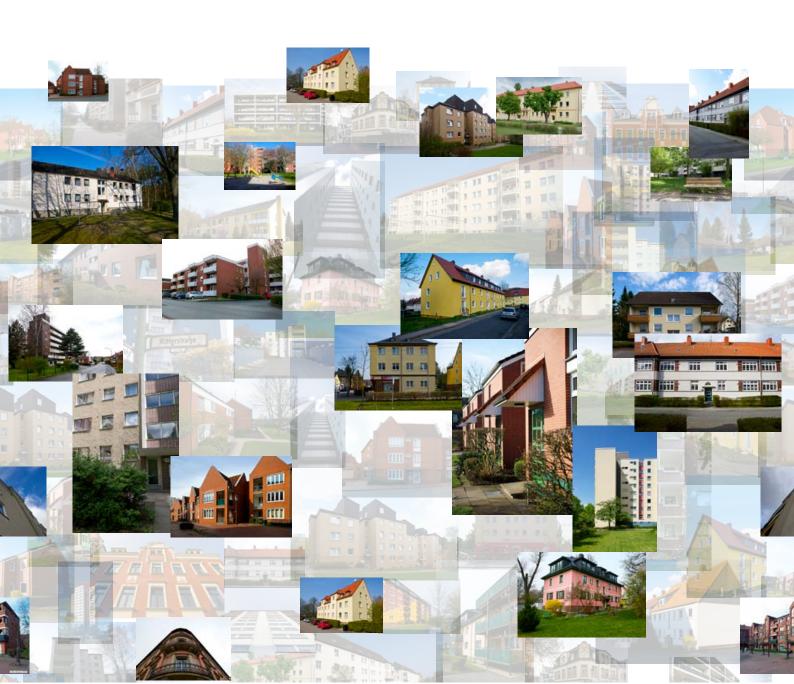


 $Q3\ ///\$ Interim Report for the first nine months of 2016



/// KEY FINANCIAL AND PROPERTY FIGURES

Consolidated statement of income (in EUR ´000)	9M 2016	9M 2015
Net rental income	125,733	97,598
Earnings from property lettings	91,316	66,092
Earnings from the sale of properties	34,054	20,712
EBIT	217,274	127,066
Consolidated net profit	98,594	59,738
FF0 I	18,629	9,897
FFO I per share in EUR ¹⁾	0.32	0.21
FFO II	45,245	38,457
FFO II per share in EUR ¹⁾	0.78	0.83
Consolidated balance sheet (in EUR '000)	30.09.2016	31.12.2015
Investment properties	2,402,925	2,270,187
EPRA NAV	1,011,154	879,457
EPRA NAV per share in EUR ¹⁾	17.35	15.51
LTV (%) ²⁾	61.9	68.0
	9M	9M
Cashflow (in EUR '000)	2016	2015
Net cash flow from operating activities	81,937	17,380
Net cash flow from investing activities	-74,382	-382,277
Net cash flow from financing activities	44,508	396,792
Employees	30.09.2016	31.12.2015
Number of employees	322	268
FTEs (Full-time-equivalents)	297	246
1) based on the number of shares at the reporting date 2) excluding convertible bonds		
Non-financial key figures – Portfolio	30.09.2016	30.09.2015
Number of rental units under management	50,931	52,088
of which proprietary units in existing portfolio	47,662	48,336
of which proprietary units for privatisation	1,507	1,968
Number of units sold	1,791	1,836
of which privatised units	897	539
of which non-core units	894	1,297
Contractually secured additional rental units 1)	787	502
Occupancy rate in % ²⁾	89,3	88.1
Monthly in-place rent ³⁾ in EUR/sqm	4,99	4.90

 $^{^{\}mbox{\tiny{1}}}$ Transfer of benefits and obligations still outstanding as at the reporting date

²⁾ Property rental units ³⁾ In-place rent as at 30 September 2016 and 30 September 2015, respectively

/// Now that we have achieved a stable portfolio size of c.50,000 residential units, we are currently focusing on consolidating our business in organisational and financial terms as well as expanding our service portfolio. The relocation of the company's legal domicile and head office functions to Berlin has already been executed. Refinancing measures and repayments have improved our debt structure and interest charge. The sale of non-core properties has also gained momentum. Moreover, by expanding our property and facility management activities we are gradually extending our value chain with the aim of boosting long-term tenant retention, thus cementing our position as one of Germany's leading integrated property groups.

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/// LETTER FROM THE MANAGEMENT BOARD

Dear Ladies and Gentlemen,

the third quarter of the current financial year at ADLER Real Estate was affected by numerous exceptional developments. We believe we can say without exaggeration that this was a very successful period for our company.

First and foremost, our operations performed well, and we worked to develop these further in line with our expectations and plans. We achieved a further slight rise in the occupancy rate and also slightly increased our average rents. We are making solid progress in our day-to-day rental business in line with our reported guidance.

Not only that, we rapidly implemented all of the individual measures identified for the third quarter in our consolidation programme. We relocated the company's headquarters from Frankfurt to Berlin and closed our Frankfurt office. As planned, we reduced our staff headcount at head office, centralised our asset management activities and provided these with a new regional focus, and during this time we also introduced a comparable structure for our property management activities. We have laid the foundation for a shared service centre soon to be established in Hamburg and extended our proven facility management concept to new locations. In short, our restructuring is moving forward on schedule.

The same applies to the renovation of 500 residential units – a target we set ourselves and aim to achieve by the end of this year as the first tranche in a EUR 15 million programme aimed at substantially refurbishing around 1,500 vacant apartments by the end of 2017. The initial focus was on residential complexes at locations such as Duisburg, Cottbus and Wilhelmshaven, where renovation work has not only started, but the first tenants have in some cases already moved in. Upon its conclusion, we expect this programme to improve our occupancy rate by up to three percentage points.

What enabled us to tackle these extensive measures aimed at renovating our portfolio and reducing our vacancy rate was the placement of a convertible bond of almost EUR 140 million in July. We believe this success cannot be rated highly enough, as the market climate at the time was temporarily unsettled and extremely volatile given the British referendum result in favour of exiting the European Community. We used a significant portion of these new funds, around EUR 62 million, to redeem high-interest bearing debt, thus generating interest savings of around EUR 2.5 million, improving our FFO and simultaneously reducing our average debt interest rate.

One significant earnings contribution came from our group subsidiary ACCENTRO, which sold a centrally located real estate portfolio in Berlin with around 400 residential units in August. This measure was originally not planned, as the company had intended to privatise the portfolio, i.e. sell the respective apartments individually. With a volume of more than EUR 50 million, the sale led earnings to jump by more than EUR 10 million. This means that ACCENTRO will significantly exceed the forecast originally set for the 2016 financial year. This subsidiary, which focuses on privatisations, has already reinvested part of the funds received from the sale and thus acquired around 200 apartments in Berlin for its privatisation portfolio.

Finally, in the third quarter we also created a new foundation for what is a highly significant aspect of our company's future alignment - our investment in the Austrian company conwert Immobilien Invest SE. In August 2015, we acquired almost 25 percent of the shares in conwert. We were of the opinion that the

company was highly undervalued but also believed that, together with conwert's management, we would be able to lever the potential value it harboured. We succeeded in this, even if the cooperation proved trickier than originally anticipated. For us, that was nevertheless reason enough to increase our commitment in August of this year and acquire an option agreement for a further 5 percent stake from another shareholder.

The ink on this agreement had hardly dried, however, before the management of Vonovia SE, Germany's largest real estate company, approached us with a takeover bid that would soon be issued to all shareholders in conwert. Following an in-depth review, we agreed to make an irrevocable commitment to accept the offer provided it was accepted by the necessary majority of conwert shareholders. We thus renounced our original objective of forging a closer cooperation with conwert. However, the means which we will receive after the successful completion of Vonovia's takeover offer will enable us to accelerate the repayment of higher yielding debt, reduce our LTV and acquire new portfolios. We are convinced that, by taking these steps, we acted in the interests of our shareholders. The reaction on the capital market to the agreement with Vonovia has since validated this assessment.

Vonovia still has to formalise its offer to conwert's shareholders. For the offer to become effective, enabling us to recognize the sales proceeds, Vonovia will have to make a successful tender offer for more than half of the shares conwert. We deem this highly likely, as Vonovia has already secured our shareholding via a bilateral agreement, conwert's management also supports the offer and the price offered would appear to be attractive to other shareholders as well.

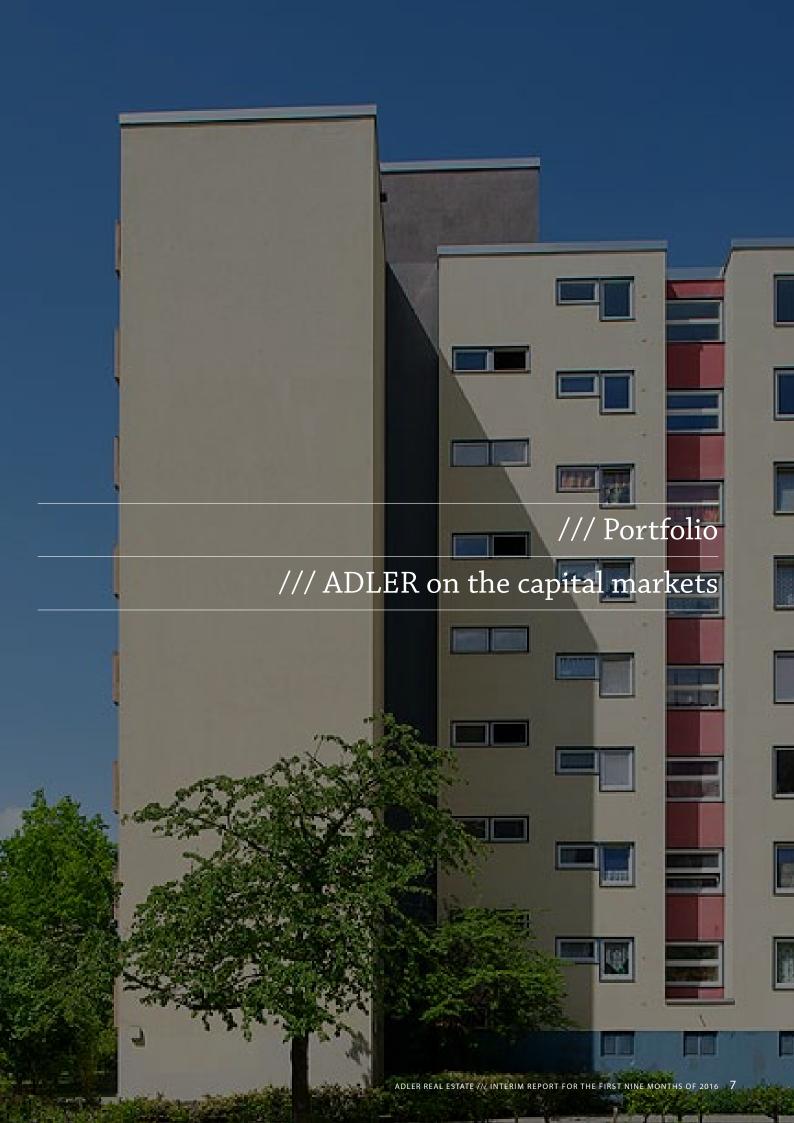
Overall, the developments seen in the third quarter will enable us to meet our financial targets, namely reducing LTV and average debt interest rates, faster than previously planned, thus allowing us to catch up with competitors who are better positioned in this respect. Moreover, these developments give us reason to be confident that we will meet the targets we have set ourselves - and which we believe are ambitious - for the current financial year. These include generating FFO of around EUR 55 million, reducing our LTV by around three percentage points to around 65 percent and reducing our average debt interest rate by one quarter of a percentage point to around 3.75 percent.

Even then, we will still not be where we aim to be. We are nevertheless on the right track and will continue to pursue this course.

Yours faithfully,

Arndt Krienen

CEO



/// PORTFOLIO

Active portfolio management

Numerous factors influence changes in the value of real estate. Maintenance, renovation and modernisation work help preserve or improve a property's substance and residential value. Its attractiveness and value nevertheless also depend on external factors, such as socio-demographic trends, changes in demand and all kinds of infrastructure measures, as well as on political decisions, such as interventions in freedom of contract or rent pricing, the tax treatment of real estate and measures to promote new construction activities.

