ADLER GROUP

Q4

ANNUAL REPORT 2021

Key Figures 2021

Profit and loss statement

In EUR thousand	For the year ended 31 Dec 2021	For the year ended 31 Dec 2020(*)	For the three months ended 31 Dec 2021	For the three months ended 31 Dec 2020(*)
Income from rental activities	495,092	383,906	150,742	117,793
EBITDA from rental activities	227,748	187,014	58,569	53,244
EBITDA from rental activities margin	65.8%	63.7%	67.4%	59.1%
EBITDA Total	208,246	282,178	(10,878)	124,468
FFO 1 (from rental activities)	137,072	107,128	34,226	32,390
FFO 2 (incl. disposal results and development activities)	60,883	161,484	(73,590)	87,814

(*) Previous year's figures adjusted according to IAS 8, please refer to Note 4, subchapter O.

Further KPIs

Residential(*)	31 Dec 2021	31 Dec 2020
Monthly in-place rent (EUR per m^2)	EUR 7.45	EUR 6.30
Total vacancy rate	1.1%	3.4%
Number of units	27,469	69,722
Like-for-like rental growth	2.5%	2.2%

(*) All values include ground floor commercial units and exclude units under renovation and development projects.

Balance sheet

In EUR thousand except per share data	31 Dec 2021	31 Dec 2020(*)
Fair value of properties	9,965,420	11,734,914
LTV	50.9%	54.3%
EPRA NRV	4,649,372	6,013,441
EPRA NRV per share (EUR)	39.57	51.17
EPRA NTA	4,268,575	4,418,865
EPRA NTA per share (EUR)	36.33	37.60

(*) Previous year's figures adjusted according to IAS 8, please refer to Note 4, subchapter O.

More future per m^2

We want to ensure people have the living space they need – today and tomorrow. We provide affordable contemporary housing and create new visionary real estate projects that are fit for the future.

adler-group.com

ADLER GROUP

Content

Welcome to the Adler Group

The Adler Group is a leading German housing company. With approximately 27,500 residential units throughout Germany in our core portfolio and a development pipeline of approximately 6,000 new flats in Germany's top cities, we are a top player on the German real estate market.

We want to ensure people have the living space they need – today and tomorrow. That is why we provide affordable contemporary housing and realise new visionary real estate projects that are fit for the future.

We are consistently pursuing excellence through sustainability and we have positioned ourselves as a trusted long-term partner for our tenants, our employees and our stakeholders and how we have become a constant in the German real estate market. As a brand with a long tradition in Germany, we consider ourselves an important part of the society and are committed to the communities we operate in.

RESIDENTIAL RENTAL PORTFOLIO

27,469

units

DEVELOPMENT PIPELINE

c. 6,000

units

What the Numbers say

Key facts & figures

FAIR VALUE OF PROPERTIES

10.0

billion EUR

More future per m²

EPRA NRV

4,649

million EUR

RESIDENTIAL RENTAL PORTFOLIO

27,469
units

DEVELOPMENT PIPELINE

c. 6,000
units

AVERAGE RESIDENTIAL RENT

7.45
EUR/m²/month

VACANCY RATE

1.1%

RESIDENTIAL RENTAL PORTFOLIO

1.9
million m²

DEVELOPMENT PIPELINE

+ 0.5
million m²

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Trusted for the Future

Our Senior Management

Maximilian Rienecker

Co-CEO

Maximilian Rienecker is one of the former Co-CEOs of ADLER Real Estate. Originally from Hamburg, Mr Rienecker has worked in finance in many places around the world, including assignments with ING Investment Management in Hong Kong and various parts of Europe.

Thierry Beaudemoulin

Co-CEO

Thierry Beaudemoulin has worked for real estate companies in France, the Netherlands, Belgium and Spain. In Germany, he was CEO of Covivio Germany and CEO of ADO before merging ADO with ADLER Real Estate. Mr Beaudemoulin has been working in real estate for more than 25 years.

Sven-Christian Frank

CLO

Sven-Christian Frank, attorney at law, mediator (DAA), has gathered over 25 years of experience in real estate and asset management – working in leading roles at renowned companies like Deutsche Real Estate AG. For the past seven years, Mr Frank has also been a member of the Board of ADLER Real Estate.

Dr. Bernd Schade

CDO

Bernd Schade has several decades of experience in project development and project management of real estate projects. Prior to joining Adler, he was a member of the management board at Bauwert AG, where he was responsible for commercial real estate project development and investment. Prior to that, he held senior positions at Union Investment and in the management team at Breuninger.

Letter from the Co-CEOs

Dear Shareholders,

The year 2021 was an eventful year for Adler Group. Especially the second half of the year was turbulent. Irrespective of the fact that we still consider the allegations from the short-seller report published in October to be not substantial and despite the fact that many of those allegations have already been refuted, we must admit: Adler as a company has lost trust and we are committed to rebuild this trust.

Clear strategic orientation and strict implementation

Our main objective is to focus on Germany's top cities and centre our activities around these areas. The second objective of our strategy is to reduce our leverage by using the proceeds from the sale of non-strategic portfolios. We are convinced that together these two objectives are the best way to increase the value of the company.

The streamlining and optimisation of our portfolio has, for the most part, been completed. The most recent and largest steps that we have taken were the sale of two larger portfolios to LEG Immobilien SE and to KKR/Velero. We sold both portfolios above book value, showing that the substance of our real estate portfolio is intact and that the valuations are appropriate.

As announced, we used the proceeds from the disposals to reduce the Adler Group's debt in the course of our strategic realignment. At the beginning of 2021, the loan-to-value ratio (LTV) was at 54.3%, by the end of the year we had reduced it to 50.9% and we intend to reduce this figure below 50% in the current financial year.

"It is our primary task to rebuild trust in Adler Group."

The implementation of the strategic focus for our project developments is in full swing. Adler Group has a strong project pipeline in Germany's top cities, which we are developing as part of the build-to-hold approach for our own portfolio. During the last months, we have received building permits for our Hamburg-based development project Neues Korallusviertel. Also, we have agreed the urban development plan for the Holsten Quartier in Hamburg-Altona.

We will gradually sell project developments that are not in line with our strategy. In 2021, for instance, we sold an office tower in Frankfurt's banking district at book value, thus recovering EUR 185 million. In 2021, we also completed six forward sale and condominium projects such as Residenz Ernst-Reuter-Platz and Franklinhaus in Berlin and handed them over to the investors.

Strong operational development

We can also look back on a good 2021 in terms of how our operating key figures developed in the core business. On a comparable basis, net rental income of the yielding assets portfolio was 2.5% higher in 2021 than in the previous year. The average rent per m^2 increased significantly from EUR 6.30 to EUR 7.45 over the course of the year, due to portfolio optimisations. At the same time, the operational vacancy rate fell to just 1.1%.

These figures testify to the high quality and earning power of the yielding asset portfolio. This is particularly true of our current focus market Berlin, where the combination of continued net immigration, increasing number of highly qualified jobs, further decline in the number of persons per household and the fact that there is still a lack of residential space are ensuring higher rental prices. This trend is also visible in the other top German locations. And we expect it to continue despite the increased uncertainties resulting from the war in Ukraine.

Addressing problems, rebuilding trust

The bottom line is that the business model and operational basis of Adler Group are intact, our strategic orientation is the right response to the visible trends and we are making progress in improving our capital structure.

There have been delays in our project developments and we have had to change our plans in some cases. This is mainly due to external factors like the consequences of the pandemic and the general shortage of materials and personnel in the construction sector.

We have recognised this, have drawn the necessary conclusions and have initiated appropriate measures. We have not yet reached our goal, but we are definitely on the right track. The first signs of success are already visible.

The reversal of certain project development sales should be seen in the same context. We took the assets back after the buyers had only partially fulfilled their contractual obligations under the transaction concluded in 2020. Our goal is to sell the projects to new owners who will then resume the development as planned. This step will be closely coordinated with the respective responsible parties at municipal level.

Taking responsibility, strengthening sustainability

Our goals include acting responsibly – in terms of environmental social governance (ESG).

We have initiated various measures to enhance the environmental friendliness of our portfolio and to contribute to Germany achieving its climate goals. The most effective lever in the short term will be to renew and convert existing heating systems to more environmentally friendly energy sources. In addition, we joined the German Sustainable Building Council (DGNB) in 2021. As part of this, we have committed to all our new buildings achieving the DGNB Gold Standard or a comparable level of the international LEED label in the future.

Our ESG performance is already market-leading compared to the rest of the industry, a fact which is confirmed by independent audits: Among approximately 1,000 companies worldwide that have undergone sustainability assessments by the Sustainalytics rating agency, the Adler Group is in the top 5% and achieved a rating of 10.7 in August 2021. We are proud of this and will continue to further our efforts in this area.

We live up to our responsibility and this includes supporting people affected by the war in Ukraine. Early on in the conflict, the Adler Group made some of the flats in its portfolio available to refugees via the "Housing industry helps" platform. We have also supplemented the comprehensive and broad commitment of our employees with donations in cash and in kind. We are impressed and grateful for their solidarity and practical help.

"The business model and operational basis of Adler Group are intact, our strategic orientation is the right response to the visible trends and we are making progress in improving our capital structure."

In addition to the human suffering and the as yet unforeseeable political consequences, the war will also have consequences on the economy. Potential shortages in energy supply and materials could also have an impact on real estate companies in Germany. However, these consequences cannot yet be precisely foreseen, let alone quantified. The same applies to how interest rates may develop.

Adler has a strong foundation with its enhanced strategy, a valuable and high-yielding portfolio and the project development pipeline. Further highly attractive properties will be added from this pipeline to the portfolio in the coming years once they are completed.

Together with the Board of Directors and all our employees, who have done a tremendous job in the recent months, we will work to bring these strengths to the fore even more in the future.

Sincerely yours,

Maximilian Rienecker
Co-CEO

Thierry Beaudemoulin
Co-CEO

2021 Milestones

Significant achievements to date

CAPITAL MEASURES

Successful placement of a EUR 1.5bn 5- and 8-year dual tranche bond

On 8 January 2021, the Group successfully placed a EUR 1.5 billion dual tranche bond comprising a EUR 700 million 5-year maturity with a 1.875% fixed coupon and a EUR 800 million 8-year maturity with a 2.25% fixed coupon. The Notes were placed with institutional investors across Europe with a total order book of EUR 4.0 billion. Together with existing liquidity, all upcoming debt maturities in 2021 are covered.

JANUARY

EUR
1.5 bn
dual tranche bond

2021 JANUARY

FEBRUARY

MARCH

MARKET ACTIVITIES

Berlin rent freeze overturned by Germany's Constitutional Court

On 15 April 2021, the Federal Constitutional Court declared the Berlin rent freeze unconstitutional and obsolete. As at this point in time, 19,853 out of 69,712 of our flats were located in Berlin, which represented 54% of total gross asset value and 37% of net rental income, the court ruling has material impact on the business. Adler Group welcomes the unambiguous ruling as it restores legal certainty and confidence in the Berlin housing market, which is in the interest of tenants, housing providers and investors alike.

APRIL

EUR

13.24

cash compensation

CORPORATE ACTIVITIES

Corporate structure further simplified

On 20 April 2021, WESTGRUND, a subsidiary of Adler Group, announced a squeeze-out of the remaining minority shareholders in order to further simplify the corporate structure. The shareholders will receive a cash compensation of EUR 13.24 per WESTGRUND share. The resolution of the transfer was passed at the extraordinary general meeting of WESTGRUND, which was held on 9 June 2021.

APRIL

CAPITAL MEASURES

Successful refinancing through a placement of a EUR 500m 6-year bond

On 21 April 2021, the Group successfully placed a EUR 500 million single tranche bond with a 6-year maturity and a 2.25% fixed coupon under its newly established EMTN programme. The Notes were placed with institutional investors across Europe with a total order book of EUR 1.1 billion. The proceeds will be used to call and repay the EUR 450 million 9.625% high yield bond issued by Consus Real Estate AG which enabled the Group to realise EUR 33 million annualised financial synergies.

APRIL

EUR

500 m

single tranche bond

MAY

JUNE

CORPORATE ACTIVITIES

AGM and dividend payment

On 29 June 2021, the Group held its annual General Meeting and declared a dividend payment of EUR 0.46 per share. The aggregate dividend amount of EUR 54,054,707 was paid out to our shareholders on 1 July 2021.

JUNE

EUR

54.1m

aggregate dividend payout

PORTFOLIO DISPOSALS

Disposal of non-core office development project at book value

On 20 July 2021, Adler Group sold an office development project for EUR 185 million at book value to a project developer. The building was part of the upfront sales of the build-to-sell development pipeline, in a prime location in the financial metropolis Frankfurt. This disposal is an important milestone in the process of streamlining and simplifying the portfolio and strengthening the balance sheet in line with the Group's strategy.

JULY

EUR

185m

disposal of non-core development project

CORPORATE ACTIVITIES

Sustainalytics rating

On 16 August 2021, Sustainalytics assigned a new rating of 10.7 to Adler Group, ranking the company as the 46th best real estate company in Sustainalytics' global coverage of 1,001 real estate companies. This is a very strong rating and positions the Company in the top 5% of the real estate coverage in terms of ESG.

AUGUST

New ESG rating

Top 5%

of global real estate companies

JULY

AUGUST

SEPTEMBER

OCTOBER

CORPORATE ACTIVITIES

Review of strategic options regarding residential yielding portfolio

On 4 October 2021, Adler Group decided to initiate a review of strategic options after being approached multiple times by institutional parties interested to acquire parts of the Company's residential yielding portfolio. This process has resulted in the sale of a significant part of Adler Group's yielding assets above book value, thereby achieving material value creation for the Company's stakeholders. Proceeds from such disposals are intended to significantly reduce leverage and also to return capital to bond and equity holders.

NOVEMBER

CORPORATE ACTIVITIES

Dr. Bernd Schade becomes new CDO of the Adler Group

On 1 November 2021, Dr. Bernd Schade joined Adler Group as new Chief Development Officer. Bernd Schade has decades of experience in project management of real estate projects throughout Germany. Prior to joining Adler Group, Dr. Schade was member of the Management Board of Bauwert AG.

PORTFOLIO DISPOSALS

Successful capital rotation of non-strategic yielding assets

On 1 December 2021, Adler Group announced the signing of two transactions with LEG Immobilien SE.

First, a SPA was signed for the portfolio disposal of approximately 15,500 residential and commercial units, predominantly located in small and medium-sized cities in northern Germany. The agreed purchase price corresponds to a valuation of the portfolio of EUR 1.426 billion which is a premium on the book value reported as of 30 September 2021. Closing of the transaction took place at the end of December 2021.

Second, Adler Group announced the sale of a 7% stake in BCP while granting LEG an irrevocable tender commitment for all its remaining shares in BCP until 30 September 2022. The total consideration would amount to approximately EUR 850 million.

The two transactions would generate combined net cash proceeds of approximately EUR 1.65 billion, thereby providing significant liquidity to the Group and materially reducing leverage.

DECEMBER

EUR

>1.4bn

disposal of yielding assets

DECEMBER

PORTFOLIO DISPOSALS

Additional portfolio disposal to accelerate deleveraging

On 13 January 2022, Adler Group signed a contract with KKR/Velero over a portfolio sale of approximately 14,400 residential and commercial units, predominantly located in medium-sized cities in eastern Germany. The agreed purchase price corresponds to a valuation of the portfolio of EUR 1.05 billion which is a premium on the book value reported as of 30 September 2021. Expected net cash proceeds amount to approximately EUR 600 million.

With this transaction, Adler Group further accelerates the reduction of leverage and simultaneously sharpens its focus on residential properties in Germany's largest cities.

JANUARY

EUR
>1.0bn
disposal of yielding assets

2022 JANUARY

FEBRUARY

CORPORATE ACTIVITIES

Prof. Dr. A. Stefan Kirsten becomes Chairman of the Board

On 16 February 2022, Prof. Dr. A. Stefan Kirsten was elected as new Chairman of the Board and Dr. Peter Maser became Deputy Chairman. Stefan Kirsten has an extensive track record in the German real estate industry. He served as CFO for Deutsche Annington from 2011 to 2018 and oversaw the merger with Gagfah and subsequent transformation into Vonovia. Prior to joining Adler Group, Prof. Dr. Kirsten recently co-founded the IT company Monarch.

At Home in Germany

Adler Group now and soon

During recent months Adler Group has pursued a clear strategy. We have optimised our existing portfolio and increased our focus on residential properties in the top cities in Germany. We have taken advantage of the current favourable market environment to dispose of non-strategic assets thereby improving all our operational portfolio KPIs. We are using the generated proceeds to accelerate the deleveraging process, to ultimately achieve an LTV of below 50%.

Following the disposal of our yielding assets classified as held-for-sale, the core regions of the portfolio will be Berlin and the Rhine-Ruhr metropolitan region with Duisburg, Düsseldorf and other cities.

With our organic build-to-hold development pipeline comprising approximately 6,000 rental units, we will further strengthen our position in Berlin and Düsseldorf over the coming years. We are also proud to become a landlord in additional top cities in Germany such as Hamburg and Stuttgart.

RESIDENTIAL RENTAL PORTFOLIO

27,469

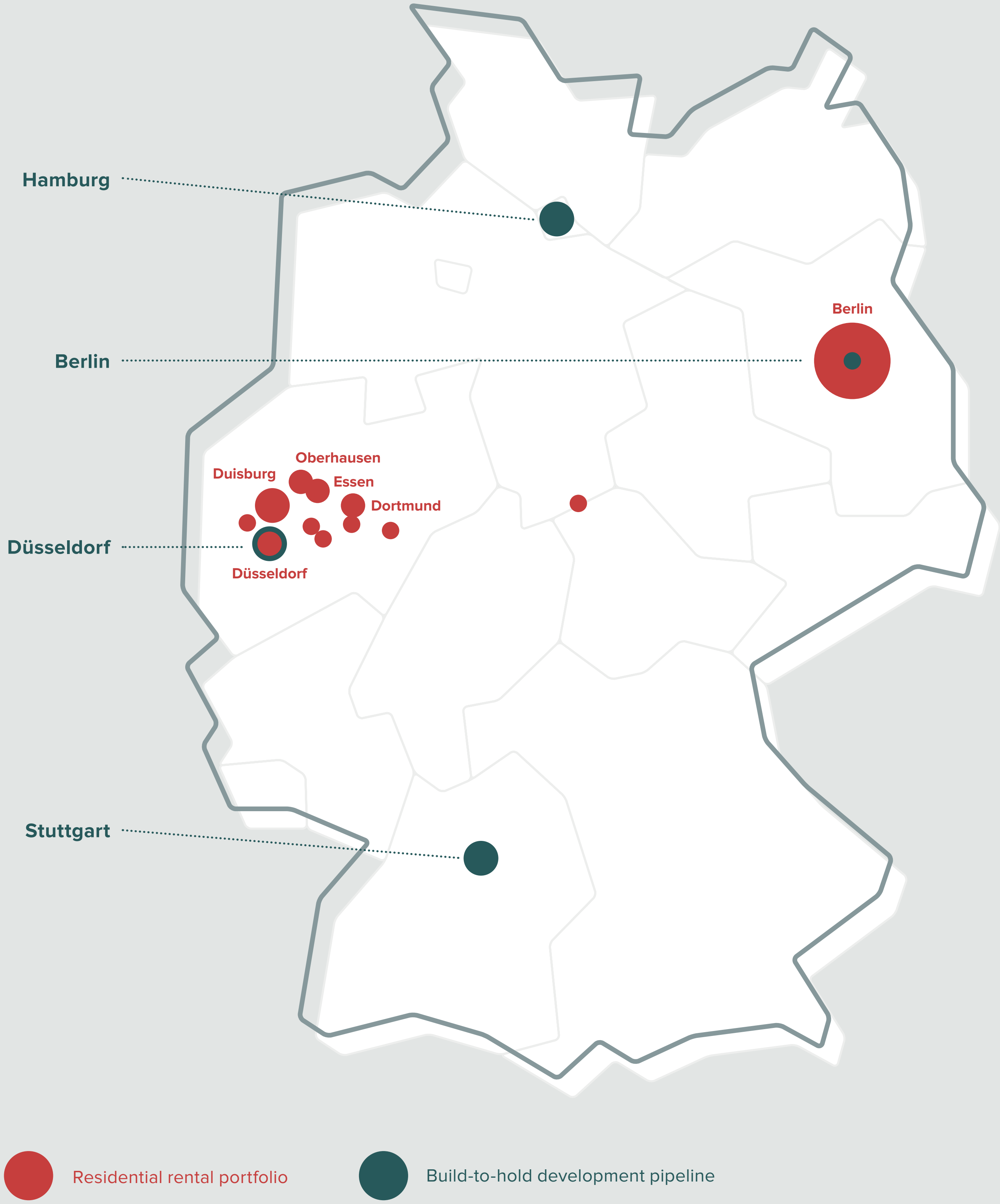
units

DEVELOPMENT PIPELINE

c. 6,000

units

Portfolio as at 31 December 2021(*)



(*) Residential rental portfolio showing all locations with >100 rental units, not considering any assets classified as held-for-sale.

New Living Quarter: Riverside Berlin

Berlin Riverside is part of the Europa City quarter, stretching from Berlin Central Station along the Berlin-Spandau shipping canal to the former Nordhafen harbour. From the moment the foundation stone was laid in 2017, this location, where the Berlin Wall once stood in direct view, was clearly meant to be turned into an urban quarter with a compact and diverse concept, offering the typical Berlin mix of residential, lifestyle and working spaces, but with a contemporary edge.

Around 500 rental apartments were created here, adapted in terms of quality, size and facilities to the prevailing demand for comfortable residential housing in a central location. This is complemented by more than 200 micro-living apartments, perfect for those seeking temporary accommodation in the heart of Berlin.

FACTS AND FIGURES

Ground area	25,850 m²
Living space	44,000 m²
Office and retail space	5,200 m²
Child day-care centre with 45 places	
Apartments	500
Micro-living apartments	> 200
Underground car parking spaces	242
E-charging stations	25
Bike spaces	550

In addition, innovative solutions for offices and retail create opportunities for working or selling goods in combination with housing. These spaces are predominantly located near Otto-Weidt-Platz, which is increasingly turning into the central hub of the new quarter.

A special landmark lends the quarter its unique character: The Kornversuchsspeicher warehouse with its classic brick facade has inspired the overall architecture of the new development. This is where Berlin's past meets Berlin's present. The prominent position of this building in the overall design of Berlin Riverside is substantiated even further by its intended use. The Kornversuchsspeicher will be used as a meeting place for cultural exchange and encounters, featuring exhibition space, a rooftop restaurant and a wine bar. At the same time, office space is created to provide an innovative working atmosphere for start-up companies and freelancers right in the centre of Berlin.

Right in the centre of Berlin also means close to Central Station with a wide range of public institutions, corporations, associations and federal ministries. And yet, Berlin Riverside with its high percentage of green space and its promenade along the tranquil canal remains a peaceful oasis in the hustle and bustle of the city. As it turns out, this is so attractive that no unit remains vacant for long.

Interview with the new CDO

Why did you choose to join Adler in these troublesome times?

Dr. Bernd Schade: *Adler has one of the most exciting development pipelines with a sharpened approach to the big cities in Germany – so exactly what is needed to fight the housing scarcity. This pipeline includes also very prestigious projects, for example, Holsten in Hamburg. Of course, the Company has some challenges to tackle, but being part of a team that helps realising these assets motivates me a lot. And, last but not least, I am convinced that I can bring in my long-standing background in developments with a hands-on mentality and a focus on problem-solving – something that fits very well into Adler's approach.*

What did you define as your agenda for the first 100 days?

Dr. Bernd Schade: *I did not join Adler to do a sprint and tackling the challenges is more of a marathon, so I do not want to be judged by short-term gains. My focus is on delivering sustainably and on a long-term basis. But what did I start with? First of all, I needed to get to know the teams, our people on the ground, but also external decision-makers and stakeholders such as contractors, financers and the relevant municipalities. The aim of course is to get a solid sense of where the challenges are in each development.*

What did you find when you joined?

Dr. Bernd Schade: *Of course I knew Adler from the outside before I joined; and I was always impressed by the amount of developments they deal with. And this was confirmed when I got to know the team: a very ambitious group of highly-focussed experts keen on delivering best-in-class new housing in Germany's big cities. But of course, the team is also aware of the challenges and issues we all are facing. Nevertheless, and this is very important, the entire team is consistently working on overcoming these challenges step by step. This is not an easy walk in the park, neither are there any quick wins to gain, but we all are absolutely convinced that we will deliver in the long run.*

Can you already speak about some of the successes you've achieved?

Dr. Bernd Schade: *As mentioned above, I do not want to be judged by harvesting low-hanging fruits quickly, but of course we see steps in the right direction. Let me just mention two: We received a zoning permit for the Korallusviertel in Hamburg, and the public hearing for Holsten was finished. All in all: We are taking small steps, and this is how we want to proceed: in a consistent, step-by-step, focused and thorough manner.*

What do you perceive as the biggest obstacle in bringing Adler´s developments on track?

Dr. Bernd Schade: *No need to hide anything: Our public image is far from ideal. This in parts has to do with a general mood towards large development projects. There is not one single big issue, each development is facing its specific problems. But let me be clear: At the end, in our industry everything comes down to trust, and we need to re-build this trust. This requires delivering on our promises, a lot of personal talks and of course a lot of time.*

What is your personal long-term vision of Adler Group?

