunities and risk</b>                                       | <b>28</b> |
|       | <b>Report on post-balance-sheet date events</b>                     | <b>29</b> |
|       | <b>Report on expected developments</b>                              | <b>29</b> |

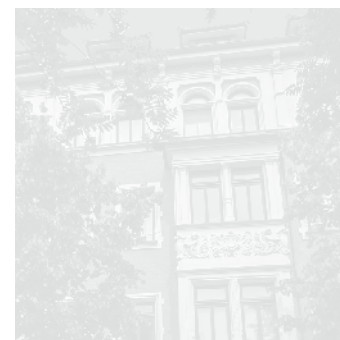


|       |  |    |
|-------|--|----|
| 31–37 | Group interim financial statement as at 30 September 2015  |    |
|       | <b>Consolidated balance sheet</b> (IFRS) as at 30 September 2015   | 32 |
|       | <b>Consolidated statement of comprehensive income</b> (IFRS)<br>for the period from 1 January to 30 September 2015 | 34 |
|       | <b>Consolidated statement of cash flows</b> (IFRS)<br>for the period from 1 January to 30 September 2015           | 35 |
|       | <b>Consolidated statement of changes in equity</b> (IFRS)<br>for the period from 1 January to 30 September 2015    | 36 |
| 38–53 | Selected Notes on the Group interim financial statements<br>in accordance with IFRS as at 30 September 2015        |    |
| 54    | Legal remarks  |    |
| 55    | At a Glance  |    |

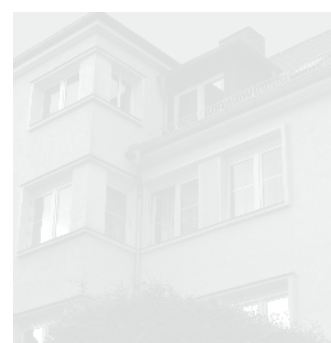
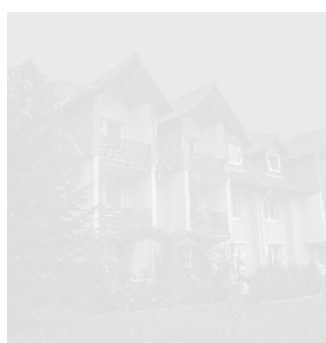








Letter from the Management Board  
Foundations of the Group  
Economic report  
Results from operations, Net assets  
and Financial position





## Letter from the Management Board

**Dear Shareholders,  
Ladies and Gentlemen,**

We will all remember the third quarter of 2015 for a long time to come. It was the time when a vast number of refugees from the Middle East and the Balkans made their way to Germany to escape the numerous and deep conflicts afflicting the area. Around 230,000 people arrived in Germany in September alone, and it is predicted that some 1.5 million refugees will move here this year. So far this potentially significant number of refugees seeking asylum has unpredictable consequences for the future development of Germany. However, whilst this presents an enormous challenge to Germany and indeed the real estate sector, it is at the same time undeniable that given the variable specifically connected to residential real estate it will act as strong driver to the specific sector.

Overall property vacancy rate estimates suggest that between 10 and 14 per cent of all apartments are currently vacant. From a purely mathematical point of view, accommodating so many people should not be a problem as these vacant apartments could accommodate up to ten million people based on an average occupancy of two to three persons per unit. On the ground, however, the situation is different. Whilst the mathematical analysis provides a future trend, it does not provide explicit comfort in regards to the effects on medium-term rentals for recognised asylum seekers from different cultural backgrounds. These considerations require attention and cannot be done indiscriminately. In order to achieve stable rentals from migrants immense efforts in care and organisation need to be included, especially since many people will be moving closer to areas in our Country where our own population generally have low incomes or are unemployed. This challenge cannot be described mathematically.

Our Company, which has the potential to offer almost 12 per cent of its inventory to new tenants, relies on close cooperation with local authorities and social institutions as well as on the commitment of our managers on site in order to create appropriate rental configurations and to maintain subsequent levels of service. We expect that our occupancy rates will rise significantly due to increased demand and thus, further improve the profitability of our portfolio.

It almost seems as if the wave of refugees has reinforced the view of investors from Germany and abroad once more on the German real estate sector, because parallel to the rapidly growing demand for housing in Germany, the focus on the free, publicly-listed residential real estate companies continues. Efficiency, purchasing power and attractively large



companies for institutional investors form the basis for possible future mergers. In 2015, our Company has taken corresponding steps in which we acquired more portfolios, including the listed WESTGRUND AG, and took a 24.79 per cent stake in conwert Immobilien SE, Vienna, in August.

conwert exhibits significant further growth in cash reserves in the medium-term, given the overall increase in housing demand. This is because rents have been rising despite the current policy measures to stabilise by reinforcing rental caps. While the rate of rental increases in the more central metropolitan conurbation areas is not as strong due to its already higher level, it is expected that rents in non-metropolitan and rural areas will tend to rise more steeply. If the flow of refugees is not controlled and continues unabated over the coming years, it is likely that Germany will actually be heading towards a greater housing shortage than already exists. Until now the increased demand for residential properties, particularly in the metropolitan areas, was mainly due to the additional per capita requirements resulting from more people living alone, it is foreseeable that new housing must be created for several million people in the coming years.

Replacement costs are still considerably higher than current valuations and with the growing lack of supply and very modest construction levels especially in B locations, current property values are expected to continue growing in the near future.

We are working hard to align our Company structure to meet the growing demands. Currently we are ensuring that we are able to maximise the efficiencies of larger administrations at various sites in order to contribute to the gradual integration of the new arrivals in Germany.

A rapid and appropriate increase in our occupancy rate will significantly contribute to a rise in income from continuing operations. The third quarter of this year is only a small part which shows how much our Company has been evolving and developing at all levels. Further progression will show that ADLER is on the right track.

Yours,



Axel Harloff

Management Board



## Foundations of the Group

**BUSINESS MODEL** ADLER Real Estate AG (as following: ADLER) is focusing on establishing and expanding a substantial residential property portfolio throughout Germany. It primarily acquires equity interests in portfolios situated in B locations in German conurbations that generate a positive cash flow and offer potential for sustainable value growth.

In addition to portfolio acquisitions, the Group's objectives concentrate on sustainable portfolio management and improving the portfolio's performance by reducing vacancy rates by putting in place efficiency/optimisation measures. The Group's centralised asset management ensures optimal operating performance and core productivity in residential property management through a transparent, end-to-end and close-knit organisation, which allows for the optimum in letting and management of residential portfolios. This process puts great focus on the interests of our customers, i.e. the interests of the tenant in affordable housing 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 (as following: ACCENTRO), 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.

With a portfolio of almost 50,000 residential and commercial units ADLER is one of the five largest German listed residential real estate companies. In addition to the listing on the FTSE EPRA / NAREIT GLOBAL REAL ESTATE Index in London and the GPR General Index, ADLER shares are also listed in Deutsche Börse's SDAX small cap index.

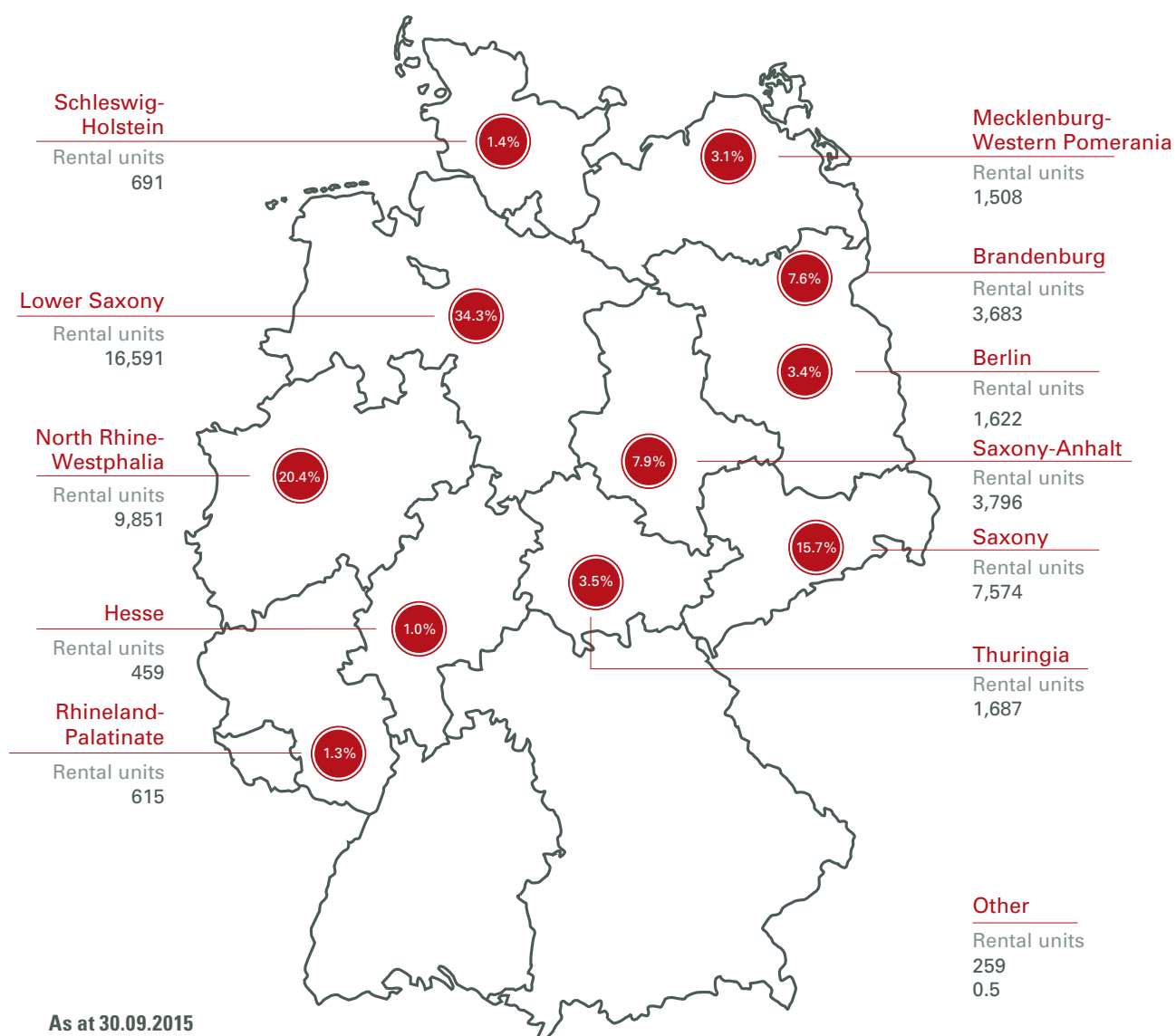
ADLER's activities are broken down into two business segments of Rental and Trading.