As a holder of residential property portfolios, ADLER Real Estate AG takes due account of all these factors when acquiring new portfolios and when carrying out regular reviews of its existing real estate holdings for portfolio management purposes. Individual properties are initially evaluated in terms of their inherent quality, i.e. to determine the volume of maintenance or renovation expenses required to ensure living standards consistent with market expectations. External market and location factors are then accounted for as a second assessment criterion.

Good-quality properties which are located in attractive macro-environments form the core portfolio and generally generate a stable cash flow. Low-quality properties which are located in unattractive macroenvironments are classified as "non-core", i.e. they are the first candidates for sale. The Asset Management department deals with all other properties using methods appropriate to each case, such as boosting marketing measures when the property is of good quality but its location factors are less favourable, or by investing in the property when the location factors are good but the property itself is not.

Regular portfolio reviews are essential to ensure that the right measures are taken to preserve and enhance the value of the overall portfolio. Typically, this means that the portfolio is constantly changing. New real estate portfolios are added and parts of existing portfolios sold when, from a portfolio management perspective, there is no longer any prospect of these components generating an adequate return.

Slight reduction in residential portfolio in the first nine months of the year

Consistent with the above considerations, properties were acquired and sold in the first nine months of the 2016 financial year. Small portfolio acquisitions, above all in Berlin, expanded the overall portfolio by 608 units. Of these, 156 units are to be retained in the Rental portfolio on a permanent basis, and 452 units are available to the Trading business. These will serve to restock the property portfolio, which contracted sharply in the year to date due to the disposal of 897 residential units previously earmarked for privatisation. ACCENTRO, the group subsidiary responsible for this business, successfully privatised 407 units in the first half of the year. This was followed in July by the sale of 297 additional units in a single package, a transaction that generated a substantial profit (please see the Trading segment report).

Alongside the privatisation of residential units held specifically for this purpose, the Group also made progress with the sale of properties originally earmarked for permanent rental, but since identified as non-core. A total of 894 units were disposed of within this portfolio streamlining measure in the first nine months. Overall, these disposals were executed at the carrying amount of the assets involved and therefore did not generate any profit.

Portfolio	30.09.2016			31.12.2015
		Divestments	Additions	
Rental portfolio	47,662	894	338 1)	48,218
of which residential units	46,551	862	315	47,098
of which commercial units	1,111	32	23	1,120
Units for privatisation	1,507	897	452	1,934

 $^{^{\}mathrm{1}}$ of which 156 units acquired, remaining units from own project development / rededication of use etc.

Focus on residential properties

ADLER sees itself as a provider of rental apartments. Consistent with this objective, the 46,551 rental units make up 97.7 percent of the real estate not held for trading. The overall portfolio nevertheless also includes a small share of commercial units, mainly because some of the residential properties also include store locations or offices. As at the end of September 2016, the company held 1,111 such units, which thus accounted for a 2.3 percent share of its overall portfolio. Commercial lettings therefore only play a subordinate role in the overall business.

Clusters in north-western Germany

The first nine months brought only a slight change in the regional distribution of the company's real estate portfolio. ADLER continues to hold the largest share of its properties in Lower Saxony (34.8 percent of the overall portfolio) and in North Rhine-Westphalia (19.8 percent). The overall portfolio nevertheless remains widely distributed. ADLER believes that this diversification is appropriate from a risk perspective.

Rental units – as at 30 September 2016	Residential units	Commercial units	Residential and commer- cial units	Proportion in %
Lower Saxony	16,453	126	16,579	34.8%
North Rhine Westphalia	9,163	284	9,447	19.8%
Saxony	7,253	233	7,486	15.7%
Brandenburg	3,625	58	3,683	7.7%
Saxony-Anhalt	3,351	113	3,464	7.3%
Thuringia	1,936	30	1,966	4.1%
Berlin	1,662	25	1,687	3.5%
Mecklenburg-Western-Pomerania	1,477	31	1,508	3.2%
Schleswig-Holstein	650	36	686	1.4%
Rhineland-Palatinate	530	62	592	1.2%
Hesse	249	76	325	0.7%
Bavaria	133	28	161	0.3%
Bremen	48		48	0.1%
Baden-Wurttemberg	21	9	30	0.1%
Total	46,551	1,111	47,662	100.0%

Alignment towards small to medium-sized residential units

The residential portfolio held by ADLER Real Estate AG largely comprises small to medium-sized residential units. The apartments have an average size of slightly more than 60 square metres. The portfolio is therefore well aligned to the needs of the company's target group, namely tenants with low to medium incomes. ADLER also sees this alignment as economically expedient. Its properties meet the trend observed for some time now towards an ongoing increase in the number of single-person households in Germany despite a decline in the country's overall population. Not only that, the risk of tenants with low incomes defaulting on their rent payments is reduced as they can obtain support from social security providers if they are unable to settle their obligations from their own incomes. Furthermore, this category of affordable living space is now in the sights of municipal and local councils on the lookout for permanent homes for refugees.

Increase in average rent in the Rental portfolio

As at the reporting date, ADLER generated an average rent of EUR 4.95 per square metre per month from the residential portfolio in place during the first nine months of the 2016 financial year. Within the nine months of the previous year, the contractually agreed rent for the residential units let out amounted to EUR 4.86. Year on year, rental income therefore increased by an average of EUR 0.09 per square metre, or by 1.9 percent.

Apartment size ¹⁾	Number of units	Percentage of total portfolio	Rent/sqm/ month in EUR
< 45 sqm	6,526	14.0	5.70
≥ 45 and < 60 sqm	15,787	33.9	4.87
≥ 60 and < 75 sqm	16,494	35.4	4.91
≥ 75 and < 90 sqm	6,089	13.1	4.88
> 90 sqm	1,655	3.6	4.74
Total residential	46,551	100	4.95

¹⁾ These data relate to rented units only

High occupancy rate

In the first nine months of 2016, 90.2 percent of the residential units were let out. The occupancy rate therefore rose by 1.2 percentage points compared with the equivalent date in the previous year and by 0.4 percentage points compared with the end of 2015, with a corresponding reduction in vacancy rates. Expressed in absolute figures, this means that while 4,783 residential units were vacant at the beginning of the year, by the end of September this figure had been reduced to 4,638 units.

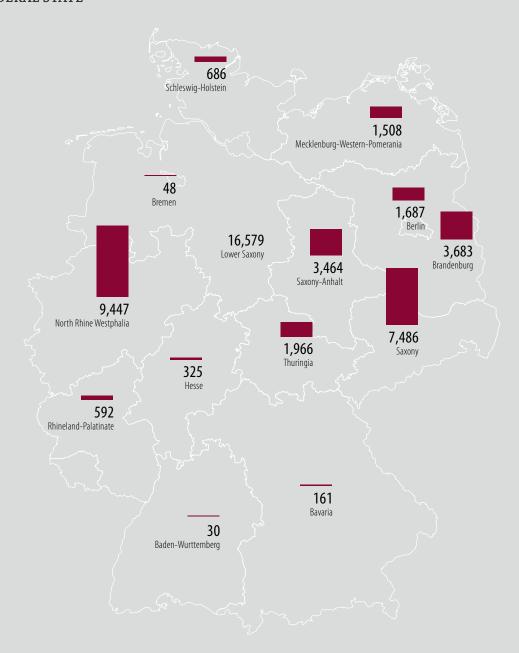
Change in fair value of the Rental portfolio

Due to the disposal of non-core units and the successful privatisation business, the number of residential and commercial units was 1.2 percent lower at the end of September than at the end of 2015. By contrast, the market value of the portfolio calculated in accordance with IFRS rose and amounted to EUR 2,403 million (31 December 2015: EUR 2,271 million). This value growth was largely due to rental adjustments already implemented or still expected. In many cases, these were closely linked to investment measures aimed at improving living quality, renovation work, refurbishments to enhance energy efficiency or cosmetic repairs. ADLER spent a total of EUR 30.1 million on maintenance and modernisation work in the first nine months of 2016 (previous year's period: EUR 20.3 million).

Customer orientation with in-house property and facility management

The measures taken to maintain or enhance the value of properties are closely linked to the company's aim of increasing tenant satisfaction and thus keeping the tenant turnover rate as low as possible. To improve its direct contact with tenants, ADLER is taking targeted measures to expand its in-house property and facility management activities. At present, these tasks are mainly performed by the two group companies WBG GmbH, Helmstedt, and Wohnungsbaugesellschaft JADE mbH, Wilhelmshaven, and their subsidiaries. This makes it possible to communicate with customers easily, rather than having to depend on go-betweens. By the end of 2017, all of the Group's property and facility management activities should be performed by proprietary group companies.

TOTAL PROPERTY PORTFOLIO, **DISTRIBUTION BY FEDERAL STATE**



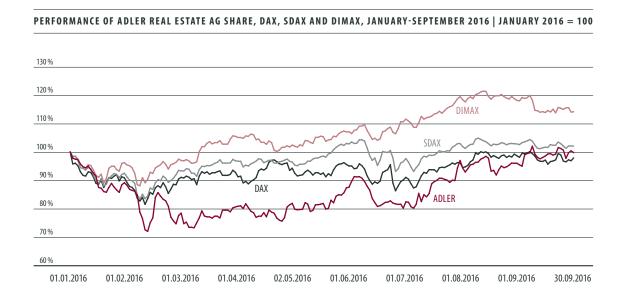
/// ADLER ON THE CAPITAL MARKET

Real estate stocks outperform overall market

The German stock market recovered in the third quarter of 2016 and largely made up for the losses incurred in the first six months of the year. Following substantial losses in the first quarter and significant volatility in the second quarter, the DAX at any rate almost regained the level seen at the beginning of the year by the end of the period under report. The SDAX - the index in which ADLER has been listed for more than a year witnessed similar developments. In this case, however, the index closed the period under report on a slight rise compared to the beginning of the year. Over the nine-month period as a whole, the DAX fell by around 2 percent, while the SDAX rose by around the same amount.

In terms of investment segments, real estate stocks have been among the year's top performers. The Solactive DIMAX index, comprising Germany's most important listed real estate companies, gained more than 14 percent in value in the first nine months of the year. On average, real estate stocks therefore outperformed the overall market by a clear margin. This value growth can also be seen as a reflection of the fact that demand for German real estate stocks among international investors is increasing. Not only that, in a climate in which many other forms of investment do not generate any returns, or even negative returns, real estate is viewed as comparatively stable in terms of its value.

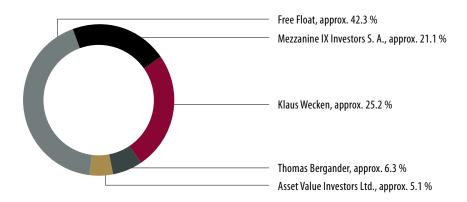
Trading at EUR 14 at the beginning of the year, ADLER's share price fell to a low of just over EUR 10 in February as a result of market uncertainty. By the end of September, however, the share price had recovered to the same level seen at the beginning of the year. The third quarter in particular witnessed a very strong recovery, one presumably driven by the successful placement of the convertible bond which strengthened the company's recognition in the capital markets and the pending sale of the shares held in conwert Immobilien Invest SE.