Dr. Bernd Schade: *This is very simple: Adler has the most sharpened residential portfolio and development pipeline in Germany's big and economically strong cities. We will deliver affordable and sustainable accommodation for our tenants in attractive urban quarters along with value for all stakeholders.*

Adler Group Share

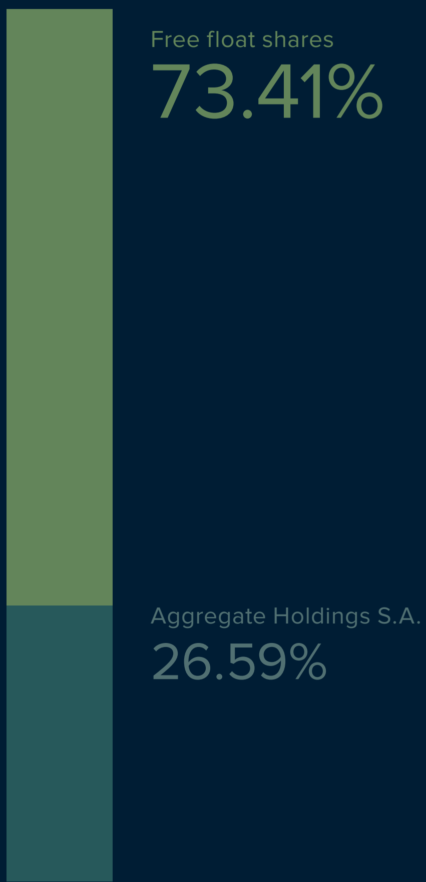
The share

Share information (as at 31 December 2021)

1st day of trading	23 July 2015
Subscription price	EUR 20.00
Price at the end of 2021	EUR 29.00
Highest share price LTM	EUR 10.90
Lowest share price LTM	EUR 8.64
Total number of shares	117.5 million
ISIN	LU1250154413
WKN	A14U78
Symbol	ADJ
Class	Dematerialised shares
Free float	73.41%
Stock exchange	Frankfurt Stock Exchange
Market segment	Prime Standard
Market index	SDAX
ERPA indices	FTSE EPRA / NAREIT Global Index, FTSE EPRA / NAREIT Developed Europe Index, FTSE EPRA / NAREIT Germany Index

Shareholder structure

(as at 31 December 2021)



Key stock market data

Adler Group shares are traded on the Prime Standard of the Frankfurt Stock Exchange. During the 12 months ended 31 December 2021, the shares traded between EUR 8.64 and EUR 29.00. Adler Group shares are included in the SDAX index of Deutsche Börse and the relevant real estate sector indices of the EPRA index family.

Shareholder structure

As at 31 December 2021, the total number of outstanding shares of Adler Group amounts to 117.5 million. On that date, the main shareholder with holdings of over 5% was Aggregate Holdings S.A. (26.59%). The remaining 73.41% free float shares were mainly held by institutional investors.

Currently, the main shareholders with holdings of over 5% are[1]: Vonovia SE (20.49%), Gerda Caner (7.44%) and Aggregate Holdings S.A. (6.10%). Therefore the free float shares decreased to approximately 65.97%.

Dividend policy

As a dividend policy, the Company intends to pay dividends in an amount of up to 50% of FFO 1. In accordance with this dividend policy, the amount shall be distributed as annual dividends to the shareholders. The distribution of dividends is subject to a respective resolution of the annual General Meeting (AGM).

In the coming weeks, the Company will carefully determine its dividend proposal for the financial year 2021, taking into account the Company's new environment, and will announce its proposal by the Annual General Meeting to be held on 29 June 2022.

(1) According to the most recent official notifications received from the shareholders.

Corporate Governance Report

General

The Company's corporate governance practices are governed by Luxembourg Law (particularly the Luxembourg law of 10 August 1915 on commercial companies, as amended (the **“Luxembourg Companies Law”**) and the Company's articles of association (the **“Company's Articles”**). As a Luxembourg company with its shares admitted to trading on the regulated market (Prime Standard) of the Frankfurt Stock Exchange, the Company is not subject to any specific mandatory corporate governance rules. The corporate governance practices applied by the Company are those applied under general Luxembourg law.

The governing bodies of the Adler Group are the board of directors (the **“Board”**, and each member of the Board individually, a **“Director”**) and the general meeting of the shareholders (the **“General Meeting”**). The powers of these governing bodies are defined in the Luxembourg Companies Law and the Company Articles. Adler Group's Board together with the Senior Management (the "**Senior Management**") (which is currently composed of two chief executive officers (each a **“Co-CEO”**) who have also been appointed as daily managers of the Company (the **“Daily Managers”**), as well as the chief legal officer (the **“CLO”**) and chief development officer (the **“CDO”**)) manage the Company in accordance with the provisions of Luxembourg law. The Board's duties, responsibilities and business procedures are laid down in specific rules of procedure, the latest version of which has been approved by the Board on 9 February 2021.

Board

The current Board is composed of eight Directors. As a general rule, the Directors are elected by the General Meeting. However, in the event of a vacancy in the office of a Director, the remaining members of the Board may fill such vacancy and appoint a successor to act until the next General Meeting which shall resolve on the permanent appointment in compliance with the applicable legal provisions. Six out of eight Directors are independent directors. The two non-independent Directors are also appointed as Daily Managers and as the Co-CEOs of the Company.

The Board develops the strategic direction of the Company together with the Senior Management and ensures its implementation. The Board is vested with the broadest powers to take any actions necessary or useful to fulfill the corporate objects of the Company save for actions reserved by law to the General Meeting.

“The Board develops the strategic direction of the Company together with Senior Management and ensures its implementation.”

Changes at Board level

During the year of 2021 there were no changes at Board level. However, since the end of financial year 2021, Dr. Michael Bütter resigned as a Director (and as member and Chairman of the Audit Committee of the Company) with effect as of 31 January 2022 and Prof. Dr. A. Stefan Kirsten joined the Board of Directors as new member and Chairman of the Board with effect as of 16 February 2022.

"Prof. Dr. A. Stefan Kirsten joined the Board of Directors as new member and Chairman of the Board with effect as of 16 February 2022."

Composition of the Board

As at 31 December 2021, the Board comprised as follows:

Dr. Peter Maser, Chairman
Independent Director

Mr Maximilian Rienecker
Director

Mr Thierry Beaudemoulin
Director

Ms Arzu Akkemik
Independent Director

Dr. Michael Bütter
Independent Director

Mr Claus Jørgensen
Independent Director

Mr Thilo Schmid
Independent Director

Mr Thomas Zinnöcker
Independent Director

Note: Dr. Michael Bütter resigned with effect as of 31 January 2022. On 16 February 2022, the Board appointed with immediate effect Prof. Dr. A. Stefan Kirsten as new member of the Board and elected him as Chairman of the Board. The previous Chairman, Dr. Peter Maser, was elected as Deputy Chairman.

Committees established by the Board

The Board's work takes place through plenary sessions and committees, which exercise their activities under the responsibility of the Board. Currently, the Company has established five committees:

- *the Audit Committee,*
- *the Nomination and Compensation Committee,*
- *the Investment and Financing Committee,*
- *the Ad hoc Committee, and*
- *the Steering Committee.*

The Committees (with the exception of the Steering Committee) are expressly governed by the Company's rules of procedure for the Audit Committee, the Nomination and Compensation Committee, the Investment and Financing Committee and the Ad-Hoc Committee, the last version of which was adopted by the Board on 9 February 2021 (the **"Committees' Rules of Procedure"**). In accordance with the Committees' Rules of Procedure to which all currently established Committees are subject, the Committees convene whenever required by the Company's affairs. The Committees' Rules of Procedure apply mutatis mutandis to the Steering Committee except where additional flexibility may be required due to the very specific nature of this Steering Committee.

Audit Committee – The purpose of the Audit Committee is

(i) to assist the Board in fulfilling its oversight responsibilities relating to the integrity of the financial statements and the adequacy of internal control systems over financial reporting;

(ii) to monitor the effectiveness of the Company's internal quality control and risk management systems; and

(iii) to make recommendations for the appointment, compensation, retention and oversight of, and consider the independence of, the external auditors.

The Audit Committee is further responsible for evaluating whether any transaction between the Company and a related party is a material transaction which would require approval of the Board and publication (except transactions entered into between the Company and its subsidiaries provided

(i) that they are wholly owned; or

(ii) if not wholly-owned, that no other related party of the Company has any interest in that subsidiary).

The Audit Committee also performs other duties imposed by applicable laws and regulations of the regulated market or markets on which the Company's shares are listed, as well as any other duties entrusted to it. The Audit Committee reports periodically to the Board on its activities. For the avoidance of doubt, the Audit Committee has an internal function only. No decision-making powers or powers of representation were delegated to the Audit Committee. The Chairman of the Audit Committee must be independent from the Company. The Committees' Rules of Procedure do not provide for a fixed membership term.

Audit Committee as at 31 December 2021:

Dr. Michael Bütter
Chairman

Dr. Peter Maser

Mr Thilo Schmid

Note: Following the resignation of Dr. Michael Bütter as a director of the Company with effect as of 31 January 2022, Mr. Thilo Schmid was appointed as the Chairman of the Audit Committee (with effect as of 10 February 2022) and Mr Thomas Zinnöcker and Prof. Dr. A. Stefan Kirsten were appointed as new members of the Audit Committee, on 10 February 2022 and 30 March 2022, respectively.

Nomination and Compensation Committee – The purpose of the Nomination and Compensation Committee is to review the remuneration policy, make proposals as to the remuneration of the Senior Management, and advise on any benefit or incentive schemes. It further assists the Board with respect to matters relating to the nomination of candidates for the Board and the Committees. The Nomination and Compensation Committee decides on the qualifications of potential candidates and recommends candidates to the Board for election as Directors by the General Meeting, as required. The Nomination and Compensation Committee shall furthermore assist with the preparation of any remuneration report of the Company, to the extent such a report is legally required. For the avoidance of doubt, the Nomination and Compensation Committee has an internal function only. No decision-making powers or powers of representation have been delegated to the Nomination and Compensation Committee. The Committees' Rules of Procedure do not provide for a fixed membership term.

Nomination and Compensation Committee as at 31 December 2021:

Dr. Peter Maser
Chairman

Ms Arzu Akkemik

Mr Thomas Zinnöcker

Note: Simultaneous with the appointment of Mr Thomas Zinnöcker as a new member of the Audit Committee on 10 February 2022, Mr Zinnöcker resigned from the Nomination and Compensation Committee and was replaced by Mr. Thilo Schmid. On 30 March 2022, Prof. Dr. A. Stefan Kirsten was also appointed as a new member of the Nomination and Compensation Committee.

Investment and Financing Committee - The purpose of the Investment and Financing Committee shall be to consider potential investments by the Company, including analysing and reviewing the details of investments and the purchase or sale of land, or rights equivalent to title rights in real estate and the general guidelines and policies for implementing the financial strategy, including the management of foreign exchange, interest rate, liquidity and other financial risks and the management of credit risk. The Investment and Financing Committee shall also consider any encumbrance over any assets and shall assist with the arranging and the raising of external financing by any member of the Group and with the granting of securities, guarantees and indemnities. The Board has delegated certain limited decision powers to the Investment and Financing Committee.

Investment and Financing Committee as at 31 December 2021:

Mr Thomas Zinnöcker
Chairman

Mr Claus Jørgensen

Dr. Peter Maser

Note: On 30 March 2022, Prof. Dr. A. Stefan Kirsten was appointed as a new member of the Investment and Financing Committee.

Ad Hoc Committee – The purpose of the Ad Hoc Committee is to resolve on the disclosure of information by the Company to meet its obligations under the Market Abuse Regulation. The Ad Hoc Committee shall, sometimes at short notice, review, identify and resolve if information is to be considered inside information and if it should be subject to disclosure or whether the prerequisites for a delay in the disclosure of such inside information are applicable. It is a key requirement of the Ad Hoc Committee that its members be available at short notice. Decision-making powers and power of representation in respect of the disclosure of information by the Company to meet its obligations under the Market Abuse Regulation have been delegated by the Board to the Ad Hoc Committee. The Committees' Rules of Procedure do not provide for a fixed membership term.

Ad Hoc Committee as at 31 December 2021:

Mr Thierry Beaudemoulin
Chairman

Mr Maximilian Rienecker

Mr Florian Sitta

Note: the composition of the Ad Hoc Committee remains unchanged as at the time of publication of this report.

The Steering Committee – The purpose of the Steering Committee is to support a special audit of the Company conducted by KPMG. This a temporary committee of the Company.

Steering Committee as at 31 December 2021:

Dr. Peter Maser

Ms Arzu Akkemik

Dr. Michael Bütter

Mr Thilo Schmid

Mr Thomas Zinnöcker

Mr Sven-Christian Frank

Note: As a consequence of Dr. Michael Bütter's resignation as a director with effect as of 31 January 2022, he is no longer a member of the Steering Committee as of the same date. On 30 March 2022, Prof. Dr. A. Stefan Kirsten was appointed as a new member of the Steering Committee.

Senior Management and Daily Managers

The Senior Management of the Company is integral to the management of the Company and its subsidiaries. Currently the Senior Management of the Company comprises two Directors, Mr Maximilian Rienecker and Mr Thierry Beaudemoulin, who are both appointed as Co-CEOs, as well as Mr Sven-Christian Frank who is appointed as CLO and Dr. Bernd Schade who is appointed as CDO.

"The Senior Management of the Company comprises two Directors, Mr Maximilian Rienecker and Mr Thierry Beaudemoulin, who are both appointed as Co-CEOs, as well as Mr Sven-Christian Frank who is appointed as CLO and Dr. Bernd Schade who is appointed as CDO."

In accordance with article 8 of the Company Articles and in addition to being part of the Senior Management, Mr Rienecker and Mr Beaudemoulin have been appointed by the Board as daily managers of Adler Group (*délégué(s) à la gestion journalière*) and are thus responsible for the day-to-day management of the Company (the **"Daily Managers"**). Mr Frank has not been appointed as Daily Manager but has been granted certain specific delegations by the Board with respect to daily management and the possibility to act as a proxyholder for the Company.

Changes in the Senior and Daily Management

Dr. Bernd Schade was appointed as CDO with effect as of 1 November 2021.

Composition of the Senior Management

As at 31 December 2021, the Senior Management comprised as follows:

Mr Maximilian Rienecker
Co-CEO and Daily Manager

Mr Thierry Beaudemoulin
Co-CEO and Daily Manager

Mr Sven-Christian Frank
CLO

Dr. Bernd Schade
CDO

Note: the composition of the Senior Management remains unchanged as at the time of publication of this report.

General Meeting

The General Meetings are held at the Company's registered office in Luxembourg or any other place in Luxembourg as may be specified in the respective convening notice of the meeting. In specific, very unusual circumstances (such as the on-going Covid-19 pandemic) and if so permitted by applicable Luxembourg law, General Meetings may be held without a physical meeting.

The Company shall ensure equal treatment of all shareholders who are in the same position with regard to participating in and exercising voting rights at the General Meeting. Any duly constituted General Meeting shall represent all the shareholders of the Company. It shall have the widest powers to order, implement or ratify all acts connected with the Company's operations that are not conferred on the Board.

"Mr Rienecker and Mr Beaudemoulin have also been appointed by the Board as Daily Managers of Adler Group (délégué(s) à la gestion journalière) and are thus responsible for the day-to-day management of the Company."

General Meetings (other than the annual General Meeting of the shareholders) may be called as often as the interests of the Company require. The Board is obliged to call a General Meeting of the shareholders when a group of shareholders representing at least one-tenth of the issued and outstanding shares requests the convening of a General Meeting of the shareholders in writing, indicating the agenda of the proposed meeting.

In accordance with the Luxembourg Law of 24 May 2011 (the **"Luxembourg Shareholder Rights Law"**), the convening notice to a General Meeting is to be published at least thirty days before the day of the meeting in the official gazette of Luxembourg (*Recueil Electronique des Sociétés et Associations*), and a Luxembourg newspaper as well as in media which may reasonably be relied upon for the effective dissemination of information to the public throughout the European Economic Area, and which is accessible rapidly and on a non-discriminatory basis. If a General Meeting of the shareholders is adjourned for lack of quorum, provided that the convening requirements of the Luxembourg Shareholder Rights Law have been complied with and no new item has been added to the agenda, the 30-day period is reduced to a 17-day period. A convening notice must, inter alia, contain the precise date and location of the General Meeting and the proposed agenda. It must also set out the conditions for attendance and representation at the meeting.

The convening notice and the documents required to be submitted to the shareholders in connection with a General Meeting shall be posted on the Company's website from the date of the first publication of the General Meeting convening notice, as set out above.

In accordance with the Luxembourg Shareholder Rights Law, shareholders who hold, individually or collectively, at least 5% of the issued share capital of the Company (a) have the right to put items on the agenda of the General Meeting of the shareholders and (b) have the right to table draft resolutions for items included or to be included on the agenda of the General Meeting of the shareholders. Those rights shall be exercised through requests in writing by the relevant shareholders submitted to the Company by postal services or electronic means. The request must be accompanied by a justification or a draft resolution to be adopted in the General Meeting of the shareholders and shall include the electronic or mailing address at which the Company can acknowledge receipt of the request. Any such request from shareholders must be received by the Company no later than on the 22nd day prior to the date of the General Meeting of the shareholders.

Under normal circumstances, each shareholder is entitled to attend the General Meeting, in person or by proxy, and to exercise voting rights in accordance with the Company's Articles. The rules for attendance at a General Meeting may be adjusted, if needed, under specific, very unusual circumstances (such as the on-going Covid-19 pandemic) and if so permitted by applicable Luxembourg law. Each share (excluding any shares held by the Company) shall entitle the holder to one vote at all General Meetings subject to the provisions of applicable law.

Conflicts of interest and related parties transactions

Any Director having a direct or indirect financial interest conflicting with that of the Company (*intérêt de nature patrimoniale opposé à celui de la société*) in a transaction which has to be considered by the Board, must advise the Board thereof and cause a record of their statement to be included in the minutes of the meeting of the Board. The Director may not take part in the deliberations related to, and shall not vote on, such transaction.

At the next subsequent General Meeting, before any other resolution is put to vote, a special report shall be made on any transactions in which any of the Directors may have had an interest conflicting with that of the Company.

Where, because of conflicts of interest, the quorum or majority requirements for a vote on an agenda item are not met, the Board may decide to refer the decision on the agenda item in question to the General Meeting for decision.

These provisions shall not apply where the decisions of the Board concern ordinary business entered into under normal conditions.

These provisions shall apply by analogy to any Daily Managers. Where there is only one sole Daily Manager and that Daily Manager is faced with a conflict of interest as described in this Article, the relevant decision shall be referred to the Board.

Any material transaction between the Company and a related party shall be subject to the prior approval of the Board and the Company shall publicly announce material transactions with related parties on its website latest at the time of conclusion of the transaction. For the purposes of the preceding sentence:

> **"material transaction"** shall mean any transaction between the Company and a related party whose publication or disclosure would be likely to have a significant impact on the economic decisions of shareholders of the Company and which could create a risk for the Company and its shareholders who are not related parties, including minority shareholders. The nature of the transaction and the position of the related party shall be taken into consideration;
>
> **"related party"** has the same meaning as in the international accounting standards adopted in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards.

Issuance & buy-backs of shares

The Company has issued shares, registered with a single settlement organisation in Luxembourg, LuxCSD, and has authorised capital which is set at one million euros (EUR 1,000,000). The General Meeting of shareholders or the Board may from time to time issue shares in accordance with Chapter II, Section 1 of the Luxembourg Law of 6 April 2013 on dematerialised securities. Pursuant to the Company Articles, authorisation is also given to the Board (or delegates duly appointed by the Board) to issue shares from time to time within the limits of the authorised capital at such times and on such terms and conditions, including the issue price, as the Board or its delegates may in its or their discretion resolve. The Board is furthermore authorised to suppress, limit or waive any pre-emptive subscription rights of shareholders to the extent it deems advisable for any issues of shares within the authorised capital.

The Company does not currently hold any of its own shares, nor does a third party hold any of the Company's shares on behalf of the Company. Without prejudice to the Market Abuse Law and the principle of equal treatment of shareholders, the Company and its subsidiaries, as referred to in

"The Company does not currently hold any of its own shares, nor does a third party hold any of the Company's shares on behalf of the Company."

Article 430-23 (1) of the Luxembourg Companies Law, may, directly or through a person acting in its own name but on the Company's behalf, acquire its own shares subject to an authorisation given by the General Meeting in accordance with the provisions of Article 430-15 (the **"Buy-Back Authorisation"**).

A Buy-Back Authorisation has been granted by the General Meeting in 2020. Pursuant to this Buy-Back Authorisation, the General Meeting has granted all powers to the Board, with option to delegate, to buy-back, either directly or through a subsidiary of the Company, shares of the Company for a period of five (5) years following the date of the (29 September 2020) General Meeting. The aggregate amount of the shares of the Company, which may be acquired pursuant to the Buy-Back Authorisation, may not exceed 10% of the aggregate amount of the issued share capital of the Company at the date of exercise of the authorisation.

Compliance

Compliance with legal provisions and standards as well as the treatment of business partners and competitive principles are of utmost importance to the Adler Group.

The compliance team under the CLO Mr Sven-Christian Frank's leadership is ensuring compliance with standards of conduct and norms prescribed by Luxembourg and German laws. The compliance team serves as main contact for questions and reports of suspected code of conduct and compliance violations.

The code of conduct, as an expression of the corporate culture and the basic values, prescribes and defines conduct in accordance with the law and applies to all employees of the Company and all employees of companies belonging to the Adler Group. Employees are trained in compliance on a regular basis in different fields.

The employees are not permitted to accept gifts in exchange for promising a possible business transaction. The guidelines furthermore prohibit unlawfully influencing business partners through favours, gifts or the granting of other advantages.

Compliance risks are monitored by an extensive compliance risk management system which identifies and monitors major compliance risks. The system is continuously being developed and adapted to changing conditions. All business divisions and processes within the Company are subject to regular review with regard to compliance risks.

Risk management and control over financial reporting in the Company

The Company considers integrated risk management ("IRM") to be a key part of effective management and internal control. The Company strives for effective IRM and financial navigation to safeguard the assets of the Company and to proactively support the Company's strategic and compliance initiatives.

The goal of IRM is to help the Company to operate more effectively in a dynamic environment by providing a framework for a systematic approach to risk management and exploring opportunities with an acceptable level of risk. The Board of Directors regularly discusses the operational and financial results including the related risks.

Risk management covers market, strategic, financial, operational-, and company-specific aspects as well as sustainability topics comprising environmental, social as well as governance and compliance. Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes, personnel, technology and infrastructure, when developing and managing real estate, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. The Company's objective is to manage operational risk to balance the avoidance of financial losses and damage to the Company's reputation with overall cost effectiveness, and to avoid control procedures that restrict initiative and creativity. The Company's policy on managing financial risks seeks to ensure effective liquidity and cash flow management and to protect Company equity capital against financial risks.

As part of its continuing evolution, the Company strives to make continuous improvements to its risk management and internal control system. The internal accounting control system is designed to ensure all business transactions are correctly and promptly accounted for and that reliable data on the Company's financial situation is available. It ensures compliance with legal stipulations, accounting standards and accounting rules.

A Group-wide calendar of deadlines helps ensure the complete and timely processing of financial statements, as far as influenceable. By separating financial functions and through 4-eyes-principle as well as ongoing reviews, the Company ensures that potential errors are identified on a timely basis and accounting standards are complied with. The internal control system is an integral component of IRM. The purpose of the Company's internal control system for accounting and reporting is to ensure its compliance with legal regulations, the principles of proper accounting, the rules on the International Financial Reporting Standards as adopted by the EU and with Company guidelines and standards. In addition, the Company performs assessments to help identify and minimise any risk with a direct influence on our financial reporting, e.g. by conducting internal audits on a regular basis following a risk-based multi-year audit time schedule. The Company monitors changes in accounting standards and enlists the advice of external experts to reduce the risk of accounting misstatements in complex issues. The Company and individual entity financial statements are subject to external audits which act as an independent check and monitoring mechanism of the accounting system and its output.

Audit

The Company’s current statutory auditor (*réviseur d’entreprises agréé*), appointed until the annual General Meeting to take place in 2022, is KPMG Luxembourg, Société coopérative (**“KPMG Luxembourg”**), with registered office at 39, avenue John F. Kennedy, L-1855 Luxembourg, Grand Duchy of Luxembourg, and registered with the CSSF (*Commission de Surveillance du Secteur Financier*) as an approved audit firm (*cabinet de révision agréé*) and with the Luxembourg Register of Commerce and Companies (*Registre de Commerce et des Sociétés, Luxembourg*) under number B149133 and is a member of the Luxembourg Institute of Company Auditors (*Institut des Réviseurs d’Entreprises*, Luxembourg). In addition, KPMG Luxembourg also audits the Company's consolidated financial statements prepared in accordance with IFRS EU.

Diversity policy

The vast majority of the Group’s employees are employed at the level of subsidiaries of the Company. Overall, and throughout the Group, there is significant diversity among employees, management and at Board level.

The understanding that all people should be treated equally and that their individuality should be respected to the greatest possible extent is fundamental to the Company and the entire Group. We support our employees, Directors and Senior Management equally regardless of their gender, age, sexual orientation and identity, race, nationality, ethnic origin, religion or world views. Within our Group and when interacting with our customers, we benefit from a wealth of perspectives, backgrounds, ways of thinking and approaches every day that are the result of the social, cultural and linguistic backgrounds of our people. Our ability to operate a successful business and create value for our stakeholders is a direct result of the skills and competence of our widely diverse workforce and management.

We have successfully achieved a high level of diversity at every level of the Group and within all companies belonging to the Group without the need for a formal written policy. However, the question as to whether a formal diversity policy would be required in the future, is monitored closely.

Disclosures pursuant to Article 11 of the Luxembourg Law on Takeovers of 19 May 2006

a) With reference to article 11(1) (a) of the abovementioned law: the Company has issued a single category of shares. Each share entitles the holder to one vote. For further information regarding the structure of capital, reference is made to Note 17 of the Annual Accounts.

b) The Company Articles do not contain any restrictions on the transfer of shares of the Company except that the Board may impose transfer restrictions for shares that are registered, listed, quoted, dealt in or on have been placed in certain jurisdiction in compliance with the requirements applicable therein.

c) According to the notifications of major holdings received with respect to the 2021 financial year, the following shareholders held more than 5% of total voting rights attached to Company shares, as at 31 December 2021:

- Mr. Günther Walcher (through indirect holdings in entities, including Aggregate Holdings Invest S.A., a Luxembourg public limited liability company (société anonyme) having its registered office at 10, rue Antoine Jans, L-1820 Luxembourg; and
- Ms. Gerda Caner, residing in Monte Carlo, Monaco (through indirect holdings in entities).