**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, if necessary, construction on vacant lots or expansion of reserves.



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, in particular heating costs, which can account for up to a quarter of the total rent, in the tenants' favour. As a result of renovation and apartment modernisation measures, vacant apartments for rent are more attractive to tenants in comparison with those offered by other providers and are, therefore, let out quickly and well.

#### Total residential property portfolio, distribution by federal state





**TRADING** The Trading segment of the ADLER Group is primarily covered by the majority interest in the listed company ACCENTRO. 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 private investors.

**MANAGEMENT SYSTEM** ADLER operates as a financial holding company that manages the property and facility management companies through the Group's own ADLER Real Estate Service GmbH. Essential to this is the central asset management of ADLER, which directs the respective property management companies on site bound by service contracts. In addition, the Group also has its own property holding companies that perform property and facility management for residential portfolios using in-house capacities.

Bespoke software solutions are provided for the optimisation of inventory management and the appropriate support of asset and property management. The software solutions provide an overview of the entire holdings of the various portfolios, the development in terms of letting, rental income and potential for rental development as well as enabling the management of necessary investments to be controlled. The transparent and seamless administration of the residential property portfolios and the respective management options not only form the basis for professional management of resources, but also provide the foundation for further portfolio integration. 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 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 55 employees at the end of September 2015. The ADLER Real Estate Service GmbH employees are flexibly deployed in the respective companies in accordance with the area of specialisation. At the end of the reporting period, ADLER currently has 257 full-time and part-time employees in the property companies and the subsidiaries.

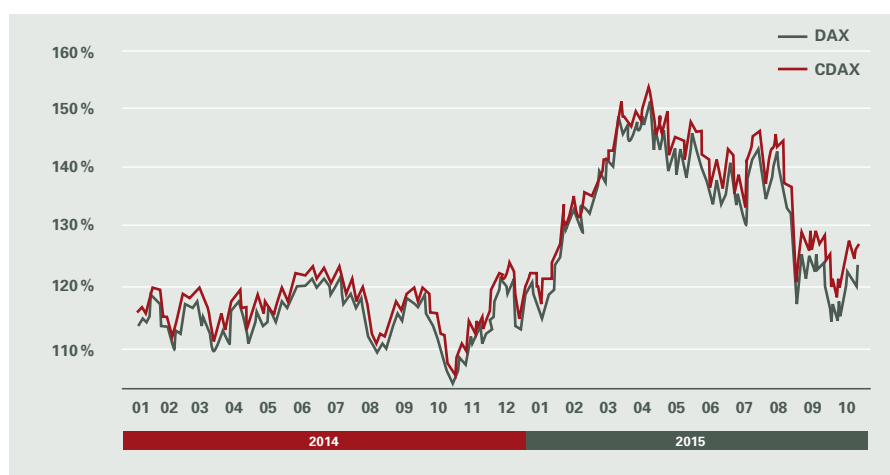
## EMPLOYEES

After a strong rise through to April this year and having reached new heights on the German stock index, we have passed through the summer months into September every year in profit again. A multitude of worrying events has led to an increasingly defensive stance amongst investors. Primarily affecting the markets were the uncertainties about further actions by the US Federal Reserve where speculation has been made over many months of a turnaround in interest rates. This turnaround, expected in the form of a sudden and violent rise of the average interest rate by more than half a percentage point, has been playing through the markets from as early as May this year but has so far failed to materialise. The cautious attitude displayed by the Fed drew attention away from the Federal Reserve and shone the spotlight on the weak economic development in the world's emerging economies as well as a looming economic slowdown in China. At the end of September the DAX fell below its starting level from the beginning of the year, mainly due to concerns that the Volkswagen Group pollution crisis was threatening to damage the image of Germany's economy and thus a trend towards a cooling down of the economy was feared. The first signs of recovery in the markets will only be seen over the course of October.

## DEVELOPMENT ON THE STOCK MARKETS AND CAPITAL MARKETS

### Sentiment on the stock exchanges

### Performance of DAX and CDAX since January 2014

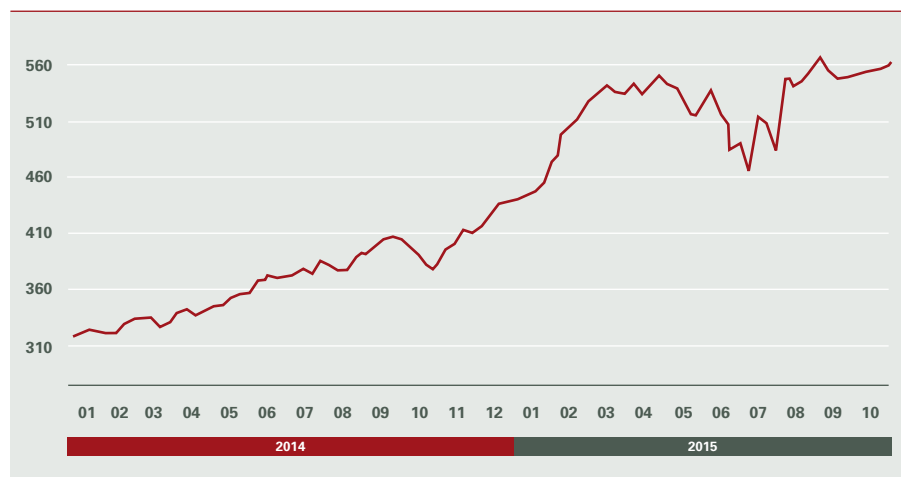




### Development of property shares

The strong upturn of property share prices, which had already started in October 2014, was abruptly interrupted in the wake of a general consolidation in equity markets during the summer months. General concerns such as economic development, interest rates and so on, found the E & G DIMAX, the German real estate share index, at the end of September, back at the same level it was at the beginning of the year. With the general recovery, investors are realising that they will not have to contend with a substantial rise in interest rates in the medium to long-term. In particular, coupled with the huge flow of refugees to Germany since the beginning of September, the political situation and the housing industry are being faced with huge demands, which, concurrently, provide a significant opportunity for the utilisation of residential units currently lying vacant.

**E & G DIMAX (in points)**

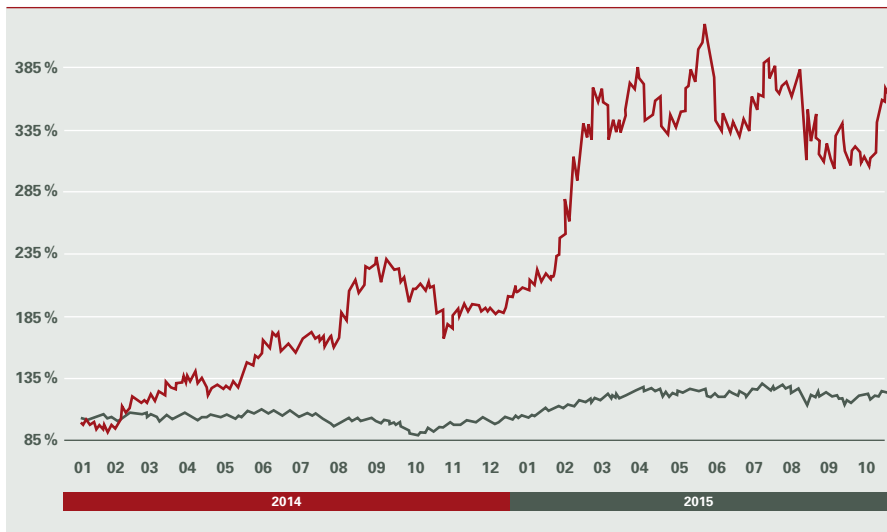


### Development of the ADLER share

ADLER shares achieved a share price level in spring that was twice as high as that of the previous year and maintained it through the various fluctuations. This was possible despite the significant increase in the number of shares in the course of the takeover of WESTGRUND AG (as following: WESTGRUND). The market also eagerly followed the purchase of a 24.79% stake in conwert Immobilien SE (as following: conwert). As this report went to press, ADLER shares were almost 70% up to the beginning of the year. In addition, the share performed considerably better than the the SDAX.