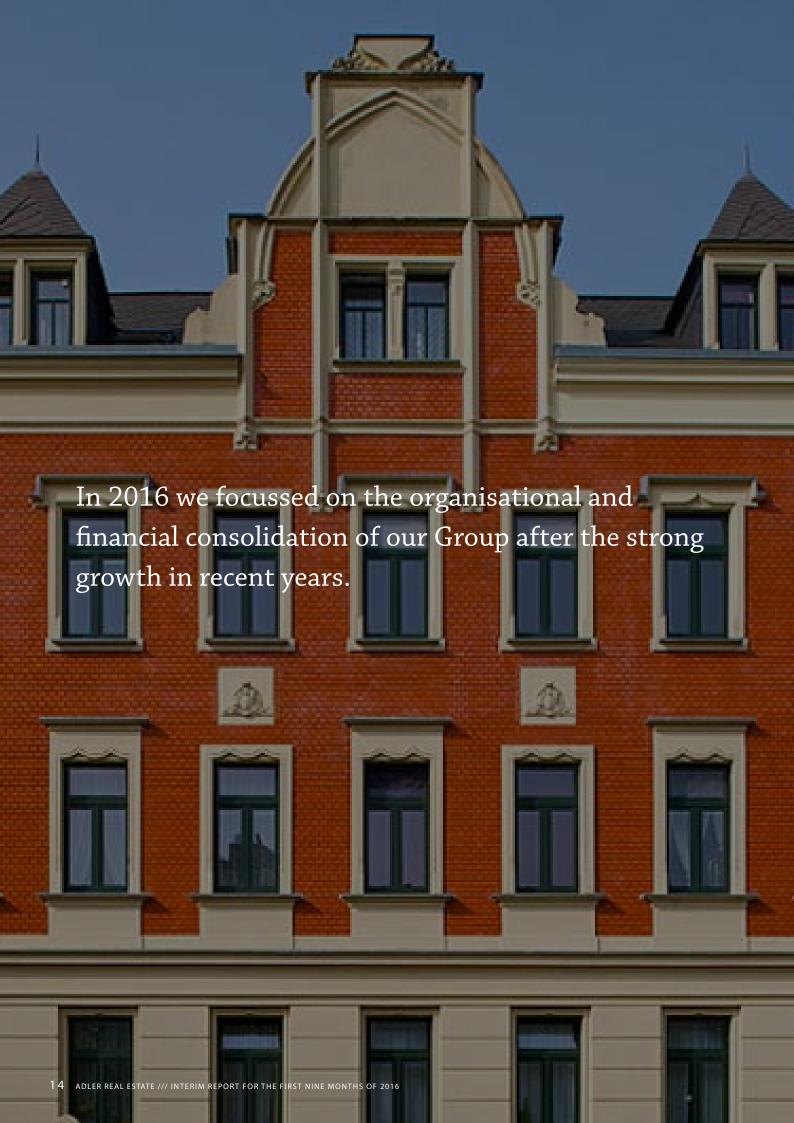


Number of shares slightly increased through conversion of existing bonds

The increase in the number of shares in circulation in the first nine months of the current financial year was solely attributable to the conversion of existing bonds which would have matured in 2017 and were deeply in the money. The number of shares in circulation totalled 46,103,237 at the beginning of the year and rose by 1.2 percent to 46,680,793 at the end of the period under report. Based on notifications received by ADLER from shareholders when their holdings crossed the specified thresholds, the company's shareholder structure as at 30 September 2016 was as follows:

SHAREHOLDER STRUCTURE AS AT 30 SEPTEMBER 2016





/// Fundamentals of ADLER Real Estate AG Group

/// FUNDAMENTALS OF ADLER REAL ESTATE AG GROUP

BUSINESS MODEL

ADLER Real Estate AG's business model comprises two fields of activity - Rental (investment properties) and Trading (inventories). The company's reporting is structured accordingly.

The Rental segment represents the activities of the Group's central Asset Management department, which manages the residential units (investment properties) held in the portfolio from a technical and commercial standpoint. It also manages individual property management companies on location by way of service agreements. ADLER nevertheless also has internal property management capabilities through two subsidiaries that perform property and facility management for residential portfolios - Wohnungsbaugesellschaft Jade mbH, Wilhelmshaven and WBG GmbH, Helmstedt. ADLER intends to continue to work towards fully integrating its property management activity into the Group by the end of 2017.

The Trading segment is largely managed and directed by a standalone group company, ACCENTRO Real Estate AG, of which ADLER REAL ESTATE AG owns about 87.0 percent.

Rental

The Rental segment represents all the investment properties due to be retained in the Group's property portfolio on a longterm basis. These relate almost exclusively to residential units.

The portfolio has been built up over the past four years by acquiring individual portfolios directly or by acquiring shares in property companies. The properties are actively managed in order to increase the rental income and reduce vacancy rates through active marketing, and in addition they are regularly independently revalued in line with market trends. With a portfolio comprising around 50,000 units, ADLER is now one of Germany's six biggest publicly listed property companies. ADLER intends to further expand its property portfolio through future acquisitions.

ADLER focusses its investments on residential property portfolios predominantly in "B" locations and on the outskirts of large urban conurbations where rental yields are greater than in inner city "A" locations. When suitable market opportunities arise, however, ADLER also invests in "A" cities such as Berlin in order to capture value growth in these markets. In both circumstances ADLER deems acquisitions worthwhile only when the properties promise to generate immediate positive cash flows.

The apartments in ADLER's portfolio have an average size of around 60 square metres and have two or three rooms. The average monthly rent amounts to EUR 4,95 per square metre. ADLER targets tenants with medium to below-average incomes and offers them decent and affordable living conditions at appropriate market prices. The demand for affordable housing has been and is growing as a result of various factors, including, but not limited to, an aging population, the migration of skilled labour seeking employment in Germany from within the EU, a greater number of single-person households and a lack of supply of these units as a result of very few new developments of affordable residential units.

Trading

Operations in the Trading segment involve the purchase and sale of residential properties portfolios and individual apartments. Within ADLER Group, this segment is primarily covered by the majority interest in the listed company ACCENTRO Real Estate AG (formerly: ESTAVIS AG). ACCENTRO markets suitable residential properties and individual apartments from its own portfolio and also on behalf of third parties to owner-occupiers and capital investors in Germany and abroad. According to its own assessment, ACCENTRO is Germany's largest privatiser of residential property.

Residential properties that are suitable for privatisation are regularly acquired by ACCENTRO for the Trading segment. As they are intended for sale, these properties are then only held for short periods. Given that the Trading segment accords priority to marketability factors, ACCENTRO does not automatically target the same locations as those favoured in the Rental business, but consciously also includes properties in "A" cities in its target portfolio.

Targets and strategies

Creating shareholder value is at the core of ADLER Real Estate AG's strategy. Consequently, ADLER's investment decisions focus on increasing the company's value. All aspects of the corporate strategy are aligned towards this objective. The company's value is measured by reference to net asset value (NAV) as defined by the European Public Real Estate Association (EPRA), of which ADLER is a member.

Strategy for the Rental segment

The value of the property portfolios included in the Rental segment can predominantly be increased by ensuring the letting activities achieve the highest possible rent at any given time and that the ongoing property management allows this income to remain stable or grow over time. The asset management department's objective is therefore to raise occupancy rates and rental income. Value growth can also be generated by expanding the existing portfolio and exploiting corresponding economies of scale, or by changing and optimising the existing portfolio in order to identify and sell those assets less likely to retain their value.

When the portfolios are increased in size by way of acquisitions, the earnings potential can be boosted by exploiting economies of scale, as certain fixed costs can then be distributed across a larger portfolio with a corresponding reduction in the absolute charge per individual unit. Costs can also be reduced and the efficiency of the property management enhanced by bundling services of external service providers or by centralising and pooling tasks within the Group.

The key focus in optimising the existing portfolio involves identifying those properties that are only able to make below-average contributions to the Group's overall income due to their location or their inherent qualities. Once these are sold, this automatically boosts the earnings power of the remaining portfolio.

As a general rule, the existing portfolios are managed by the Asset Management department, which was reorganised in mid-2016 and provided with a centralised structure at the company's location in Berlin. Asset Management takes measures to reduce vacancy rates, exploit opportunities to increase rents and maintain or enhance the portfolio's rental capacity for example, by implementing maintenance or modernisation measures. High residential value makes the apartments attractive and thus easier to let out. It goes without saying that the Asset Management department always takes due account of the costs and benefits of individual measures.

Strategy for the Trading segment

In its Trading segment, ADLER creates value by generating the highest possible return on its investments by way of sales of residential property portfolios and individual apartments. ACCENTRO Real Estate AG, the group subsidiary responsible for this business field, trades properties from within its portfolio of properties specifically acquired for trading. ADLER has built up a sufficiently large portfolio of properties earmarked for privatisation in order to generate as consistent a stream of income as possible and thus does not have $% \left\{ 1,2,\ldots ,n\right\}$ to rely on opportunistic sales.

Financing strategy

Due to economic efficiency and risk considerations, ADLER believes that the appropriate debt to equity ratio for financing its group activities is one that produces a loan-to-value (LTV) of below 60 percent. This automatically makes it necessary to finance future acquisitions at corresponding ratios. In terms of its debt financing, ADLER aims to achieve as homogenous a maturity structure as possible over time. By refinancing existing facilities on more favourable terms, ADLER also aims to reduce its weighted average cost of debt. ADLER has access to secured financing via bank debt and, in addition, has over the last three years significantly developed its capital markets capabilities and thus has significant access to unsecured debt. Access to both of these debt markets greatly minimises refinance risk. Economic success often depends on the company's own speed of reaction. To be able to react to any market opportunities at short notice, ADLER has access to authorised and conditional capital, both of which have been approved by shareholders, that can be drawn on at any time to make acquisitions.

Acquisition strategy

To firmly establish itself as a major residential property player in Germany, ADLER aims to generate growth by making acquisitions in the future as well. Size is not an end in itself, but rather a means to enhance profitability by drawing on economies of scale and efficiency gains.

New portfolios for the Rental segment should be consistent with the existing business model, or supplement it in a meaningful way. They should also be expected to generate positive cash flows immediately after acquisition. New portfolios for the Trading segment have to be suitable for resale or privatisation.

ADLER is able to take acquisition decisions at short notice and can offer sellers a high degree of transaction reliability. Acquisition-driven growth is not at the top of the Group's list of priorities for 2016. In the current year, greater weight is being accorded to consolidating the acquisitions made in recent years, reorganising existing property portfolios and adapting the company's structures to its newly attained size.

MANAGEMENT SYSTEM

Financial performance indicators

The financial performance indicators used by ADLER are typical for the real estate sector: the net asset value (NAV) to indicate the company's value, funds from operations I (FFO I) to indicate cash flow-based operating earnings in the Rental segment, funds from operations II (FFO II) to indicate cash flow-based operating earnings in both Rental and Trading segments and loan-to-value (LTV) to indicate financial stability.

In the Rental segment, greater priority is accorded to key figures based on the cash flow, as this corresponds to the target of generating sustainable inflows of cash from lettings. The Trading segment, by contrast, focuses more closely on earnings before interest and taxes (EBIT) and thus on its contribution to the Group's overall earnings.

Non-financial performance indicators

Numerous non-financial performance indicators are regularly monitored within the Group's property management activities. This applies both to the Group's own property management and to the external service providers with whom ADLER still expects to work until to the end of 2017. Among others, these indicators include the occupancy rate, the number of contract termination notices received from tenants, the number of new rental agreements, compliance with time schedules for maintenance measures, the availability of property managers and so forth. Should actual figures deviate from budget figures for a longer period of time, corrective measures are devised.

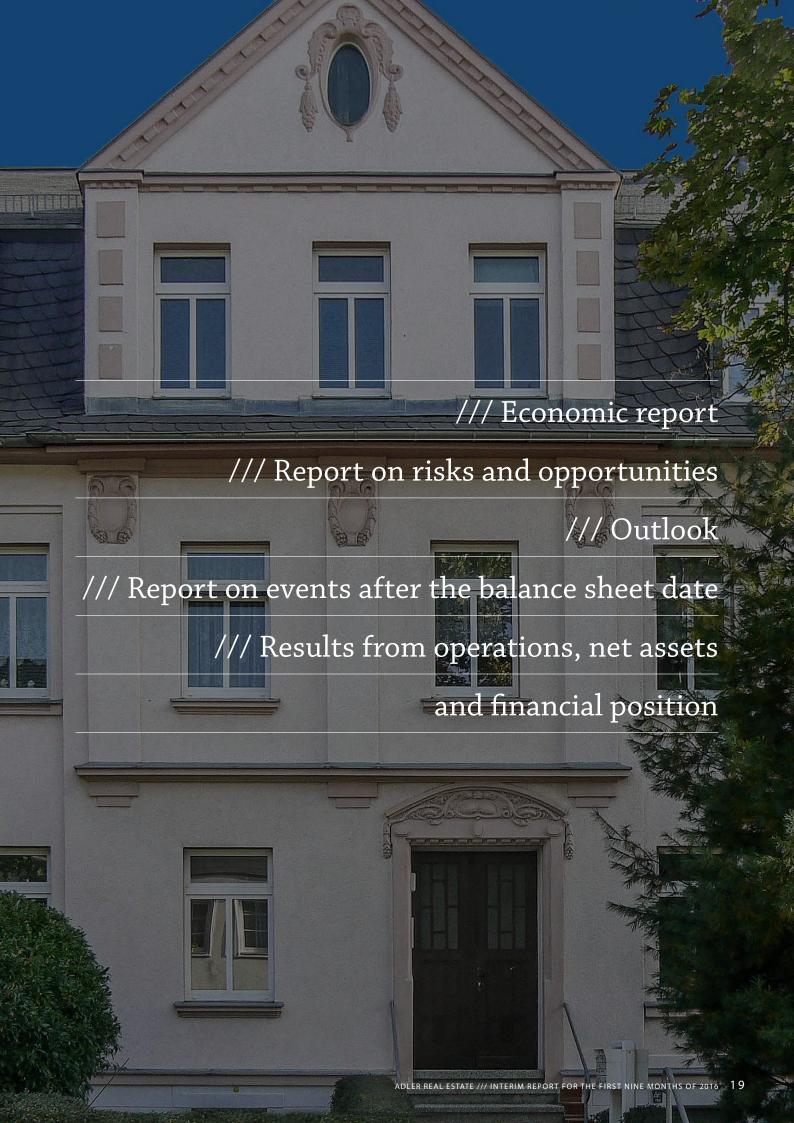
Non-financial performance indicators also play a major role during the acquisition of new property portfolios. After all, potential developments in the value of a property also depend on such factors as changes in infrastructure, expected demographic developments and potential changes in regional labour markets. An awareness or assessment of these key figures is factored into all decisions concerning the acquisition of properties or property portfolios.