Note: As at the time of publication of this report, to the best of the Company's knowledge, in addition to the above mentioned persons, Vonovia SE holds 20.49% of voting rights attached to the Company's shares.

d) No securities have been issued with special control rights.

e) The control rights of shares issued in connection with employee share schemes (if any) are exercised directly by the respective employees.

f) The Company Articles do not contain any restrictions on voting rights.

g) There are no agreements with shareholders which are known to the Company and may result in restrictions on the transfer of securities or voting rights within the meaning of Directive 2004/ 109 / EC (Transparency Directive).

h) Rules governing the appointment and replacement of Directors:

- Provided the Company has more than one shareholder, the Board shall be composed of at least three Directors. The Board shall be appointed by the General Meeting which determines the number, the duration of the mandate and the remuneration of the Directors.
- The Directors are appointed for a term which, pursuant to the Luxembourg Companies Law, may not exceed six years. They can be removed at any time without justification by the General Meeting by a simple majority vote, irrespective of the number of shares represented at such General Meeting.
- In the event of a vacancy in the office of a Director because of death, retirement, resignation, dismissal, removal or otherwise, the remaining Directors may fill such vacancy and appoint a successor to act until the next meeting of the General Meeting at which such appointment shall be confirmed by the General Meeting or at which the General Meeting may appoint another Director.
- According to the Company Articles, the Board shall elect from among its ranks a chairman of the Board and may also elect from among its ranks one or more deputy chairmen.

Rules governing the amendment of the Company Articles:

- At any extraordinary General Meeting for the purpose of amending the Company Articles or voting on resolutions, the adoption of which is subject to the quorum and majority requirements for the amendment of the Company Articles, the quorum shall be at least one half of all the shares issued and outstanding. If the said quorum is not present, a second meeting may be convened at which there shall be no quorum requirement. In order for the proposed resolutions to be adopted at a meeting, and unless otherwise provided by law, a two thirds (2/3) majority of the votes of the shareholders present or represented is required at any such General Meeting without counting the abstentions.

i) Powers of the Board:

- The management of the Company is incumbent on the Board; for this, it has the most extensive powers. Its competence extends to all legal acts which are not, expressly by law or the Company Articles, reserved to the General Meeting. The Board may, in particular, purchase real estate directly or through intervening companies, issue bonds and other debt obligations, provide mortgages or other security, reduce or forgive debts and conclude settlements on behalf of the Company.
- The Company shall be bound against third parties in all circumstances by the joint signature of any two Directors. The Company shall also be bound against third parties by (i) the sole or joint signature(s) of any person or persons to whom such signatory power shall have been delegated by the Board or, (iii) with respect to matters of daily management, by the sole signature of a Daily Manager.
- The Board (or delegates duly appointed by the Board) may from time to time issue shares with the limits of the authorised capital which is currently set at one million euros (EUR 1,000,000), at such times and on such terms and conditions, including the issue price, as the Board (or its delegates) resolves and the Board is further authorised to arrange for a requisite change in the Company Articles to reflect such capital increase. The Board is authorised to suppress, limit or waive any pre-emptive subscription rights to the extent that it deems advisable for any issue of shares within the authorised capital. The Board is authorised to attribute existing shares or issue new shares, to the following persons free of charge:
    - employees or a certain category of employees of the Company;
    - employees of companies in which the Company holds directly or indirectly at least 10 percent of capital or voting rights;
    - corporate officers of the Company or of any of the companies mentioned above or certain categories of such corporate officers.

  The Board is authorised to determine the conditions and modalities of any attribution or issue of shares free of charge (including any required minimum holding period).
- The Company may proceed to the purchase of its own shares within the limits laid down by law.
- Interim dividends may be declared by the Board subject to observing the conditions laid down in the Luxembourg Companies Law.

j) There are no significant agreements to which the Company is party and which take effect, alter or terminate upon a change of control of the Company following a takeover bid.

k) As of the date of this report, the Company is a party to service agreements with its current Co-CEOs and the CLO pursuant to which the Co-CEOs and the CLO are entitled to compensation in case of termination without material breach and in case of a change of control which materially affects the services or position of the Co-CEOs and/or the CLO.

Summary Remuneration Report

Remuneration of the Board of Directors

Compensation of the members of the board of directors (the **"Board"** and each member a **"Director"**) is determined by the general meeting of the shareholders (the **"General Meeting"**) of Adler Group S.A. (the **"Company"**).

On 29 September 2020 the General Meeting approved the following gross remuneration of the Directors:

- an annual fixed remuneration in a gross amount of EUR 150,000 for the role as the Chairman of the Board;
- an annual fixed remuneration in a gross amount of EUR 100,000 for the role as the Deputy Chairman of the Board;
- an annual fixed remuneration in a gross amount of EUR 75,000 for the role as a Director of the Company (excluding the Chairman and Deputy Chairman of the Board);
- an additional annual fixed remuneration in a gross amount of EUR 25,000 for any Director who also acts as the chairman of any Committee of the Company;
- an additional fee in a gross amount of EUR 1,500 per attendance of a Director at any meeting of the Board or any meeting of a Committee of the Company, of which the Director is a member.

If a Director is not appointed for the entire duration of a given financial year, the annual fixed remuneration shall be paid *pro rata temporis* for the relevant period of appointment during the respective year.

All Directors are covered by the Company's directors' & officers' liability insurance and are entitled to reimbursement of any reasonable costs incurred within the scope of their duties as Directors, upon presentation of proof of payment of such costs.

Remuneration of the Senior Management

The remuneration of members of the senior management (together the **"Senior Management"** and each a **"Senior Manager"**) and daily managers (*délégué(s) à la gestion journalière*) (**"Daily Managers"**) of the Company is determined by the Board.

The Senior Management of the Company is composed of:

- Mr Thierry Beaudemoulin (director and co-chief executive officer (a **"Co-CEO"**), position held from 10 December 2019;
- Mr Maximilian Rienecker (director and Co-CEO), position of Co-CEO held from 9 April 2020;
- Mr Sven-Christian Frank (chief legal officer ("CLO")), position held from 1 September 2020;
- Dr. Bernd Schade (chief development officer ("CDO")), position held from 1 November 2021.

Both Co-CEOs, Mr Thierry Beaudemoulin and Mr Maximilian Rienecker, are also appointed as Daily Managers. There are no other daily managers appointed.

The Senior Management remuneration system provides for a fixed annual salary, a short-term incentive (**"STI-Bonus"**) and a long-term incentive (**"LTI-Bonus"**). Members of Senior Management may also receive certain fringe benefits and are covered by the directors' & officers' liability insurance. In addition, the Senior Management is entitled to reimbursement of any reasonable costs incurred within the scope of their duties as senior executives, upon presentation of proof of payment of such costs.

Fixed annual salary

Pursuant to the respective service agreements with the Company or its subsidiaries, the members of Senior Management are entitled to receive the following gross fixed annual remuneration *(pro rata temporis as applicable)*:

- Mr Thierry Beaudemoulin - EUR 600,000 per annum;
- Mr Maximilian Rienecker - EUR 600,000 per annum (part of which is paid pursuant to a service agreement with Adler Properties GmbH);
- Mr Sven-Christian Frank - EUR 420,000 per annum (part of which is paid pursuant to a service agreement with Adler Properties GmbH); Mr Frank also has a service agreement with another group company, ADLER Real Estate AG, but any remuneration received by Mr Frank pursuant to the ADLER Real Estate AG service agreement is netted against the remuneration he receives pursuant to the service agreements with the Company/ADLER Real Estate AG).
- Dr. Bernd Schade - EUR 400,000 (which is paid pursuant to a service agreement with Consus Real Estate AG).

STI-Bonus – general framework

STI-Bonus – Mr Thierry Beaudemoulin, Mr Maximilian Rienecker and Mr Sven-Christian Frank

The STI-Bonus is an annual payment dependent on the achievement of certain targets, which are agreed between the relevant member of Senior Management (Mr Thierry Beaudemoulin, Mr Maximilian Rienecker and Mr Sven-Christian Frank) and the Company at the time of (or shortly after) the approval of the budget for the relevant financial year. For the financial year 2021, the STI-Bonus targets are linked to certain quantitative and qualitative variables set by the Board, such as, for example, (i) funds from operations (FFO 1) per share (Mr Thierry Beaudemoulin and Mr Maximilian Rienecker - weighting 50%; Mr Frank – weighting 47.50%), (ii) EBITDA from sales activities (Mr Thierry Beaudemoulin and Mr Maximilian Rienecker – weighting 25%; Mr Sven-Christian Frank – weighting 22.5%), and (iii) certain soft goals (Mr Thierry Beaudemoulin and Mr Maximilian Rienecker – weighting 25%; Mr Sven-Christian Frank – weighting 30%). The Board may also decide to attribute a discretionary bonus.

Pursuant to the respective service agreements with the Company, the maximum STI-Bonus payable to members of Senior Management (pro rata temporis as applicable) is as follows:

- Mr Thierry Beaudemoulin - EUR 350,000 per annum;
- Mr Maximilian Rienecker - EUR 350,000 per annum;
- Mr Sven-Christian Frank - EUR 150,000 per annum.

The STI-Bonus for the FY 2021 is payable at the latest with the next payroll run following the General Meeting in the year 2022 approving the financial statements for the FY 2021. Therefore, because the right to receive the STI-Bonus for FY 2021 did not vest in FY 2021, the amounts of STI-Bonus for the FY 2021 will only be reported in the next financial year.

STI-Bonus – Dr. Bernd Schade

Pursuant to the service agreement with Consus Real Estate AG, a subsidiary of the Company, Dr. Bernd Schade is entitled to STI-Bonus for each year of his contract. The amount of STI-Bonus to be paid out depends on the achievement of certain targets as of the end of each financial year, which shall be agreed between the parties in each case by the end of the third calendar month of the respective financial year. If no agreement has been reached, Consus Real Estate AG shall set the targets at its reasonable discretion. A quantitative target in the form of EBITDA and a qualitative target are to be agreed upon. For the determination of the STI-Bonus, both targets are weighted equally. The achievement of each target is evaluated separately.

Due to the fact that Dr. Schade only commenced the activities under the service agreement in November 2021, no STI-Bonus targets were set for financial year 2021.

The level of STI-Bonus is determined by the overall target achievement. The overall target achievement corresponds to the sum of the achievement of each target (qualitative and quantitative) multiplied by a factor of 0.5. Payment is made from an overall target achievement level of 50% to a maximum of 150%. Between these values a linear calculation takes place. The STI-Bonus shall be calculated based on the base value for the respective financial year multiplied with the respective overall target achievement level.

The base value for calculating the STI-Bonus shall be:

- for the first year of his term of office under the service agreement: EUR 200,000; and
- for each of the next two years of his term of office under the service agreement: EUR 150,000 which shall be calculated for each financial year on a pro rata temporis basis.

Irrespective of achieving the targets, Dr. Schade is entitled to a minimum STI-Bonus for FY 2022 in the amount of EUR 100,000 gross (the "**Minimum STI**"). As the appointment of Dr. Schade became effective prior to the end of the financial year 2021, the Minimum-STI shall be allocated proportionally to FY 2021 and 2022, whereby for each calendar month of 2021, for which the appointment was effective, 1/12 of the Minimum STI shall be allocated to FY 2021 and the remaining to FY 2022.

The STI-Bonus is payable to Dr. Schade at the latest with the next payroll run following the general meeting of Consus Real Estate AG for the relevant financial year. Therefore, because the right to receive the STI-Bonus for FY 2021 did not vest in FY 2021, the amounts of STI-Bonus for FY 2021 will only be reported in the next financial year.

LTI-Bonus – general framework

LTI-Bonus – Mr Thierry Beaudemoulin, Mr Maximilian Rienecker and Mr Sven-Christian Frank

The following three members of Senior Management - Mr Thierry Beaudemoulin, Mr Maximilian Rienecker and Mr Sven-Christian Frank - are eligible to earn an LTI-Bonus, to be settled in shares of the Company (if the Company can issue said shares) or in cash (if the Company cannot issue shares) upon termination of the respective service agreement. The LTI-Bonus is dependent on the achievement of certain targets, which are agreed between the member of Senior Management and the Company at the time of (or shortly after) the approval of the budget for the relevant financial year. For the Co-CEOs and CLO, in regards of the financial year 2021, the LTI-Bonus targets are linked to certain quantitative and qualitative variables set by the Board, such as, for example, (i) reduction in the share price discount to the EPRA NAV per share, (ii) EPRA NAV per share, and (iii) ESG.

Pursuant to the respective service agreements with the Company, the maximum LTI-Bonus payable to members of Senior Management (*pro rata temporis* as applicable) is as follows:

- Mr Thierry Beaudemoulin - EUR 350,000 per annum;
- Mr Maximilian Rienecker - EUR 350,000 per annum;
- Mr Sven-Christian Frank - EUR 155,000 per annum.

The amount of the LTI-Bonus in respect of the FY 2021 cannot be determined before the close of the financial statements of FY 2021 and is only payable on or about the time of termination of the appointment of the relevant member of Senior Management (Mr Thierry Beaudemoulin, Mr Maximilian Rienecker and Mr Sven-Christian Frank). Therefore, the amount of the LTI-Bonus for the FY 2021 will not be reported herein.

LTI-Bonus – Dr. Bernd Schade

Pursuant to the service agreement with Consus Real Estate AG, Dr. Bernd Schade is entitled to an LTI-Bonus – a virtual participation in Consus Real Estate AG in an amount of EUR 500,000 (the "**Virtual Participation**"). The granting of the Virtual Participation does not constitute a remuneration for any services or other merits of Dr. Schade for Consus Real Estate AG. The Virtual Participation is, furthermore, granted to Dr. Schade without any capital contribution or other remuneration. Dr. Schade is entitled to payment of an LTI-Bonus after a waiting period of three years as of the date of commencement of his service agreement (the "**Waiting Period**"), the amount of which depends on the amount of the Virtual Participation and the "long-term target achievement ratio", if certain conditions defined in the service agreement are fulfilled. The "long-term target" is a fixed amount, by which the "target-EPRA-NAV" as of the end of the Waiting Period must exceed the "output-EPRA-NAV" as of the commencement of the service agreement, in order to achieve "long-term target achievement ratio" of 100%. The "long-term target achievement ratio" is the percentage by which the "long-term target" has been reached or, as the case may be, exceeded.

Payment is made from a "long-term target achievement ratio" of 50% to a maximum of 150%. Between these values a linear calculation takes place.

The "output-EPRA-NAV" and the method to determine the "target-EPRA-NAV" as well as the "long-term target" shall be agreed between the parties until the expiry of three months following the commencement of service agreement. If no agreement has been reached, Consus Real Estate AG will set these targets respectively at its reasonable discretion.

Due to the fact that Dr. Schade only commenced the activities under the service agreement in November 2021, no LTI-Bonus targets were set for financial year 2021.

The amount of LTI-Bonus shall be determined on the basis of the Virtual Participation within the three months following the end of the Waiting Period according to the following formula: LTI-Bonus = Virtual Participation x long-term target achievement ratio.

If the "long-term target" is achieved in full, i.e., the "long-term target achievement ratio" amounts to 100% and the Virtual Participation was not reduced, this results in gross LTI-Bonus payments of EUR 500,000; if the "long-term target achievement ratio" amounts to 150% or more, the maximum LTI-Bonus to be paid amounts to gross EUR 750,000, and if the "long-term target achievement ratio" amounts to 50%, the LTI-Bonus to be paid out amounts to gross EUR 250,000. Payment of the LTI-Bonus shall be made at the latest of the next salary payment date after expiry of three months following the end of the Waiting Period.

The service agreement between Consus Real Estate AG and Dr. Schade provides for derogation from the above in the event of a termination event prior to the end of the service agreement.

The supervisory board of Consus Real Estate AG may grant Dr. Schade an additional discretionary bonus for special services at its dutiful discretion without prior agreement. There is no legal claim to any discretionary bonus.

Other

Each of the service agreements between the Company and Mr Thierry Beaudemoulin, Mr Maximilian Rienecker and Mr Sven-Christian Frank, have a fixed term ending on 9 December 2023. They may generally be terminated by either party, subject to a notice period of 90 days. In case of a termination of service agreements by the Company for any reason other than for reasons for which the member of Senior Management (Mr Thierry Beaudemoulin, Mr Maximilian Rienecker and Mr Sven-Christian Frank) is responsible, the member of Senior Management is entitled to a severance payment. The severance payment shall be in an amount equal to two annual salaries (annual fixed salary, STI-Bonus and LTI-Bonus) and shall not exceed the remuneration which would be due for the remaining term of the service agreement if it was not terminated prematurely.

The service agreement between Consus Real Estate AG and Dr. Schade shall terminate without notice following the expiration of three years, however, on 31 December 2024 at the latest. The service agreement may be terminated for good cause by either party. In the event of termination of the board mandate of Consus Real Estate AG of Dr. Schade by revocation for good cause pursuant to Sec. 84 (4) of the German Stock Corporation Act (*Aktiengesetz*), which does not also constitute a good cause within the meaning of Sec. 626 (1) of the German Civil Code (*Bürgerliches Gesetzbuch*) and for which Dr. Schade is not for other reasons responsible in accordance with Sec. 276 German Civil Code, or in the event of termination of the service agreement due to a measure under the German Conversion Act (*Umwandlungsgesetz*), Dr. Schade shall be entitled to a severance payment. The severance payment shall not exceed the amount of EUR 1,600,000, or – in case this amount is lower – the value of the fixed remuneration, STI-Bonus and LTI-Bonus for the remaining period.

All members of the Senior Management are bound by non-compete restrictions in their service agreements for a period of three months following termination of their service agreement.

Total Remuneration paid to the Senior Management

The summary remuneration report covers the remuneration of Senior Management who held office during the FY 2021.

Furthermore, this remuneration report is only in summary form. A complete remuneration report will be presented to the 2022 annual General Meeting of shareholders of the Company as required by the Luxembourg law of 24 May 2011 on the exercise of certain rights of shareholders in listed companies (as amended).

In the FY 2021, the following total remuneration was paid to the Senior Management:

in EUR	Thierry Beaudemoulin *Co-CEO*	Maximilian Rienecker *Co-CEO*	Sven-Christian Frank *CLO*	Dr. Bernd Schade *CDO*
Fixed remuneration	600,000	600,000(*)	420,000(**)	66,667(***)
Fringe benefits	34,332	44,764	17,215(**)	3,000(***)
Total (fixed remuneration and fringe benefits)	**634,332**	**644,764**	**437,215**	**69,667**
STI-Bonus for the FY 2020	338,908	256,027	50,137	N/A
STI-Bonus for the FY 2021	as mentioned above the amount will be determined and will be payable only after the close of FY2021 and will be reported in the next financial year			N/A
LTI-Bonus for the FY 2020 (which will only be paid at termination of relevant Service Agreement)	297,466 (****)	256,027	51,808	N/A
LTI-Bonus for the FY 2021	as mentioned above the amount will be determined only after the close of FY2021 and will be payable only on or about the time of termination of the relevant Service Agreement and therefore is not reported on herein.			N/A
Extraordinary items	N/A	92,555 (*****)	166,667 (******)	N/A
Total	**973,240**	**993,346**	**654,019**	**69,667**
Total (including LTI-Bonus for FY 2020 which will only be paid at termination of relevant Service Agreement)	**1,270,706**	**1,249,373**	**705,827**	**N/A**

(*) paid/due by the Company/ Adler Properties GmbH.

(**) paid/due by the Company/Adler Properties GmbH. Mr Frank also has a service agreement with another Group company, ADLER Real Estate AG but any remuneration received by Mr Frank pursuant to the ADLER Real Estate AG service agreement is netted against the remuneration he receives pursuant to the service agreements with the Company/ADLER Real Estate AG. For the avoidance of doubt, this amount does not include the remuneration paid/due by other group entities to Mr Frank before his appointment as CLO on 1 September 2020.

(***) paid/due by Consus Real Estate AG.

(****) a small portion of this related to the period 10 December 2019 – 31 December 2020 but the decision on granting this bonus was taken for the entire period 10 December 2019 to 31 December 2020 in 2021.

(*****) paid by Adler Properties GmbH and relates to the STI and LTI-Bonus for the activities within the Group for a period from 1 January 2020 until 8 April 2020, i.e., a period during which Mr Rienecker had a corporate mandate in ADLER Real Estate AG and until the appointment of Mr Rienecker as the co-CEO of the Company.

(******) paid by ADLER Real Estate AG and relates to the STI and LTI-Bonus for the activities within the Group for a period from 1 January 2020 until 31 August, i.e., a period during which Mr. Frank had a corporate mandate in ADLER Real Estate AG and until the appointment of Mr Frank as the CLO of the Company.

Sustainability at Adler Group

In 2021, the Adler Group has worked hard on all matters relating to sustainability. After the integration of formerly independent ADLER Real Estate, ADO Properties and Consus Real Estate and, in the second half of the year, the downsizing of the widely diversified real estate portfolio, the Group is now better positioned to become a leader in its industry when it comes to environmental protection, reduction of greenhouse gases, caring for the health and safety requirements of its tenants, promoting diversity and following good corporate governance.

Broad spectrum of sustainability activities

The Adler Group pursues a comprehensive approach to sustainability. For this reason, the Company became a member of the UN Global Compact Network in June 2021, subscribing to its central topics of human rights, labour rights, environmental awareness and anti-corruption as well as to its 17 "Sustainable Development Goals" (SDGs) which are to ensure sustainable development on an economic, social and ecological level worldwide by 2030 at the latest. The Adler Group has thus become part of a worldwide pact between the United Nations and companies to respect social and ecological concerns in times of globalisation.

In order to promote the wide spectrum of sustainability goals, the Adler Group has also joined several national organisations which pursue sustainability goals, among them the German Society for Sustainable Buildings "DGNB".

In 2021, Adler Group firmly established the necessary organisational prerequisites to meet the challenges arising from the diverse matters of sustainability by creating a sustainability board. It is headed by a member of the executive team, comprises all relevant members of the management team and is in charge of all decisions related to sustainability. Among others, it developed the current sustainability goals of Adler Group which are to:

- reduce greenhouse gas emissions in the existing property portfolio by half until 2030 compared to 2020 through energetic refurbishment of buildings, the replacement of heating systems and shifting to "green" power supply;
- design and develop new buildings as climate-neutral neighbourhoods, use ecological energy supply and increase the use of sustainable materials;
- strengthen employee satisfaction by establishing a diversity-driven corporate culture and an attractive and modern working environment, by creating opportunities for further development and by offering interesting and future-proof jobs;
- strengthen tenant satisfaction and ensure the well-being of customers by providing a healthy living environment and an attractive set of services;
- introduce the highest standards of good corporate governance and business ethics by cultivating networks and active work in associations, maintaining a lively dialogue with institutions and cities, and promoting social projects that are close to the neighbourhood and the property.

Committed to CO_2 roadmap

The Adler Group used to invest substantially in the energetic refurbishment or the replacement of heating systems already in the past. But the challenges lying ahead require particular efforts as, in June 2021, the German Bundestag passed a new Federal Climate Protection Act (KSG). The amended law raises the German greenhouse gas reduction target for 2030 and obliges the real estate industry to more or less halve its greenhouse gas emissions to 70 million tonnes of CO_2 equivalents until 2030.

To achieve this goal, the Adler Group has developed a roadmap comprising a combination of different measures and initiatives in the existing portfolio as well as in the development of new properties. The most immediate effect will come from the renewal and conversion of heating systems as they can be executed on rather short notice. Energetic refurbishment, although the most effective tool in reducing greenhouse gas emissions requires comparatively long lead times. The full impact of energetic refurbishments will therefore not be fully visible before 2025.

The refurbishment and improvement of existing properties significantly improves the CO_2 profile of the portfolio but needs to be supplemented with low or zero emission new buildings in order to achieve the 2030 target. The Adler Group has therefore set itself the goal of having all new buildings certified through a nationally and internationally recognised certification systems such as DGNB/LEED®/BREEAM at “Gold” or “very good” levels.

Tenants and employees at the heart of sustainability

Companies bear a social responsibility for their customers beyond the mere business relationship. Organisations that behave fairly towards their customers secure social acceptance and have better chances of surviving in the market. For Adler Group, this applies where it offers affordable housing to tenants with average or below-average incomes. In general, the Adler Group always understands social responsibility as a concrete obligation to work for the well-being of its tenants which depends on a safe and healthy living environment, good service, affordable rents and on a competent partner in neighbourhood development.

In 2021, the Adler Group's Human Resources department faced the task of completing the integration and forming the new Adler Group into an attractive employer. For the latter, HR received positive feedback at the end of 2021. A staff survey, conducted for the first time, showed that the vast majority of employees were very satisfied and highly motivated.

An essential part of the Adler Group's human resources work is raising the awareness of the workforce for diversity, inclusion and equality. In order to firmly anchor diversity in the company, Adler Group had set up a diversity programme in 2021 that was developed by the newly established “Diversity and Inclusion” Task Force. This body, which is chaired by a member of the Senior Management, also includes the Equal Opportunities Officer, among others. To demonstrate the seriousness of its commitment to diversity both internally and externally, Adler Group signed the Diversity Charter.

Opportunities and Risk Report

Risk report

Adler Group S.A. (formerly ADO Properties S.A.) ("Adler Group" or "the Company") continually monitors and controls risk positions in the Group in order to avoid developments which might threaten the existence of the Group and, at the same time, to exploit any opportunities that occur. The risk management system has been designed based on the corporate strategy and the portfolio structure as an appropriate and effective early warning and control instrument. The established risk management system enables the Board of Directors and the Senior Management Team to always identify and assess material risks within the Group and in the environment. The Board of Directors and the Senior Management Team of the Adler Group currently see no risks that threaten the Company's existence.

Risk management system

By establishing the Adler Group including ADLER Real Estate AG and its affiliates as well as Consus Real Estate AG and its affiliates during 2020, a harmonised and uniform risk management system was developed as follows:

Risk management at the Adler Group is understood to mean all organisational regulations and measures needed to identify business risks at an early stage and to address them in good time with suitable countermeasures and to implement the risk strategy at the Adler Group. Undetected risks, which are thus uncontrolled or not addressed, may pose a considerable potential risk but are reduced by systematic risk management.