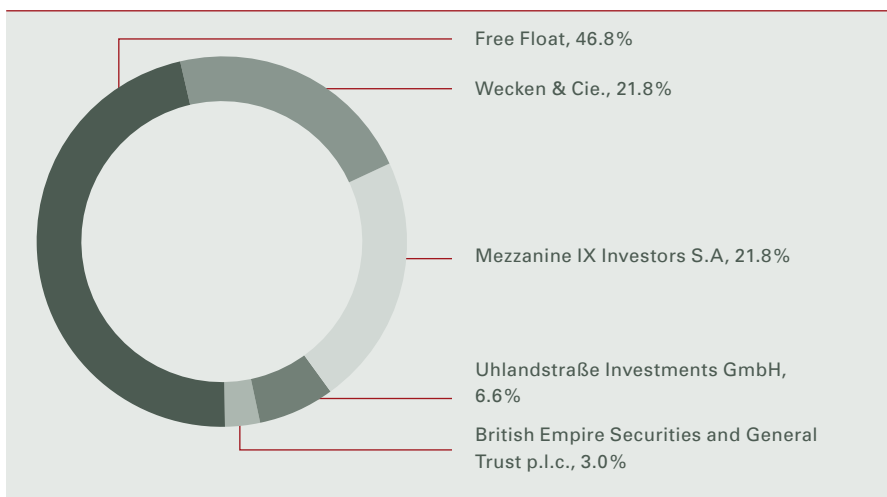
Development of ADLER Real Estate AG and SDAX since January 2014 (02.01.2014 = 100%)



The shareholder structure of ADLER changed significantly as a result of the acquisition of 94.9% of the share capital of WESTGRUND. By the middle of the year, 14.075 million new ADLER shares had been issued and exchanged for WESTGRUND shares. ADLER's share capital increased accordingly and rose slightly during the third quarter as a result of the further exercise of convertible bonds to EUR 46.093 million. With the increase in stakes of the shareholders Asset Value Investors Ltd. and British Empire Securities and General Trust p.l.c. the free float decreased to 46.8%.

## SHAREHOLDER STRUCTURE

Shareholder Structure as at 12 November 2015





## Economic report

### GENERAL ECONOMY AND THE PROPERTY MARKET

The German economy cooled down slightly in the summer months after an initially good start to the New Year. Growth in H1 was 1.6% (calendar adjusted) and therefore lower than expected. The German Government hence reduced its growth rate forecast for Gross Domestic Product (GDP) for the full year from 1.8% to 1.7%. Economic experts were still predicting growth in GDP of 2.1% in their spring forecasts. The main reasons for the somewhat lower growth rate are the weak economies in the resource-rich emerging markets and the slowdown in the Chinese economy where growth in the third quarter slowed to a six-year low of 6.9%. In September China's export trade slumped 8.8% and imports by 17.7% compared to the previous month.

The German Government remains committed to the relatively stable growth forecast, as growth in the German economy is supported by positive developments in consumer spending. According to the German Government net earnings will rise by 2.6% this year and by a further 2.4% next year. At the same time the number of people in employment will continue to increase and in the coming year is expected to reach a record high of 43.3 million, around 600,000 more than in 2014. In addition to improved net earnings, consumers will benefit from a drop in energy prices. The German export industry will benefit due to the continuing weakness of the Euro. A long-awaited turnaround in interest rates by the US central bank, which remains postponed, is likely to lower the Euro still further.

The overall improved income situation of consumers has created more scope to increase net rents. While the surge in rents is somewhat flattened in conurbations, overall rents are rising in Germany. Nationwide average apartment rents have increased within a year to the end of September by an average of 2.9%, according to an investigation by the Real Estate Association IVD. The Association had evaluated market data for its study from 370 German cities and municipalities in the Q2 and Q3 of 2015.

The positive trend in the real estate sector has significantly strengthened the interest of domestic and foreign investors. In the first half of this year transaction volume in residential property portfolios had already reached a record-breaking EUR 15.0 billion. Given further takeover moves by the leading German listed real estate companies, it is predicted that this figure will greatly increase again amongst these companies.

A long forgotten situation in the real estate sector has been created with the vast wave of refugees coming to Germany. Current estimates suggest that well over a million people will arrive in Germany in this year alone and the likely never-ending influx over the coming year will highlight the emergence of an acute shortage of residential accommodation here. The Association Alliance „Sozialer Woh-



nungsbau (Social Housing)“ claims that by the end of 2015 there will already be a shortage of 770,000 flats in Germany. According to a study by the Pestel Institute around 400,000 new flats per year need to be built over the next five years. That would be considerably more than in 2014 when 245,000 new homes were built, which was already significantly higher than in 2010 (159,000 units).

The third quarter of 2015's fiscal year was essentially devoted to the consolidation and integration of portfolios acquired in the first half of the year. In addition, ADLER in August indirectly acquired a 24.79% stake in conwert, one of Austria's leading real estate companies. The total consideration for the investment amounted to c. EUR 285.0 million.

conwert is geared towards the long-term management and development of real estate with its main focus in Germany and Austria. The company has smaller portfolios in Slovakia and Hungary, as well as individual properties in Luxembourg, the Ukraine and the Czech Republic. Of the c. 30,000 rental units it currently owns, a significant 82.0%, (c. 25,000 units) are located in Germany. conwert holds almost 15.0% (c. 4,500 rental units), in Austria. The remaining 3.0%, (c. 800 units), is spread over the remaining countries. According to conwert the properties in Germany are located in high-growth metropolitan areas, in the so-called A-list cities such as Berlin with over 5,000 units, Potsdam with nearly 1,700, Leipzig with almost 4,600 and Dresden with nearly 600 units. Another key area is Germany's most populated state of North Rhine-Westphalia where conwert has more than 3,000 units. conwert holds c. 2,500 units in Vienna where the residential real estate market has made price jumps similar to Hamburg, Berlin and Munich. Of the total portfolio, one quarter accounts for commercial properties and three quarters for residential properties in central Viennese districts. conwert has publicly stated it will gradually reduce its share in commercial real estate.

ADLER's own observations, in particular regarding the German portfolio, have shown that much of conwert's residential portfolio has high value reserves, so the entry-level price from ADLER's perspective is low. With conwert ADLER has expanded its strategy, indirectly at least, of participating in A-list cities for the first time. Further advantages may result from the closer cooperation of ADLER and conwert with reference to the purchase of services and utility services for residential properties in Germany.

ADLER has arranged the acquisition on favourable terms. A portion of the purchase price of EUR 175.0 million will be financed by issuing a mandatory convertible bond that draws solely on the participation of conwert's seller with an

## **ECONOMIC DEVELOPMENT OF THE GROUP**

### **Consolidation and a strategic participation in the third quarter**



interest rate of just 0.5% per annum and a three year term. The conversion price is EUR 16.50 per newly issued ADLER shares and was, at the time of the purchase agreement, significantly higher than the share price and the EPRA NAV of ADLER.

The operating performance of the on-going business in the third quarter is essentially characterised by the consolidation of WESTGRUND, which was acquired mid-year in the wake of a takeover bid for 94.9%. Hence, the full benefits of this new majority interest with 16,034 residential units have shown in the financial reporting since the beginning of July. In the third quarter WESTGRUND's portfolio, and therefore that of the ADLER Group, increased by 2,195 residential and 84 commercial units following an acquisition already secured by WESTGRUND in 2014.

At the end of January 2015, ADLER concluded the secured transaction from the previous year for a majority interest in the Wohnungsbaugesellschaft Jade mbH in Wilhelmshaven, including its property and facility management subsidiaries. The company in Wilhelmshaven has a solid residential property portfolio of around 6,750 units.

To finance the transaction, ADLER 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 which had already been increased from EUR 50.0 million to EUR 100.0 million in July 2014. This bond was further tapped by EUR 30.0 million to EUR 130.0 million. The issue price was 102.0%. The corporate bond matures on the 1st of April 2019 and offers a coupon of 6.0% per annum. In addition, a corporate bond amounting to EUR 300.0 million was successfully placed in early April in order to finance the cash component of the WESTGRUND takeover offer. This bond has a five years term and a coupon of 4.75% per annum. The funds which were not required for the acquisition were used by ADLER to refinance existing liabilities and reduce the Company's average cost of debt.

Overall, the operating business, specifically the management and optimisation of the residential portfolio, registered significant improvements during the third quarter. In addition to the integration of previously acquired holdings, efficiencies in the management of portfolios were set up. In some units, moderate adjustments of rent have taken place. Empty or soon to be vacant apartments are being modernised and subsequently re-let at favourable conditions. In the first nine months of 2015 the Group invested EUR 20.3 million in on-going maintenance and modernisation measures.



The occupancy rate for the Group in September 2015 was with 88.1%, 0.9% up compared to the same period last year (87.2%) however, slightly below that of the end of June 2015 (88.5%) due to the approx. 2,300 newly acquired apartments by WESTGRUND within the quarterly reporting period. Excluding this factor, the occupancy rate would have risen slightly. The average rent reached a value of EUR 4.90 per square metre of rental area.

ADLER's privatisation-focussed subsidiary, ACCENTRO, benefitted from the continuing high demand for residential properties as a capital investment. In the trading segment a total of 539 apartments were privatised in the reporting period. Moreover, ACCENTRO successfully sold a residential property portfolio in Berlin and partly used the proceeds of the sale to acquire residential properties in order to replenish inventories and service the growing privatisation segment.