EMPLOYEES

As the group holding company, ADLER Real Estate AG has two Management Board members, but no proprietary employees. Operational activities relating to asset management and central administration for the Group are mostly performed via the wholly owned subsidiary ADLER Real Estate Service GmbH. Employees at this company are employed to perform various tasks at the respective group companies on a flexible basis and in line with their individual skills. ADLER Group had a total of 322 full-time and part-time employees at the end of the reporting period. The increase by 54 employees compared with 31 December 2015 was mainly due to the setting up of property and facility management activities.

RESEARCH AND DEVELOPMENT

As a property group, ADLER Real Estate AG does not perform research and development in a traditional sense. Ongoing market analysis is, however, needed to assess future developments and trends in the housing market. Here, ADLER draws on assessments compiled by estate agents' associations, federal authorities, specialist research institutes, accredited valuers and bank research departments, as well as on its own experience arising from letting properties in different locations. Moreover, the various developments in the construction sector and in building technology, as well as any changes in regulatory requirements, also have to be monitored and analysed. The insights gained from these analyses form an important basis for all of the company's operating activities.



/// ECONOMIC REPORT

MACROECONOMIC AND SECTOR-SPECIFIC FRAMEWORK

The macroeconomic and sector-specific framework remained stable - and thus favourable for the property sector - in the first nine months of the current financial year. According to the data and estimates available to date, Germany's gross national product is growing at the expected rate of just over 1.5 percent. Adjusted for calendar factors, growth even amounted to 1.8 percent in the second quarter. Private consumer spending, which benefited from consistently high employment totals, a low inflation rate and the resultant rise in purchasing power among broad sections of the population, showed even more marked growth, rising by 2.8 percent in the second quarter. Interest rates remain historically low, and are even negative for some types of bonds. There are still no signs that a turnaround in interest rate policy is immediately pending. The world's most important central banks seem to be rather in favour of retaining their policy of low interest rates and generous liquidity supplies for the foreseeable future.

Against this backdrop, property remains in demand as an asset class, even if this year's portfolio transaction volumes will most likely not match the level seen in the previous year, which was characterised by numerous takeovers. Stricter EU requirements governing the awarding of mortgage loans also led to a marked reduction in the volume of loans newly granted to finance private property purchases in the third quarter. This factor could prove to be a permanent impediment to property transactions.

The climate in the housing rental market is extremely stable. According to the cost of living index, rents are rising across Germany at a rate varying from month to month of between 1.0 percent and 1.2 percent. Like all averages, however, this average also conceals variances between individual regions, urban and rural districts, new and existing housing and different apartment sizes. Having said this, the sharp rise in rents seen in "A" cities prior to the end of last year is expected to have largely levelled off.

ECONOMIC DEVELOPMENT OF THE GROUP

Following its successful steps to generate growth in previous years, in the first nine months of the current financial year ADLER Real Estate AG concentrated on reorganising its group structures and adapting these to the new requirements arising in the wake of the acquisitions made. Among other measures, the company has to this end relocated its headquarters to Berlin, where the most important central activities, including asset management, have also been pooled. The Frankfurt office has been closed.

Within this restructuring programme, the Property Management department has been provided with a new regional structure and placed under central management. Facility Management has assumed responsibility for supporting additional properties at various locations at which the ADLER Group owns real estate. All of these measures serve the objective of developing ADLER into an integrated real estate group capable of offering all services of key relevance to tenants from a single source by the end of 2017.

Extensive acquisitions were not on the Group's agenda for the first nine months of the current financial year. ADLER only acquired a small portfolio with 156 residential units in high-quality residential areas in Berlin in the first quarter. The group company ACCENTRO added 284 new apartments in Berlin to its trading portfolio in the period under report. These are earmarked for privatisation in the years ahead. A total of 1,791 units were sold in the first nine months of the year, of which 894 units were from non-core holdings. ACCENTRO also sold 897 units.

In July, ADLER successfully placed a convertible bond of EUR 138 million, despite adverse market conditions in the wake of the "Brexit" referendum. Of this sum, EUR 62 million was used to refinance existing higher yielding debt, which had a correspondingly positive impact on average cost of debt and FFO, while EUR 15 million is being used in the current and next financial years to renovate a total of 1,500 vacant apartments to bring them in line with market standards and enable them to be let out.

In August, the group company ACCENTRO Real Estate AG, which operates the Group's trading activities, sold a property portfolio of 419 residential units in Berlin and thus generated an earnings contribution of around EUR 10 million after taxes. This transaction alone provided the company with an increased liquidity of more than EUR 30 million, part of which was used in September to certificate an additional 208 centrally located residential units in Berlin for future privatisations.

In August, ADLER also purchased an option to acquire shares corresponding to an additional 5 percent in conwert Immobilien Invest SE. This option was drawn on at the beginning of September.

Also in September, Vonovia SE, Germany's largest listed real estate company, approached ADLER with an offer to exchange ADLER's conwert shares into Vonovia shares in the context of a takeover bid addressed to all conwert shareholders. ADLER committed to an irrevocable undertaking to tender these shares to Vonovia once the conditions underpinning the takeover are met. The means which ADLER will receive after the successful completion of the offer can subsequently be used to redeem debts or acquire new portfolios.

/// REPORT ON RISKS AND OPPORTUNITIES

ADLER Real Estate AG reported in detail on the opportunities and risks involved in its business activities in its 2015 Annual Report and supplemented this information in its Half-Year Financial Report. Since then, the overall situation of ADLER Real Estate has only changed to the extent that the completion of the tender agreement with Vonovia following its unexpected bid will open up possibilities to repay or refinance debt beyond the extent already targeted, and thus reduce the LTV and interest charge faster than previously expected. Furthermore, the sale of conwert shares will mean that management capacities are no longer committed to operative or strategical considerations and measures relating to conwert.

/// OUTLOOK

The statements made concerning the expected development in key financial figures in the 2016 financial year are based on current planning at ADLER Real Estate AG. This planning covers all group companies.

Forecast for LTV improved

ADLER Real Estate AG expects the macroeconomic framework for real estate companies to remain favourable overall in 2016. Macroeconomic developments in Germany would appear to be robust, with an expected economic growth of around 1.5 percent and private consumer spending predicted to rise by around 2 percent. At the same time, interest rates are expected to remain persistently low in 2016 as well. This gives reason to believe that real estate will continue to be in great demand as an investment category in Germany. As living space will remain scarce due to ongoing immigration and the long lead times involved in new construction projects, rents can also be expected to continue rising. The macroeconomic climate will therefore remain favourable for companies operating in the real estate sector. Upon publication of its Half-Year Financial Report in August, ADLER issued an outlook report for the 2016 financial year. The report predicted a 20 percent growth in gross rental income, a 55 percent increase in FFO I, a 25 percent increase in FFO II, an improvement in NAV by 10 percent and a reduction in LTV to around 65 percent. The company's business performance in the first nine months affirms the management's decision to uphold this forecast without amendment.

/// REPORT ON EVENTS AFTER THE BALANCE SHEET DATE

No events that could materially impact upon the earnings, asset or financial position of ADLER Real Estate AG occurred between the end of the period under report and the editorial deadline for this report.

/// RESULTS FROM OPERATIONS, NET ASSETS AND FINANCIAL POSITION

RESULT FROM OPERATIONS

ADLER Real Estate AG generates its revenues from two main activities - the letting of property and trade in property. Its business model is based on these activities, which are correspondingly reflected in the statement of comprehensive income and the segment report.

In EUR millions	9M 2016	9M 2015 1)
Gross rental income	196.4	152.1
of which net rental income	125.7	97.6
Expenses from property lettings	-105.1	-86.0
Earnings from property lettings	91.3	66.1
Income from the sale of properties	145.2	139.5
Expenses from the sale of properties	-111.1	-118.8
Earnings from the sale of properties	34.1	20.7
Personnel expenses	-13.4	-9.1
Other operating income	4.9	46.6
Other operating expenses	-22.2	-18.2
Income from fair value adjustments of investment properties	123.5	21.9
Depreciation and amortisation	-0.9	-0.9
Earnings before interest and taxes (EBIT)	217.3	127.1
Net income from at-equity valued investment associates	11.1	0.2
Financial result	-80.8	-55.5
Earnings before taxes (EBT)	147.6	71.8
Consolidated net profit for the first nine months	98.6	59.7

¹⁾ Amended statement: please see comments under "Basis of preparation"

Marked rise in income and earnings from property lettings

Gross rental income, predominantly comprising income from property lettings, reached EUR 196.4 million in the first nine months of the current 2016 financial year. This represents a year-on-year increase of 29.1 percent. This marked growth was mainly due to the expansion in property holdings as a result of the acquisitions made in the previous year.

Gross rental income nevertheless also benefits from further improvements in property management performance indicators. As at the end of September 2016, the average rent per square metre per month amounted to EUR 4.99 for the overall portfolio, EUR 0.09 higher than the equivalent previous year's figure. The occupancy rate also rose over the same period by 1.2 percentage points to 89.3 percent.

Net of expenses from property lettings, which developed roughly in line with the volume of property holdings, earnings from property lettings totalled EUR 91.3 million in the first nine months of 2016, 38.1 percent higher than in the previous year (EUR 66.1 million).

Disposal of non-core properties initiated

ADLER Real Estate AG generated earnings of EUR 34.1 million from the sale of properties in the first nine months of 2016 and thus exceeded the figure for the previous year's comparative period (EUR 20.7 million) by 64.7 percent. These earnings resulted from the sale of a total of 1,791 properties, of which 897 units were previously held among inventory properties at the group subsidiary ACCENTRO Real Estate AG. A total of 894 units were attributable to holdings identified as "non-core" at various of the Group's property companies. This represents the extent to which the portfolio streamlining process which ADLER Real Estate AG intends to implement in the medium term has already progressed.

Earnings benefited from the sale of a portfolio of 419 units located in the centre of Berlin by the group subsidiary ACCENTRO Real Estate AG during the third quarter of 2016. This portfolio, which had originally been earmarked for individual privatisation, was sold on attractive terms in its entirety.

Higher income from value adjustment of properties, lower other operating income, growth-related increase in operating expenses

At EUR 123.5 million, income from the value adjustment of investment properties in the first nine months of 2016 was significantly higher than the equivalent previous year's figure (EUR 21.9 million). This valuation gain reflects the increase in average rents, as well as the expenses for maintenance and modernisation which amounted to EUR 30.1 million in the first nine months (previous year: EUR 20.3 million). Income from the value adjustment of investment properties also increased as ADLER adjusted the valuation of individual portfolios to changes in the market environment, which is marked by sustained yield compression.

At EUR 4.9 million, the other operating income reported for the first nine months of 2016 was substantially lower than in the equivalent period in the previous year. In 2015, this item came to EUR 46.6 million due to a non-recurring item. Upon the acquisition of Wohnungsbaugesellschaft JADE mbH, goodwill of EUR 42.3 million was identified and directly recognised through profit or loss, whereas no comparable income was generated in 2016.