The harmonised risk management system introduced at the end of 2020 was reviewed to determine whether it is appropriate for the current risk environment, the size, and the requirements of the Adler Group. As part of V2.0 of the risk manual, the risk catalogue was essentially expanded to include new single risks as well as a 7th risk category "Sustainability risks".

The key elements of risk management include a well-considered risk strategy, responsible risk organisation, regular risk identification and assessment, and meaningful reporting as the basis for taking effective action. The latter includes regular meetings as well as fixed date meetings, controlling reports, internal approval processes for major decisions and verification mechanisms such as the four-eyes principle. Risk management effectiveness is likewise continuously reviewed, e.g., by the internal audit department, and potential for improvement is identified.

The further perfected risk management system is documented in the Group-wide risk management manual. As a guideline, the risk management manual assumes a steering function for the Board of Directors and, in addition to its information function, documents the obligation to implement risk management on an ongoing basis; it is thus an integral part of Group-wide corporate governance. Together with the risk catalogue and the established risk organisation, the manual forms the basis for the current risk assessment as of 31 December 2021.

The risk management manual includes descriptions of risk organisation and responsibilities, the risk management process including identification and assessment of risks, monitoring of the risk management system and risk reporting as indicated in the following.

Risk organisation and responsibilities

Senior Management bears overall responsibility for risk management and decides on the structural and procedural organisation of risk management, and on its resources. Senior Management defines the Adler Group's risk strategy and principles as well as risk management procedures. Guidelines for operational risk management are defined within the scope of the risk strategy and include such guidelines as the specification of maximum loss limits, above which risk management measures must be taken, or tolerance limits up to which a risk can be accepted.

The Audit Committee - as a group of specialists for this subject within the Board of Directors - regularly monitors risks and reviews the effectiveness of current risk management and internal control procedures.

The risk owners assume responsibility for identifying, assessing, documenting, managing, and communicating all material risks in their area of responsibility.

Risk management processes

The Central Risk Management department coordinates the risk management process, checks plausibility and consolidates the results of risk identification and assessment by the risk owners and prepares regular reports to the Senior Management and the Board of Directors of the Adler Group. There is also internal ad-hoc reporting on material risks and on risks that may threaten the Company.

Senior Management will therefore be able to systematically identify and assess material risks in or to the Company at an early stage and take appropriate action. Potential risks to corporate value or development will be detected early. An early warning system is established as yet another component of risk identification within the risk management system. Its purpose is to identify risks through early warning indicators to enable risk averting measures to be taken in advance.

Risk identification assessment

The risks are categorised in risk categories and assessed by a scoring model with six categories of loss exposure and six levels of probability of occurrence. Risk assessment is thus carried out by targeted measurement and by an assessment of the risks identified. On the basis of the scoring model, the effects on the Adler Group's assets, expenses and income, liquidity and image can be measured directly. They are also used to assess the relevance of the measured risks in order to identify significant risks, focusing on compliance with risk limits or thresholds.

Risks are assigned to the following seven categories:

- Macroeconomic and industry-related conditions as well as socio-political environment
- Strategic risks
- Financial and financing risks
- Operating risks of property management
- Operating risks in project development
- Company-specific risks
- Sustainability risks

The risk score is defined by assessing the expected loss and the probability of occurrence, each one out of six classes:

Expected loss

Accepted risk | Ad-hoc reportable risk | Initiation of emergency measure

	Unlikely (1)	Remote (2)	Seldom (3)	Conceivable (4)	Likely (5)	Probable (6)
Threatening the Company / portfolio / project (6)	3.5	4	4.5	5	5.5	6
Severe (5)	3	3.5	4	4.5	5	5.5
Serious (4)	2.5	3	3.5	4	4.5	5
Material (3)	2	2.5	3	3.5	4	4.5
Medium (2)	1.5	2	2.5	3	3.5	4
Low (1)	1	1.5	2	2.5	3	3.5

Probability of occurrence

Monitoring the risk management system

The risk management system is frequently monitored, adapted and advanced to reflect changes in the Company and its environment. Risk monitoring is used to check whether the measures taken as part of risk management resulted in the desired effect and whether the risk positions under consideration are in line with the specified target values following the implementation of risk management measures.

Risk reporting

Material risks are documented to the Senior Management and the Board of Directors on a quarterly basis, as part of the regular and detailed information they receive about the course of business and the risk management system's status and further development. The most important objective of risk reporting is to ensure that decision-makers are provided with complete, correct and timely information on risk-relevant developments in terms of significance. On this basis, risks can be detected in good time and countermeasures can be initiated early. New risks with a significant impact on the Company or strongly negative changes are subject to ad-hoc reporting to the Senior Management as well as to the Board of Directors.

Internal control system

The internal control system (ICS) is a sub-sector of the risk management system. Control measures may avoid or reduce risks. The Senior Management is responsible for setting up, monitoring, checking the effectiveness of, and for further developing the ICS.

The key objectives of the accounting-related ICS, as defined by the relevant regulations, are

- to ensure the profitability of business activities and to protect the Company's assets;
- to ensure the reliability of internal and external accounting;
- to comply with the relevant legal regulations, in particular to ensure conformity of the consolidated financial statements and the Group management report with the standards.

The Accounting and Reporting Division of Adler Group is responsible for the guideline competence for a uniform and standardised application of the accounting regulations according to the International Financial and Reporting Standards (IFRS), and is also responsible for the content in the financial statement preparation process. The data required for the notes to the consolidated financial statements and the management report are aggregated and prepared at Group level.

One key aspect determining the correctness and reliability of financial reporting involves the deliberate segregation of administration, execution, invoicing and approval functions. Adler Group safeguards this by appropriately assigning responsibilities. To ensure that assets are accurately valued in line with market standards, Adler Group draws on the expertise of external service providers specialising in property valuation.

In cooperation with the Senior Management and the Audit Committee, the external auditors draw up a risk-oriented audit plan and check whether the legal framework and guidelines for control and risk management have been applied. The functionality and effectiveness of the defined controls are thus monitored. The audit report's addressees are the Senior Management and the Board of Directors, enabling the Board to eliminate possible errors and improve the ICS.

Risk assessment on the balance sheet date as at 31 December 2021

The risk assessment as of 31 December 2021, was performed in accordance with the Adler Group's evolved risk management system. The following section presents the risks and control measures for avoiding, reducing and passing on risks that are particularly relevant from Adler Group's perspective.

Adler Group is exposed to a range of different risks that, either individually or in aggregate, could have an adverse effect on the Group's net assets, financial position, and results of operations, or on its business performance moving forward. All risks that Adler Group considers relevant are outlined below. A risk is considered relevant if it has a score of more than 3.0, and as very relevant if it has a score equal to or more than 4.0. In the present risk assessment, risk categories and sub-categories are summarised where appropriate, but individual risks are also addressed.

The most significant single risks are as follows:

No.	Risk subcategories	Risk category	Score
1	Public relations risks	Group / company specific risks	6.74
2	Risks in the project phase "build & deliver"	Risks from development activities	6.41
3	Liquidity risks	Financial and financing risks	6.00
4	Risks in the controlling process	Financial and financing risks	5.75
5	Risks in the project phase "plan"	Risks from development activities	5.36
6	Human resources risks	Group / Company-specific risks	5.27
7	Tax risks	Group / Company-specific risks	5.08
8	Valuation risks	Financial and financing risks	4.97
9	Central purchasing risks	Group / Company-specific risks	4.90
10	Project and property development risks	Strategic risks	4.75
11	Financial risks related to project development activities	Risks from development activities	4.60
12	Digitalisation risks	Strategic risks	4.50
13	Capital structure risks	Financial and financing risks	4.50
14	Property management - valuation-related risks	Risks from management of property holdings	4.39

The significant increase in risk scores in comparison to year-end 2020 is attributable to higher risk assessments by the respective risk owners due to the changes in the underlying risk environment and the subsequently resulting correlation surcharges.

Risks related to macroeconomic and industry-related conditions as well as socio-political environment

Risks related to negative change in the market

Real estate markets, however, are generally susceptible to changes in the overall economy. Consequently, our business is affected by factors affecting the general economic environment, such as interest rates, levels of public debt, GDP, higher inflation rates and political and financial market conditions, primarily in Germany and our various submarkets. These factors play an important role in determining property values, rent levels, re-letting periods, overall demand, vacancy rates and turnover rates in these markets and submarkets. In addition, local and regional variations of these factors may cause their impact to vary significantly across our residential real estate portfolio. The continuing uncertainty regarding the development of the global economy, for example, due to the ongoing sovereign debt crises, inflation and deflation risks in many parts of the world, particularly in Europe, and the quantitative easing announced by the European Central Bank, may result in economic instability, limited access to debt and equity financing and possible defaults by our counterparties. Facing various dependencies from international markets, especially China and Russia, raw material and services for building maintenance and development as well as energy at reasonable prices might become scarcer. With the outbreak of the Ukraine war due to invasion and bombardment by the Russian army and the associated sanctions by Europe and the USA at the end of February 2022, there is a risk that the economic situation will worsen. No statements can be made about the actual effects at the time of reporting.

Risk related to change in the political and socio-political environment

The most important factors of the political environment for companies are the organisation and stability of a region's political system. This includes, in particular, the stability and reliability of political bodies and their role in shaping economic life (intervention, subsidies, competition policy, trade policy, etc.) The risk of the political environment describes the risk of a negative change in the political framework conditions at federal and state level, such as changes in government and the associated political programmes as well as referendums that require corresponding political action.

Adler Group's operating business is subject to the general legal environment in Germany. Any disadvantageous changes in the legal environment, such as mandatory environmental modernisation provisions, restrictions regarding modernisation measures or provisions (including taxes) that result in the incurrence of costs in the event of a property sale may be detrimental to the Company. German laws protecting residential tenants and existing restrictions on the rate of rental increases could make it more difficult to increase the rents of the residential units we own.

Changes in legislation and regulatory frameworks relating to construction, energy efficiency, the duty to implement safety precautions and tenant protection can affect the economic viability of planned measures or necessitate previously unplanned measures. The monetary impact of such requirements can usually be calculated in advance on account of the corresponding implementation periods, and are thus included in the Company's business planning.

Regulatory intervention in tenancy law may affect the financial position of a residential property company. The legislative amendment adopted by the Federal Government in 2015 with regard to moderation of rent increases in Berlin restricts the scope for rent increases upon the re-letting of living space.

Other legislative amendments are regularly the subject of discussion. The possibility that further regulatory amendments may be implemented cannot be excluded in the wake of the German parliamentary election.

In addition, we could be adversely affected by changes to public building law, which could restrict the Company's ability to manage our properties in the way we had previously expected.

The demographic development and changes in mindset as well as the way of living and working of the population has a major impact on various areas of Adler Group's economic activities.

As the initiative "Deutsche Wohnen & Co. enteignen" managed to collect more than the required 175,000 valid supporter signatures by 25 June 2021, a referendum on expropriation took place on 26 September 2021. On election day, 57.6% of the voters supported the socialisation of private housing by big real estate companies. Based on this result, it is likely that an expert commission will be set up to evaluate the implementation of such a legislation. Based on their recommendations which are expected to be presented within the next twelve months, the Senate of Berlin will likely decide on how to proceed.

On 21 December 2021, Franziska Giffey was elected governing mayor of Berlin. In the coalition agreement, the red-green-red state government undertakes to convene an "Expert:innenkommission" whose task is to implement the referendum. Exactly one month after the election of Franziska Giffey as governing mayor, the initiative "Deutsche Wohnen and Co. enteignen" presents its requirements for the expropriation commission in a press conference. The focus of the commission should be clearly on the implementation of the referendum. The governing mayor initiated an alliance for new housing construction and affordable housing. According to a joint statement at the start of talks on the Alliance for New Housing Construction and Affordable Housing, ambitious targets are to be set for new housing construction, affordable housing is to be preserved, and modernisations are to be implemented in a socially and climate-compatible manner.

Ukraine conflict

With start of the Ukraine conflict, the risk owners have been asked to assess additional risks resulting from this new political situation as an event after the reporting date.

In the rental business, higher energy costs will lead to increased costs on the tenant side and thus affect the basis of Adler Group's business ("ancillary costs as a second rent"). The question will be how the state wants to protect low-income earners from the cost increases, e.g., through increased housing cost subsidies. This will only really become apparent next winter, and until then, solutions might have been compiled that will make the Company more independent of Russian gas and oil supplies on the one hand and prevent cost explosions on the other.

Possible consequences of the conflict for the development business might be rising costs, especially energy costs, and thus also rising construction costs, which will affect the projects, but does not consider the consequences of the shortage of employees, including sub-subcontractors, and the resulting impact on ongoing projects due to the return of Ukrainian employees to Ukraine to be of primary importance. In the area of construction or service framework agreements, the purchasing department is not aware of any framework agreements with Russian companies.

When checking business partners, particular attention must be paid to sanctions lists in the near future in light of the Ukraine crisis, as many Russian oligarchs will or already are included in them.

Adler Group does not have any financing arrangements with Russian banks. Portfolio financing is not affected. The existing guaranteed line with RBI AG is undrawn and not of strategic importance. RBI has a high exposure to Russia, which could influence future business policy.

In the short term, market fluctuations make possible refinancing more difficult. As a company with a weaker credit rating, Adler Group might be affected. However, as refinancing is not planned, this will not affect Adler Group in the short to medium term. In addition, Russian investors will not be considered as potential investors.

In the area of staff development/training, there may be a need for a higher budget for:

- training opportunities such as German courses for refugees who have been hired;
- measures for psychological support of employees and coping measures;
- psychological risk assessments.

There is an increased risk of key personnel being removed due to additional emotional and psychological stress or direct links to the prevailing conflict. In addition, there could be an increase in sick leave due to additional emotional and psychological stress caused by the prevailing conflict, as well as the possible loss of employees who are directly affected. The absence of fellow employees may also be due to time off for voluntary work, e.g. in refugee aid.

Discrimination against Russian colleagues may occur in the workforce simply because they are Russian and thus become victims of the general mood towards Russia or because they take a pro-Russian stance in the present conflict and express this.

The Adler Group wants to contribute to alleviating the immediate need at least a little. Therefore, the Adler Group will provide apartments from our holdings in Berlin for the accommodation of refugees. The central organisation will be taken over by KAURI CAB in coordination with the Adler Group rental department. The non-profit placement platform "Wohnungswirtschaft hilft" (Housing Industry Helps) was created specifically for this purpose.

Capital market risks

The uncertain consequences of political instability have already caused additional volatility in the financial markets. Since the Company relies on access to the financial markets in order to refinance our debt liabilities and gain access to new financing, ongoing political uncertainty and any worsening of the economic environment may reduce the Company’s ability to refinance the existing and future liabilities or gain access to new financing, in each case on favourable terms or at all.

Poor communication with the capital market creates a risk of failing the capital market’s expectations and thus damaging Adler Group's reputation. The Company therefore engages in frequent proactive communication with investors and analysts through calls on quarterly, half year and annual results, participation in equity forums and direct communications at roadshows.

Adler Group S.A. is the subject of a report published on October 6, 2021, by the company "Viceroy Research", which is backed by the short-selling investor Fraser Perring. This report contains allegations that Adler Group has rejected in the strongest possible terms. This report put severe pressure on Adler Group’s share and bond prices. This case indicates the increasing risk of potential short-seller activities.

Pandemic risk

On 30 January 2020, the World Health Organisation (WHO) declared an international health emergency due to the outbreak of coronavirus. Since 11 March 2020, the WHO has classified the spread of the coronavirus as a pandemic. The rapid spread of the coronavirus has resulted in a deterioration of the political, socio-economic and financial situation in Germany, and consequently this could have a negative impact on our business. Any widespread health crisis, including the coronavirus and future pandemics, could result in our tenants being unable to pay their rents when due or at all, could adversely affect the fair value of our real estate properties, cause a significant decline of aggregate rent levels in affected areas and, ultimately, affect our ability to access debt and equity capital on attractive terms, or at all. The further spread of the coronavirus and its consequences on the business of Adler Group are constantly being monitored.

Because of the pandemic, fewer on-site appointments can take place than before, which makes it more difficult to perform property management and real estate development. The longer the coronavirus pandemic disrupts social life in Germany, the more likely that Adler Group could encounter a risk in the future of a deterioration in its property management and letting services as well as development business.

Although the evidently effective measures of the emergency brake for the containment of the Covid 19 pandemic, which came into force on 25 April 2021, by amendment of the Infection Protection Act, and the continuing vaccinations in the population could not avoid the 4th wave of high infections, but this risk did not seem likely to affect the Company’s business by end of 2021. Since November 2021, the new mutation of COVID-19, Omicron, is accountable for a high infection rate and shortfall of staff in various sectors. In 2022, the wide spread of Covid mutation Omicron is changing and the pandemic risk is becoming relevant for Adler Group. Due to the higher rate of breakthrough infections among vaccinated people, it is possible that Adler Group will experience an increasing number of concurrent infections and/or quarantine orders among its employees, which can negatively affect business processes (outcomes and timelines).

Further impact of the coronavirus on the overall economy in Germany is uncertain at the time the financial statements were prepared and could be even more considerable.

Senior Management considers potential risks derived from macroeconomic and industry-related conditions as well as socio-political environment to have a relevant effect on the asset, financial, earnings as well as liquidity position of the Group.

Strategic risks

Integration risks

We expect the integrations to be a multi-year process that requires significant human and financial resources. The successful integration of the existing workforces, IT systems, corporate cultures and corporate structures as well as the introduction of joint processes are essential to the success of the Company. The integration will be time-consuming and costly and could negatively affect our business operations and/or those of ADLER and of Consus.

Difficulties during the integration process may include the administration of a significantly larger group, including the size of the portfolio and number of assets as well as development projects, the combinations, standardisations, harmonisation and streamlining of the business activities and processes, including the services offered to tenants and customers, and the coordination of the accounting, IT, communications and administrative systems in the Group. In addition, problems of coping with potential differences in the corporate cultures and leadership philosophies may occur. The integration of ADLER and Consus might result in unforeseen and unexpected obligations and, could lead to a complete or partial forfeiture of tax loss carryforwards, and the acquisition of 95% or more of the shares of the companies could trigger RETT.

The integrations could result in additional or unforeseen costs and the anticipated advantages of the integrations could potentially not be realised in full or not at all. Any inability of the Company to adequately address and manage the challenges of the integrations could result in a decrease in the anticipated benefits of the integrations, e.g. synergies and economies of scale, or in the premature termination of the integrations.

Risks from company and shareholder structure

The Company's shares and ADLER Real Estate's shares are admitted to trading on the regulated market segment (Regulierter Markt) of the Frankfurt Stock Exchange (Frankfurter Wertpapierbörse) with simultaneous admission to the sub-segment thereof with additional post-admission obligations (Prime Standard); and the shares of Consus Real Estate AG are included for trading in the basic segment of the open market segment (Freiverkehr) of the Frankfurt Stock Exchange (Frankfurter Wertpapierbörse) and in the m:access segment of the open market segment (Freiverkehr) of the Munich Stock Exchange (Börse München). Listed companies are in the focus of the financial authorities trying to detect breaches to their obligations. Any violation or breach of these laws and regulations could affect the overall reputation of the Company and the Group and, depending on the case, expose the Company, ADLER Real Estate AG and Consus Real Estate AG to administrative or judicial proceedings, which could result in adverse judgements and administrative fines.

Adler Group S.A. (the Company) received four information requests from the CSSF relating to questions within the framework of CSSF's examination of the 2020 consolidated and stand-alone financial statements of Adler Group S.A. as well as interim financial statements as at 30 June 2021 and allegations published in a report by the Viceroy Research Group on 6 October 2021 (the Viceroy Report), which the Company answered in a timely manner. CSSF is currently reviewing the Company's latest set of provided responses.

On 2 August 2021, the German Financial Reporting Enforcement Panel (DPR/FREP) notified our subsidiary ADLER Real Estate AG (ADLER) that on behalf of the German Federal Financial Supervisory Authority (BaFin), DPR would conduct an audit of ADLER's consolidated financial statements as of 31 December 2020, as well as the consolidated financial statements as of 31 December 2019, including the respective related combined management reports (the DPR audit).

Mid-November 2021 ADLER received a letter from BaFin that the panel DPR/FREP would be dissolved with effect as of 31 December 2021 and ordered that BaFin would conduct the audit of ADLER's consolidated financial statements as of 31 December 2020 as well as the consolidated financial statements as of 31 December 2019, including the respective related combined management reports instead of DPR. On 6 December 2021 BaFin sent the first set of questions, (mostly on valuation items) which have been duly answered by ADLER. On 10 February 2022 BaFin followed up with the second set of questions which are currently in the process of being answered by ADLER.

The composition of the shareholder structure and the economic interests and reputation of the main shareholder are also important for the Company. It plays a role here whether investors want to invest sustainably and are available to the Company as capital providers in the long term, if necessary also via additional capital in the context of capital increases, or whether they only want to maximise their profit in the short term - via rising share prices. The KYC process required in particular by financial institutions could lead to negative effects on the Company due to the poor reputation of the main shareholder, for example.

Senior Management regards the risk from strategic decisions and its effects on the assets, expenses and income, liquidity and image as relevant.

Financial and financing risks

Risk from change in interest rates

The current economic environment is characterised by low interest rates and comparatively high valuations of residential real estate portfolios in Germany. A change in general interest rate levels may increase our financing costs, and the values of our properties and the prices at which we are able to sell our properties may decrease. We attempt to mitigate interest rate risk by entering into hedging agreements; therefore, we are exposed to the risks associated with the valuation of hedging instruments and hedge counterparties and the hedging agreement may not be effective. The tendencies towards lower interest rates by the European Central Bank are becoming more apparent due to the coronavirus crisis. As at 31 December 2021, the vast majority of our financial liabilities' interest rates was fixed or hedged.

(Re-)financing risks and risks from capital structure

The Adler Group has a substantial level of debt and is dependent on refinancing significant amounts as they become due. As at 31 December 2021, the total of our existing financial liabilities amounted to EUR 7,811 million. As of the same date, the weighted average interest rate payable for the nominal amount of our financial liabilities was at 2.2% and the weighted average maturity term was 4.1 years. The Company's ability to refinance financial obligations by taking on new debt or extending existing loans could be impeded as a result of our level of debt, changes to refinancing conditions or the general market environment that is impacted by the coronavirus.

Although not currently the case, in the light of the allegations raised by Viceroy, by our level of debt could lead banks to refuse the granting of new loans, make new loans available to us only on less favourable financial terms, refuse the extension of existing credit lines, or could lead banks to only extend them on less favourable terms or to require us to furnish additional security until the accusations are invalidated and a clean auditor's opinion is issued along with the certified financial statements for the 2021 reporting period.

Risks from financial and non-financial covenants

Our existing debt facilities require compliance with certain financial and maintenance covenants, some of which require us not to exceed a certain maximum loan-to-value ("LTV"), which could be negatively affected by revaluations, and/or require us to maintain a minimum debt service coverage ratio.

Our failure to comply with such covenants could trigger the respective creditor's right to terminate the relevant financing arrangement or require us to repay part of our debt to cure a breach in the covenants or may lead to higher interest payments.

An internal control process has been implemented at Adler Group to ensure compliance with financial covenants. Any non-compliance with or delays in covenants during the reporting period were clarified with lenders and did not result in any financing becoming due prematurely. As of the balance sheet date 31 December 2021, all financial covenants were complied with. There are no indications that financial covenants of bonds and real estate financings will not be complied with in future.

Liquidity risks

The ability to source cash from subsidiaries may not be sufficient in the future to satisfy all of the Adler Group's payment obligations. If the funds are insufficient, the Company would need to obtain additional funds to be able to pay dividends. Additionally, the Company requires sufficient distributable results and/or distributable reserves in order to be able to pay out a dividend. In principle, the Company intends to pay out a dividend in the amount of up to 50% of FFO 1. The lack of distributable results and/or distributable reserves may hinder the payment of a dividend even if there is sufficient cash to cover a potential dividend payment.

Consus Real Estate utilises a financing structure under which the acquisition of land plots or real estate properties is typically highly leveraged. Its development projects require significant upfront costs to acquire and develop land plots. Following an acquisition of a land plot, Consus Real Estate incurs considerable costs before construction work commences. Real estate development projects typically require substantial capital during construction periods and Consus Real Estate is dependent on its ability to obtain sufficient capital. Consus Real Estate depends on its ability to obtain and the availability of external funding to finance its operating business. There can be no assurance that Consus Real Estate's cash flow generation will be sufficient to meet its financial needs and/or debt service obligations.

Risks from deterioration in the external company rating

Ratings assigned to the Adler Group by rating agencies are an indicator of the Company's ability to meet its obligations in a timely manner. Rating agencies may change, suspend or withdraw their ratings at short notice. The credit ratings of the Company may be downgraded or withdrawn in the future as a result of the Consus Real Estate acquisition or factors that are beyond our control, such as a deterioration in the real estate or financial markets, or weakened financial performance by the Company, or future exposure to the development business, which is characterised by increased capital expenditure and leveraged financial profiles.

On 10 November 2020, Adler Group S.A. successfully placed an unsecured six-year bond with a fixed coupon of 2.75 percent as well as a new bond in early 2021 in the amount of EUR 1.5 billion and the EUR 500 million bond under the new EMTN programme. Due to the strong recovery rating of the bonds and the high asset base of Adler Group S.A., the bonds were rated BB+ by Standard & Poor's. On 11 August 2021, Standard & Poor's confirmed the "BB" credit rating but downgraded the rating to "B+" on 11 October 2021, based on "business uncertainty and tightening liquidity, following the Viceroy report".

On 11 February 2022, Standard & Poor's downgraded the rating to "B-" based on further delay in Adler Group's plan to sell its nonstrategic development projects, after the recent disposals of income-generating residential real estate assets of about EUR 1.05 billion to KKR & Co. Inc. and Velero Immobilien AG and successful close of the LEG Immobilien AG (LEG) transaction.