## Results from operations, Net assets and Financial position

### Results from operations

With multiple acquisitions made in 2014 and 2015, gross rental income has almost tripled during the reporting period compared to the same period of the previous year. The income from those portfolios acquired during 2014 was for the first time fully incorporated into the reporting period and thus made a positive impact. After the mid-year acquisition of WESTGRUND AG their corresponding revenues from 1 July 2015 onwards, were also included in the Consolidated Statement of Comprehensive Income. The most relevant figures in the income statement are as follows:

| In EUR million  | 9M 2015     | 9M 2014     |
|---|-------------|-------------|
| Gross rental income   | 152.1       | 54.5        |
| of which net rental income                                  | 97.6        | 35.8        |
| <b>Earnings from property lettings</b>                      | <b>66.1</b> | <b>23.7</b> |
| Income from the sale of properties                          | 45.8        | 11.1        |
| <b>Earnings from the sale of properties</b>                 | <b>4.9</b>  | <b>0.7</b>  |
| Other operating income                                      | 62.4        | 26.4        |
| Income from fair value adjustments of investment properties | 21.9        | 105.0       |
| Personell expenses  | -9.1        | -2.8        |
| Earnings Before Interest and Tax (EBIT)                     | 127.1       | 145.3       |
| Financial result  | -55.3       | -25.0       |
| Earnings before taxes (EBT)                                 | 71.8        | 120.3       |
| Consolidated net profit after taxes                         | 59.7        | 101.1       |
| Occupancy rate in %   | 88.1        | 88.2        |
| Monthly in-place rent <sup>1)</sup> (EUR/square metre)      | 4.90        | 5.06        |
| Property portfolio (number of rental units)                 | 48,336      | 21,215      |

<sup>1)</sup> in-place rent at the respective reporting date

The significant growth of the property portfolio was reflected in a substantial increase in gross rental income to EUR 152.1 million (EUR 54.5 million)\*. This was mirrored with an equally significant increase in expenses from property lettings to EUR 86.1 million (EUR 30.8 million) so that the earnings from property lettings surged to EUR 66.1 million compared to EUR 23.7 million in the same period last year. The positive performance of ACCENTRO contributed substantially to the expansion of earnings from the sale of properties to EUR 4.9 million (EUR 0.7 million).

\*The figures in brackets relate respectively to the same period in the previous year.



Other operating income rose in the first nine months to EUR 62.4 million (EUR 26.4 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 42.3 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.

In addition, other operating income includes a gain of EUR 16.0 million from the sale of three companies (Hohenschönhausen Portfolio), which 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 approximately EUR 0.3 million for the Group.

Income from fair value adjustments of investment properties amounted to EUR 21.9 million (EUR 105.0 million) and is made up of income from fair value adjustments in the amount of EUR 48.5 million (EUR 105.0 million) together with expenses from fair value adjustments in the amount of EUR 26.6 million (EUR 0). The income from fair value adjustments of investment properties for the current period resulted exclusively from subsequent measurements, as opposed to the same period in the previous year in which the predominant effect was the initial measurement to fair value.

Reflecting the Group's growth, personnel expenses increased to EUR 9.1 million (EUR 2.8 million) and other operating expenses to EUR 18.3 million (EUR 7.6 million), of which EUR 6.4 million relate to the non-recurring items.

All in all, Earnings Before Interest and Tax (EBIT) amounted to EUR 127.1 million (EUR 145.3 million). After deduction of financial costs including at-equity income of EUR 55.3 million (EUR 25.0 million) and taxes, consolidated net profit amounted to EUR 59.7 million (EUR 101.1 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 two segments of the Company as follows:

| In EUR million  | Trading    | Rental       | Other      | Group        |
|---|------------|--------------|------------|--------------|
| <b>1. January – 30 September 2015</b>                         |            |              |            |              |
| Gross rental income and income from the sale of properties    | 31.5       | 160.9        | 5.5        | 197.9        |
| thereof:  |            |              |            |              |
| Gross rental income   | 3.9        | 146.4        | 1.8        | 152.1        |
| Income from disposals   | 26.0       | 14.5         | 3.7        | 44.2         |
| Income from brokerage   | 1.6        | 0            | 0          | 1.6          |
| Change in the value of investment property                    | 0          | 21.9         | 0          | 21.9         |
| <b>EBIT</b>   | <b>4.3</b> | <b>122.5</b> | <b>0.3</b> | <b>127.1</b> |
| Income from investments accounted for using the equity method | 0.7        | -0.4         | 0          | 0.2          |
| Financial result  | -1.1       | -54.4        | -0.1       | -55.5        |
| Earnings before taxes   | 2.5        | 69.1         | 0.2        | 71.8         |



Earnings Before Interest and Taxes (EBIT) for the Rental segment in the amount of EUR 122.5 million contributed 96.4% to the Group's operating result. The Trading segment accounted for EUR 4.3 million or around 3.4%, while other activities not part of the Group's core business generated an operating result of EUR 0.3 million.

FFO (Funds from Operations) were as follows in the first nine months of the year:

| In EUR million  | 9M 2015      | 9M 2014      |
|---|--------------|--------------|
| <b>Net result</b>   | <b>59.7</b>  | <b>101.1</b> |
| Financial result  | 55.5         | 24.9         |
| Income taxes  | 12.0         | 19.3         |
| Depreciation and amortisation                               | 0.9          | -            |
| Income from fair value adjustments of investment properties | -21.9        | -105.0       |
| Net income from at-equity valued investment associates      | -0.2         | -            |
| <b>EBITDA IFRS</b>  | <b>106.0</b> | <b>40.4</b>  |
| Non-recurring and extraordinary items                       | -35.1        | -22.5        |
| <b>Adjusted EBITDA</b>                                      | <b>70.9</b>  | <b>17.9</b>  |
| Interest expense FFO  | 46.0         | 19.2         |
| Current income taxes  | -0.4         | -0.3         |
| Capitalisable maintenance                                   | 5.3          | 4.2          |
| Earnings before interest and taxes – Trading segment/Other  | -19.9        | -            |
| <b>FFO I</b>  | <b>9.9</b>   | <b>2.6</b>   |
| Earnings before interest and taxes – Trading segment/Other  | 19.9         | -            |
| Change of fair value upon sale                              | 8.5          | -            |
| Net income from at-equity valued investment associates      | 0.2          | -            |
| <b>FFO II</b>   | <b>38.5</b>  | <b>2.6</b>   |

\* without measures of modernisation which has been activated first time by second quarter 2015



**Net assets**

ADLER's total assets have more than doubled from EUR 1,416.5 million on 31 December 2014 to EUR 3,089.3 million. This strong growth was primarily due to the acquisitions of WBG Jade mbH, Wilhelmshaven in January 2015 with acquired assets of EUR 264.8 million; WESTGRUND in late June with acquired assets amounting to EUR 969.2 million and MountainPeak Ltd. (see the notes to the consolidated interim financial statements).

The carrying amount of investment properties as at 30 September 2015 in comparison with 31 December 2014, rose from EUR 1,072.2 million to EUR 2,242.4 million. This increase is largely due to the acquisitions of WESTGRUND with EUR 761.2 million, JADE mbH with EUR 249.1 million and the Ajax Portfolio with EUR 108.3 million as well as with revaluation gains of EUR 21.9 million. This was partially offset by the disposal of the Hohenschönhausen Portfolio (EUR -69.4 million).

Total equity amounted to EUR 585.1 million of which EUR 530.1 million was attributable to the shareholders of ADLER and EUR 55.0 million to minority shareholders in companies controlled by ADLER. Details can be found in the consolidated statement of changes in equity. The equity ratio amounted to 18.9% at the reporting date (22.0%).

The equity ratio will improve to around 24.0% upon registration of the mandatory convertible bond with a volume of EUR 175.0 million in the commercial register. Currently this amount is reported under other current liabilities towards the seller of MountainPeak Ltd.

**Loan-to-value (LTV)**

Liabilities have increased due to extensive acquisition activity. It consists of EUR 2,126.5 million (EUR 1,010.9 million), which is 84.9% of non-current liabilities, and EUR 373.0 million (EUR 94.3 million), which is 15.1% of current liabilities. The remaining purchase price liability from the acquisition of MountainPeak Ltd. was reported as EUR 241.6 million in current liabilities.

The ratio of net financial liabilities to assets adjusted for cash, excluding convertible bonds, has decreased from 68.7% to 65.9% in the reporting period.



| In EUR million   | 30.09.2015     | 31.12.2014     |
|--|----------------|----------------|
| Convertible bonds  | 35.2           | 33.9           |
| Bonds  | 437.2          | 144.8          |
| Liabilities to banks   | 1,622.1        | 838.9          |
| Cash and cash equivalents  | -65.0          | -33.1          |
| <b>= Net financial liabilities [a]</b>                                   | <b>2,029.5</b> | <b>984.5</b>   |
| <b>Assets adjusted for cash [b]</b>                                      | <b>3,024.4</b> | <b>1,383.4</b> |
| LTV incl. convertible bonds [a divided by b]                             | 67.1%          | 71.2%          |
| LTV excl. convertible bonds [a excluding convertible bonds divided by b] | 65.9%          | 68.7%          |

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 314,9 million to EUR 657,1 million. **Net Asset Value (NAV)**

| In EUR million   | 30.09.2015   | 31.12.2014   |
|--|--------------|--------------|
| <b>Shareholders' equity</b>  | <b>585.1</b> | <b>311.2</b> |
| Non-controlling interests  | -55.0        | -19.8        |
| <b>Equity attributable to ADLER shareholders</b>                                 | <b>530.1</b> | <b>291.4</b> |
| Net liabilities for deferred taxes   | 87.5         | 39.1         |
| Differences between the fair values and carrying amounts of inventory properties | 32.5         | 10.8         |
| Fair value of derivative financial instruments                                   | 7.0          | 1.0          |
| <b>EPRA NAV</b>  | <b>657.1</b> | <b>342.2</b> |
| Goodwill   | -151.9       | -27.1        |
| <b>Adjusted NAV</b>  | <b>505.2</b> | <b>315.1</b> |
| Number of shares at the reporting date   | 46,093,337   | 31,876,672   |
| <b>EPRA NAV per share in EUR</b>   | <b>14.26</b> | <b>10.74</b> |
| Number of shares at the reporting date (diluted)                                 | 53,446,220   | 39,370,528   |
| <b>EPRA NAV per share (diluted) in EUR</b>                                       | <b>12.30</b> | <b>9.14</b>  |



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

| Key figures from the statement of cash flows in EUR million | 9M 2015 | 9M 2014* |
|---|---------|----------|
| Cash flow from operating activities                         | 17.4    | 13.7     |
| Cash flow from investing activities                         | 382.3   | -92.6    |
| Cash flow from financing activities                         | 396.8   | 115.9    |
| Change in cash and cash equivalents                         | 31.9    | 37.0     |
| Cash and cash equivalents at beginning of period            | 33.1    | 6.9      |
| Cash and cash equivalents at end of period                  | 65.0    | 43.9     |

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

Through the expansion of the managed portfolio, cash flow from operating activities increased to EUR 17.4 million compared with EUR 13.7 million in the same period of the previous year. This was offset mainly by the increase in inventory properties to EUR 163.7 million (EUR 89.6 million) that are not allocated to investing or financing activities.