Various other expense items have increased due to the company's growth triggered by its takeovers of Wohnungsbaugesellschaft JADE mbH in February 2015 and WESTGRUND AG at the end of June 2015. Personnel expenses for the first nine months of the current financial year came to EUR 13.4 million (previous year: EUR 9.1 million), while other operating expenses amounted to EUR 22.2 million (previous year: EUR 18.2 million).

EBIT up more than 50 percent

After the deduction of all non-financial expenses, earnings before interest and taxes (EBIT) for the first nine months of the current financial year came to EUR 217.3 million, 71.0 percent more than in the equivalent period in the previous year (EUR 127.1 million). More than half of earnings were attributable to earnings contributions from the operating business of property letting and property sales.

EBITDA adjusted to exclude non-recurring and extraordinary items (see FFO calculation table) amounted to EUR 107.7 million in the first nine months of 2016 and thus significantly exceeded the previous year's equivalent figure (EUR 70.9 million).

Financial result changes in line with Group's growth

At minus EUR 80.8 million, the financial result for the first nine months of 2016 was substantially lower than the equivalent figure for the previous year (minus EUR 55.5 million). This was due on the one hand to the fact that the takeover of WESTGRUND AG automatically also involved assuming that company's liabilities and associated interest obligations. On the other hand, interest expenses also rose as a result of the liabilities taken up by ADLER Real Estate AG in the course of the previous year, for which interest expenses were incurred for the whole of the nine-month period in 2016, but only on a time-apportioned basis in the previous year. In the third quarter of 2016, ADLER Real Estate AG issued a further convertible bond with a nominal value of EUR 137.9 million and an interest rate of 2.5 percent. Furthermore, the financial expenses reported in 2016 also include prepayment compensation of EUR 3.5 million due to the replacement of high-interest liabilities with lower-interest liabilities.

ADLER Real Estate AG received a substantial non-operating earnings contribution from the shareholding it has held since August 2015 in the Austrian company conwert Immobilien Invest SE. The value growth in this shareholding is reflected in the income from investments accounted for using the equity method, which totalled EUR 11.1 million in the first nine months.

Net of the financial result and income from investments accounted for using the equity method, earnings before taxes (EBT) for the first nine months 2016 amounted to EUR 147.6 million (previous year: EUR 71.8 million).

Income tax expenses amounted to EUR 49.0 million in the first nine months of the current financial year. The year-on-year increase was mainly due to deferred taxes on valuation gains in the second and third quarter and the increase in taxable profits at the ACCENTRO Real Estate AG subsidiary. Net of taxes, consolidated net profit for the first nine months amounted to EUR 98.6 million (previous year: EUR 57.9 million). Of consolidated net profit, EUR 89.0 million was attributable to shareholders in the parent company (previous year: EUR 56.1 million).

Segment reporting

In its segment reporting, ADLER Real Estate AG distinguishes between its Rental, Trading and Other segments. All business transactions executed in connection with the letting of investment properties are pooled in the Rental segment. The Trading segment includes all activities in connection with the purchase and sale of properties, including the brokerage business on behalf of third parties. The Other segment mainly comprises historic holdings at ADLER Real Estate AG that are to be disposed of following the Group's realignment. The allocation of income and earnings from the operating business to the Rental and Trading segments largely corresponds to the equivalent line items in the consolidated income statement. Furthermore, the allocation of the various expense items and the financial result to segments is presented in the following table:

ADLER Group	Trac	ding	Rei	ntal	0th	ier	Gro	up
In EUR millions	9M 2016	9M 2015	9M 2016	9M 2015 ¹⁾	9M 2016	9M 2015	9M 2016	9M 2015 ¹⁾
Gross rental income and income from the sale of properties	114.6	31.5	225.4	254.6	1.6	5.5	341.6	291.6
of which gross rental income	5.0	3.9	190.5	146.4	0.9	1.8	196.4	152.1
of which income from disposals	108.5	26.0	34.9	108.2	0.7	3.7	144.0	137.9
of which income from brokerage	1.2	1.6	0	0	0	0	1.2	1.6
Change in the value of investment properties	0	0	123.5	21.9	0	0	125.3	21.9
Earnings before interest and taxes (EBIT)	34.4	4.3	183.1	122.5	-0.2	0.3	217.3	127.1
Income from investments accounted for using the at-equity method	0.5	0.7	10.7	-0.4	0	0	11.1	0.2
Financial result	-2.2	-1.1	-78.6	-54.4	0	-0.1	-80.8	-55.5
Earnings before taxes (EBT)	32.2	2.5	115.6	69.1	-0.2	0.2	147.6	71.8

¹⁾ Amended statement: please see comments unter "Basis of preparation"

Significant increase in funds from operations (FFO)

As is customary in the property sector when assessing the profitability of the operating business, ADLER Real Estate AG refers to funds from operations (FFO) as its major cash flow-based figure. FFO I presents the performance capacity of the property letting business. FFO II additionally presents the results of trading with and sales of properties.

As is documented in the overview provided below, FFO is determined by first calculating earnings before interest, taxes, depreciation and amortisation (EBITDA) and then adjusting this figure to exclude non-recurring and extraordinary items. Interest expenses directly incurred in connection with the operating business are then deducted from this adjusted EBITDA figure, as are any earnings generated from the sale of properties and current income taxes. Any investments made to maintain the substance of the properties (capitalisable maintenance) are added back.

Calculated this way, FFO I for the first nine months of 2016 amounted to EUR 18.6 million, while the equivalent figure for the previous year's period came to EUR 9.9 million. The FFO II figure is reported at EUR 45.2 million and thus also exceeded the equivalent figure for the previous year (EUR 38.5 million). FFO I per share for the nine-month period amounted to EUR 0.32 on an undiluted basis and to EUR 0.29 on a diluted basis.

In EUR millions	9M 2016	9M 2015
Consolidated net profit	98.6	59.7
+ Financial result	80.8	55.5
+ Income taxes	49.0	12.0
+ Depreciation and amortisation	0.9	0.9
- Income from measurement of investment properties	123.5	21.9
- Income from investments accounted for using the at-equity method	11.1	0.2
EBITDA IFRS	94.6	106.0
Non-recurring and extraordinary items	13.1	-35.1
Adjusted EBITDA	107.7	70.9
- Interest expense FFO	60.1	46.0
- Current income taxes	1.4	0.4
+ Capitalisable maintenance measures	6.2	5.3
- Earnings before interest and taxes from the sale of properties	33.8	19.9
FF0 I	18.6	9.9
+ Earnings after interest and taxes from the sale of properties	21.5	19.9
- Interest from investments accounted for using the at-equity method	3.2	0
+ Value change realised upon sale	0.3	8.5
+ Liquidity-related income from investments accounted for using at-equity method	8.1	0.2
FFO II	45.2	38.5
Number of shares (basic) ¹⁾	58,286,853	46,093,337
FFO I per share (basic)	0.32	0.21
FFO II per share (basic)	0.78	0.83
Number of shares (diluted) ²⁾	64,051,744	53,446,220
FFO I per share (diluted)	0.29	0.19
FFO II per share (diluted)	0.71	0.72
1) 47,690,702 charges as at halance cheet date (provious years 46,002,227) plus 10,606,060 charge from accumed conversion of mandatory convertible	h d (i	

¹¹ 47.680,793 shares as at balance sheet date (previous year: 46,093,337) plus 10,606,060 shares from assumed conversion of mandatory convertible bond (previous year: 0) ²¹ Plus 5,764,890 shares from assumed conversion of other convertible bonds (previous year: 7,352,883)

NET ASSETS

Increase in total assets in first nine months

As of 30 September 2016, ADLER Real Estate AG had total assets of EUR 3,354.1 million, corresponding to an increase of 9.0 percent compared with the balance sheet as at the end of 2015, at which time all of the acquisitions made in the previous year were already fully consolidated.

In EUR millions	30.09.2016	as percentage of total assets	31.12.2015	as percentage of total assets
Non-current assets	2,536.9	75.6	2,758.9	89.7
of which investments properties	2,402.9	71.6	2,270.2	73.8
Current assets	371.7	11.1	297.3	9.7
of which cash and cash equivalents	101.6	3.0	49.5	1.6
Non-current assets held for sale	445.5	13.3	20.1	0.7
Assets	3,354.1	100.0	3,076.2	100.0
Equity	894.2	26.7	777.9	25.3
of which capital stock	47.7	1.4	46.1	1.5
of which capital reserve	466.0	13.9	449.4	14.6
of which net retained profit	312.9	9.3	223.9	7.3
Non-current liabilities	2,083.4	62.1	1,980.4	64.4
of which liabilities from convertible bonds	144.3	4.3	35.0	1.1
of which liabilities from bonds	508.5	15.2	481.6	15.7
of which financial liabilities to banks	1,295.1	38.6	1,368.1	44.5
Current liabilities	370.2	11.0	303.5	9.9
of which financial liabilities to banks	302.4	9.0	248.5	8.1
Liabilities held for sale	6.3	0.2	14.4	0.5
Equity and liabilities	3,354.1	100.0	3,076.2	100.0

Further increase in market value of property holdings

On the asset side of the balance sheet, the investment properties line item has increased further in value since the beginning of the year. The number of residential and commercial units has decreased slightly in the course of the year, but the market value of the remaining property holdings nevertheless increased. At the reporting date on 30 September 2016, ADLER Real Estate AG's property holdings amounted to EUR 2,402.9 million, equivalent a growth of 5.8 percent during the first nine months.

Current assets grew over the same period by 25.0 percent to EUR 371.7 million. This increase was mainly driven by cash and cash equivalents, which rose to EUR 101.6 million and thus more than doubled since the beginning of the year. This in turn was largely due to the inflow of funds resulting from the successful issue of a further convertible bond, which are to be used in part to finance renovation measures and in part for potential further acquisitions.

Increase in non-current assets held for sale

ADLER Real Estate AG has decided to tender all of the shareholding held via its subsidiary MountainPeak Trading Ltd. in conwert Immobilien Invest SE in exchange for shares in Vonovia SE. This measure is to be executed in the context of the takeover bid addressed by Vonovia SE to all shareholders in conwert Immobilien Invest SE on 5 September 2016. The shareholding to be tendered involves the original stake of 21.2 million shares plus the 5 million additional conwert shares acquired on the basis of an option agreement that has been exercised.

The investment in conwert Immobilien Invest SE was previously measured as an associate using the equity method and recognised under non-current assets. Due to the tender commitment agreement concluded with Vonovia SE, in the period under report the shares were reclassified for the first time as non-current assets held for sale.

Rise in equity ratio

Equity totalled EUR 894.2 million at the end of September, corresponding to an increase of 15.0 percent compared with the end of the previous year. This increase was chiefly attributable to net retained profit. The equity ratio amounted to 26.7 percent and thus improved by 1.4 percentage points in the course of the year to date.

Outstanding non-current liabilities rose by 5.2 percent to EUR 2,083.4 million in the first nine months. This increase was mainly due to the issue of the convertible bond. However, more than 40 percent of the resultant inflow of funds has been used to refinance existing high-interest liabilities, a development that together with ongoing repayments led to a reduction in financial liabilities to banks. Furthermore, there was an increase in liabilities for deferred taxes.

At EUR 370.2 million, current liabilities were 22.0 percent higher as of 30 September 2016 than at the beginning of the year (EUR 303.5 million). This reflects the increase in income tax liabilities and - to a greater extent - the taking up of a short-term loan to finance the acquisition of five million additional shares in the Austrian company conwert Immobilien Invest SE, a transaction which was executed in the third quarter within the framework of a previously concluded option agreement.

Net financial liabilities amounted to EUR 2,159.8 million at the end of September 2016 and thus rose by EUR 67.2 million compared with the end of the previous year.

Further improvement in loan-to-value (LTV)

The ratio of net financial liabilities to total assets (loan-to-value), with both figures adjusted to exclude cash and cash equivalents, amounted to 66.4 percent at the end of the third quarter, 2.7 percentage points lower than at the beginning of the year. Assuming that the convertible bonds outstanding at the reporting date are converted into shares, LTV would amount to 61.9 percent, 6.1 percentage points lower than at the end of 2015.