S&P believes that Adler Group's cash flow volatility has increased significantly due to its increasing dependency on the development portfolio, which continues to underperform due to delayed sales and project deliveries. According to S&P, this creates further uncertainty on EBITDA and cash flow generation and could impinge on the Company's ratios beyond base case forecast. Adler's recent announcement of a likely delay in publishing its full-year 2021 annual accounts due to a forensic investigation by KPMG creates further shakiness. Adler Group's liquidity is considered less than adequate. S&P believes that the recent sale of yielding assets will help Adler to cover its liquidity needs for the next 12 months. However, the rating agency still sees hurdles in terms of Adler Group's access to the capital markets. To meet its medium- to long-term funding needs, the Company may remain dependent on the successful execution of asset sales or the receipt of the outstanding receivables.

Any further negative change in the credit rating of the Company may make future financings and debt issuances by Adler Group more difficult and expensive, and may require to, among other things, provide increased collateral or other security if they are able to access additional financing at all. A downgrade or withdrawal of the credit ratings of the Company may also result in a breach of certain financial covenants in their respective credit lines, financing arrangements and/or debt issuances, and may have a material adverse effect on Adler Group's businesses.

Risks from impairment of goodwill

As of 31 December 2021, the Adler Group has recorded goodwill in the amount of EUR 91 million. Goodwill is recognised as an intangible asset and is subject to an impairment review, which takes place at least annually, or upon the occurrence of significant events or changes in circumstances that indicate an impairment. The Company's first-time allocation of goodwill to cash generating units has not yet been completed due to the on-going integration of Consus Real Estate. The first annual impairment testing was performed in 2021. For purposes of impairment testing following an acquisition, goodwill is allocated to a cash-generating unit (usually a country or a region) that is expected to benefit from the synergies of the acquisition. In testing goodwill, economic factors play an important role, including the global economic development or interest rates. Any negative development in relation to economic factors and company performance could necessitate an impairment test and require the Company to reduce its goodwill.

Real estate valuations risks

Most of the Adler Group's total assets consist of investment properties, development projects and goodwill, which are sensitive to changes in valuation parameters. The valuation of real estate is a central issue for real estate stock corporations. The valuation is mainly influenced by the discount/capitalisation rate, market rent and vacancy rate parameters. In this respect, there is a risk that the value of real estate portfolios will have to be adjusted if the parameters develop unfavourably. In addition, there is an inherent risk that the values determined by the experts may not be realised on the market. As of 31 December 2021, the Adler Group has recorded real estate property in the amount of EUR 9,965 million.

Given the size of the Adler Group's gross asset value, the impact of rising interest rates on the IFRS value of investment properties alone is quite considerable. For example, if the discount and capitalisation rate were to increase by 0.25 percentage points, this could have a negative impact of around 9.7% on the value of investment properties and of 21.2% on the value of internal development projects. Adler Group considers a possible negative change in interest rates, on its own, to be a risk of considerable importance.

Process-related risks in controlling

By establishing the Adler Group in 2020, also the various controlling processes at Adler Group (former ADO), ADLER and Consus must be harmonised or newly implemented based on information requests of the Senior Management. The harmonisation and optimisation of the controlling processes were still ongoing, including staffing and IT environment. Since 31 December 2020, further harmonisation and optimisation of a common system, established responsibilities and timelines, required information and links to the operating activities have been achieved. However, due to ongoing vacant positions in the middle management and fluctuations, milestones could not be achieved, and the risk has increased for the 31 December 2021, reporting date.

Senior Management regards the financial and financing risks and its effects on the assets, expenses and income, liquidity and image as very relevant.

Operating risks from property management

Rental risks

The Adler Group relies significantly on earnings from rentals. As a result, the performance outcomes depend largely on the amount of rental income generated, vacancies, rent reductions, collection losses and the expenses we incur in generating such rents. The rental income is impacted predominantly by rents charged and vacancy levels. Rents and real estate prices, in turn, depend largely on economic and business conditions in Germany in general and in the real estate market in particular. Increased rent restrictions could adversely affect the results of Adler Group's operations.

Berlin Rent Freeze (Berliner Mietendeckel)

The Adler Group plans to continue investing a significant amount into modernisation measures, particularly in residential markets that provide for significant rent upside for refurbished apartments.

On 18 June 2019, Berlin's municipal government (Berliner Senat) announced its intention to freeze rents in Berlin for the next five years. The Law on Rent Limitation in Housing in Berlin (Gesetz zur Mietenbegrenzung im Wohnungswesen in Berlin – MietenWoGBln), so-called "Mietendeckel" was passed on 30 January 2020 by Berlin's parliament (Berliner Abgeordnetenhaus) and entered into force on 23 February 2020.

On 15 April 2021, the Federal Constitutional Court in Karlsruhe ruled that Berlin's rent cap is unconstitutional, thus declaring the highly controversial Act on Rent Restrictions in the Housing Sector in Berlin (MietenWoG Bln) incompatible with the Basic Law and therefore null and void. In the opinion of the Second Senate of the Federal Constitutional Court, the state of Berlin had no right to limit rent levels by means of a so-called "rent cap" in the German capital due to a lack of legislative competence, as the federal legislation had exhaustively regulated rent law in the German Civil Code (BGB). The Adler Group is offering its tenants individual solutions for repayments.

Risks from new political programmes which might be implemented in the future (e.g., "rent tax") cannot be assessed yet.

Any further tightening of existing or the introduction of additional rent restrictions, e.g., in the coalition contract, could limit our ability to implement an increase in rental costs across any part of or our entire portfolio and, ultimately, negatively affect our strategy.

Valuation related risks, e.g., maintenance and modernisation risks

The Adler Group is exposed to risks related to the structural condition of the properties and their maintenance, repair and modernisation. In order to sustain demand for a rental property and to generate adequate revenue over the long term, a property's condition must be maintained, repaired and/or improved to a standard that meets market demand and complies with environmental laws.

Although the Company constantly reviews the condition of our properties and has established a reporting system to monitor and budget the necessary maintenance and modernisation measures, numerous factors may generate substantial cost overruns or unexpected increases in costs for maintenance and modernisation. If these measures do not result in a significant reduction in vacancy levels for these properties after completion of the renovation and refurbishment work, this could have an adverse effect on our financial results relative to Adler Group's business plan. In addition to lost rental income, additional fixed and ancillary costs incurred for the maintenance of vacant residential units could reduce our operating profit.

Transaction risks

Further acquisitions are only feasible if attractive real estate portfolios and properties are available for purchase at reasonable prices. Given the current high demand for residential real estate in Germany, and, in particular, in Berlin, such portfolios and properties may be unavailable or available only on unfavourable terms. Any such development could impair the growth of our business and could prevent us from generating additional economies of scale and strategically developing our portfolio and properties for privatisation through acquisitions and investing into our portfolios with attractive returns.

We invest in real estate and in real estate companies and while our general strategy is to hold properties that we acquire, we may opportunistically from time to time sell properties or property portfolios if attractive opportunities or market conditions arise as well as for strategic reasons. Our ability to sell properties generally depends on the liquidity of the real estate markets at the time of the potential sale. In the event of a forced sale, for example, if creditors realise collateral, there would likely be a significant shortfall between the fair value of the property or property portfolio in question or the shares in the real estate company, as the case may be, and the price achievable upon the sale of such property or property portfolio or shares in such circumstances, and there can be no guarantee that the price obtained by us would represent a fair or market value for the property or property portfolio or shares.

a) ACCENTRO

In the 2017 financial year, ADLER sold its investment in ACCENTRO Real Estate AG, Berlin. The remaining purchase price of EUR 55.6 million was due for payment by end of 2019, following the granting of an extended payment term and the interim payment of EUR 97.9 million in the 2019 financial year. Management and Supervisory Board resolved on 24 March 2021 to extend the payment period for the remaining receivable until 30 September 2021, but no payment has been made. The purchaser has, however, reconciled the outstanding receivable with ADLER and asked to draft a release letter for the purchase price collateral to be issued in conjunction with the purchase price payment. This release letter is currently being prepared and a timely settlement is expected. In Q4 2021, another payment of EUR 3.3 million was received. As of 31 December 2021, the purchase price receivable from the acquirer including interest claims amounted to approximately EUR 58.6 million. ADLER considers the receivable to be secure. Nevertheless, a potential receivables risk is present.

b) BCP

ADLER acquired just under 70 percent of shares in BCP in April 2018. BCP is a company based in the Netherlands and listed on the Tel Aviv Stock Exchange, Israel. Its continued integration into the Adler Group poses certain risks. On the one hand, the capitalised earnings value risk of the investment itself is recognised and assessed; on the other, the operational risks of BCP's property portfolios and project developments are also recorded. ADLER indirectly incurs the usual project development risks on account of BCP's project developments. BCP has since contractually divested a significant number of commercial properties and a 75 percent interest in its major property development in Gerresheim. At the time these consolidated financial statements are being prepared, this poses two areas of risk as outlined below:

i) Disposal of a significant number of BCP commercial properties

In the process of divesting further parts of BCP's commercial portfolio, a second tranche was notarised with effect from 28 June 2019. Four Brack Group companies disposed of seven commercial properties with a total value of EUR 98.2 million. A further three Brack Group companies disposed of three commercial properties with a total value of EUR 30.4 million in an agreement dated 28 June 2019. The agreements concerning the ten commercial properties in total have a total volume of around EUR 128.6 million.

To date, transactions involving six of the ten properties have closed. The transactions of four commercial properties were expected to close in April/May 2020. The agreements that have not yet been closed have a total volume of around EUR 50.0 million. Reasons for the transactions not having closed yet include long lists of demands for documents for which the sellers require input from the tenant before they can respond. This gives rise to earnings and liquidity risks and risks of potential rescission of the agreements.

The commercial properties that currently remain are more difficult to sell. Consideration is being given to the possibility of no longer selling them or repurposing them. Risks associated with this include anticipated losses in a disposal scenario or costs for repurposing. As at the reporting date, the remaining commercial assets were revalued at current value.

ii) Disposal of 75 percent interest in project development in Gerresheim

In an agreement dated 22 September 2019/26 December 2019, Brack Capital Germany (Netherlands) XLVIII B.V. sold its 75 percent interest in Glasmacherviertel GmbH & Co. KG, Gerresheim, Dusseldorf, with effect from 1 June 2019 and took over existing bank loans and former shareholder loans for a total purchase price of EUR 213.75 million. The value of the real estate assets (project development) has been set at EUR 375 million. Closing and payment of the agreed four purchase price instalments were partly dependent on approvals that are still pending. Transfer of power of control has executed at the end of the first quarter of 2020 and the first instalment in the amount of EUR 36.0 million has been paid by the purchaser.

Due to delays in the establishment of the land development and zoning plans, BCP has engaged with the buyer in Heads of Terms according to which the transaction shall be cancelled. BCP has already applied for a binding ruling from the fiscal authorities in Germany with respect to the tax aspects of the cancellation transaction. The parties shall then mutually agree on the structure, terms and procedure of a reversal of the transaction.

On 28 December 2021, the parties mutually agreed to rescind and reverse the share purchase agreement with effect as of the date of execution of the agreement fully and completely.

Beginning of December 2021, ADLER has sold an approximately 7% stake in Brack Capital Properties N.V. ("BCP") to a subsidiary of LEG IMMOBILIEN SE ("LEG") for a purchase price of EUR 75 million. The purchase price corresponds to the EPRA NAV per share as of 30 September 2021.

In addition, ADLER has irrevocably undertaken vis-à-vis LEG to tender its remaining shares as part of a public tender offer by LEG for shares in BCP, provided that the price per share offered is not less than EUR 157.00 (EUR 765 million for the remaining ADLER stake) and that the (first) acceptance period ends no later than 30 September 2022. As consideration, LEG will immediately pay - in addition to the purchase price - a premium of EUR 7.5 million.

c) Caesar and Apollo

At the end of the second quarter of 2020, ADLER and the co-investor entered into a binding agreement with another investor, which provides for the sale of all shares in Caesar JV Immobilienbesitz und Verwaltungs GmbH. Accordingly, the shares held were reclassified under assets held for sale (EUR 4.0 million). The agreement also stipulates that ADLER will be fully compensated for the remaining receivables, including interest, from Caesar JV Immobilienbesitz und Verwaltungs GmbH. As of 31 December 2021, total receivables from Caesar amounted to EUR 27.8 million. If the sale no longer takes place, the presentation of the shares under asset held for sale must be reversed and the shares to be assessed in accordance with the equity portion. Unfortunately, the Company does not have any closing data for Caesar as of 31 December 2021, so far.

Furthermore, as of 31 December 2021, there were non-interest-bearing receivables from AB Immobilien B.V., Amsterdam, in the amount of EUR 15.0 million, considering default risks (excluding default risks - 31 December 2021: EUR 34.3 million). Based on information from the portfolio management, a valuation allowance in the amount of EUR 19.4 million has been recognised. With the notarisation of the sale of the remaining properties in Q4 2021 it has become foreseeable that upon payment in 2022, the receivables will not be settled in full.

d) LEG

On 11 October 2021, Adler Group and LEG Immobilien SE ("LEG") signed a term sheet setting out the key points of a transaction regarding the sale of a total of 15,350 residential units and 185 commercial units.

The transaction is based on a real estate portfolio value in an amount of EUR 1.426 billion. This is above the respective book values as of 30 September 2021. The transaction shall be executed by way of share deals and LEG will acquire 100% of the shares in the companies that are sold, which will result in around EUR 800 million of net cash proceeds taking into account secured debt and customary purchase price adjustments.

At the end of 2021, Adler Group successfully closed the sale of approximately 15,500 units to a subsidiary of LEG.

e) KKR

On 26 October 2021, Adler Group continued its sales process and had signed a term sheet with a leading alternative investment firm setting out the key points of a transaction regarding a total of 14,368 units. These units are mainly located in the Eastern part of Germany. According to the term sheet, the agreed real estate value for the portfolio amounts to more than EUR 1 billion.

On 13 January 2022, Adler Group announced the signing of an agreement with KKR, a leading global investment firm, on the sale of approximately 14,400 residential and commercial units, predominantly located in medium-sized cities in eastern Germany. The transaction is structured as an asset deal. The agreed purchase price corresponds to a valuation of the portfolio of EUR 1.05 billion and thus a premium on the book value reported as of 30 September 2021 and independently appraised by CBRE.

Senior Management regards operating risks from the portfolio management and its effects on the asset, financial and earnings, liquidity position as well as image as relevant.

Operating risks in project development

The development of real estate projects involves specific significant risks to which the Company is exposed. The Company may overestimate the value of and/or the business opportunities due to numerous factors, in particular the inability to identify all risks associated with the development of real estate properties.

Risks relating to land and buildings in the buy and plan phases

A key factor contributing to Consus' future growth and profitability is the ability to identify and, at financially attractive prices, acquire plots of land or properties utilising Consus' sourcing network, in particular through the individual contacts of its branches. There can, however, be no assurance that Consus' sourcing network will be able to continue identifying acquisition targets or that Consus will be able to maintain its sourcing network in the future. In addition, Consus' ability to acquire plots of land or real estate properties for its business may be adversely affected by the willingness of sellers to sell at financially attractive prices, the availability of acquisition financing, regulatory requirements, including those relating to building, zoning and environmental laws and various other market conditions. In addition, the emergence of competitors with similar business models and strategies may lead to an increasing demand for suitable real estate properties and may, therefore, lead to an increase in the acquisition costs for development opportunities or affect Consus' acquisition opportunities.

In connection with the acquisition of plots of land or properties, Consus is exposed to risks caused by the condition of the real estate property and the inaccurate assessment thereof. Consus may not be able to identify all material risks in connection with the due diligence processes it conducts. Due to market competition and limited time frames between the introduction of an acquisition opportunity onto the market and the transaction closing date, Consus' ability to evaluate acquisition opportunities and to engage in a diligent analysis of the specifics and constraints imposed by a seller may be limited. There can be no assurance that Consus has been or will be in a position to accurately identify, examine and evaluate all risks associated with an acquisition.

Consus has to acquire a variety of approvals from local authorities, including land-use plans (Bebauungspläne) and building permits (Baugenehmigungen). Any such delay could result in significant cost increases and, ultimately, negatively affect the profitability of Consus' business operations.

Risks relating to construction costs and delays in the build and deliver phases

Adler Group is also exposed to various risks relating to defective construction work or the use or installation of defective construction materials by third-party suppliers or contractors. The warranty, guarantee or indemnity protection set forth in its contracts with such third-party suppliers and contractors, and the arrangements with insurance providers to insure against certain risks, may prove to be insufficient or may not adequately protect against relevant risks. Furthermore, it may not be able to enforce claims in the respective amount, or at all, due to the third-party contractor's or supplier's insolvency, or for other reasons.

In addition, unanticipated cost overruns and substantial delays can arise in a development project due to numerous factors, including increases in acquisition costs for land, lack of availability and increases in the costs of building materials, adverse events affecting contractors and sub-contractors (e.g. their employees not being granted entry into Germany due to the coronavirus or their insolvency), increases in the costs of professional service providers, unidentified property defects, and unforeseen technical and ground conditions. In particular, higher than expected building costs may arise due to the current labour market in Germany, which exhibits a shortage of qualified personnel in the construction sector.

Risks selling development projects

Adler Group has sold its real estate developments to institutional purchasers by entering into forward sale agreements. Such forward sales can, in general, be delayed due to economic uncertainty, and the willingness of institutional purchasers to invest may decline in an economic environment shaped by the coronavirus. If the Company is unable to fulfill its obligations under the forward sale agreements by completing the respective project development as planned, that would permit it to refinance the acquisition costs and finance the development of a project, and it may experience delays in or fail to launch real estate development projects.

Any forward sale agreement may not materialise under the agreed terms, including as a result of amendments, withdrawals, failure to make payments or terminations by institutional purchasers. In the event that the purchaser withdraws from or terminates the forward sale agreement, Adler Group must bear the costs in connection with the sale of the property.

In some rare cases when dealing with forward sales, the condo clients might wish or be able to cancel the contract. This would result in additional need for liquidity to repay the purchase prices.

Adler Group may be unable to let residential units in its developed properties as required under the respective forward sale agreements in a timely manner or at all. This could have a material adverse effect on its revenue and thus results of operations. Also, the Company may not achieve the targeted rent per m² or the targeted vacancy rate of a development as agreed under the forward sale agreement.

Financial risks related to project development activities

Via Consus, Adler Group sells its real estate developments to institutional purchasers by entering into forward sale agreements. Such forward sales can, in general, be delayed due to economic uncertainty, and the willingness of institutional purchasers to invest may decline in an economic environment shaped by the coronavirus. If the Company is unable to enter into forward sale agreements (even after letters of intent were negotiated or agreed) or fulfil its obligations under the forward sale agreements by completing the respective project development as planned, that would permit it to refinance the acquisition costs and finance the development of a project. Consus may experience delays in or fail to launch real estate development projects.

Forward sale agreements may not materialise on the terms agreed upon, including as a result of amendments, withdrawals, failure to make payments or terminations by institutional purchasers. In the event that the purchaser withdraws from or terminates the forward sale agreement, the Company must bear the costs in connection with the sale of the property and potentially compensate for damages.

If the liquidity inflow from forward sales is missing and cannot bridged by equity or debts such as bonds or bank debts, the project may not be continued or finished.

Increase in liquidity risks reflects – among others – the rising building costs in the current economic environment.

Transaction risks

Consus is reversing a primary transaction due to the fact that the purchase price was not paid in full. In these cases there is a risk that the development projects are not in the same condition as of the day the projects were sold. This effect can be compensated by the better market situation of the future sales. As a consequence, the paid purchase price deducted by a penalty will be returned to the former buyer.

Concerning the potential return of further upfront sales, Consus is in final settlement discussions to ensure that outstanding purchase price payments will be fulfilled in the next months.

Senior Management regards the risks relating to the sale of development projects and their effects on the asset, expenses and income, liquidity position as well as image as very relevant.

Company-specific risks

Organisational risks

Our ability to manage our operations and growth requires the continuous improvement of operational, financial and management controls, reporting systems and procedures.

Adler Group employs and works together with a large number of service providers, including energy providers, providers of minor repairs and maintenance services and construction companies and therefore is dependent on their performance. If the services from third-party providers are not performed in accordance with their contractual obligations or services are not performed as scheduled or if the quality of work falls below applicable standards, Adler Group may face claims from tenants or from purchasers of individual residential units and may be exposed to delays and additional expenses.

Human resource risks

Competent, committed and motivated employees are an essential prerequisite for the Adler Group's success. The Company could find itself exposed to the risk that executives or other top staff leave the Company and that it is not in a position to replace them promptly with sufficiently qualified staff. The Group counters personnel risks in particular through a defined selection process and through various induction measures taken when employees join the Group (such as providing them with a welcome folder and instructions). However, the shortage of skilled workers is also becoming increasingly more evident in the property sector.

Due to the lean corporate structure in the holding functions, a high fluctuation rate of employees could lead to an outflow of intragroup knowledge. Adler Group counteracts this risk by hiring new staff, making substitution arrangements and sharing specialist and factual knowledge, as well as by involving external service providers.

Regulatory and legal risks

Legal risks arise whenever private contracts such as letting arrangements, the purchase or sale of properties, financing agreements with banks, capital market activities or company law agreements are involved. Legal risks also arise in connection with the Company's obligation to comply with a wide variety of requirements, laws and conditions governing property ownership and management. The Adler Group has secured suitable personnel resources to deal with its legal affairs and avoid legal risks. Where necessary, in individual cases, the Group also draws on external expertise. Any risks becoming apparent in connection with legal disputes are accounted for by recognising an appropriate volume of provisions in the accounts.

The Adler Group's business performance may be affected by various external factors, in some cases unforeseeable, which lie outside the Company's control, such as acts of terrorism or natural disasters. Prospective earnings from the rental and trading of property may also be affected, either positively or negatively, by political decisions in respect of monetary policy, tax policy, rental law or the subsidisation of housing construction.

In addition to the Adler Group S.A., which is established in Luxembourg, the Adler Group consists of more than 100 companies. These companies have registered offices in Germany, Luxembourg and further countries of the European Union (Netherlands, Denmark, Malta and Ireland). Our companies are subject to the laws of their jurisdictions of registration and the jurisdictions where they conduct business.

Risks related to taxation

The Adler Group is subject to the tax environment in Luxembourg, Germany and further countries of the European Union (The Netherlands, Denmark, Malta and Ireland) and Israel. The Company's tax burden primarily depends on various aspects of tax laws, as well as their application and interpretation. Amendments to tax laws may have a retroactive effect, and the application or interpretation of tax laws by tax authorities or courts may change. Furthermore, court decisions are occasionally limited to their specific facts by tax authorities. Any of these developments may increase or alter our tax burden.

The individual entities in the Adler Group are regularly subject to tax audits by the competent tax authorities which may result in increases in our tax obligations or penalties and fines.

The Adler Group may also be subject to administrative or judicial proceedings with respect to its tax declarations, and may incur substantial time and effort in addressing and resolving tax issues. In addition, changes in tax legislation, administrative practice or case law, which are possible at any time and may occur on short notice, could have adverse tax consequences for us. The applicable tax rates, for example with respect to property tax, property transfer tax or capital gains tax, may also change rapidly and at short notice.

Several service and financing agreements exist between the Adler Group companies. Especially the intercompany financing and management service agreements are cross-border transactions and are as such subject to special transfer pricing regulations. Hence, the tax authorities might not accept all deductions for our interest and or service payments.

A direct or indirect unification of 95% or more of the shares of property holding corporations or a direct or indirect transfer of 95% or more of the interest in a property holding partnership within a five-year period may trigger German real estate transfer tax (RETT). In addition, transaction costs for the acquisition of real estate may increase due to a change in German tax law. Possible changes in German tax law in relation to RETT, e.g. to a lower threshold, could affect our business model by, inter alia, higher structuring costs or triggering German real estate transfer tax. Despite possible and intended structures that mitigate RETT, the acquisition of 95% or more of the shares in Consus could trigger RETT.

The German Adler Group companies are integrated in a value added tax group. Hence, the VAT group is regarded as one single VAT entrepreneur for German VAT purposes and all services carried out within the VAT group are non-taxable for German tax purposes. If one requirement of the VAT group may not be fulfilled (financial, economic and organisational integration), all intercompany services would be subject to German value added tax. Since the Group companies are not fully entitled for input VAT deduction, Adler Group companies would have to make – beside 6% interest per annum – a definite VAT payment.

IT risks

Information technology systems are essential for the Company's business operations and success. Any interruptions in, failures of, or damage to the information technology systems or the voice-over-internet protocol telephony system could lead to delays or interruptions in our business processes such as the outage of our customer service or rental hotlines. In addition, the Company outsources some of its information technology services.

Any interruptions or failures by the provider of such services could lead to business process delays and negatively affect our information technology system. In particular, our information technology systems may be vulnerable to security breaches and cyber-attacks from unauthorised persons outside and within the Adler Group. Any malfunction or impairment of our computer systems could interrupt our operations, lead to increased costs and may result in lost revenue. The integration of newly acquired companies and portfolios into the Company's information technology systems presents further risks. If our information technology system and/or backups were to fail, we would have to recreate existing databases, which would be time-consuming and expensive.

Public relations and reputation risks

If the Company is unable to maintain its reputation and high level of customer service, tenant satisfaction and demand for our services and properties could suffer. In particular, if the Adler Group's reputation is harmed, it may become more difficult for us to let residential units and could lead to delays in rental payments or the termination of rental contracts by our tenants as well as finalising and selling development projects.

Any reputational damage due to the Company's inability to meet customer service expectations could consequently limit the ability to retain existing and attract new tenants and buyers. Furthermore, harm to the Company's reputation could impair the ability to raise capital on favourable terms or at all. Any downturn in tenant satisfaction, demand for our services and properties and any damage to our reputation could have a material adverse effect on Adler Group's business, net assets, financial condition, results of operations, cash flows and prospects.

Portfolio optimisation

On 4 October 2021, Adler Group S.A. announced that the Company has initiated a review of strategic options for its yielding real estate portfolio which could result in a sale of a material part of its yielding assets. Proceeds from such disposals aim to significantly reduce leverage also to return capital to bond and equity holders.