Cash flow from investing activities is dominated by the acquisition of Wohnungsbaugesellschaft Jade GmbH, WESTGRUND, MountainPeak Ltd. and the purchase of five companies with project development sites on the one hand, and the disposal of the Berlin Hohenschönhausen portfolio on the other.

Cash flow from financing activities includes the cash inflow from financing loans, primarily in the context of acquisitions, and the increase in the 2014/2019 bond of EUR 30.0 million together with the issue of the 2015/2020 corporate bond in the amount of EUR 300.0 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

On the 17th August 2015, ADLER acquired all shares of MountainPeak Trading Limited for a total consideration of approximately EUR 285.0 million. MountainPeak holds 24.79% of conwert Immobilien Invest SE, Vienna. Part of the purchase price was financed by the issue of a mandatory convertible bond in favour of the seller in an amount of EUR 175.0 million with a coupon of 0.5%, a conversion price of EUR 16.50 per ADLER share with a three year term. ADLER undertook to submit the issue of the mandatory convertible bond and the creation of conditional capital required for this purpose at an Extraordinary General Meeting where it was approved.

An in-depth Due Diligence of conwert was not carried out. Publicly available information from conwert such as annual reports, communications, self-presentations, interim reports and analysts' reports together with the in the Annual Reports mentioned certifications and audits by accounting firms were examined instead. In addition, the KFS Revision GmbH Wirtschaftsprüfungsgesellschaft, Hamburg, was commissioned as an independent reviewer to provide an expert opinion (the "Statement") as to the appropriateness of the purchase price. The providing of expertise was based on a so-called "Fairness Opinion" according to IDW S. 8. The valuers did not have access to the accounting system or the corporate planning of conwert, thus, in this respect, their opinion was based on publicly known information. The lack of available corporate planning of conwert meant that there were no comparative company valuations of ADLER and conwert in accordance with IDW S 1. The evaluation concluded that the entire consideration of ADLER for the indirect participation in conwert is appropriate.

The already existing risks of poor investment decisions and of having paid an excessively high purchase price due in particular to inappropriate valuations of assets and administration processes pertain. In particular, the 24.79% equity stake in conwert at the current stock market value is subject to general market fluctuations, which means that in the event of a sale of this investment, losses in relation to the balance sheet value may occur.

There were no significant changes with regards to opportunities and risks in the management report for the 2014 financial year and in the interim reports for Q1 2015 and H1 2015. There are no directly jeopardising risks and none are currently recognisable for the foreseeable future.



## REPORT ON POST-BALANCE-SHEET DATE EVENTS

On 15 October 2015 ADLER convened an Extraordinary Shareholders' Meeting where notably the issuance of a mandatory convertible bond, in connection with the creation of a corresponding conditional capital for the amount of around EUR 10.6 million and the creation of an additional authorised capital of EUR 1.4 million, was approved with only minor opposition.

End of October ADLER increased the corporate bond 2015/2020 (ISIN: XS1211417362), which was successfully issued in April 2015 in a nominal volume of EUR 300.0 million, by EUR 50.0 million to EUR 350.0 million. The offer was made in a private placement only and exclusively with qualified investors outside the United States of America. The increase is expected to further improve the liquidity of the instrument. The use of proceeds will go towards primarily the refinancing and further growth.

Any other important events to advise on after the close of this reporting period were not available by the editorial deadline of this report.

## REPORT ON EXPECTED DEVELOPMENTS

Contrary to the many current crises, such as the Greek crisis, the Euro crisis, the China crisis, the VW crisis and the refugee crisis, the German economy continued to develop at a steady pace. Rising incomes, continuing low energy prices and low interest rates have encouraged consumer spending and given scope for further rental increases. In the real estate sector long-forgotten challenges are emerging, specifically the medium and long-term accommodation of probably several million refugees. They clearly cannot remain in the camps and temporary shelters currently offered by the local authorities in Germany.

Due to the increase in demand for housing, there is an opportunity for ADLER's occupancy rate to increase significantly in less time than previously planned. However, administrative and supervision expenditure will also tend to increase. Nevertheless, the revenue from the existing portfolios should continue to grow and this will give scope to refurbish the last remaining, previously considered difficult rental units, so that a sustainable and profitable rental yield is possible. The forecast from the H1 interim report of 2015, to improve the occupancy rate of the Group to approximately 90.0%, remains unchanged.



Through the acquisition of WESTGRUND, gross rental income in the third quarter has already increased sharply in comparison with the previous quarter. Income of approximately EUR 210.0 million is expected for the full year, over 140.0% more than last year. Also the operating result from residential property management is expected to continue increasing robustly. In 2015, Funds from Operations ("FFO I") are expected to increase by more than 100.0% to about EUR 14.0 million compared to EUR 9.9 million in the first nine months. FFO II is expected to increase to approximately EUR 43.0 million (first nine months: EUR 38.5 million). The previous forecast from the H1 interim report has, therefore, been surpassed and overall ADLER's earnings from business operations will continue to improve until the end of 2015.

The investment in conwert and the associated particular form of financing the purchase price will help to improve the ADLER group financing structure. The mandatory convertible bond with a volume of EUR 175.0 million is upon registration in the commercial register allocated to equity, which will contribute to the planned further reduction in the Loan-to-Value (LTV). By the end of the fiscal year 2015, the LTV should be reduced to approximately 65.0%. A further reduction of the LTV to below 60.0% is planned by the end of 2016. Due to the relatively low interest rate on the mandatory convertible bond of only 0.5% per annum, the average cost of debt of the group (WACD) was decreased to around 4.0% in late September.

ADLER will pursue its goal of significant growth as long as the general conditions are as good as at present. Therefore, further acquisitions in 2015 by ADLER are not ruled out.





Group interim financial statement  
as at 30 September 2015





# Consolidated Balance Sheet

(IFRS) as at 30 September 2015

| In EUR '000                             | 30.09.2015       | 31.12.2014       |
|---|------------------|------------------|
| <b>Assets</b>                           | <b>3,089,343</b> | <b>1,416,459</b> |
| <b>Non-current assets</b>               | <b>2,752,296</b> | <b>1,203,649</b> |
| Goodwill                                | 151,932          | 27,081           |
| Intangible assets                       | 1,334            | 1,727            |
| Property, plant and equipment           | 1,046            | 494              |
| Investment properties                   | 2,242,376        | 1,170,159        |
| Loans to associated companies           | 0                | 907              |
| Investments in associated companies     | 353,534          | 1,123            |
| Other financial investments             | 1,193            | 1,175            |
| Other non-current assets                | 2                | 0                |
| Deferred tax claims                     | 880              | 983              |
| <b>Current assets</b>                   | <b>324,868</b>   | <b>206,681</b>   |
| Inventories                             | 163,656          | 89,617           |
| Trade receivables                       | 30,434           | 27,547           |
| Income tax claims                       | 218              | 173              |
| Other current assets                    | 65,603           | 56,283           |
| Cash and cash equivalents               | 64,957           | 33,060           |
| <b>Non-current assets held for sale</b> | <b>12,178</b>    | <b>6,129</b>     |



| In EUR '000   | 30.09.2015       | 31.12.2014       |
|---|------------------|------------------|
| <b>Equity and liabilities</b>                       | <b>3,089,343</b> | <b>1,416,459</b> |
| <b>Shareholders' equity</b>                         | <b>585,072</b>   | <b>311,211</b>   |
| Capital stock                                       | 46,093           | 31,877           |
| Capital reserve                                     | 276,907          | 108,078          |
| Retained earnings                                   | -879             | -349             |
| Currency translation reserve                        | 77               | 20               |
| Net retained profit                                 | 207,910          | 151,775          |
| Equity attributable to owners of the parent company | 530,108          | 291,401          |
| Non-controlling interests                           | 54,964           | 19,810           |
| <b>Non-current liabilities</b>                      | <b>2,126,499</b> | <b>1,010,927</b> |
| Pension reserves                                    | 12,808           | 4,281            |
| Deferred tax liabilities                            | 87,500           | 39,083           |
| Other provisions                                    | 671              | 802              |
| Liabilities from convertible bonds                  | 33,582           | 33,894           |
| Liabilities from bonds                              | 427,896          | 140,804          |
| Financial liabilities to banks                      | 1,550,974        | 791,087          |
| Other non-current liabilities                       | 13,068           | 977              |
| <b>Current liabilities</b>                          | <b>372,998</b>   | <b>94,321</b>    |
| Other provisions                                    | 1,253            | 482              |
| Income tax liabilities                              | 4,339            | 3,213            |
| Liabilities from convertible bonds                  | 1,623            | 43               |
| Liabilities from bonds                              | 9,263            | 3,978            |
| Financial liabilities to banks                      | 71,142           | 47,810           |
| Trade payables                                      | 25,018           | 21,123           |
| Other current liabilities                           | 260,360          | 17,673           |
| <b>Liabilities held for sale</b>                    | <b>4,774</b>     | <b>0</b>         |