In EUR millions	30.09.2016	31.12.2015
Convertible bonds	145.0	35.6
+ Bonds	518.9	489.9
+ Financial liabilities to banks	1,597.5	1,616.6
- Cash and cash equivalents	101.6	49.5
= Net financial liabilities	2,159.8	2,092.6
Assets ¹⁾	3,252.6	3,026.7
LTV including convertible bonds in %	66.4	69.1
LTV excluding convertible bonds in %	61.9	68.0

¹⁾ Adjusted for cash

Increase in net asset value

ADLER Real Estate AG refers to net asset value (NAV) as its key group management figure and calculates this in accordance with the guidelines issued by the European Public Real Estate Association (EPRA). At the end of the third quarter, NAV reached EUR 1,011.2 million and was thus 15.0 percent higher than at the end of 2015. NAV per share came to EUR 17.35. ADLER Real Estate AG bases its calculation of NAV on the equity attributable to shareholders in the parent company.

In EUR millions	30.09.2016	31.12.2015
Equity	894.2	777.9
Non-controlling interests	-69.0	-58.6
Equity attributable to ADLER shareholders	825.2	719.4
Deferred tax liabilities	149.0	114.8
Difference between fair values and carrying amounts of inventory properties	30.6	40.6
Fair value of derivative financial instruments	9.4	7.0
Deferred taxes for derivative financial instruments	-3.1	-2.3
EPRA NAV	1,011.2	879.5
Number of shares, basic ¹⁾	58,286,853	56,709,297
EPRA NAV per share in EUR	17.35	15.51
Number of shares, diluted ²⁾	64,051,744	64,051,744
EPRA NAV per share (diluted) in EUR	16.02	14.05

^{7 47,680,793} shares as at balance sheet date (previous year: 46,103,237) plus 10,606,060 shares from assumed conversion of mandatory bond (previous year: 10,606,060)

²⁾ Plus 5,764,891 shares from assumed conversion of other convertible bonds (previous year: 7,342,447)

FINANCIAL POSITION

In EUR millions	9M 2016	9M 2015
Cash flow from operating activities	81.9	17.4
Cash flow from investing activities	-74.3	-382.3
Cash flow from financing activities	44.5	396.8
Cash-effective change in cash and cash equivalents	52.1	31.9
Cash and cash equivalents at beginning of period	49.5	33.1
Cash and cash equivalents at end of period	101.6	65.0

All properties acquired in 2015 contributed to the Group's earnings and cash flow in the first nine months of 2016. In the previous year's comparative period, that was only the case for the properties held by Wohnungsbaugesellschaft JADE mbH and WESTGRUND AG on a time-apportioned basis. Correspondingly, the increase in the cash flow from operating activities was substantial. At EUR 81.9 million, this key figure was more than four times higher in the first nine months of the current financial year than in the equivalent period in the previous year.

The cash flow from investing activities led to an overall outflow of funds of EUR 74.3 million. This mainly resulted from the acquisition of a further five million shares in conwert Immobilien Invest SE. The inflow of funds from disposals of property holdings and privatisation covered the liquidity requirements for the acquisition of new property holdings and for capex in existing holdings. The outflow of funds of EUR 382.3 million in the previous year's comparative period was influenced in particular by the acquisitions of Wohnungsbaugesellschaft JADE mbH, WESTGRUND AG and MountainPeak Trading Limited.

Financing activities resulted in an overall inflow of funds amounting to EUR 44.5 million. This was the extent by which interest payments and repayments of existing financing facilities fell short of the funds received from taking up new liabilities. The issue of the 2016/2021 convertible bond in the third quarter of 2016 produced an inflow of funds of EUR 126.7 million following the deduction of issue-related expenses. The previous year was affected in particular by inflows of funds resulting from the stocking up of the 2014/2019 bond and the issue of the 2015/2020 corporate bond.

At the end of the period under report, the ADLER Group had financial funds (cash and cash equivalents) of EUR 101.6 million.

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



/// CONSOLIDATED BALANCE SHEET

(IFRS) as at 30 September 2016

In EUR '000	30.09.2016	31.12.2015 3,076,246 2,758,878	
Assets	3,354,119		
Non-current assets	2,536,959		
Goodwill	130,552	130,552	
Intangible assets	905	1,358	
Property, plant and equipment	1,265	1,269	
Investment properties	2,402,925	2,270,187	
Investments in associated companies	1,069	353,343	
Other financial investments	66	1,230	
Other non-current assets	89	473	
Deferred tax claims	87	465	
Current assets	371,673	297,252	
Inventories	155,138	159,654	
Trade receivables	17,852	16,309	
Income tax claims	232	243	
Other current assets	96,885	71,544	
Cash and cash equivalents	101,565	49,502	
Non-current assets held for sale	445,487	20,117	

In EUR '000	30.09.2016	31.12.2015	
Equity and liabilities	3,354,119	3,076,246	
Shareholders' equity	894,245	777,921	
Capital stock	47,681	46,103	
Capital reserve	465,965	449,360	
Retained earnings	-1,399		
Currency translation reserve	91	92	
Net retained profit	312,886	223,890	
Equity attributable to owners of the parent company	825,224	719,357	
Non-controlling interests	69,021	58,563	
Non-current liabilities	2,083,363	1,980,375	
Pension reserves	4,105	4,268	
Deferred tax liabilities	106,590	70,139	
Other provisions	1,491	756	
Liabilities from convertible bonds	144,304	34,982	
Liabilities from bonds	508,489	481,599	
Financial liabilities to banks	1,295,106	1,368,125	
Other non-current liabilities	23,278	20,507	
Current liabilities	370,236	303,529	
Other provisions	2,401	2,688	
Income tax liabilities	16,576	5,406	
Liabilities from convertible bonds	680	623	
Liabilities from bonds	10,376	8,265	
Financial liabilities to banks	302,431	248,524	
Trade payables	16,759	20,174	
Other current liabilities	21,013	17,849	
Liabilities held for sale	6,276	14,421	

/// CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(IFRS) for the period from 1 January to 30 September 2016

	9M	9M	Q3	Q3
In EUR '000	2016	2015*	2016	2015
Gross rental income	196,369	152,142	65,560	71,287
Expenses from property lettings	-105,053	-86,050	-35,218	-44,439
Earnings from property lettings	91,316	66,092	30,342	26,848
Income from the sale of properties	145,205	139,474	75,872	22,279
Expenses from the sale of properties	-111,151	-118,762	-58,341	-19,901
Earnings from the sale of properties	34,054	20,712	17,531	2,378
Personnel expenses	-13,442	-9,080	-4,511	-3,588
Other operating income	4,859	46,560	1,458	255
Other operating expenses	-22,175	-18,273	-8,755	-6,847
Income from fair value adjustments of investment properties	123,530	21,922	97,684	11,341
Depreciation and amortisation	-868	-867	-285	-410
Earnings before interest and tax (EBIT)	217,274	127,066	133,464	29,977
Financial income	1,660	2,044	903	1,141
Financial costs	-82,511	-57,573	-33,066	-21,818
Net income from at-equity valued investment associates	11,147	218	217	658
Earnings before taxes (EBT)	147,570	71,755	101,518	9,958
Income taxes	-48,976	-12,017	-34,675	-6,701
Consolidated net profit	98,594	59,738	66,843	3,257
OCI SWAP – reclassifiable –	411	-751	152	-975
Deferred taxes OCI – reclassifiable –	-133	220	-49	292
Gains/losses from currency translation —	-1	57	4	0
Change in value of interests in companies accounted for under at equity	-1,589	0	-533	0
OCI gains/losses reclassifiable into profit or loss	-1,312	-474	-426	-683
Total comprehensive income	97,282	59,264	66,417	2,574
Profit attributable to:				
Owners of the parent company	88,996	56,137	60,493	2,489
Non-controlling interests	9,598	3,601	6,350	768
Total comprehensive income attributable to:				
Owners of the parent company	87,684	55,663	60,067	1,806
Non-controlling interests	9,598	3,601	6,350	768
Earnings per share, basic (EUR)	1.56	1.51	1.06	-0.15
Earnings per share, diluted (EUR)	1.43	1.28	0.98	-0.09

 $[\]ensuremath{^*}$ Amended statement: please see comments under "Basis of preparation"

/// CONSOLIDATED STATEMENT OF CASH FLOWS

(IFRS) for the period from 1 January to 30 September 2016

In EUR	7000	9M 2016	9M 2015*
Earnings	before interest and taxes (EBIT)	217,274	127,066
+	Depreciation and amortisation	868	867
-/+	Net income from fair value adjustments of investment properties	-123,530	-21,921
-/+	Non-cash income/expenses	819	-58,093
-/+	Changes in provisions and accrued liabilities	285	-713
-/+	Increase/decrease in inventories, trade receivables and other assets not attributable to investment or financing activities	-19,378	20,847
-/+	Increase/decrease in trade payables and other liabilities not attributable to investment or financing activities	-6,553	-1,287
+	Interest received	379	287
+	Dividends received	8,097	0
+/-	Tax payments	-713	-221
=	Operating cash flow before de-/reinvestment into the trading portfolio	77,548	66,832
-/+	Increase/decrease in inventories (commercial properties)	4,389	-49,452
=	Net cash flow from operating activities	81,937	17,380
_	Acquisition of subsidiaries, net of cash acquired	-1,225	-290,633
+	Disposal of subsidiaries, net of cash disposed	0	54,614
_	Purchase of investment properties	-23,999	-132,343
+	Disposal of investment properties, net of cash disposed	32,593	0
_	Purchase of property, plant and equipment	-311	-521
+	Disposal of property, plant and equipment	363	0
_	Payments into short-term deposits	-14,624	-14,019
+	Payments from short-term deposits	11,800	0
+	Proceeds from deinvestments of financial assets	0	625
_	Investments in financial assets	-78,979	0
=	Net cash flows from investing activities	-74,382	-382,277
_	Costs of issuing equity	0	-988
+	Proceeds from issue of convertible bonds	131,006	0
+	Proceeds from issue of bonds	24,348	298,948
_	Payments from issuing debt	-4,270	-13,513
_	Interest payments	-65,075	-42,497
+	Proceeds from bank loans	238,401	323,699
_	Repayment of bank loans	-279,902	-168,857
=	Net cash flows from financing activities	44,508	396,792
	Reconciliation to consolidated balance sheet		
	Cash and cash equivalents at beginning of periods	49,502	33,060
	Net cash flow from operating activities	81,937	17,380
	Net cash flow from investing activities	-74,382	-382,277
	Net cash flow from financing activities	44,508	396,792
	Cash and cash equivalents at end of periods		

^{*}The classification has been adapted: Increase/decrease in inventories (commercial properties) stated separately and net income from at-equity not stated separately

/// CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(IFRS) for the period from 1 January to 30 September 2016

In EUR '000	Subscribed capital	Capital reserve
As at 1 January 2015	31,877	108,078
Net result	0	0
Other result – reclassifiable	0	0
Change in scope of consolidation	0	0
Capital increase	14,075	168,598
Conversion of convertible bonds	141	230
As at 30 September 2015	46,093	276,906
As at 1 January 2016	46,103	449,360
Net result	0	0
Other result – reclassifiable	0	0
Change in scope of consolidation	0	0
Convertible bond issue	0	12,742
Conversion of convertible bonds	1,578	3,863
As at 30 September 2016	47,681	465,965

Retained profit	Currency translation reserve	Net profit/loss	Capital and reserves attribut- able to the share- holders of the parent company	Minority interests	Total equity
-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
-88	92	223,891	719,358	58,562	777,921
0	0	88,995	88,995	9,599	98,594
-1,311	-2	0	-1,313	0	-1,313
0	0	0	0	158	158
0	0	0	12,742	0	12,742
0	0	0	5,441	702	6,143
-1,399	91	312,886	825,224	69,021	894,245



/// Selected notes on the group interim
financial statements in accordance with IFRS
as at September 2016

/// SELECTED NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (IFRS)

GENERAL INFORMATION

ADLER Real Estate Aktiengesellschaft (hereinafter "ADLER") is the parent company of the Group and has its legal domicile at Joachimsthaler Strasse 34, Berlin, Germany. The company is entered in the Commercial Register of Charlottenburg District Court under HRB 180360. Its financial year is the calendar year.

ADLER is a publicly listed property company focused on establishing and developing a substantial and profitable property portfolio. Its activities are centered around the acquisition and management of residential properties throughout Germany.

ADLER's activities have the objective of investing in residential properties that offer sustainable potential for value appreciation and whose current income contributes to the company's overall success. The company's operating strategy also includes active value creation, i.e. improving its existing residential property portfolios by means of expansion, conversion or modernisation measures.