Shortly after the announcement, Adler Group S.A. is the subject of a report published on 6 October 2021, by the company "Viceroy Research", which is backed by the short-selling investor Fraser Perring. This report contains allegations that Adler Group has rejected in the strongest possible terms. A central accusation is that the property values stated by Adler Group in its balance sheets are inflated. This accusation is refuted by the fact that the property values stated were determined by independent, market-leading property valuers and independently verified by financing banks. Contrary to the Viceroy Report, Adler Group has sold several portfolios to institutional investors in the past twelve months alone, where the purchase price was higher than the balance sheet value reported by Adler Group.

In Q4 2021, Adler Group initiated a special forensic investigation conducted by KPMG to fully enlighten the accusations in the Viceroy report. End of January 2021, Adler Group S.A. was informed by its auditor KPMG Luxembourg that due to the ongoing special forensic investigation into the allegations made in the Viceroy Research Report, which is expected to be completed before an audit opinion is issued, it is highly unlikely that the audit of the consolidated financial statements would be completed in time for the audited consolidated financial statements to still be published by 31 March 2022.

Despite the statement and the announcement of profitable transactions, there has been an increase in negative press for the Adler Group. There is therefore a risk of (further) deterioration of the Company's reputation among the various stakeholders, such as equity and debt investors, authorities, business partners and the public, which may lead to an impairment of the operating business due to a lack and/or price increase of financial and operational resources by suppliers and service providers.

Risks related to central purchasing

The Adler Group relies on a wide range of suppliers in its daily operations. The risk describes the danger of being tied to a specific supplier on the basis of long-term contracts, of (regional) suppliers unilaterally imposing price increases due to monopoly positions or dependency, or of a key supplier becoming insolvent without an equivalent substitute product.

Purchasing guidelines usually only describe the generally applicable or expected principles and criteria of a process. However, it can only be assumed in the rarest of cases that all processes are regulated in a guideline, since there are special cases which are too rare to have been described when the guideline was created or which were not considered during the creation of the guideline. At the same time, there is a risk that the specifications of the purchasing guideline will be violated, either consciously or unconsciously, during the awarding of contracts.

These circumstances include

- (follow-up) negotiations without central purchasing or without timely involvement of central purchasing;
- risk of non-compliance with approval limits when awarding contracts;
- risk of non-uniform award of contracts to craftsmen and service providers;
- risk of improper use of funds.

Senior Management regards company-specific risks and its effects on the asset, expenses and income, liquidity position as well as image to be very relevant.

Sustainability risks

The topic of sustainability is becoming increasingly important and is therefore moving further and further into the focus of general perception and socially increased expectations of the sustainability performance of companies. As a real estate group, the Adler Group is aware of this responsibility towards employees, tenants, investors, service providers and business partners. Insufficient consideration of sustainable action leads to risks such as loss of reputation and damage to the image of the Adler Group as well as capital market risks, e.g., obtaining a good ESG score as a prerequisite for sustainable financing opportunities, and political as well as regulatory risks, e.g., additional costs in the event of increased CO_2 emissions.

The Adler Group has made a commitment to sustainability in its external presentation, but there are various risks that this will not be achieved to the desired extent. The sustainability risks are divided into the following areas:

Strategic, organisational and reporting risks

In the Group strategy redefined in 2021, "Excellence in ESG (sustainability)" was defined as one of the central development paths, alongside "Portfolio excellence" and "Excellence in digitalisation". The strategic paths permeate the entire value chain of the Adler Group and thus point the way to achieving the targeted vision.

There is a risk that these self-imposed targets cannot be achieved with the measures planned for this purpose and that there will be a negative impact on the reputation of the Adler Group. Also for the acceptance and value of green bonds, the Adler Group must (be able to) achieve the statutory and self-imposed targets. Otherwise, there is a risk that planned green bond issues cannot be made or cannot be made to the desired extent.

In order to achieve the self-imposed goals, it is necessary to initiate or implement suitable measures within a certain period of time. For this purpose, an appropriate organisation that harmonises and controls these measures must be set up. Sufficient budgets must be released for the measures, financial resources and personnel trained in sustainability issues must be made available. There is a risk that these measures will not be implemented, will not be implemented to a sufficient extent, will be implemented too late or will not achieve the desired goal due to a lack of resources or personnel in the relevant areas.

As a listed company with its registered office in Luxembourg, the Adler Group has a duty to regularly disclose non-financial information on sustainability within the Company. The accuracy of this information is essentially based on the uniform, complete and correct recording and evaluation of the data required for this purpose. There is a risk that the status report on the achievement of the self-imposed or legally prescribed targets may not be correct.

The ESG rating has become an important evaluation criterion for a company. In addition to profitability, security and liquidity, sustainability also takes into account the ethical and sustainable values of potential investors (stakeholders). Sustainability is also becoming an increasingly relevant criterion for business partners and employees when establishing or continuing business and contractual relationships. As the ESG rating deteriorates, there is a risk that the Company's reputation for sustainability among stakeholders will suffer.

Environmental risks

The environmental aspect is an important criterion in the Adler Group's portfolio optimisation and development projects.

When planning new properties, new neighbourhoods or entire urban districts, the green quality of buildings can be specified from the outset by using materials with a particularly favourable CO_2 footprint, employing new construction techniques that avoid CO_2-intensive building materials, or giving preference to the use of recycled materials.

Furthermore, the use of climate-neutral heating systems, consumption-reducing water systems, provision of selective waste collection and consideration of climate-friendly waste collection should avoid further operational environmental risks.

With the green deal, the European Union (EU) has formulated important sustainability goals - including climate neutrality, an improved circular economy, and greater renovation and upgrading of buildings in this sense. From the beginning of 2021, the price for CO_2 is part of the German government's climate protection programme. A compromise proposal is based on the efficiency class of the buildings and distributes the costs between the parties depending on the energy condition of the building. Due to the age of the buildings and the low modernisation rate in the Adler Group portfolio to date, this could result in a cost risk if apportion ability is overturned and the increased costs from the CO_2 price should not be passed on to the tenants.

The risk is that the requirements cannot be met or cannot be met in a timely manner resulting in additional costs or fines. Furthermore, the environmental protection measures may make a positive contribution to the Adler Group's ESG goals, but that the overall profitability of individual measures or the Adler Group as a whole may decline.

Social risks

The area of social sustainability also permeates the entire value chain of the Adler Group. While in the area of Manage & Service the focus is particularly on existing tenants, the aim of real estate development is to design a sustainable and needs-oriented neighbourhood development at an early stage. The approach of social sustainability is also directed at the Company‘s own employees as well as the Company as such and thus also at the business partners and suppliers of Adler Group.

The neighbourhood management is intended to help promote neighbourhoods with special development needs, to bring together stakeholders from various areas of administration, local politics, private business, local associations, civic clubs and non-organised residents, to strengthen the economic and social structure of neighbourhoods through joint activity and to actively involve residents in this process in the sense of helping them to help themselves.

There is a risk that the needs of investors and future tenants will not be met, despite early involvement of the various interest groups, appropriate planning of redevelopment measures and new buildings, and architecture oriented toward health and well-being.

Companies must be and remain innovative in order to hold their own in the market. Positive differentiation from competitors or positive customer experiences with a company contribute to customer satisfaction and customer loyalty. The Adler Group has an interest in retaining tenants for the long term and keeping vacancies low. The Adler Group is convinced that this can best be achieved through high service quality and customer orientation. The activities in cooperation with municipalities, welfare organisations or non-profit associations to advise tenants on matters concerning authorities, to overcome language barriers, to create accessibility, to organise childcare and to create meeting places cannot lead to the desired result of increasing tenant satisfaction.

Dealing with employees in a respectful and appreciative manner is more than just complying with the law. It is also a question of corporate culture, which can be actively shaped in the spirit of good cooperation. When employees feel involved, have a say and find their job fulfilling, this increases motivation, promotes employee loyalty and supports innovation processes. There is a risk that the promotional measures to increase employee satisfaction, e.g. harmonised and attractive remuneration models, interesting development opportunities, training and development measures, flexibilisation of working models to reconcile family and career, are not sufficient to be perceived as an attractive employer and thus to attract and retain qualified employees.

Managing and developing real estate entails certain health and safety-related risks. A significant incident or a general deterioration in our standards could put our employees, customers, contractors or the general public at risk of injury or death and could lead to litigation, significant penalties or damage to our reputation. The Adler Group attaches particular importance to health and safety in the Company's business. The area of occupational safety and health management is directly assigned to the Chief Legal Officer of the Adler Group and accordingly enjoys high priority. Despite appropriate guidelines, training and instruction as well as ongoing controls, there is a risk that our own employees as well as employees of business partners may be exposed to hazards and harm on the premises and construction sites of our real estate development.

The globalised economy in particular, with increasingly complex supply chains and growing competitive pressure, harbours the risk of human rights violations. Companies therefore have an increasing responsibility to effectively protect these rights in their own business activities and along the value chain. When selecting business partners, not only economic aspects such as price and quality of the products and services offered are taken into account, but also the quality of the suppliers in terms of sustainability and social responsibility, e.g. observance of human rights, e.g. no child labour, occupational health and safety, appropriate remuneration, etc. However, there is a risk that due to a lack of information or deception in the contractor information, an appropriate selection of business partners and sufficient control along the entire supply and service chain is not possible.

Governance and compliance risks

There is no guarantee that the Company's risk management or compliance systems are sufficient to manage the risks faced by the Adler Group. The Company may be faced with risks that were previously unknown, unrecognised, underestimated or unconsidered, and our risk management or compliance systems may function incorrectly or fail. Inappropriate risk management or compliance measures may cause irregularities leading to, among other things, cash losses or delays in completion of development projects, or to official investigations or third-party claims against us, which in turn could have significant financial, reputational and other consequences.

The EU General Data Protection Regulation (GDPR), which came into force in May 2018, introduced extensive documentation obligations and considerably higher transparency requirements, which affect not only initial data collection but also the monitoring and investigation once personal data has been collected. The Adler Group implemented the new requirements of GDPR in order to ensure its compliance. It also continually adapts and redesigns its processes to this end. Additionally, although the Company strives to comply with all applicable laws, regulations and legal obligations relating to data usage and data protection, it is possible that these laws, regulations and other obligations may be interpreted and applied in a manner that is inconsistent with our practices. Non-compliance may lead to large fines, which would be calculated on the basis of the revenues of the Adler Group.

The infringement of provisions of capital markets legislation, such as the Wertpapierhandelsgesetz, (WpHG) and the Market Abuse Regulation (MAR), by the listed companies within the Adler Group may also lead to large fines.

Supported by the department Compliance & Risk Management, the Chief Compliance Officer informs management, employees and business partners about relevant provisions of capital markets legislation and the consequences of any infringement of those regulations.

Any non-compliance by the Adler Group with the applicable regulations could lead to fines and other sanctions.

Senior Management regards sustainability risks and its effects on the asset, expenses and income, liquidity position as well as image as relevant.

Opportunities report

As part of the Adler Group's opportunity policy, those responsible regularly assess the entrepreneurial opportunities of the Group as a whole. The material opportunities that are closely related to the risks are described before.

Since the completion of the combination between ADO Properties S.A. (now Adler Group S.A.), ADLER and Consus came into effect, many measures have been initiated to establish a uniform structure, harmonise processes and to combine various activities wherever economically feasible. Opportunities arise not only from the fact that costs can be reduced in larger organisations through economies of scale, they can also result from more favourable financing conditions. Further synergies might arise if the Adler Group can negotiate lower prices for goods and services. Finally, the new Group also becomes more attractive on the labour market because it offers more and better opportunities for promotion.

Opportunities related to macroeconomic and industry-related conditions as well as socio-political environment

Positive change in the macroeconomic and real estate environment

The Adler Group continued to present its financial stability in the 2021 financial year. The consolidation of the organisational structure, the creation of improved processes and the implementation towards an integrated real estate group with the entire value chain show first economic successes. The Adler Group has thus moved up into the group of major German listed real estate companies.

Despite the ongoing corona pandemic, the high demand for apartments remains unbroken. It continues to be driven by the same factors that have been significant in previous years: demographic change, the increasing number of single-person households and the continuing tendency of people to seek out cities and avoid the countryside. While there continues to be a trend toward urban flight to the outskirts of major cities, this trend is being eclipsed by influxes of people from abroad - whether people from other European countries looking for work in Germany or people coming to Germany from countries outside Europe to seek asylum here.

Moreover, the growing demand in the area of “affordable” housing, in which the Adler Group is active, is hardly matched by new supply. Although apartments have been built and approved again in 2021, the price of newly built apartments is far higher than that of existing apartments. Rental price differentials are correspondingly high. For price-sensitive tenants, living in apartments of the type that the Adler Group can offer is therefore usually the better alternative. With the inclusion of Consus in the Adler Group, the range will be expanded so that new-build apartments can also be offered in urban neighbourhoods.

Strategic opportunities

Strategic focus and portfolio disposals

After having been approached by several large institutional real estate investors showing strong interest, Adler Group S.A. initiated a review of strategic options for its yielding real estate portfolio at the beginning of October 2021, which could result in the sale of a material part of its yielding assets. Proceeds from such disposals aim to significantly reduce leverage and also to return capital to bond and equity holders.

At the end of December 2021, the Company successfully closed the sale of approximately 15,500 units to a subsidiary of LEG IMMOBILIEN SE. With this disposal of 15,362 residential and 185 commercial units, Adler Group takes the next step towards a more sharpened portfolio approach focussing on Germany’s prospering big cities.

Mid-January 2022, Adler Group announced the signing of an agreement with KKR, a leading global investment firm, on the sale of approximately 14,400 residential and commercial units, predominantly located in medium-sized cities in eastern Germany. The transaction is structured as an asset deal. The agreed purchase price corresponds to a valuation of the portfolio of EUR 1.05 billion with expected net cash proceeds of around EUR 600 million. This corresponds to the amount stated in previous publications. With this cash inflow, Adler Group will further deliver on its objective of deleveraging its balance sheet and achieve its strategic goal of reducing the loan-to-value ratio (LTV) to below 50%.

With the successful reduction of the LTV, Adler group will be able to reduce its interest charges and payments and its future liquidity requirements. This also enables improvements of the Company's external rating which may result in a higher attractiveness for investors.

Integration

When defining its integration and business strategy and preparing short and medium-term plans as the new Adler Group, the Company identified potentials that have been reflected appropriately based on the corresponding assumptions and scenarios on sociological and political trends as well as regulatory and financing environment. With the ongoing harmonisation of internal guidelines and processes during 2021, the Company expects to further improve efficiency.

Due to scenarios with more positive conditions, Adler Group’s business development might have more favourable results than stated in the Company’s plans.

Digitalisation in the real estate industry and the Company organisation

The Adler Group sees further digitalisation as an opportunity to make administrative processes more efficient and thereby permanently reduce administrative expenses, in particular for the uniform recording of all tenant as well as property and project development data and as a basis for timely and comprehensive reporting and controlling of all real estate activities by implementing standardised ERP management systems. Also, the digitalisation of company internal processes, e.g., in the financial and personal management, offers efficiency potentials.

The associated increase in efficiency is also expected to have a positive impact on the Adler Group's cost structure.

The Company sees further potential to automate manual and error-prone work through projects driving digitalisation. The qualified employees who process and are responsible for these areas can thus be entrusted with tasks that cannot be automated. Further harmonisation and optimisation efforts in the Adler Group will continue to drive digitalisation in general.

Financial and financing opportunities

Given continuing favourable conditions on the capital and banking market with sustained low interest rates, the Adler Group will have the opportunity to further the structure and conditions of the Group's financial liabilities.

Improvement of external corporate rating

On 11 August 2021, Standard & Poor's confirmed the "BB" credit rating but downgraded the rating to "B+" on 11 October 2021, as well as on 11 February 2022 to „B-„ due to on "business uncertainty and tightening liquidity, following the Viceroy report".

A re-improvement of the rating is targeted facing a better LTV after the strategic focussing end of 2021 and beginning of 2022. The importance of the Adler Group's external corporate rating is considered material by the Board of Directors. The further improvement of the rating and the receipt of a so-called investment grade rating entail opportunities for the Adler Group regarding further (re-)financing on the capital market. These opportunities are highly significant. An investment grade rating is often a basic prerequisite for institutional investors to even consider a possible investment.

(Re-)financing opportunity

The current interest rate level, the good rating and any expiring fixed interest rates continue to provide the Adler Group with opportunities for further good financing on the capital market and with commercial banks. Thus, average debt financing could be further reduced, as already shown by the placement of the bonds at the beginning of 2021. However, no longer at the level of previous years.

Positive change in interest rates

The possibility of taking advantage of lower interest rates also offers Adler Group financial opportunities. The declining interest rates observed in recent years lead to lower discount and capitalisation rates for property valuations. This in turn leads to higher IFRS values (fair values). Sensitivity considerations in the reduction of the discount and capitalisation rates by 0.25 percentage points each have led to an increase in IFRS values (residential investment properties) of around 9.7% at the Adler Group. In this context, however, the parameters of market rent and vacancy rates must also be considered, which could reinforce this development or have the opposite effect.

Opportunities from the operating business

Operational opportunities of the integrated real estate company

The Adler Group sees a significant opportunity to improve occupancy rates and rental income in the expansion of the value chain through the creation of its own apartments through the acquisition of the real estate developer Consus in 2020. In addition to the renovation of vacant residential units to make them marketable again and able to be rented at reasonable prices, the creation of new apartments that meet current standards also opens more rental potential. Almost all housing portfolios are managed in-house: organisation of the integration of rental housing management and billing as well as extensive management by means of its own facility management has been implemented. Cost savings and further economies of scale are being achieved and will continue to be increased gradually due to ADLER Real Estate AG's own administration and management of property portfolios within the main process of property management. In addition, a Group company has in the meantime taken energy purchasing and energy supply for the residential portfolios of the entire Adler Group into its own hands.

Almost all residential portfolios have been managed in-house since the 2019 financial year. The integration of rental apartment management and billing as well as largely in-house facility management has been implemented. By managing and servicing the real estate portfolios in-house as part of the Adler Group's main portfolio management process, cost savings and further economies of scale are being realised and successively leveraged further. However, the challenge of attracting sufficiently qualified personnel remains.

Increase in market rent

Rising market prices can currently be observed everywhere. The Adler Group can also report a moderate increase in its average rental prices in the 2021 financial year. In this respect, the Adler Group believes that there is also a chance that rising market prices will have a positive impact on the IFRS values of the investment properties in the future. The continued high demand for residential space with hardly any improvement in supply because of low building permits and full utilisation of construction companies is leading to rising market rents and thus to higher fair values of the properties. In the future, however, a further increase in market rent and IFRS property values will tend to occur at a quicker pace than in the past, which is also due to the Berlin Rent Freeze being null and void, where the Adler Group held 72.2% of its apartments and generated 79.6% of its annualised net rental income in 2021 (considering the core residential portfolio).

Reduction in vacancy rate

Through intensive modernisation programmes in previously vacant residential units, Adler Group was able to achieve significant improvements in earnings and reductions in vacancies in past financial years as well as in 2021. The financial opportunities were reflected on the one hand in the higher profitability of the company's own real estate portfolio and on the other hand in lower vacancy costs as a result of letting. In addition, residential complexes become more attractive as a result of higher occupancy rates and as a result of investments also in the neighbourhoods, and fluctuation decreases, which leads to further savings (leasing commissions, renovations after leasing, temporary vacancy).

Opportunities when buying and selling real estate

Currently, the opportunities to purchase real estate at favourable prices are increasingly dwindling. For this reason, the Adler Group is looking for new ways of acquiring real estate, which could be realised after the takeover of Consus into the Adler Group.

Due to the many years of industry experience of the Senior Management and the good networks, the Adler Group nevertheless has an appropriate portfolio of potential investments, which are evaluated on an ongoing basis and, if necessary, examined in more detail as part of due diligence.

Following the strategic focussing in 2021, a further streamlining of the portfolio to focus on the core business and to increase profitability may lead to income and/or cash inflows for further debt repayment and improvement of the LTV.

Company-specific opportunities

Further harmonisation and development of common processes and guidelines, the implementation of a single IT landscape and streamlining of the Group tax structure might provide more opportunities than expected.

In connection with creating the new Adler Group, the Company developed a new HR development concept with harmonised standards and processes for all employees in the Group. Further opportunities include actively shaping the recruitment of new staff to fill vacant positions with highly skilled and motivated people. Embedded in a Group-wide value-based change management, various projects have been initiated to implement and strengthen a common Adler Group culture. These measures bring further opportunities as the appeal of the Company as an employer does increase.

Sustainability

The ever-increasing interest of investors, business partners, tenants and employees in sustainable business practices creates significant opportunities for a company that acts sustainably. Sustainability combined with a good ESG rating offers the Adler Group expanded financing opportunities, greater attractiveness as a landlord and employer. In addition, investors are also increasingly looking for sustainable, environmentally compatible, and socially responsible investments. This trend can also be observed in the construction sector and is leading to increased pressure for energy-efficient, cost-saving building solutions. Political intervention in the form of legislative initiatives and subsidies is adding to this pressure. Through Consus, the Adler Group is tapping into this trend with its innovative concepts in neighbourhood development.

True to our vision “More future per m²”, the Adler Group's goal is to achieve an improvement in quality of life. By using sustainable, ecological building materials as well as energy concepts, the Adler Group contributes to the conservation of scarce resources and uses of renewable energies.

What is true for the development projects also offers opportunities in the existing portfolio. The ambitious roadmap to half the greenhouse gas emissions resulting from the portfolio until 2030 is a reaction to the changes in the regulatory framework. But it will improve the competitiveness of the existing portfolio in the rental markets as energetically refurbished apartments come with lower ancillary costs for heat and energy and at the same time provide much higher quality and comfort. Opportunities appear to be even better for companies which lead the market in this process.

Overall assessment of the risks and opportunities by the Senior Management

The Senior Management and the Board of Directors of Adler Group have assessed and discussed the risks throughout the last year. Risks were assessed very cautiously, and opportunities were viewed with reserved optimism.

From today's perspective, the Senior Management does not see any risks that could endanger the existence of the company or its earnings, assets and/or financial position. Overall, this results in a risk profile that is usual for the real estate business. By analysing early warning indicators and risks at an early stage, Adler Group is able to react in good time by taking appropriate countermeasures and mitigating negative effects. At this stage, it can be said that the risk prognosis is positive and that there are many opportunities for Adler Group to exploit in the medium and long term.

Concluding remark

This Opportunities and Risk Report contains forward-looking statements and information. These forward-looking statements may be identified by words such as ‘expects,’ ‘intends,’ ‘will,’ or words of similar meaning. Such statements are based on our current expectations, assessments and assumptions about future developments and events and, therefore, are naturally subject to uncertainties and risks. The actual developments and events may differ significantly both positively and negatively from the forward-looking statements so that the expected, anticipated, intended, believed or estimated developments and events may, in retrospect, prove to be incorrect.

Combined Management Report

2 Combined Management Report

Fundamentals of the Group

Business model

Adler Group S.A. is a well-diversified residential real estate company with properties in Germany valued at EUR 10.0 billion. We hold and manage approximately 27,500 apartments in our core portfolio, with an additional 6,000 units under development in Germany's top cities.

Our business model focuses on asset and portfolio management, property and facility management and identifying residential properties throughout Germany that present opportunities to create value by increasing rents and decreasing vacancy. With our strategic landbank in the top German cities and our highly experienced development platform, we expect the build-to-hold development projects to be completed over the next 6-8 years. We will deliver new residential units in a strategic effort to address the ongoing housing shortage in Germany. Our 1,286 operational employees are based in our Berlin operational headquarters as well as in several locations across Germany bringing us closer to our assets and tenants.

Objectives and strategy

We focus on actively managing our core portfolio to grow earnings and improve EBITDA margins.

We focus on increasing rents through active asset management and targeted investments to modernise, refurbish and re-position our properties, while constantly screening and anticipating developments in different sub-markets. Our strategy to realise upside potential consists of the following approaches: We pursue regular rent increases up to the market levels (i) within the regulatory and legal limits as well as (ii) through tenant fluctuation without CAPEX investment. In addition, we continuously review rent potentials and pursue growth beyond the rent tables through targeted CAPEX investments to

RESIDENTIAL RENTAL PORTFOLIO

27,469
units

OPERATIONAL EMPLOYEES

1,286
people

modernise, refurbish and/or re-position our properties allowing for higher rent levels. Lastly, we reduce portfolio vacancy by active marketing with an approach tailored to the respective micro-location. Our strategy allows and also leads us to choose high quality tenants which continuously improves our tenant structure by maintaining our portfolio assets at the market standard suitable for current demand.

We seek to optimise our portfolio and recycle capital through selective investments and disposals.

By disposing of non-core assets, we aim at streamlining our rental portfolio by increasing our focus on mid and large-size cities where we can manage a critical mass of assets and simultaneously improve our profitability and portfolio KPIs. By selling selected assets at book value or above, we aim to continuously demonstrate the resilience of the German residential real estate market. Active capital recycling enables us to fund the construction of our development pipeline which will further improve the quality of our portfolio.

Furthermore, we also expect to benefit from Consus' ongoing forward sales and condominium sales of its development projects to yield NAV accretive growth over the next three to four years.

We are committed to adding value through development and modernisation thereby driving organic growth.

Through the integration of ADLER and Consus, we have grown and diversified our business by securing a clear and profitable organic growth path which rests upon our high quality build-to-hold development pipeline with a current gross asset value (GAV) of EUR 900 million. We aim to develop approximately 500,000 m^2 of additional rental area across 6,000 additional rental units in Germany's top cities over the next ten years. In addition to that, selected CAPEX and modernisation measures in our core portfolio will elevate the quality of our rental portfolio and simultaneously improve the energy efficiency.

We plan to further simplify our capital structure.

We intend to simplify capital structure and further reduce the Group's weighted average cost of debt by refinancing expensive debt with more attractive secured or unsecured debt instruments.

Our financial policy includes a sustainable target of LTV below 50% in the medium-term, without equity raising requirements. This target will be reached once the proceeds from the sale of non-strategic assets to KKR/Velero are received. Ultimately, it is our focus to obtain an investment grade credit rating.

We target continuous dividends with a payout ratio of up to 50% of our annual FFO 1 (from rental activities).

Our portfolio and operational excellence combined with our sustainable financing strategy allows us to distribute stable dividends on an annual basis with a targeted payout ratio of up to 50% of FFO 1 (from rental activities).