# Consolidated Statement of Comprehensive Income

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

| In EUR '000  | 01.01.<br>– 30.09.<br>2015 | 01.01.<br>– 30.09.<br>2014 | 01.07.<br>– 30.09.<br>2015 | 01.07.<br>– 30.09.<br>2014* |
|--|----------------------------|----------------------------|----------------------------|-----------------------------|
| Gross rental income  | 152,142                    | 54,487                     | 71,287                     | 29,482                      |
| Expenses from property lettings                                | -86,050                    | -30,790                    | -44,439                    | -16,075                     |
| <b>Earnings from property lettings</b>                         | <b>66,092</b>              | <b>23,697</b>              | <b>26,848</b>              | <b>13,407</b>               |
| Income from the sale of properties                             | 45,786                     | 11,115                     | 22,279                     | 9,848                       |
| Expenses from the sale of properties                           | -40,864                    | -10,388                    | -19,901                    | -9,712                      |
| <b>Earnings from the sale of properties</b>                    | <b>4,922</b>               | <b>727</b>                 | <b>2,378</b>               | <b>136</b>                  |
| Personnel expenses   | -9,080                     | -2,822                     | -3,588                     | -1,676                      |
| Other operating income   | 62,350                     | 26,351                     | 255                        | 873                         |
| Other operating expenses                                       | -18,273                    | -7,549                     | -6,847                     | -4,324                      |
| Income from fair value adjustments of investment properties    | 21,922                     | 104,950                    | 11,341                     | -345                        |
| Depreciation and amortisation                                  | -867                       | -49                        | -410                       | -39                         |
| <b>Earnings before interest and taxes (EBIT)</b>               | <b>127,066</b>             | <b>145,305</b>             | <b>29,977</b>              | <b>8,032</b>                |
| Financial income   | 2,044                      | 822                        | 1,141                      | 428                         |
| Financial costs  | -57,573                    | -25,753                    | -21,818                    | -12,328                     |
| Net income from at-equity valued investment associates         | 218                        | -45                        | 658                        | 113                         |
| <b>Earnings before taxes (EBT)</b>                             | <b>71,755</b>              | <b>120,329</b>             | <b>9,958</b>               | <b>-3,755</b>               |
| Income taxes   | -12,017                    | -19,258                    | -6,701                     | -821                        |
| <b>Consolidated net profit</b>                                 | <b>59,738</b>              | <b>101,071</b>             | <b>3,257</b>               | <b>-4,576</b>               |
| Actuarial gains/losses before taxes                            | 0                          | 0                          | 0                          | 0                           |
| Deferred taxes on actuarial gains/losses                       | 0                          | 0                          | 0                          | 0                           |
| <b>OCI gains/losses not reclassifiable into profit or loss</b> | <b>0</b>                   | <b>0</b>                   | <b>0</b>                   | <b>0</b>                    |
| OCI SWAP – reclassifiable –                                    | -751                       | 0                          | -975                       | 0                           |
| Deferred taxes OCI – reclassifiable –                          | 220                        | 0                          | 292                        | 0                           |
| OCI own bonds – reclassifiable –                               | 0                          | 0                          | 0                          | 0                           |
| Gains/losses from currency translation                         | 57                         | 87                         | 0                          | 78                          |
| <b>OCI gains/losses not reclassifiable into profit or loss</b> | <b>-474</b>                | <b>87</b>                  | <b>-683</b>                | <b>78</b>                   |
| <b>Total comprehensive income</b>                              | <b>59,264</b>              | <b>101,158</b>             | <b>2,574</b>               | <b>-4,498</b>               |
| <b>Profit attributable to:</b>                                 |                            |                            |                            |                             |
| Owners of the parent company                                   | 56,137                     | 95,954                     | 2,489                      | -4,470                      |
| Non-controlling interests                                      | 3,601                      | 5,117                      | 768                        | -106                        |
| <b>Total comprehensive income attributable to:</b>             |                            |                            |                            |                             |
| Owners of the parent company                                   | 55,663                     | 96,041                     | 1,806                      | -4,392                      |
| Non-controlling interests                                      | 3,601                      | 5,117                      | 768                        | -106                        |
| Earnings per share, basic (EUR)                                | 1.51                       | 4.54                       | -0.15                      | -1.36                       |
| Earnings per share, diluted (EUR)                              | 1.28                       | 3.38                       | -0.09                      | -0.70                       |

\* 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 September 2015

| In EUR '000  | 01.01. – 30.09.<br>2015 | 01.01. – 30.09.<br>2014* |
|--|-------------------------|--------------------------|
| Earnings before interest and taxes (EBIT)  | 127,066                 | 145,305                  |
| + Depreciation and amortisation  | 867                     | 49                       |
| –/+ Net income from at-equity valued investment associates   | 218                     | -45                      |
| –/+ Net income from fair value adjustments of investment properties  | -21,921                 | -104,950                 |
| –/+ Non-cash income/expenses   | -58,093                 | -26,145                  |
| – Decrease in provisions and accrued liabilities   | -713                    | -1,746                   |
| –/+ Increase/decrease in inventories, trade receivables and other assets not attributable to financing activities  | -28,823                 | 7,568                    |
| –/+ Increase/decrease in trade payables and other liabilities not attributable to investment or financing activity | -1,287                  | -5,889                   |
| + Interest received  | 287                     | 273                      |
| +/- Tax payments   | -221                    | -726                     |
| = <b>Net cash flow from operating activities</b>   | <b>17,380</b>           | <b>13,694</b>            |
| – Acquisition of subsidiaries, net of cash acquired  | -290,633                | -58,420                  |
| + Disposal of subsidiaries, net of cash disposed   | 54,614                  | 0                        |
| – Purchase of investment properties  | -132,343                | -9,331                   |
| + Disposal of Investment Properties, net of cash disposed  | 0                       | 250                      |
| – Purchase of property, plant and equipment  | -521                    | -9                       |
| – Payments into short-term deposits  | -14,019                 | -25,127                  |
| + Proceeds from divestments in financial assets  | 625                     | 0                        |
| = <b>Net cash flows from investing activities</b>  | <b>-382,277</b>         | <b>-92,637</b>           |
| – Payments for expenses relating to issue of share capital   | -988                    | -696                     |
| + Proceeds from issue of bonds   | 298,948                 | 100,000                  |
| – Proceeds from issue of convertible bonds   | -13,513                 | -4,223                   |
| – Interest payments  | -42,497                 | -17,824                  |
| + Proceeds from bank loans   | 323,699                 | 388,455                  |
| – Repayment of bank loans  | -168,857                | -349,782                 |
| = <b>Net cash flows from financing activities</b>  | <b>396,792</b>          | <b>115,930</b>           |
| Reconciliation to Consolidated Balance Sheet   |                         |                          |
| <b>Cash and cash equivalents at beginning of periods</b>   | <b>33,060</b>           | <b>6,895</b>             |
| Net cash flow from operating activities  | 17,380                  | 13,694                   |
| Net cash flow from investing activities  | -382,277                | -92,637                  |
| Net cash flow from financing activities  | 396,792                 | 115,930                  |
| = <b>Cash and cash equivalents at end of periods</b>   | <b>64,955</b>           | <b>43,882</b>            |

\* 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 September 2015

| In EUR '000  | Capital stock | Capital reserves |
|--|---------------|------------------|
| <b>As at 1 January 2014</b>                              | <b>16,548</b> | <b>13,132</b>    |
| 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             | 11,013           |
| Capital increase   | 12,021        | 64,690           |
| Conversion of convertible bond                           | 444           | 670              |
| <b>As at 30 September 2014</b>                           | <b>29,013</b> | <b>89,505</b>    |
| <b>As at 1 January 2015</b>                              | <b>31,877</b> | <b>108,078</b>   |
| Net result   | 0             | 0                |
| Other result - reclassifiable                            | 0             | 0                |
| Change in scope of consolidation                         | 0             | 0                |
| Capital increase   | 14,075        | 168,598          |
| Conversion of convertible bond                           | 141           | 230              |
| <b>As at 30 September 2015</b>                           | <b>46,093</b> | <b>276,906</b>   |



| 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                            | 95,954              | 95,954  | 5,116                     | 101,070      |
| 0                 | 87                           | 0                   | 87  | 0                         | 87           |
| 0                 | 0                            | 0                   | 0   | 8,145                     | 8,145        |
| 0                 | 0                            | 0                   | 11,013  | -7,652                    | 3,361        |
| 0                 | 0                            | 0                   | 76,711  | 0                         | 76,711       |
| 0                 | 0                            | 0                   | 1,114   | 2,347                     | 3,461        |
| 160               | 28                           | 138,508             | 257,214   | 22,566                    | 279,780      |
| -349              | 20                           | 151,775             | 291,401   | 19,810                    | 311,211      |
| 0                 | 0                            | 56,135              | 56,135  | 3,601                     | 59,736       |
| -530              | 57                           | 0                   | -473  | 0                         | -473         |
| 0                 | 0                            | 0                   | 0   | 30,083                    | 30,083       |
| 0                 | 0                            | 0                   | 182,673   | 0                         | 182,673      |
| 0                 | 0                            | 0                   | 371   | 1,470                     | 1,841        |
| -879              | 77                           | 207,910             | 530,108   | 54,964                    | 585,072      |



## Selected Notes on the group interim financial statements in accordance with IFRS as at 30 September 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 on 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 (formerly: ESTAVIS AG), Berlin, was taken over by ADLER.

### **ACCOUNTING POLICIES** **Basis of preparation**

The consolidated interim financial statements as at 30 September 2015 were prepared in accordance with the International Financial Reporting Standards (IFRSs), as they are required to be applied within the European Union. 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 is 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 presented in the tables in EUR thousand (EUR '000) and in Euro million within the text. Citing in EUR thousand or million 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. These 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 20.0% but no more than 50.0% 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 121 companies (77) that are fully consolidated and seven companies (six) that are booked at equity.

The changes in the fully consolidated companies at the reporting date resulted primarily from the acquisitions of WESTGRUND, the Wohnungsbaugesellschaft JADE mbH, MountainPeak Trading Ltd., and the sale of three subsidiaries classified as assets held for sale. In the area of at equity consolidated companies, the change resulted principally from the acquisition of a 24.79% stake in conwert Immobilien Invest SE, Vienna, Austria.