Furthermore, ADLER's core activities also include trading with residential properties and individual apartments. Within the ADLER Group, trading activities are largely covered by the Group's majority interest in the listed company ACCENTRO Real Estate AG (hereinafter "ACCENTRO").

BASIS OF ACCOUNTING

Basis of preparation

The interim consolidated financial statements as at 30 September 2016 have been prepared in accordance with International Financial Reporting Standards (IFRS), in compliance with European Union regulations. The consolidated financial statements, comprising the consolidated balance sheet, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated cash flow statements and selected note disclosures, also take particular account of the requirements of IAS 34 "Interim Financial Reporting".

In accordance with IAS 34.41, greater reference is made to estimates and assumptions when preparing the interim consolidated financial statements than is the case for annual reporting. ADLER has adjusted the valuation of its investment properties to changes in the market environment, which is marked by sustained yield compression. No other changes in estimates with material implications for the Group's net assets, financial position and results of operations arose in the interim reporting period.

The interim consolidated financial statements have been prepared in euros (EUR), the functional currency of the Group. Unless otherwise indicated, all figures presented in euros have been rounded up or down to the nearest thousand euros (EUR '000s). Statements of thousand euro amounts may result in discrepancies due to rounding up or down. Figures in brackets generally refer to the previous year.

Further information about the Group's accounting policies can be found in the consolidated financial statements as at 31 December 2015, which form the basis for these interim consolidated financial statements.

The other operating income, income from the sale of properties and expenses from the sale of properties recognised in the income statement for the previous year's accounting period have been retrospectively adjusted. In the previous year's accounting period, other operating income included net income of EUR 15,790k from the sale of three property companies. To enhance the comparability of investment property sales, this income from deconsolidation has been presented on a non-net basis as income from the sale of properties (EUR 93,688k) and expenses from the sale of properties (EUR 77,898k). Other operating income has correspondingly been reduced by EUR 15,790k. This amendment in the statement of these items did not have any influence on the consolidated net profit or comprehensive income for the previous year.

Accounting standards applicable for the first time in the 2016 financial year

The following amendments to standards required mandatory application for the first time in the 2016 financial year and have not had any material implications for ADLER's consolidated financial statements:

- Amendments to IAS 1: "Disclosure Initiative"
- · Improvements and additions to IAS 16 and IAS 38: "Clarification of Acceptable Methods of Depreciation and Amortisation"
- Improvements and additions to select IFRSs 2012-2014
- · Amendments to IFRS 11: "Accounting for Acquisitions of Interests in Joint Operations"

Furthermore, several other amendments were introduced to standards that are basically not relevant for ADLER's consolidated financial statements:

- · Amendments to IAS 27: "Equity Method in Separate Financial Statements"
- Amendments to IAS 16 and IAS 41: "Bearer Plants"
- Amendments to IFRS 10, IFRS 12 and IAS 28 "Investment Entities Applying the Consolidation Exception"

BASIS OF CONSOLIDATION

Subsidiaries are included in the consolidated financial statements in accordance with the requirements 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 company in the form of voting or other rights, participates in the positive and negative variable returns from the group company and can influence these returns due to its decision-making powers. These criteria have to be cumulatively fulfilled.

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

Companies over which the Group can exercise significant influence are recognised as associates using the equity method in accordance with IAS 28. Significant influence is presumed when a group company directly or indirectly holds no less than 20 percent but no more than 50 percent of the voting rights.

Further information about consolidation principles can be found in the comments in the "Basis of consolidation" section of the 2015 Annual Report (Page 77 onwards).

SCOPE OF CONSOLIDATION AND BUSINESS COMBINATIONS

Including the parent company, the scope of consolidation includes a total of 126 companies (31 December 2015:122) that are fully consolidated and a further six companies that are recognised at equity.

Eight companies were newly included in the scope of consolidation and one company was sold in the period under report. Three companies were merged into other companies within the scope of consolidation. Via the interim holding company Magnus Neunte Immobilienbesitz und Verwaltungs GmbH, which is wholly owned by ADLER, shares were acquired in the following property companies:

- Zweite CM Real Estate GmbH (94.9 percent)
- Dritte CM Real Estate GmbH (94.9 percent)
- Vierte CM Real Estate GmbH (94.9 percent)

The companies acquired do not constitute business operations as defined in IFRS 3 and have been presented as direct acquisitions of the respective properties, with the costs of acquiring the property companies allocated to the individually identifiable assets and liabilities based on their fair values. Via these property companies, ADLER also acquired investment properties totalling EUR 10,811k.

The five further companies added result from the acquisitions of three companies for the privatisation business and two newly founded companies. No business operations were taken over.

SEGMENT REPORTING

The ADLER Group is organised into the following segments:

- 1. Rental: this segment chiefly comprises investment properties.
- 2. Trading: this segment conducts the purchases and sales of properties, in which individual apartments are generally sold to private investors. The brokerage business associated with the privatisation of residential properties are allocated to this segment.

Other group activities that do not constitute standalone segments are pooled in the "Other" column.

Segment reporting based on the Rental and Trading segments is consistent with the internal reporting system to ADLER's Management Board, which is the top management body pursuant to IFRS (management approach).

Income and EBIT for the period from 1 January 2016 to 30 September 2016 and for the previous year's comparative period are broken down across the segments as follows:

ADLER-Group	Trading		Rental		Other		Group	
in EUR '000 – 9 months	2016	2015	2016	2015*	2016	2015	2016	2015*
Gross rental income and income from the sale of properties	114,640	31,497	225,359	254,614	1,575	5,505	341,574	291,616
of which gross rental income	5,031	3,927	190,469	146,414	869	1,801	196,369	152,142
of which income from sales	108,452	26,005	34,890	108,200	706	3,704	144,048	137,909
of which income from brokerage	1,157	1,565	0	0	0	0	1,157	1,565
Change in the value of investment properties	0	0	123,530	21,922	0	0	123,530	21,922
EBIT	34,370	4,291	183,063	122,462	-159	313	217,274	127,066
Income from investment accounted for using the equity method	494	657	10,653	-439	0	0	11,147	218
Financial result	-2,174	-1,102	-78,656	-54,370	-21	-57	-80,851	-55,529
Earnings before taxes (EBT)	32,196	2,531	115,553	69,063	-179	161	147,570	71,755

^{*} Amended statement: please see comments under "Basis of preparation"

The Trading segment generated an income of EUR 114,640k in the first nine months, of which EUR 108,452k (EUR 26,005k) resulted from sales. EBIT in this segment amounted to EUR 34,370k (EUR 4,291k) and earnings before taxes came to EUR 32,196k (EUR 2,531k). The marked growth in income and EBIT in the Trading segment was chiefly due to the increase in sales of inventory properties.

Revenues in the Rental segment amounted to EUR 225,359k (EUR 254,614k). The previous year's figure included revenues of EUR 93,688k from the sale of property companies. There were no corresponding transactions in the period under report. Rental income increased significantly from EUR 146,414k to EUR 190,469k and mainly benefited from the business acquired with WESTGRUND Aktiengesellschaft (hereinafter: "WESTGRUND") in June 2015. Changes of EUR 123,530k (EUR 21,922k) were recognised in the value of the investment properties. Nine-month EBIT in the Rental segment amounted to EUR 183,063k (EUR 122,462k), while earnings before taxes came to EUR 115,553k (EUR 69,063k). The EBIT and earnings before taxes figures for the previous year's accounting period included EUR 42,291k resulting from the oneoff collection of goodwill upon the initial consolidation of Wohnungsbaugesellschaft JADE mbH (hereinafter: JADE).

Income and EBIT for the third quarter from 1 July 2016 to 30 September 2016 and for the comparative period in the previous year are broken down across the segments as follows:

ADLER-Group	Trading		Rental		Other		Group	
in EUR '000 – 3 months	2016	2015	2016	2015	2016	2015	2016	2015
Gross rental income and income from the sale of properties	61,545	17,032	79,835	71,823	52	4,711	141,432	93,566
of which gross rental income	1,680	1,592	63,832	68,099	48	1,596	65,560	71,287
of which income from sales	59,505	15,188	16,003	3,724	4	3,115	75,512	22,027
of which income from brokerage	360	252	0	0	0	0	360	252
Change in the value of investment properties	0	0	97,684	11,341	0	0	97,684	11,341
EBIT	17,820	3,801	115,678	26,135	-34	41	133,464	29,977
Income from investments accounted for using the at-equity method	105	642	112	16	0	0	217	658
Financial result	-762	138	-31,386	-20,804	-15	-11	-32,163	-20,677
Earnings before taxes (EBT)	17,058	3,297	84,510	6,628	-49	33	101,519	9,958

Segment assets, segment liabilities and segment investments were structured as follows as at 30 September 2016:

ADLER Group In EUR '000 as at 30 September 2016	Trading	Rental	Other	Consolidation	Group
Segment assets	223,610	3,132,869	8,121	-11,550	3,353,050
Investments accounted for using the at-equity method	1,049	20	0	0	1,069
Total segment assets	224,659	3,132,889	8,121	-11,550	3,354,119
Segment liabilities	134,590	2,328,901	7,934	-11,550	2,459,875
Segment investments	65,929	104,284	0	0	170,213

Segment assets, segment liabilities and segment investments were structured as follows as at 31 December 2015:

Trading	Rental	Other	Consolidation	Group
197,689	2,527,020	12,148	-13,954	2,722,903
1,593	351,750	0	0	353,343
199,282	2,878,770	12,148	-13,954	3,076,246
126,811	2,173,810	11,658	-13,954	2,298,325
102,409	1,441,253	0	0	1,543,662
	197,689 1,593 199,282 126,811	197,689 2,527,020 1,593 351,750 199,282 2,878,770 126,811 2,173,810	197,689 2,527,020 12,148 1,593 351,750 0 199,282 2,878,770 12,148 126,811 2,173,810 11,658	197,689 2,527,020 12,148 -13,954 1,593 351,750 0 0 199,282 2,878,770 12,148 -13,954 126,811 2,173,810 11,658 -13,954

SELECTED NOTES ON THE CONSOLIDATED BALANCE SHEET

Investment properties

The carrying amount of investment properties amounted to EUR 2,402,925k as at the balance sheet date (31 December 2015: EUR 2,270,187k). This increase was chiefly due to the acquisitions of EUR 25,304k made in the period under report and measurement results of EUR 123,530k. These items were opposed by disposals, including IFRS 5 reclassifications, amounting to EUR 27,520k.

Cash and cash equivalents

Cash and cash equivalents amounted to EUR 101,565k at the balance sheet date, as against EUR 49,502k at the end of the previous year. EUR 1,299k is subject to restraints on disposal (EUR 8,669k).

Non-current assets held for sale

With the approval of the Supervisory Board, ADLER's Management Board decided to tender all of its shareholding in conwert Immobilien Invest SE ("conwert") held via ADLER's subsidiary MountainPeak Trading Ltd. ("MountainPeak") for the takeover bid addressed to conwert's shareholders on 5 September 2016 by Vonovia SE ("Vonovia"). ADLER will tender its entire existing shareholding in conwert, comprising 21.2 million shares and five million further shares acquired on the basis of an exercised call option, for the takeover bid in exchange for shares in Vonovia. In a tender commitment agreement concluded with Vonovia, ADLER and MountainPeak made an irrevocable undertaking to accept Vonovia's takeover bid and thereby opt for stock consideration. In the takeover bid, ADLER will receive 74 Vonovia shares for every 149 conwert shares, corresponding to a bid consideration of EUR 17.58 per share based on the closing price of Vonovia's shares on 2 September 2016.

The shareholding in conwert was previously recognised at equity as an associate in the Rental segment. The Annual General Meeting of conwert decided in June 2016 to distribute a dividend of EUR 0.35 per share. For the Group, this resulted in a prorated dividend of EUR 7,406k, which was collected in June 2016 and deducted from the carrying amount within equity. Due to the tender commitment agreement concluded with Vonovia, the shareholding was recognised under non-current assets held for sale for the first time in the period under report. The measurement of this was based on the lower of the previous carrying amount and fair value less costs to sell. As at the balance sheet date, the fair value less costs to sell was higher than the carrying amount.