Competitive strengths

We benefit from a fully integrated, efficient and scalable in-house real estate portfolio management platform, led by an experienced management team focused on growth and value creation.

This platform enables us to create value across the entire spectrum of real estate portfolio management, including the identification of suitable real estate assets or portfolios as well as their acquisition and administration. Our platform, combined with our in-depth knowledge of the real estate market, makes us well suited to identify portfolio assets that can be improved through targeted capital expenditure. Our management team is experienced in in-house asset management, property and facility management and construction management. Furthermore, we have qualified teams of real estate professionals in all areas of our business operations which allow us to be flexible in adapting to market conditions to sustain further portfolio growth.

We are a top-tier residential real estate platform with a high quality portfolio that is diversified across core locations in Germany.

We have sharpened our portfolio by disposals of non-strategic yielding assets leading to a range of assets in German cities with attractive yield potential. The core real estate portfolio of the Adler Group comprised approximately 27,500 residential units as of 31 December 2021. In particular, the Berlin residential market, which accounts for the majority of our portfolio, continuously benefits from a combination of positive net migration, an increase in qualified workers, a decreasing average household size and limited supply of new rental units, ultimately resulting in continued rental growth, which we expect to positively impact our business.

We are committed to tenant satisfaction through our business approach.

We strive for tenant satisfaction and place our tenants at the centre of our operations. We demonstrate high responsiveness to our tenants' needs and actively manage communications with our tenants through in-house and external call centres. Furthermore, we maintain our properties at the market standard suitable for the current demand through ongoing investments. Our business approach leads to better tenant satisfaction as shown by our sustainable high rent collection rate and decreasing vacancy in our properties.

We have a solid balance sheet structure with a conservative target LTV ratio and long-term maturity profile at low funding costs.

Adler Group has a conservative balance sheet with potential for further improvement. As of 31 December 2021, our LTV ratio stood at 50.9% (49.4% excluding convertibles), cost of debt at 2.2%, an interest coverage ratio of 2.3, and a weighted average maturity of 4.1 years.

Financial performance indicators

The European Public Real Estate Association (EPRA) changed its definition of net asset value (NAV) in October 2019 and it was applied for the first time in the 2020 financial year. The key figures NAV and NNNAV have been replaced by three new figures: Net Reinstatement Value (NRV), Net Tangible Asset (NTA) and Net Disposal Value (NDV).

In addition to the new EPRA NAV metrics, we continue to show EPRA NAV based on the previous EPRA Best Practice Recommendations (BPRs).

EPRA NAV represents the fair value of net assets on an ongoing, long-term basis. Assets and liabilities that are not expected to crystallise in normal circumstances, such as the fair value of financial hedging derivatives and deferred taxes on property valuation surpluses, are therefore excluded. Similarly, trading properties are adjusted to their fair value under the EPRA NAV measure.

EPRA NAV makes adjustments to IFRS NAV to provide stakeholders with the most relevant information on the fair value of the assets and liabilities within a true real estate investment company with a long-term investment strategy.

Adler Group has an outstanding convertible bond, which might be converted into equity at maturity. To take this fact into account, we present all the NAV metrics on a diluted basis as well which includes the fair value of the convertible bond and the fully diluted number of shares at the corresponding reporting date.

Calculation of EPRA NAV

Total equity attributable to owners of the Company

(+) Revaluation of inventories[1)]
(–) Fair value of financial instruments[2)]
(–) Deferred taxes[3)]

= **EPRA NAV**

1) Difference between inventories carried in the balance sheet at cost (IAS 2) and the fair value of inventories.

2) Fair value of financial instruments that are used for hedging purposes where the Company has the intention of keeping the hedge position until the end of the contractual duration.

3) For EPRA NAV and EPRA NRV: Deferred tax as per the IFRS balance sheet in respect of the difference between the fair value and the tax book value of investment property, development property held for investment, intangible assets, or other non-current investments.

For EPRA NTA: Only deferred taxes relating to the proportion of the portfolio that is intended to be held in the long-run and not sold are excluded.

The objective of the EPRA NRV measure is to highlight the value of net assets on a long-term basis. Assets and liabilities which are not expected to crystallise in normal circumstances, such as the fair value movements on financial hedging derivatives and deferred taxes on property valuation surpluses, are therefore excluded. Since the indicator also aims at reflecting what would be needed to recreate the Company through the investment markets based on its current capital and financing structure, related costs (such as real estate transfer taxes) are included.

Calculation of EPRA NRV

Total equity attributable to owners of the Company

(+) Revaluation of inventories[1)]
(–) Fair value of financial instruments[2)]
(–) Deferred taxes[3)]
(+) Real estate transfer tax[4)]

= **EPRA NRV**

4) For EPRA NRV: Real Estate Transfer Tax on investment properties is the gross value as provided in the valuation certificate (i.e., the value prior to any deduction of purchasers' costs).

For EPRA NTA: The Company has a history of successfully completing share deals; and there is a reasonable expectation that the Company can also do so in the future. Therefore, transfer tax optimisation adjustment has been used by applying the implied average transfer tax consistently achieved in the past.

The underlying assumption behind the EPRA Net Tangible Assets calculation assumes that entities buy and sell assets, thereby crystallising certain levels of deferred tax liability.

Calculation of EPRA NTA

Total equity attributable to owners of the Company

(+) Revaluation of inventories[1)]
(–) Fair value of financial instruments[2)]
(–) Deferred taxes[3)]
(–) Goodwill
(+) Real estate transfer tax[4)]

= **EPRA NTA**

EPRA Net Disposal Value presents a scenario where deferred tax, financial instruments and certain other adjustments are calculated as to the full extent of their liability, including tax exposure not reflected in the balance sheet, net of any resulting tax. This measure should not be viewed as a "liquidation NAV" because, in many cases, fair values do not represent liquidation values.

Calculation of EPRA NDV

Total equity attributable to owners of the Company

(+)	Revaluation of inventories[1)]
(–)	Fair value of fixed interest rate debt[5)]
(–)	Goodwill

= **EPRA NDV**

5) The difference between the fair value of fixed interest rate debt and book value included in the balance sheet as per IFRS.

NOI (net operating income) equals total revenue from the property portfolio less all reasonably necessary operating expenses. Aside from rent, a property might also generate revenue from parking and service fees. NOI is used to track the real estate portfolio's capability of generating income.

EBITDA from rental activities is an indicator of a company's financial performance and is calculated by deducting the overhead costs from NOI. It is used as a proxy to assess the recurring earnings potential of the letting business.

EBITDA Total can be derived by adding the net profit from project development activities, the fair value gain from build-to-hold development and the net profit from privatisations to EBITDA from rental activities.

In addition, we present the NOI margin from rental activities – calculated as NOI divided by net rental income, as well as EBITDA margin from rental activities – calculated as EBITDA from rental activities divided by net rental income. These metrics are useful to analyse the operational efficiency at real estate portfolio level as well as at company level.

Calculation of EBITDA (from rental activities)

Net rental income

(+)	Income from facility services and recharged utilities costs
=	**Income from rental activities**
(–)	Cost from rental activities[6)]
=	**Net operating income (NOI) from rental activities**
(–)	Overhead costs from rental activities[7)]

= **EBITDA from rental activities**

6) Cost from rental activities is the aggregate amount of (a) Salaries and other expenses related to rental activities; (b) Net cost of utilities recharged; and (c) Property operations and maintenance, excluding one-off costs. Adjustments for one-off costs include items that are of a non-periodic nature, recur irregularly, are not typical for operations, or are non-cash-effective.

7) Overhead costs from rental activities represent the “General and administrative expenses” from the profit or loss statement excluding one-off costs and depreciation and amortisation relating to rental activities. Adjustments for one-off costs include items that are of a non-periodic nature, recur irregularly, are not typical for operations, or are non-cash-effective like impairment losses on trade receivables.

Calculation of EBITDA Total

	Income from rental activities
(+)	Income from property development
(+)	Income from real estate inventories disposed of
(+)	Income from other services
(+)	Income from selling of trading properties
=	**Revenue**
(–)	Cost from rental activities[6)]
(–)	Other operational costs from development and privatisation sales[8)]
=	**Net operating income (NOI)**
(–)	Overhead costs from rental activities[7)]
(–)	Overhead costs from development and privatisation sales[9)]
(+)	Profit from portfolio sales[10)]
(+)	Fair value gain from build-to-hold development[11)]
=	**EBITDA Total**
(–)	Net cash interest[12)]
(+/–)	Other net financial costs[13)]
(–)	Depreciation and amortisation
(+)	Change in fair value of investment properties
(+/–)	Other expenses/income[14)]
(–)	Net income from at-equity valued investment[15)]
=	**EBT**

8) Other operational costs from development and privatisation sales is the aggregate amount of (a) Costs of real estate inventories disposed of; (b) Costs of property development; and (c) Costs of selling of trading property (condominiums) excluding one-off costs and depreciation and amortisation. Adjustments for one-off costs include items that are of a non-periodic nature, recur irregularly, are not typical for operations, or are non-cash-effective.

9) Overhead costs from development and privatisation sales represent the "General and administrative expenses" from the profit or loss statement excluding one-off costs and depreciation and amortisation excluding costs relating to rental activities. Adjustments for one-off costs include items that are of a non-periodic nature, recur irregularly, are not typical for operations, or are non-cash-effective.

10) Profit from portfolio sales includes the disposals of IAS 40 properties. This position compares the proceeds generated from the disposal with the last recognised book value and also deducts the related costs of this sale.

11) Our internally developed build-to-hold portfolio allows the Company to generate fair value gain.

12) Net cash interest is equal to "Interest on other loans and borrowings", excluding day-1 fair value non-cash adjustment and interest capitalised for development projects, plus the nominal interest expense on bonds.

13) Other net financial costs is equal to the total "Net finance costs" from the profit or loss statement less "Net cash interest" as calculated in footnote 11) above.

14) Other expenses/income relates to adjustments for one-off costs which include items that are of a non-periodic nature, recur irregularly, are not typical for operations, or are non-cash-effective.

15) Net income from at-equity valued investment from the profit and loss statement.

Starting with EBITDA from rental activities, we calculate the main performance figure in the sector, the FFO 1 (from rental activities). This KPI serves as an indicator of the sustained operational earnings power after cash interest expenses and current income taxes of our letting business.

Calculation of FFO 1 (from rental activities)

	EBITDA from rental activities
(–)	Net cash interest relating to rental activities[16)]
(–)	Current income taxes relating to rental activities[17)]
(–)	Interest of minority shareholders[18)]
=	**FFO 1 (from rental activities)**

16) Net cash interest relating to rental activities is equal to "Interest on other loans and borrowings" relating to rental activities, excluding day-1 fair value non-cash adjustment, plus the nominal interest expense on bonds.

17) Only current income taxes relating to rental activities.

18) Interest of minority shareholders in ADLER's subsidiary Brack Capital Properties N.V. ("BCP") as ADLER's share is only 62.78% as at 31 December 2021.

Starting from EBITDA Total, we calculate FFO 2 (incl. disposal results and development activities). FFO 2 is used to indicate the total operational earnings power.

Calculation of FFO 2
(incl. disposal results and development activities)

	EBITDA Total
(–)	Net cash interest[12)]
(–)	Current income taxes[19)]
(–)	Interest of minority shareholders[18)]
=	**FFO 2 (incl. disposal results and development activities)**

19) Current income taxes as presented in the financial statements exclude the income tax relating to the disposal of the non-core portfolio.

The loan-to-value ratio (LTV ratio) indicates the degree to which the net financial liabilities, calculated as the book value of the interest-bearing loans and borrowings plus bonds less cash and cash equivalents, are covered by the fair market value of the real estate portfolio. This indicator helps us to ensure a sustainable ratio of borrowings compared to the fair value of our real estate portfolio.

The LTV ratio was adjusted to align with the methodology of ADLER Real Estate AG. The net financial liabilities are adjusted for selected financial assets like purchase price receivables and financial assets, among others. The fair value of the properties includes advances paid in respect of investment properties and is adjusted for property, plant and equipment used for energy management and property management services and for investments in real estate companies.

Calculation of LTV

	Bonds, other loans and borrowings
(+)	Convertible bonds
(–)	Cash and cash equivalents
(–)	Selected financial assets[20)]
(–)	Contract assets
(–)	Assets and liabilities classified as held for sale
=	**Net financial liabilities**
(+)	Fair value of properties[21)]
(+)	Investment in real estate companies[22)]
=	**GAV (Gross Asset Value)**
	= **Loan-to-value ratio (LTV ratio)**

20) Including financial receivables, trade receivables from the sale of real estate investment and other financial assets.

21) Including investment properties and inventories at their fair value, advances paid in respect of investment properties as well as property, plant and equipment used for energy management and property management services at its book value as at the reporting date.

22) Including investments accounted under the equity method from the consolidated financial statements.

We believe that the alternative performance measures described in this section constitute the most important indicators for measuring the operating and financial performance of the Group's business.

We expect all of the above-described alternative performance measures to be of use for our investors in evaluating the Group's operating performance, the net value of the Group's property portfolio and the level of the Group's indebtedness.

Due to rounding, the figures reported in tables and cross-references may deviate from their exact values as calculated.

Portfolio performance indicators

In addition to our financial performance indicators, we also use the following non-financial operating performance indicators.

The vacancy rate shows the ratio of m^2 of vacant units in our properties to total m^2. Vacancy rate is used as an indicator of the current letting performance.

The in-place rent per m^2 provides an insight into the average rental income from the rented properties. It serves as an indicator of the current letting performance.

The like-for-like rental growth is the change rate of the net rents generated by the like-for-like residential portfolio over the last 12 months.

All of the above-described non-financial performance indicators are key drivers for the development of rental income.

Portfolio Overview

Business performance highlights

As at 31 December 2021, our residential rental portfolio has a strong focus on Berlin as well as some other larger cities primarily in North Rhine-Westphalia such as Duisburg and Düsseldorf.

The size of the residential rental portfolio decreased significantly due to a large portfolio disposal in 2021 as well as both pending and intended portfolio disposals to be carried out in 2022 with corresponding assets being reclassified to assets held-for-sale as at 31 December 2021.

The figures shown in this section show the residential core portfolio and do not comprise any assets classified as held-for-sale (with the exception of maintenance and CAPEX figures which are based on the total residential portfolio in 2021).

Portfolio overview(*)

Location	Fair value EUR m 2021	Fair value EUR/m² 2,021	Units	Lettable area m²	NRI(**) EUR m 2021	Rental yield (in-place rent)	Vacancy 2021	Vacancy Δ YoY	2021 Avg. Rent EUR/ m²/month	NRI Δ YoY LFL	Rever-sionary Potential
Berlin	4,911	3,580	19,830	1,371,832	132.5	2.7%	0.8%	(0.8%)	8.01	2.5%	20.7%
Other	693	1,423	7,639	486,898	33.9	4.9%	1.9%	(0.3%)	5.87	2.6%	15.0%
Total	**5,604**	**3,015**	**27,469**	**1,858,730**	**166.4**	**3.0%**	**1.1%**	**(0.7%)**	**7.45**	**2.5%**	**19.6%**

(*) All values include ground floor commercial units and exclude units under renovation and development projects.
(**) Annualised net rental income.

Portfolio performance

Residential portfolio(*)

	31 Dec 2021	31 Dec 2020
Number of units	27,469	69,722
Average rent/m²/month	EUR 7.45	EUR 6.30
Vacancy	1.1%	3.4%

(*) All values include ground floor commercial units and exclude units under renovation and development projects.

The average rent per m² increased to EUR 7.45 in the course of the year, while the vacancy rate significantly decreased to 1.1%, partly driven by the disposal of higher-vacancy assets.

AVERAGE RESIDENTIAL IN-PLACE RENT

EUR/M²/MONTH

7.45

LIKE-FOR-LIKE RENTAL GROWTH

2.5%

Like-for-like rental growth(*)

In %	1 Jan - 31 Dec 2021	1 Jan - 31 Dec 2020
Like-for-like rental growth	2.5%	2.2%

(*) All values include ground floor commercial units and exclude units under renovation and development projects.
(**) Last 12 months (LTM).

Like-for-like rental growth of our Berlin portfolio amounted to 2.5% while like-for-like rental growth of the remaining portfolio stood at 2.6%.

Our fully integrated active asset management is focused on rental growth and employs dedicated strategies to drive all relevant components. In units that require modernisation, we invest CAPEX to improve quality to meet today's standards and regulations. Applying the relevant regulatory framework accurately and efficiently is key to our success in maximising rental growth for our let units.

Maintenance and CAPEX

In EUR per m²	1 Jan - 31 Dec 2021	1 Jan - 31 Dec 2020
Maintenance	5.2	6.3
CAPEX	21.8	24.4
Total	**27.0**	**30.7**

Maintenance and CAPEX

In EUR million	1 Jan - 31 Dec 2021	1 Jan - 31 Dec 2020
Maintenance	23.1	30.5
CAPEX	97.1	118.4
Total	**120.2**	**148.9**

Total investment in the portfolio amounted to EUR 120.2 million resulting in the maintenance and CAPEX cost per m² in 2021 of EUR 27.0 was in line with our expectations.

Vacancy split

Our active asset management aims to minimise our vacancy rate while keeping the necessary flexibility for our portfolio optimisation.

Vacancy(*)

	31 Dec 2021	31 Dec 2020
Total vacancy (units)	309	2,523
Total vacancy (m^2)	20,360	149,369
Total vacancy rate	1.1%	3.4%

(*) All values include ground floor commercial units and exclude units under renovation and development projects.

VACANCY RATE

TOTAL PORTFOLIO

1.1%

Economic Review

Economic and industry-specific parameters

General market

Throughout 2021, the global economy and lives of people continued to be influenced by restrictions of the delta and omicron variants of the coronavirus. However, with 75.2% of the EU population having received one vaccination dose, most countries are now lifting their restrictions with economic recovery following suit.

Signs of improvement can already be seen in data from the statistical office of the European Union (Eurostat), which reported an average GDP growth of 5.3% for the EU countries compared to 2020. For Germany specifically, the Federal Statistical Office (Destatis) reported a 2021 price-adjusted GDP growth of 2.9% versus 2020. While this is below the European average, the German government has reported in their annual economic review that they expect GDP growth to be higher in 2022 at 3.6%. The diminishing influence of the pandemic can also be seen in the unemployment rate which decreased from 6.3% in January 2021 to 5.4% in January 2022. This trend is expected to continue throughout 2022 with the German government forecasting an overall unemployment rate of 5.1% for the year.

Industrial production is also nearing pre-COVID figures as it remained robust over the pandemic; in January 2022 the total manufacturing turnover index stood at 102.7, compared to 99.7 in January 2021. Moreover, turnover in the construction industry in 2021 was up 1% vs 2020. Household consumption increased by a price-adjusted 2.6% in 2021 compared to 2020 while government consumption increased by 2.0% . Another sign that the global economy is recovering can be seen in the foreign trade figures. Over 2021 imports increased with 17.2% while exports followed with a 14.0% increase versus -7.0% and -9.1% for imports and exports in 2020 respectively.

Looking at interest rates, while the US Federal Reserve implemented the first 25 bps hike in their interest rate, the ECB has announced no plans to do so. Instead, in March 2022 the ECB revised the purchase schedule of their asset purchase programme to counter inflation. This leaves the main refinancing rate unchanged at 0.00% and implies continued low financing costs for real estate investors.

However, new risks following the disruptions of the pandemic could thwart economic recovery. Supply and demand bottlenecks, in combination with price increases in earlier stages of economic production, have had a major impact on the German inflation rate which reached +7.3% in March 2022. According to Destatis, the effects of the pandemic are superimposed by the uncertainties following Russia’s attack on Ukraine. This is most apparent in the energy sector where, according to Destatis, prices have increased by almost 22.5% since February 2021, putting more pressure on economic production and household disposable income, especially for those in the lower income brackets. Furthermore, with more western sanctions expected to be imposed on Russia in the coming weeks, global trade and supply chains could suffer another shock. In addition to economic pressure, European housing stock should be expected to be stretched further as the UN refugee agency (UNHCR) has reported that almost 4 million people have fled Ukraine since February 2022. 175,000 refugees have made it to Germany so far and society should prepare for increasing pressure on its already limited housing stock.

Germany's residential property markets at a glance

The German residential market has persistently shown its robustness in 2021 with the German real estate investment market delivering a new record of EUR 111 billion according to CBRE. This represents a 40% increase in the year-on-year transaction volume which is mostly attributed to the large mergers and takeovers that took place in 2021. While this trend is not likely to continue at the similar levels, CBRE forecasts a transaction volume of at least EUR 80 billion for 2022.

Investors are most likely attracted to the imbalance between demand and supply, resulting in high occupancy rates which in turn ensure stable rent inflow and returns. Even though the number of granted construction permits increased YoY with +3.3% to approximately 381 thousand, turnover in building completion work was down -3.2% in 2021 due to bottlenecks in the delivery of construction materials (Destatis). With demand exceeding supply, vacancy will remain low in urban areas. Overall it seems that the German residential housing shortage is not likely to be resolved in the foreseeable future and that rent and purchase prices are likely to continue to increase.

According to the German central bank (Deutsche Bundesbank) urban house prices in Germany have increased by +7.0% in 2021, somewhat higher compared to the price increase of +6.5% in 2020. Rents for new lettings went up by +2.5% in 2021, just 25bps higher than the increase in 2020. With the continued increase in prices, 20% of the German population was living in households overburdened by housing costs in 2020. This particular group spends more than 40% of their household disposable income on housing. The 20% overburdened rate in Germany was twice as high as the 2020 EU average of 10%. As a response to the current issues in the residential market, the new government has stated plans in their new coalition agreement to increase the success of their housing policy. The primary goal is to build 400,000 new apartments per year of which 25% consists of social housing, additionally the coalition aims to implement tightening laws on tenant protection in areas with overheated markets and lastly to increase support for sustainable housing and construction.

The sustainability goals included in the German coalitional agreement go hand in hand with new subsidy programmes for private investors in the support of efficient buildings (CBRE). Overall, investors and consumers have become more aware of the importance of ESG initiatives over the past years. New Residential construction is already moving towards being more energy efficient with two thirds of new residential buildings are to be heated using renewable energy (Destatis).

Berlin's residential property market

While the population of Berlin decreased by -0.2% during 2020 (Destatis) the capital of Germany saw an increase in inhabitants over 2021. The population increased by +0.1% to approximately 3.8 million inhabitants which was mainly driven by an increase in immigration. Destatis expects the population to grow by +3.6% until 2030, highlighting the need for additional housing and forming the call to action. According to JLL, the annual demand for housing in Berlin is already high at 48 new apartments per 10 thousand inhabitants, which translates to a total demand of approximately 18 thousand new dwellings per annum by 2030. Similar to the overall German market, the excess demand has led to an increase in prices for both buyers and renters. The Bundesbank has reported that rent prices for the 7 largest cities in Germany (including Berlin) have increased by +2.75% in 2021, matching the growth recorded in 2020.

The ongoing housing shortage, rising rental prices and the announced takeover of Deutsche Wohnen by Vonovia have led to protests in favour of expropriating large real estate companies. A referendum was held in which a 56% majority of Berliners voted in favour of expropriating large landlords such as Vonovia. However, the referendum was non-binding and the newly elected mayor of Berlin, Ms Giffey, has already expressed a negative view against expropriation. Furthermore, Germany's highest court has ruled that Berlin's Mietendeckel (rent cap) was unconstitutional and will no longer be imposed. Overall the political risk for the residential market is deemed very low, as large real estate companies together with experts and the Berlin coalition agree that expropriation is not a legally sound solution to the housing problem and that the city of Berlin is probably not able to carry the financial burden of such actions.

Taking all of this into account, the fundamental outlook on the thriving market for residential real estate in Berlin continues to be positive with high rents, a growing population, overcrowded markets and limited new supply coming to the market.

Profit situation

At the beginning of the second quarter of 2020, the Adler Group gained control of ADLER and its subsidiaries and consolidated the company and its subsidiaries for the first time. At the beginning of the third quarter of 2020, the Adler Group gained control of Consus and its subsidiaries and consolidated the company and its subsidiaries for the first time. A comparison with the previous year's figures is therefore only possible to a limited extent.

Compared to FY 2020, net rental income in FY 2021 improved to EUR 346 million mainly due to the consolidation of ADLER into the Group as per April 2020, partly offset by various disposals throughout FY 2020. Furthermore, net rental income growth was also driven by organic rental growth for the overall portfolio. Other expenses mainly comprise the impairment of goodwill in an amount of EUR 1,083 million.

At 31 December 2021 the total interest-bearing debt amounted to around EUR 7.8 billion. At year end, our average interest rate on all outstanding debt is 2.2%, with a weighted average maturity of 4.1 years and an interest coverage ratio of 2.1(*). The weighted average cost of debt on Consus side is around 3.9% with an average maturity of 1.4 years.

(*) The interest coverage ratio ("ICR") is defined as the EBITDA Total relative to the net cash interest in the most recent four consecutive quarters.