#### **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 94.9% 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 take over 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 94.9% of the share capital of WEST-GRUND was EUR 407.3 million. This figure is composed of a cash component of EUR 224.2 million and the fair value of the equity instruments granted of EUR 183.1 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 WEST-GRUND (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:

| <b>In EUR '000</b>                 |                 |
|------------------------------------|-----------------|
| Investment properties              | 761,201         |
| Goodwill                           | 124,851         |
| Other non-current assets           | 7,057           |
| Current assets                     | 36,151          |
| Cash and cash equivalents          | 39,888          |
| <b>Assets acquired</b>             | <b>969,148</b>  |
| Non-current liabilities            | -466,880        |
| Non-controlling interests acquired | -990            |
| Current liabilities                | -72,065         |
| <b>Liabilities acquired</b>        | <b>-538,944</b> |
| <b>Net assets at 100%</b>          | <b>429,214</b>  |
| Non-controlling interests          | -21,890         |
| <b>Acquisition cost</b>            | <b>407,324</b>  |

Preliminary purchase price allocation results in goodwill of EUR 124.9 million.

The acquired trade receivables amount to EUR 2.5 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.



Since the initial consolidation, WESTGRUND is included in the consolidated statement of comprehensive income with a gross rental income totalling EUR 24.7 million and Earnings Before Tax of EUR 17.8 million. If WESTGRUND had been fully consolidated from 1 January 2015, gross rental income would have amounted to EUR 69,0 million and would have contributed EUR 54.9 million to consolidated Earnings Before Tax (EBT).

Acquisition-related costs were recognised in other operating expenses in the amount of EUR 0.5 million. Transaction costs in connection with the share swap were deducted from the capital reserve in equity in the amount of EUR 0.4 million.

#### Acquisition of Wohnungsbaugesellschaft JADE mbH

In October 2014, ADLER completed on the purchase agreement for the acquisition of a 94.9% 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           |
| <b>Assets acquired</b>      | <b>264,752</b>  |
| Non-current liabilities     | -8,596          |
| Current liabilities         | -127,522        |
| <b>Liabilities acquired</b> | <b>-136,118</b> |
| <b>Net assets at 100 %</b>  | <b>128,634</b>  |
| Non-controlling interests   | -6,490          |
| Negative goodwill           | -42,291         |
| <b>Acquisition cost</b>     | <b>79,853</b>   |



### 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% 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 25.6 million was acquired via the holding companies.

### Acquisition of MountainPeak Trading Limited and shareholder loans

On 17 August 2015 ADLER acquired all shares in MountainPeak Trading Limited, Nikosia-Cyprus, as well as two shareholder loans from the seller by way of a mixed cash and non-cash consideration consisting of a cash component totalling EUR 71.5 million and the obligation of convertible bonds in the seller's favour with a nominal value of EUR 175.0 million, reaching maturity in three years, with a coupon of 0.5% per annum and an initial conversion price of EUR 16.50 per ADLER share. In return, the seller transferred all shares of MountainPeak and receivables from the shareholder loans to the Group. Receivables from the shareholder loans were taken over from the seller and with the corresponding shareholder loans first-time inclusion in the consolidated financial statements including MountainPeak, were even eliminated during debt consolidation.

MountainPeak primarily holds as assets a stake of 24.79% in conwert Immobilien SE, Vienna, Austria; and as liabilities, a margin-based credit facility to banks amounting to EUR 105.3 million. The acquisition has been shown as a direct purchase of assets and liabilities. Thereby the acquisition cost in the amount of EUR 246.6 million was allocated to the acquired stake of 24.79% in



conwert Immobilien SE and to the acquired bank loans. The allocation of cost is provisional because a final determination of the fair values has not yet happened. As part of the transaction, the stake of 24.79% in conwert Immobilien SE was included as an associated company in ADLER's consolidated financial statements.

#### **SEGMENT REPORTING**

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

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 manages properties located in Germany, which is the reason there is no international geographical segmentation.



Income and EBIT for the period from 1 January 2015 to 30 September 2015 is broken down across the segments as follows:

|   | Trading       | Rental         | Other      | Group          |
|---|---------------|----------------|------------|----------------|
| <b>In EUR '000 1 January – 30 September 2015</b>              |               |                |            |                |
| Gross rental income and income from the sale of properties    | 31,497        | 160,926        | 5,505      | 197,928        |
| thereof:  |               |                |            |                |
| Gross rental income   | 3,927         | 146,414        | 1,801      | 152,142        |
| Income from disposals   | 26,005        | 14,512         | 3,704      | 44,221         |
| Income from brokerage   | 1,565         | 0              | 0          | 1,565          |
| Change in the value of investment property                    | 0             | 21,922         | 0          | 21,922         |
| <b>EBIT</b>   | <b>4,291</b>  | <b>122,462</b> | <b>313</b> | <b>127,066</b> |
| Income from investments accounted for using the equity method | 657           | -439           | 0          | 218            |
| <b>Financial result</b>                                       | <b>-1,102</b> | <b>-54,370</b> | <b>-57</b> | <b>-55,529</b> |
| <b>Earnings before taxes (EBT)</b>                            | <b>2,531</b>  | <b>69,063</b>  | <b>161</b> | <b>71,755</b>  |

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 31.5 million for the first nine months of the year. The income was primarily generated from property disposals amounting to EUR 26.0 million. EBIT in this segment amounted to EUR 4.3 million, while earnings before taxes amounted to EUR 2.5 million. Income in the Rental segment amounted to EUR 160.9 million and primarily benefited from the new business acquired in the previous year. EBIT in this segment amounted to EUR 122.5 million in the first nine months of the year, while Earnings Before Taxes amounted to EUR 69.1 million.



Income and EBIT in the third quarter of 2015 are broken down across the segments as follows:

|   | Trading      | Rental         | Other      | Group          |
|---|--------------|----------------|------------|----------------|
| <b>In EUR '000 1 July – 30 September 2015</b>                 |              |                |            |                |
| Gross rental income and income from the sale of properties    | 17,032       | 71,823         | 4,711      | 93,566         |
| thereof:  |              |                |            |                |
| Gross rental income   | 1,592        | 68,099         | 1,596      | 71,287         |
| Income from disposals   | 15,188       | 3,724          | 3,115      | 22,027         |
| Income from brokerage   | 252          | 0              | 0          | 252            |
| Change in the value of investment property                    | 0            | 11,341         | 0          | 11,341         |
| <b>EBIT</b>   | <b>3,801</b> | <b>26,135</b>  | <b>41</b>  | <b>29,977</b>  |
| Income from investments accounted for using the equity method | 642          | 16             | 0          | 658            |
| <b>Financial result</b>                                       | <b>138</b>   | <b>-20,804</b> | <b>-11</b> | <b>-20,677</b> |
| <b>Earnings before taxes (EBT)</b>                            | <b>3,297</b> | <b>6,628</b>   | <b>33</b>  | <b>9,958</b>   |

Income of circa EUR 17.0 million was generated in the Trading segment in the third quarter of 2015 (first half of the year 2015: EUR 14.5 million). This was largely due to the higher number of property disposals in the third quarter.

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

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

|   | Trading        | Rental           | Other        | Consolidation  | Group            |
|---|----------------|------------------|--------------|----------------|------------------|
| <b>In EUR '000 as of 30 September 2015</b>        |                |                  |              |                |                  |
| Assets per segment                                | 226,260        | 2,511,477        | 9,372        | -11,300        | 2,735,809        |
| Investments accounted for using the equity method | 1,468          | 352,042          | 24           | 0              | 353,534          |
| <b>Total segment assets</b>                       | <b>227,728</b> | <b>2,863,519</b> | <b>9,369</b> | <b>-11,300</b> | <b>3,089,343</b> |
| <b>Segment liabilities</b>                        | <b>124,560</b> | <b>2,382,790</b> | <b>8,221</b> | <b>-11,300</b> | <b>2,504,271</b> |
| <b>Segment investments</b>                        | <b>102,723</b> | <b>1,628,465</b> | <b>0</b>     | <b>0</b>       | <b>1,731,188</b> |



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

Assets, liabilities and investments were as follows as at 31 December 2014:

|   | Trading        | Rental           | Other         | Consolidation   | Group            |
|---|----------------|------------------|---------------|-----------------|------------------|
| <b>In EUR '000 as of 31 December 2014</b>         |                |                  |               |                 |                  |
| 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            |
| <b>Total segment assets</b>                       | <b>143,650</b> | <b>1,353,986</b> | <b>19,125</b> | <b>-100,302</b> | <b>1,416,459</b> |
| <b>Segment liabilities</b>                        | <b>87,557</b>  | <b>1,099,962</b> | <b>18,031</b> | <b>-100,302</b> | <b>1,105,248</b> |
| <b>Segment investments</b>                        | <b>61,816</b>  | <b>613,331</b>   | <b>0</b>      | <b>0</b>        | <b>675,147</b>   |

### Investment properties

Investment properties on the company's balance sheet increased by EUR 1,072.2 million, as of 30 September 2015, to EUR 2,242.4 million. This was largely due to the acquisition of the WESTGRUND Group (EUR 761.2 million), the Wohnungsbau-gesellschaft JADE mbH (EUR 249.1 million) and the Ajax Portfolio (EUR 108.3 million) as well as fair value adjustments of EUR 21.9 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 amounted to EUR 65,0 million at the reporting date, in contrast to EUR 33.0 million in the previous year, of which EUR 12.2 million (EUR 4.3 million) is restricted.

### SELECTED NOTES ON THE CONSOLIDATED BALANCE SHEET



### **Non-current assets held for sale**

#### **Airport Center Luxembourg GmbH**

Classified as a disposal group held for sale consisting of an at-equity participation in Airport Center Luxembourg GmbH and the loan extended to this company, was sold during the reporting period. Fair value adjustment less selling costs (EUR 0.6 million) resulted in the recognition of an impairment loss of EUR 0.4 million. The disposal resulted in no further impact on earnings.