Via its subsidiary MountainPeak, ADLER concluded an option agreement with Petrus Advisors Investment Funds L.P. ("Petrus Advisors") in mid-July 2016, which entitled the company until mid-September 2016 to acquire up to six million shares in conwert from Petrus Advisors. The price thereby agreed corresponded to the price of the shares as at the agreement date. Via MountainPeak, on 2 September 2016 ADLER exercised the call option thereby granted to acquire five million conwert shares. The acquisition of further shares was executed on 27 and 29 September 2016 and was financed by a bank loan.

The shareholding held in conwert developed as follows as at the balance sheet date:

In EUR '000	30.09.2016	31.12.2015
Carrying amount at the beginning of period		
(previous year: group acquisition cost of the date of purchase)	351,725	352,493
At-equity income ¹⁾	10,653	-768
Other income allocable to the Group ¹⁾	-1,590	0
Dividend collected	-7,406	0
Additions (call option)	78,980	0
Carrying amount at the balance sheet date	432,362	351,725

 $^{^{1)}}$ Includes estimates to the extent that no published financial information is available as at the balance sheet date

The other non-current assets held for sale include apartments and apartment buildings for which notarial purchase contracts are available at the balance sheet date. Non-current assets held for sale decreased from EUR 20,117k as at 31 December 2015 to EUR 13,125k as at 30 September 2016. Assets of EUR 27,019k were sold at fair value. This did not have any material impact on earnings. Furthermore, additional non-current assets of EUR 20,028k were classified as held for sale.

Shareholders' equity

The capital stock of ADLER AG amounted to EUR 47,681k as at 30 September 2016 (previous year: EUR 46,103k) and is divided into 47,680,793 no-par ordinary shares (31 December 2015: 46,103,237) with one voting right per share. Further details can be found in the consolidated statement of changes in equity.

Liabilities for convertible bonds

Liabilities for convertible bonds were structured as follows as at the balance sheet date:

In EUR '000	30.09.2016	31.12.2015
2013/2017 convertible bond	8,973	8,810
2013/2018 convertible bond	4,004	9,138
2015/2018 mandatory convertible bond	1,803	2,470
2016/2021 convertible bond	116,196	0
ACCENTRO AG 2014/2019 convertible bond	14,009	14,584
WESTGRUND AG 2014/2016 convertible bond	0	604
Total	144,985	35,606
of which non-current	144,305	34,983
of which current	680	623

The reduction in the liabilities for the 2013/2018 convertible bond mainly resulted from the exercising of conversion rights.

Upon the expiry of the subscription period on 15 July 2016, ADLER placed 10 million 2016/2021 convertible bonds with a term of five years. The initial conversion price, corresponding to nominal value, was set at EUR 13.79 per bond, while the interest rate amounts to 2.5 percent p.a. The net issue proceeds will be used to refinance existing loans and bonds with comparatively high interest rates, to finance future property acquisitions, to modernise the proprietary property portfolio and for general business-related purposes.

Liabilities for bonds

Liabilities for bonds were structured as follows as at the balance sheet date:

In EUR '000	30.09.2016	31.12.2015
2013/2018 bond	35,006	35,447
2014/2019 bond	127,749	105,421
2015/2020 bond	344,934	338,366
ACCENTRO AG 2013/2018 bond	11,176	10,628
Total	518,865	489,862
of which non-current	508,489	481,599
of which current	10,376	8,263

The increase in the 2014/2019 bond was mainly due to the further placement of proprietary bonds that had been bought back on the market in the previous year.

SELECTED NOTES ON THE STATEMENT OF COMPREHENSIVE INCOME

Gross rental income

Gross rental income is structured as follows:

In EUR '000	30.09.2016	30.09.2015
Net rental income	125,733	97,598
Income from recoverable expenses	68,186	50,683
Other income from property management	2,450	3,861
Total	196,369	152,142

The development of net rental income and income from recoverable expenses is mainly attributable to the new business acquired at WESTGRUND, which has only been included in the scope of consolidation since June 2015.

Expenses from property lettings

Expenses from property lettings are broken down as follows:

In EUR '000	30.09.2016	30.09.2015
Apportionable and non-apportionable operating costs	85,527	73,152
Maintenance	18,865	12,844
Other property management expenses	661	54
Total	105,053	86,050

The increase in operating costs is mainly attributable to WESTGRUND, which has only been included in the scope of consolidation since June 2015.

Income from the sale of properties

Income from the sale of properties is structured as follows:

In EUR '000	30.09.2016	30.09.2015*
Income from the sale of inventory properties	109,203	29,726
Income from sale of investment properties	34,845	108,183
Brokerage revenue	1,157	1,565
Total	145,205	139,474

^{*} Amended statement: please see comments under "Basis of preparation"

Of the income from the sale of inventory properties, EUR 108,451k relates to ACCENTRO AG, which significantly increased its sales in the period under report compared with the previous year (EUR 26,005k). The income from the sale of investment properties in the previous year includes income of EUR 93,688k from the sale of property companies. No transactions on this scale were performed in the period under report.

Expenses from the sale of properties

Expenses from the sale of properties are structured as follows:

In EUR '000	30.09.2016	30.09.2015*
Retirement of inventory properties	73,758	24,382
Retirement of investment properties	34,596	91,257
Sale-related costs	2,072	2,173
Services procured for brokerage revenue	725	950
Total	111,151	118,762

^{*} Amended statement: please see comments under "Basis of preparation"

Of the retirement of inventory properties, EUR 73,090k relates to disposals at ACCENTRO AG (previous year: EUR 21,104k).

Other operating income

Other operating income amounted to EUR 4,859k (previous year: EUR 46,560k). In the previous year's period, negative goodwill from the initial consolidation of JADE was included in other operating income as a non-recurring item of EUR 42,291k.

Income from the measurement of investment properties

Income from the measurement of investment properties amounted to EUR 123,530k (EUR 21,922k) and comprises income of EUR 138,836k from fair value adjustments (EUR 48,544k) and expenses of EUR 15,306k for fair value adjustments (EUR 26,622k).

Financial costs

Financial costs are structured as follows:

In EUR '000	30.09.2016	30.09.2015
Interest expenses for bank loans	44,821	34,279
Interest expenses for bonds	24,375	18,064
Interest expenses for convertible bonds	3,053	1,249
Other	10,262	3,981
Total	82,511	57,573

Of the increase in interest expenses for bank loans, EUR 4,670k is attributable to the acquisition of WESTGRUND, which has only been included in the scope of consolidation since June 2015. The increase in interest expenses for bonds is mainly due to the 2015/2020 bond, of which EUR 300,000k was only issued in April 2015, and which was stocked up by a further EUR 50,000k in October 2015. The issue of the 2016/2021 convertible bond in July 2016 in particular also led to an increase in interest expenses for convertible bonds.

Income from associates measured at equity

Of the income from associates measured at equity, EUR 10,653k comprises ADLER's share of earnings at convert, which has been included as an associate in the company's consolidated financial statements sinceAugust 2015. Due to the tender commitment agreement concluded with Vonovia, this shareholding was reported under non-current assets held for sale for the first time in the period under report.

DISCLOSURES ON FINANCIAL INSTRUMENTS AND FAIR VALUE DISCLOSURES

The classification of financial instruments required in accordance with IFRS 7 was unchanged compared with 31 December 2015. There were no reclassifications within the categories of financial instruments or the fair value hierarchy levels in the period under report.

The allocation of assets and liabilities measured at fair value in accordance with the input factors of the respective measurement method was unchanged compared with 31 December 2015. Investment properties are still allocated to Level 3 in the fair value hierarchy.

OTHER DISCLOSURES

Related party disclosures

CARE4 AG, Basle/Switzerland, is a closely related company, as it is influenced by ADLER's shareholder Klaus Wecken & Cie, Basle/Switzerland (share of voting rights in ADLER: 25.18 percent). ADLER has concluded a contract with CARE4 AG concerning the premature conversion of convertible bonds. CARE4 AG owned a total of 1,541,856 fractional bonds within ADLER's 2013/2018 convertible bond. The nominal amount per fractional bond is EUR 3.75 and corresponds to the conversion price. To compensate the premature conversion, CARE4 AG received EUR 0.492 per fractional bond from ADLER. The compensation payment corresponds to the discounted total of the interest payable through to maturity on 27 December 2018.

Other than this, there were no material changes in related parties compared with the information provided as at 31 December 2015.

Financial risk management

The material risks monitored and managed by the Group's financial risk management include interest rate, default, liquidity and financing risks. There have been no material changes in these risks since 31 December 2015. A detailed description of these risks can be found in the notes to the consolidated financial statements as at 31 December 2015.

Events after the balance sheet date

No material events occurred after the balance sheet.

/// AFFIRMATION BY THE LEGAL REPRESENTATIVES

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

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

Frankfurt am Main, 14 November 2016

Arndt Krienen

CEO

/// LEGAL REMARK

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 futureoriented 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 implicity 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.

/// GLOSSARY

EBIT

Earnings before Interest and Tax

Consolidated earnings before interest and tax - an indicator of the result of operations, also includes measurement gains/losses for investment property and profits generated from real estate disposals.

EBITDA

Earnings before Interest, Tax, Depreciation and Amortisation

Defined as operating earnings (earnings before interest and taxes) plus depreciation and amortisation, or as earnings before interest, taxes, depreciation and amortisation. This key figure is unaudited. Potential investors should note that EBITDA is not a uniformly applied or standardised key figure and that its calculation may vary widely from company to company. Taken alone, EBITDA therefore does not necessarily provide a basis for comparison with other companies.

Adjusted EBITDA

EBITDA adjusted to exclude the result of measurement of investment property, associates measured at equity results and one-off and non-recurring items - an indicator of operating earnings excluding measurement and special items.

FFO I

Funds from Operations I

Adjusted EBITDA less interest charge for FFO, current taxes on income, investments to maintain substance and earnings before interest and taxes in the Trading and Other Activities segment - an indicator of cash flow-based operating earnings excluding disposals.

FFO II

Funds from Operations II

FFO I plus earnings from disposals of investment property an indicator of cash flow-based operating earnings including disposals.

EPRA

European Public Real Estate Association Association of publicly listed real estate companies, after which the EPRA Index is named

EPRA - NAV

Net asset value based on EPRA

Equity allocable to shareholders adjusted to exclude deferred taxes, value differences between fair values and carrying amounts of real estate and present value of derivative financial instruments - an indicator of company value.

LTV

Loan-to-value

Ratio of net financial liabilities (liabilities to banks less cash and cash equivalents) to total assets less cash and cash equivalents - an indicator of financial stability.

Swap

Designation for financial derivatives (financial instruments) based on a payment flow swap transaction between two parties. An interest swap designates a swap transaction in which two parties undertake to periodically swap interest payments over a previously agreed period.

Dilution of shares

Reduction in the value of a share resulting from new shares being issued in a capital increase executed without subscription rights.

WACD

Weighted average cost of debt

Weighted average cost of interest paid on debt - a measurement of current interest charge on debt financing.

/// AT A GLANCE

Supervisory Board	
Dr. Dirk Hoffmann	Chairman of the Supervisory Board
Thomas Katzuba von Urbisch	Vice Chairman of the Supervisory Board
Thilo Schmid	Member of the Supervisory Board
Management Board	
Arndt Krienen	Chairman of the Management Board
Sven-Christian Frank	Member of the Management Board
Company Facts	
Legal domicile	Berlin Charlottenburg, Berlin HRB 180360 B
Address	ADLER Real Estate Aktiengesellschaft Joachimsthaler Straße 34 10719 Berlin Phone: +49 30 398018 – 10 E-Mail: info@adler-ag.com
Website	www.adler-ag.com
Investor relations/public relations	ADLER Real Estate Aktiengesellschaft Dr. Rolf-Dieter Grass Joachimsthaler Straße 34 10719 Berlin Phone: +49 30 2000914 – 29 E-Mail: r.grass@adler-ag.com
Capital stock	EUR 47,680,793*
Classification	47,680,793* no-par value shares.
Arithmetical value	EUR 1 per share
Voting right	1 vote per share
Identification	WKN 500 800 ISIN DE0005008007 Ticker symbol ADL Reuters ADLG.DE
Designated sponsors	ODDO SEYDLER BANK AG HSBC Trinkaus & Burkhardt AG
Stock exchanges	Xetra, Frankfurt am Main
Indices	SDAX, CDAX, FTSE EPRA/NAREIT Global Real Estate Index, GPR General Index, DIMAX
Financial year	Calendar year
*ac at 20 Contember 2016	

^{*}as at 30 September 2016



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