#### **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 16.0 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 12.2 million (EUR 6.1 million), which, at the reporting date is primarily made up of notarial purchase contracts.

### **Shareholders' equity**

The capital stock of ADLER amounted to EUR 46,093,337 at 30 September 2015 (EUR 31,876,672) and is divided into 46,093,337 no-par value bearer shares (31,876,672 no-par value bearer shares) each with one voting right per share.

The capital stock increased by EUR 14.1 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 169.0 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 0.4 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 44.6 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 300.0 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 together with MountainPeak Ltd., that were assumed as part of the business combination. Further details can be found in Scope of Consolidation and Business Combinations.

### **Current liabilities**

The increase in current liabilities is mainly due to the acquisition of MountainPeak Ltd., together with shareholder loans. The remaining purchase price liability was acknowledged as EUR 241.5 million in other current liabilities, and comprises EUR 175.0 million as a share of the purchase price which will be financed with a mandatory convertible bond in favour of the seller.

The mandatory convertible bond has a term of three years with a coupon of 0.5% per annum and a conversion price of Euro 16.50. A conversion obligation in ADLER shares is no later than the end of the term. If ADLER has not issued the mandatory convertible bond by 15 February 2016 or decides before that date not to issue the mandatory convertible bond, the purchase price in the amount of EUR 175.0 million is to be paid in cash. The issue of the mandatory convertible bond together with the creation of conditional capital were decided in an extraordinary general meeting after the reporting date. Mandatory convertible debt is qualified as equity due to its specific features in accordance with IFRS. Since the bonds had not been issued by the reporting date, they were reported under other current liabilities.



**SELECTED NOTES**   **Gross rental income**  
**ON THE STATEMENT OF**  
**COMPREHENSIVE INCOME**

Gross rental income is broken down as follows:

| In EUR '000                           | 01.01.–30.09.2015 | 01.01.–30.09.2014 |
|---------------------------------------|-------------------|-------------------|
| Net rental income                     | 97,598            | 35,768            |
| Income from recoverable expenses      | 50,683            | 18,593            |
| Capitalised expenses                  | 802               | 0                 |
| Other income from property management | 3,059             | 126               |
| <b>Total</b>                          | <b>152,142</b>    | <b>54,487</b>     |

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

The development of net rental income relates primarily to EUR 16.1 million (EUR 2.9 million) for ACCENTRO, EUR 13.8 million (EUR 0) for WESTGRUND, EUR 21.9 million (EUR 7.9 million) for Magnus III Portfolio and EUR 20.4 million (TEUR 0) for the Wohnungsbaugesellschaft JADE mbH.

The year-on-year development of income from recoverable expenses predominantly relates to ACCENTRO with EUR 14.7 million (EUR 1.2 million), to WESTGRUND with EUR 10.6 million (EUR 0), with EUR 9.4 million (EUR 5.2 million) for Magnus III Portfolio and with EUR 2.5 million (EUR 0) for the Wohnungsbaugesellschaft JADE mbH.

**Expenses from property lettings**

Expenses from property lettings are broken down as follows:

| In EUR '000   | 01.01.–30.09.2015 | 01.01.–30.09.2014 |
|---|-------------------|-------------------|
| Apportionable and non-apportionable operating costs | 73,152            | 23,313            |
| Maintenance   | 12,844            | 7,416             |
| Other property management expenses                  | 54                | 61                |
| <b>Total</b>  | <b>86,050</b>     | <b>30,790</b>     |

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 with EUR 17.6 million (EUR 1.7 million), WESTGRUND with EUR 11.8 million (EUR 0), Magnus III Portfolio with EUR 15.5 million (EUR 5.8 million) and the Wohnungsbaugesellschaft JADE mbH with EUR 12.7 million (EUR 0).

### Income from the sale of properties

Income from the sale of properties are broken down as follows:

| In EUR '000                                   | 01.01.–30.09.2015 | 01.01.–30.09.2014 |
|---|-------------------|-------------------|
| Income from the sale of investment properties | 14,495            | 250               |
| Income from the sale of inventory properties  | 29,726            | 10,294            |
| Brokerage revenue                             | 1,565             | 571               |
| <b>Total</b>                                  | <b>45,786</b>     | <b>11,115</b>     |

Income from the sale of investment properties amounting to EUR 13.7 million relates to disposals from the Magnus III Portfolio, which were not included in the same period previous year.

Income from the sale of property amounting to EUR 26.0 million (EUR 7.2 million) primarily relates to disposals from ACCENTRO.

| In EUR '000   | 01.01.–30.09.2015 | 01.01.–30.09.2014 |
|---|-------------------|-------------------|
| Carrying amounts of investment properties disposed of | 13,359            | 217               |
| Carrying amounts of inventory properties disposed of  | 24,382            | 8,450             |
| Selling costs   | 2,173             | 1,368             |
| Purchased services for brokerage revenue              | 950               | 353               |
| <b>Total</b>  | <b>40,864</b>     | <b>10,388</b>     |

### Expenses from the sale of properties

Expenses from the sale of properties are broken down as follows:

The balance sheet value of investment properties disposed of relate with EUR 12.6 million to the Magnus III Portfolio, which was not included in the previous year's reporting period.

The balance sheet value disposals of inventory properties amounting to EUR 21.1 million (EUR 6.4 million) relate to ACCENTRO, which were included in the previous year only for the period after acquisition.



### Other operating income

Other operating income amounted to EUR 62.4 million (EUR 26.4 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 42,3 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 16.0 million on the deconsolidation of three companies that were classified as assets held for sale as of 31 March 2015 (for further details please refer to the section non-current assets held for sale). The deconsolidation of Erste ADLER Real Estate GmbH & Co. KG together with Verwaltungsgesellschaft Erste ADLER RE mbH resulted in a gain of EUR 0.3 million for the Group.

### Income from fair value adjustments of investment properties

Income from fair value adjustments of investment properties amounted to EUR 21.9 million (EUR 105.0 million) and was composed of income from fair value adjustments of EUR 48.5 million (EUR 105.0 million) and expenses from fair value adjustments of EUR 26.6 million (EUR 0).

### Financial costs

Financial costs are broken down as follows:

| In EUR '000                              | 01.01.–30.09.2015 | 01.01.–30.09.2014 |
|--|-------------------|-------------------|
| Ongoing interest expenses                | 34,279            | 16,168            |
| Interest expense bonds/convertible bonds | 19,313            | 6,951             |
| Non-recurring financing costs            | 3,981             | 2,634             |
| <b>Total</b>                             | <b>57,573</b>     | <b>25,753</b>     |

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 300.0 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.

#### **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 15 October 2015 and Extraordinary General Meeting was held. The General Meeting approved the issuance of a mandatory convertible bond to finance the acquisition of MountainPeak Ltd and the creation of the corresponding conditional capital.

The corporate bond 2015/2020, which was placed in April of this year, had a total nominal value of EUR 300.0 million. This has been increased by EUR 50.0 million. The net proceeds will be used primarily to refinance existing debt and for further growth.

Certifications of property sales from the inventory and privatisation segment of ACCENTRO amounting to EUR 7.6 million happened after the reporting date.

Frankfurt a. M., 6 November 2015



## 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

|                                   |  |
|-----------------------------------|--|
| <b>Name</b>                       | ADLER Real Estate AG   |
| <b>Registered office location</b> | Frankfurt/Main, HRB 7287   |
| <b>SIN</b>                        | 500 800  |
| <b>ISIN</b>                       | DE0005008007   |
| <b>Ticker Symbol</b>              | ADL  |
| <b>Reuters</b>                    | ADLG.DE  |
| <b>Industry</b>                   | Real Estate  |
| <b>Listed at</b>                  | Official trading   |
| <b>Indices</b>                    | SDAX, CDAX, FTSE EPRA/NAREIT Global Real Estate Index, GPR General Index, DIMAX  |
| <b>Stock Exchange</b>             | Xetra, Frankfurt/Main  |
| <b>Designated Sponsor</b>         | ODDO SEYDLER BANK AG   |
| <b>Subscribed Capital</b>         | EUR 46,093,337, splitted into 46,093,337 non-par shares (as at 30 September, 2015)   |
| <b>Publisher</b>                  | ADLER Real Estate AG<br>Gänsemarkt 50<br>20354 Hamburg<br>www.adler-ag.com<br><br>Telephone: +49 (0)40 2981 300<br>Telefax: +49 (0)40 2981 3099<br><br>info@adler-ag.com |
| <b>Register Court</b>             | Frankfurt am Main, HRB 7287  |
| <b>Management Board</b>           | Axel Harloff   |
| <b>Executive Committee</b>        | Tomas de Vargas Machuca  |
| <b>Supervisory Board</b>          | Dr Dirk Hoffmann, Berlin (Chairman)<br>Thomas Katzuba von Urbisch, Monte Carlo/Monaco (Vice Chairman)<br>Thilo Schmid, Blotzheim/France                                  |
| <b>Investor Relations</b>         | Christian Hillermann<br>HILLERMANN CONSULTING e.K.<br>office@hillermann-consulting.de  |
| <b>Press</b>                      | Jörg Bretschneider<br>german communications dbk ag<br>bretschneider@german-communications.com  |





## ADLER REAL ESTATE

Aktiengesellschaft  
Frankfurt am Main

Business Address  
Gänsemarkt 50  
20354 Hamburg  
Germany

Phone: +49 (40) 29 81 30-0  
Fax: +49 (40) 29 81 30-99  
E-Mail: [info@adler-ag.com](mailto:info@adler-ag.com)  
[www.adler-ag.com](http://www.adler-ag.com)