INCOME FROM RENTAL ACTIVITIES

EUR

495.1

million

FFO 1

EUR

137.1

million

EBITDA

EBITDA from rental activities

	For the year ended		For the three months ended	
In EUR thousand	**31 Dec 2021**	**31 Dec 2020**	**31 Dec 2021**	**31 Dec 2020**
Net rental income	346,188	293,387	86,859	90,164
Income from facility services and recharged utilities costs	148,904	90,519	63,883	27,629
Income from rental activities	**495,092**	**383,906**	**150,742**	**117,793**
Cost from rental activities	(216,775)	(153,274)	(83,029)	(51,357)
Net operating income (NOI) from rental activities	**278,317**	**230,633**	**67,713**	**66,435**
NOI from rental activities margin (%)	**80.4%**	**78.6%**	**78.0%**	**73.7%**
Overhead costs from rental activities	(50,569)	(43,619)	(9,145)	(13,193)
EBITDA from rental activities	**227,748**	**187,014**	**58,569**	**53,244**
EBITDA margin from rental activities (%)	**65.8%**	**63.7%**	**67.4%**	**59.1%**

EBITDA Total

	For the year ended		For the three months ended	
In EUR thousand	**31 Dec 2021**	**31 Dec 2020(*)**	**31 Dec 2021**	**31 Dec 2020(*)**
Income from rental activities	495,092	383,906	150,742	117,793
Income from property development	122,969	134,634	44,425	(6,872)
Income from other services	18,126	14,893	7,680	10,355
Income from real estate inventory disposed of	502,108	(0)	502,108	(0)
Income from sale of trading properties	5,437	6,637	315	1,913
Revenue	**1,143,732**	**540,070**	**705,270**	**123,189**
Cost from rental activities	(216,775)	(153,274)	(83,029)	(51,357)
Other operational costs from development and privatisation sales	(611,416)	(76,665)	(536,741)	35,255
Net operating income (NOI)	**315,541**	**310,131**	**85,500**	**107,086**
Overhead costs from rental activities	(50,569)	(43,619)	(9,145)	(13,193)
Overhead costs from development and privatisation sales	(19,674)	(24,114)	(8,062)	(9,205)
Profit from portfolio sales(**)	45,638	-	45,638	-
Fair value gain from build-to-hold development(***)	(82,690)	39,780	(124,809)	39,780
EBITDA Total	**208,246**	**282,178**	**(10,878)**	**124,468**
Net cash interest	(97,903)	(101,954)	(28,343)	(33,781)
Other net financial costs	(284,566)	(88,112)	(108,446)	56,590
Depreciation and amortisation	(19,688)	(11,304)	(8,291)	(4,381)
Other income/(expenses)	(1,281,721)	(65,667)	(1,291,941)	(82,358)
Change in valuation	452,195	373,895	(76,468)	184,811
Net income from at-equity valued investments	758	(5,666)	805	(4,293)
EBT	**(1,022,680)**	**383,371**	**(1,523,562)**	**241,058**

(*) Previous year's figures adjusted according to IAS 8, please refer to Note 4, subchapter O.
(**) Contains the profit stemming from the KKR/Velero transaction.
(***) Previous quarter's figures adjusted for reclassified projects.

FFO

FFO 1 (from rental activities)

	For the year ended		For the three months ended	
In EUR thousand	**31 Dec 2021**	**31 Dec 2020**	**31 Dec 2021**	**31 Dec 2020**
EBITDA from rental activities	227,748	187,014	58,569	53,244
Net cash interest	(75,644)	(70,157)	(19,176)	(19,811)
Current income taxes	(5,600)	(3,648)	(1,534)	1,040
Interest of minority shareholders	(9,433)	(6,080)	(3,633)	(2,081)
FFO 1 (from rental activities)	**137,072**	**107,128**	**34,226**	**32,390**
No. of shares(*)	117,510	79,771	117,510	107,116
FFO 1 per share	**1.17**	**1.34**	**0.29**	**0.30**

(*) The number of shares is calculated as weighted average for the related period.

FFO 2 (incl. disposal results and development activities)

	For the year ended		For the three months ended	
In EUR thousand	**31 Dec 2021**	**31 Dec 2020(*)**	**31 Dec 2021**	**31 Dec 2020(*)**
EBITDA Total	208,246	282,178	(10,878)	124,468
Net cash interest	(97,903)	(101,954)	(28,343)	(33,781)
Current income taxes	(40,027)	(12,660)	(30,736)	(792)
Interest of minority shareholders	(9,433)	(6,080)	(3,633)	(2,081)
FFO 2	**60,883**	**161,484**	**(73,590)**	**87,814**
No. of shares(**)	117,510	79,771	117,510	107,116
FFO 2 per share	**0.52**	**2.02**	**(0.63)**	**0.82**

(*) Previous year's figures adjusted according to IAS 8, please refer to Note 4, subchapter O.
(**) The number of shares is calculated as weighted average for the related period.

Financial and asset position

The Company has updated the fair value of the properties based on a third-party valuation. The fair values of the build-to-hold project developments and the yielding investment properties show the impact of the disposal of the northern portfolio to LEG and the reclassification of the portfolios to be disposed to both Velero/KKR and BCP to non-current assets held for sale. The Group's total equity has decreased to EUR 3,693 million mainly on the back of negative net income resulting primarily from the impairment of goodwill.

Financial position

In EUR thousand	31 Dec 2021	31 Dec 2020(*)
Investment properties and advances related to investment properties	7,115,862	10,110,842
Other non-current assets	337,179	1,839,086
Non-current assets	**7,453,041**	**11,949,928**
Cash and cash deposits	555,700	376,026
Inventories	1,093,454	1,558,763
Other current assets	916,541	887,582
Current assets	**2,565,695**	**2,822,371**
Non-current assets held for sale	**3,017,588**	**139,361**
Total assets	**13,036,324**	**14,911,660**
Interest-bearing debts	7,003,429	8,010,126
Other liabilities	730,540	1,030,063
Deferred tax liabilities	759,828	944,221
Liabilities classified as available for sale	**849,050**	**27,271**
Total liabilities	**9,342,847**	**10,011,681**
Total equity attributable to owner of the Company	**2,990,383**	**4,125,787**
Non-controlling interests	703,094	774,192
Total equity	**3,693,477**	**4,899,979**
Total equity and liabilities	**13,036,324**	**14,911,660**

(*) Previous year's figures adjusted according to IAS 8, please refer to Note 4, subchapter O.

In the tables below we present the new EPRA key figures as presented in the new EPRA BPRs and compare them with the previous EPRA NAV definition.

EPRA NAVs

31 Dec 2021

In EUR thousand	NAV	NRV	NTA	NDV
Total equity attributable to owners of the Company	2,990,383	2,990,383	2,990,383	2,990,383
Revaluation of inventories	8,167	8,167	8,167	8,167
Deferred tax	947,757	947,757	857,403	-
Goodwill	-	-	(91,400)	(91,400)
Fair value of financial instruments	2,412	2,412	2,412	-
Fair value of fixed interest rate debt	-	-	-	435,476
Real estate transfer tax	-	700,654	501,611	-
EPRA NAV	**3,948,718**	**4,649,372**	**4,268,575**	**3,342,626**
No. of shares	117,510	117,510	117,510	117,510
EPRA NAV per share	**33.60**	**39.57**	**36.33**	**28.45**
Convertibles	99,025	99,025	99,025	99,025
EPRA NAV fully diluted	**4,047,743**	**4,748,397**	**4,367,600**	**3,441,651**
No. of shares (diluted)	118,694	118,694	118,694	118,694
EPRA NAV per share fully diluted	**34.10**	**40.01**	**36.80**	**29.00**

EPRA NAVs

31 Dec 2020(*)

In EUR thousand	NAV	NRV	NTA	NDV
Total equity attributable to owners of the Company	4,121,813	4,121,813	4,121,813	4,121,813
Revaluation of inventories	52,160	52,160	52,160	52,160
Deferred tax	1,010,868	1,010,868	868,304	-
Goodwill	-	-	(1,204,934)	(1,204,934)
Fair value of financial instruments	5,315	5,315	5,315	-
Fair value of fixed interest rate debt	-	-	-	(328,791)
Real estate transfer tax	-	823,284	576,207	-
EPRA NAV	**5,190,156**	**6,013,441**	**4,418,865**	**2,640,248**
No. of shares	117,510	117,510	117,510	117,510
EPRA NAV per share	**44.17**	**51.17**	**37.60**	**22.47**
Convertibles	97,623	97,623	97,623	97,623
EPRA NAV fully diluted	**5,287,779**	**6,111,064**	**4,516,488**	**2,737,870**
No. of shares (diluted)	119,427	119,427	119,427	119,427
EPRA NAV per share fully diluted	**44.28**	**51.17**	**37.82**	**22.93**

(*) Previous year's figures adjusted according to IAS 8, please refer to Note 4, subchapter O.

Loan-to-value

We fund our properties based on a conservative financing strategy with a mix of secured mortgage loans and capital market instruments.

In EUR thousand	31 Dec 2021	31 Dec 2020(*)
Corporate bonds and other loans and borrowings	7,439,732	7,708,443
Convertible bonds	216,941	311,972
Cash and cash equivalents	(580,561)	(376,026)
Selected financial assets(**)	(745,310)	(973,988)
Net contract assets	(46,128)	(136,863)
Assets and liabilities classified as held for sale	(1,193,284)	(112,090)
Net financial liabilities	**5,091,390**	**6,421,449**
Fair value of properties (including advances)	9,965,420	11,734,914
Investment in real estate companies	32,395	84,816
Gross asset value (GAV)	**9,997,815**	**11,819,730**
Net loan-to-value	**50.9%**	**54.3%**
Net loan-to-value excluding convertibles	**48.8%**	**51.7%**

(*) Previous year's figures adjusted according to IAS 8, please refer to Note 4, subchapter O.
(**) Including financial receivables (EUR 312 million), trade receivables from the sale of real estate investment (EUR 249 million) and other financial assets (EUR 184 million).

For the LTV calculation, the net financial liabilities are adjusted for selected financial assets like purchase price receivables, among others. The fair value of the properties including advances is adjusted for property, plant and equipment used for energy management and property management services and for investments in real estate companies.

As at the reporting date, our net loan-to-value (LTV) was 50.9%.

LTV

50.9%

Material Events in the Reporting Period and Subsequent Events

A. On 30 January 2020, the World Health Organisation (WHO) declared an international health emergency due to the outbreak of the coronavirus. Since 11 March 2020, the WHO has classified the spread of the coronavirus as a pandemic. Adler Group is continuously assessing the impact of Covid-19. The valuation of the investment properties, financial assets and financial liabilities as at 30 September 2021 as disclosed in these consolidated financial statements reflects the economic conditions in existence at that date. The Company does not expect the crisis to have any material impact on rental income. In Germany, rents are still continuing to rise and the demand for living space is increasing as well. This leads to a very low risk of losing tenants and a high occupancy rate due to a change in the general condition on the residential markets.

B. On 7 January 2021, Consus, a 94 percent subsidiary of the Group, successfully completed the disposal of 24 non-strategic projects. Together with proceeds received from the successful closing of the disposal of approximately 5,000 residential units as announced in September 2020, the Group generated total proceeds in the amount of EUR 850 million. These proceeds were used to repay existing debt, to further smoothen the maturity profile and to reduce the average cost of debt.

C. On 8 January 2021, the Group successfully placed EUR 1.5 billion fixed rate senior unsecured notes comprising of two tranches, a EUR 700 million 5-year maturity with a 1.875 percent fixed coupon and a EUR 800 million 8-year maturity with a 2.25 percent fixed coupon. The proceeds of the issue of the notes were used to repay existing indebtedness, to further smoothen and extend the Group's debt maturity profile and as a next step to achieve the targeted financial synergies. Subsequent to the placement, the Group redeemed approximately EUR 329 million of ADLER Real Estate AG's EUR 500 million bond due in December 2021.

D. In January 2021, BCP, a subsidiary of the Group, signed a refinancing agreement with a German banking corporation for a loan of approximately EUR 100.5 million. The loan bears an average annual interest rate of approximately 1.41% with maturity date in June 2023.

E. Also in January 2021, the outstanding amount under the bridge loan facility agreement (outstanding volume as at 31 December 2020: EUR 371 million) was repaid. At the same time the bridge loan facility agreement was terminated.

F. Upon entry into the commercial register on 23 February 2021, the debt-to-equity swap agreement concluded in 2020 became legally effective. As a result, the Group's share in ADLER Real Estate Aktiengesellschaft increased from approximately 93.9 percent to 96.6 percent. In the course of this transaction, Adler Group acquired 35,107,487 additional Adler shares against contribution in kind of EUR 478 million. Due to the consolidation of Adler, the step up did not have an impact on the Group's assets and liabilities. However, the Group adjusted the carrying amounts of the controlling and non-controlling interests to reflect the changes in the relative interests in the subsidiary accordingly.

G. On 15 March 2021, the Company signed a EUR 300 million syndicated revolving credit facility with JP Morgan, Deutsche Bank and Barclays as lenders for a 3-year term with two extension options, each for one year. At the same time the three bilateral RCFs with the same lenders were terminated. In the second half year of 2021, the Company drew down an amount of EUR 300 million as a further liquidity cushion and to enhance the Company's flexibility. The amount was fully repaid on 30 December 2021. The facility was terminated in April 2022.

H. In March 2021, Westgrund, a subsidiary of the Group, raised a secured loan of EUR 400 million with a 7-year term and a fixed interest rate of 1.6 percent, replacing the current outstanding loan of EUR 191 million due in December 2021.

I. In March and April 2021, the Group raised a secured banking loan of EUR 100 million in total. The loan has an interest rate of 1.25 percent p.a. and a maturity term to 2028.

J. On 15 April 2021, the Federal Constitutional Court in Karlsruhe ruled that Berlin's rent freeze is unconstitutional, thus declaring the highly controversial Act on Rent Restrictions in the Housing Sector in Berlin (MietenWoG Bln) incompatible with Basic Law and therefore null and void. In the opinion of the Second Senate of the Federal Constitutional Court, the state of Berlin had no right to limit rent levels by means of a so-called "rent freeze" in the German capital due to a lack of legislative competence, as the federal legislation had exhaustively regulated rent law in the German Civil Code (BGB). The Adler Group has offered its tenants individual solutions for repayments.

K. On 21 April 2021, Adler Group successfully placed EUR 500 million fixed rate senior unsecured notes with a 6-year maturity and a 2.25 percent fixed coupon under its newly established EMTN programme. The notes were placed with institutional investors across Europe with a total order book of EUR 1.1 billion. The proceeds of the issue of the notes were used to call and repay the EUR 450 million 9.625 percent high yield bond issued by Consus Real Estate AG. In addition to the announced EUR 93.8 million run-rate financial synergies, which were realised as at the end of 31 March 2021, this refinancing will enable Adler Group to realise a further EUR 33 million of annualised financial synergies. It will have a positive impact on all debt KPIs, including average cost of debt, which is expected to come down to 2.2 percent, as well as extending the debt maturity profile to 4.5 years. The notes are rated BB+ with S&P, driven by the strong recovery rating of the bonds and influenced by Adler Group's valuable asset base.

L. On 17 May 2021, the Consus Bond 2019/2024 with a nominal outstanding amount of EUR 450 million was redeemed before its due date. In connection with the redemption, early repayment fees of EUR 21.7 million were incurred. The derecognition of the bond including the embedded derivative led to a net loss of EUR 24.6 million which is shown in net finance costs.

M. In the second quarter of 2021, Adler Group increased its shareholding in Consus from 93.9 percent to 96.9 percent. The Group adjusted the carrying amounts of the controlling and non-controlling interests to reflect the changes in the relative interests in the subsidiary accordingly.

N. On 25 June 2021, Adler Group established a commercial paper programme which allows the Company to issue short-term notes up to a maximum aggregate amount of EUR 500 million for interim financings of general corporate purposes. As per the balance sheet date, an amount of EUR 5 million was outstanding under the commercial paper programme.

O. At the annual General Meeting of shareholders held on 29 June 2021, a dividend in an amount of EUR 0.46 per share (gross dividend in an aggregate amount of EUR 54.1 million) was declared. The dividend was paid to the shareholders at the beginning of July 2021.

P. On 20 July 2021, Adler Group sold 30,000 m^2 of the office development project in Frankfurt's banking district as part of the build-to-sell development pipeline (upfront sales) for EUR 185 million. Proceeds were received in Q4 2021 and were used to repay debt in line with Group's deleveraging strategy. The sale follows the previously announced corporate strategy of focussing on the core business of residential real estate.

Q. On 11 August 2021, the international rating agency Standard and Poor's (S&P) published a full analysis report on Adler Group's "BB/stable" rating.

R. On 16 August 2021, Sustainalytics assigned a new ESG rating to Adler Group of 10.7, ranking the Group as the 46th best real estate company in Sustainalytics' global coverage of 1,001 real estate companies, positioning the Group in the top 5% of the real estate coverage. Adler Group has also become a member of the UN Global Compact and the German Association of Sustainable Building (DGNB), committing to build carbon-neutral buildings for a better future.

S. In August 2021 the Group learned that there are delays of the zoning plan approvals in connection with the Gerresheim project in Düsseldorf (Glasmacherviertel GmbH & Co. KG), which has already been sold, due to objections by Deutsche Bahn AG. According to the Group's estimation and based on the information provided to it by the authorities in Germany, the approval is expected during the year 2022. In order to prevent further delays caused by the objections of Deutsche Bahn AG, the Group is holding discussions with the Düsseldorf municipality regarding the possibility of dividing the zoning plan. Due to the delays of the zoning plan approvals in connection with the project in Düsseldorf, which has already been sold, and the process initiated as a result to prepare a cancellation of the sales agreement, the Company reassessed its rights and obligations under the contract in particular its right to cancel the agreement. As a conclusion the Company effectively controls the investee which was previously held as an investment accounted for under the equity method. Therefore, the Company fully consolidated the investee which mainly includes a development property and the associated financing arrangement. As a main result of the full consolidation of the investee, the investment properties increased by EUR 270 million and other loans and borrowings by EUR 148 million respectively. In return, the at equity investment and purchase price receivable were derecognised, while the shareholder loan is consolidated again. The fair value measurement of the development according to IAS 40 led to a negative change in an amount of EUR 126 million (before deferred tax gain of EUR 20 million). The fair value of the investment property was determined by an independent valuation expert with appropriate, recognised professional qualifications and recent experience regarding the location and category of the properties being valued.

T. In the third quarter of 2021 the Group raised secured financings in an aggregate amount of approximately EUR 177 million with maturities ranging from 4 to 10 years and interest rates between 0.8% and 1.6%. A project loan of EUR 170 million carrying a coupon of 3.5% was repaid. The repayment of this loan for the Holsten Quartier project, a subsidiary of Consus, led to a further reduction of debt at the level of Consus in line with our financing strategy. The Adler convertible bond 2016/2021 with a coupon of 1.5% was redeemed at maturity. The nominal amount at maturity that was not converted amounted to EUR 90.3 million.

U. On 4 October 2021 Adler Group decided to initiate a review of strategic options after being approached multiple times by interested institutional parties relating to its yielding assets portfolio which could result in a sale of a material part of its yielding assets, following strong inbound demand and recent upward market valuations. Proceeds from such disposals aim to significantly reduce leverage and also to return capital to bond and equity holders.

V. On 11 October 2021, the international rating agency Standard and Poor's (S&P) downgraded Adler Group's rating to "B+/watch negative" from "BB/stable". The notes are rated "BB-"with S&P.

W. On 11 October 2021, Adler Group and LEG Immobilien SE ("LEG") signed a term sheet setting out the key points of a transaction regarding the sale of a total of 15,350 residential units and 185 commercial units. The transaction is based on a real estate portfolio value of approximately EUR 1.4 billion. The assets to be disposed of are predominantly located in small and medium-sized towns in northern Germany, thus increasing the focus of the remaining Adler Group portfolio on Germany's top German cities. On 1 December 2021, Adler Group announced the signing of this transaction with LEG. The transaction was executed by way of share deals. On 3 January 2022, Adler Group announced the successful closing of the sale to a subsidiary of LEG which had become effective on 29 December 2021. As part of the closing, Adler Group received net proceeds of around EUR 800 million, which are mainly used for further deleveraging of the Company. This portfolio sale includes a premium on the book value as of 30 September 2021 and thus once again confirms the quality of Adler Group's assets and the substance of its valuations.

X. On 26 October 2021, Adler Group signed a term sheet with KKR and Velero setting out the key points of a transaction regarding a total of 14,368 units. These units are mainly located in the Eastern part of Germany. According to the term sheet, the agreed real estate value for the portfolio amounts to more than EUR 1 billion. This is a premium compared to the respective book values appraised by CBRE as of 30 June 2021. The sale may lead to a significant reduction in Adler Group's leverage and return capital to its bond holders. The closing of the transaction is subject to due diligence conducted by the buyer, the conclusion of final agreements and the fulfillment of customary market conditions, in particular regulatory approvals, and is expected to take place in the first quarter of 2022. As this transaction marks the end of the announced strategic asset disposals, Adler Group is now focusing on selling non-core development projects to further decrease its LTV and its development exposure.

Y. On 28 October 2021, Adler Group announced that as of 1 November 2021, Dr. Bernd Schade will become Chief Development Officer (CDO) of Adler Group. He will also join Theo Gorens on the Executive Board of the Group company Consus Real Estate AG. Bernd Schade succeeds Jürgen Kutz. Bernd Schade has decades of experience in project development and project management of real estate projects throughout Germany.

Z. On 1 December 2021 ADLER Real Estate AG, a subsidiary of Adler Group sold an approx. 7% stake in Brack Capital Properties N.V. ("BCP") to a subsidiary of LEG IMMOBILIEN SE ("LEG") for a purchase price of EUR 75 million. The purchase price corresponds to the EPRA NAV per share as of 30 September 2021. In addition, ADLER has irrevocably undertaken vis-à-vis LEG to tender its remaining shares in BCP as part of a public tender offer by LEG, provided that the price per share offered is not less than EUR 157.00 (EUR 765 million for the remaining Adler stake) and that the (first) acceptance period ends no later than 30 September 2022. As consideration, LEG will immediately pay - in addition to the purchase price - a premium of EUR 7.5 million.

a) On 13 January 2022, Adler Group announced the signing of an agreement with KKR, a leading global investment firm, on the sale of approximately 14,400 residential and commercial units, predominantly located in medium-sized cities in eastern Germany. The transaction is structured as asset deal. The agreed purchase price corresponds to a valuation of the portfolio of EUR 1.05 billion and thus a premium on the book value reported as of 30 September 2021 and independently appraised by CBRE. Adler Group expects net cash proceeds from the transaction of around EUR 600 million. This corresponds to the amount stated in previous publications. With this cash inflow, Adler Group will further deliver on its objective of deleveraging its balance sheet and achieve its strategic goal of reducing the loan-to-value ratio (LTV) to below 50%. The signed agreement corresponds to the terms of the letter of intent concluded between Adler Group and KKR/Velero at the end of October 2021. Thus, the sale above book value provides further evidence of the intrinsic value of the Adler Group portfolio. For approximately 68% of the investment properties, the transfer of the title took place after 31 March 2022, with the remaining portion expected to be closed in the first half year of 2022.

b) On 28 January 2022, Adler Group was informed by its statutory auditor KPMG Luxembourg that due to the ongoing forensic special investigation on the allegations made by Viceroy Research Report which should be completed prior to the issuance of an audit opinion that it is highly unlikely that the audit of the financial statements can be concluded timely enough to allow for a publication of the audited financial statements by 31 March 2022.

c) On 31 January 2022, Dr. Michael Bütter tendered his resignation from the Board of Directors of Adler Group with effective date of 31 January 2022. This resignation is driven by the recent decision of the Supervisory Board of Union Investment Real Estate GmbH to assign Dr. Bütter additional areas of responsibility within the regulated real estate division of Union Investment with the approval of the German Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht, BaFin). After due consideration by all relevant parties, there is a consensus that these new responsibilities within Union Investment Real Estate GmbH could potentially give rise to conflicts of interest, which must be avoided in the interests of both companies.

d) On 16 February 2022, the members of the Board of Directors of Adler Group appointed Prof. Dr. A. Stefan Kirsten as new member of the Board of Directors and elected him as Chairman of the Board of Directors with immediate effect. The previous Chairman of the Board of Directors, Dr. Peter Maser, was elected as Deputy Chairman.

e) On 11 February 2022, the international rating agency Standard and Poor's (S&P) lowered the long-term issuer credit rating on Adler to "B-" from "B+" and lowered the issue ratings on its senior unsecured debt to "B" from "BB-". The ratings were placed on CreditWatch negative.

f) In May 2020, Consus had sold 7 non-strategic predominantly commercial development projects to Partners Immobilien Capital Management for a purchase price of EUR 313 million. The transfer of the project companies holding these 7 development projects was closed in December 2020. By year-end 2021, Consus had only received parts of the purchase price with no assurance regarding timing and amount of the outstanding payments. Therefore, it became clear to Consus that a rescindment was the best way to proceed thereby avoiding any lengthy legal proceedings against the buyer. The rescindment was formally notarised on 31 March 2022 and is subject to certain closing conditions.

g) On 4 April 2022, the new federal government decided that from 2023 landlords would also have to contribute to the CO_2 levy on heating costs. A staged model is planned, which sets the share of landlords in inverse relation to the energy efficiency of the building.

h) As announced on 16 March 2022, ADLER Real Estate AG repaid its bond (ISIN XS1843441491) in the full amount of EUR 400 million on 19 April 2022, the maturity date.

i) On 21 April 2022, Adler Group announced that KPMG Forensic had provided the Company with the final report of its comprehensive review of the allegations of Viceroy Research LLC. This report was published on the website of the Company on 22 April 2022. KPMG Forensic did not find evidence that there were systematic fraudulent and looting transactions with allegedly related parties. However, KPMG Forensic identified deficiencies in the documentation and the process handling of those transactions. Prof. Dr. Kirsten, Chairman of the Board of Directors of Adler Group, announced a programme to address the identified weaknesses in structure and process on 22 April 2022. First results of this programme are to be published prior to the Annual General Meeting of the Company on 29 June 2022. An amount of approximately EUR 4 million was spent on the audit by KPMG Forensic.

Forecast Report

Comparison of the forecast with the actuals of 2021

Despite having experienced a continuously challenging environment in 2021 due to Covid-19, our operations developed as planned and we achieved all of our targets.

In 2021, net rental income increased significantly to EUR 346.2 million exceeding the guidance of EUR 340-345 million.

Our funds from operations from rental activities (FFO 1) for the full year increased to EUR 137.1 million, in line with the guidance of between EUR 135-140 million.

In the coming weeks, the Company will carefully determine its dividend proposal for financial year 2021, taking into account the Company's new environment, and will announce its proposal by the Annual General Meeting to be held on 29 June 2022.

Forecast for 2022

Following significant disposals made from the yielding asset portfolio, we expect to generate net rental income for 2022 in the range of EUR 203-212 million and FFO 1 in the range of EUR 73-76 million.

Responsibility Statement

We confirm, to the best of our knowledge, that the Consolidated Financial Statements of Adler Group S.A. presented in this Annual Financial Report for 2021, prepared in conformity with the International Financial Reporting Standards as issued by the International Accounting Standards Board and as adopted by the European Union, give a true and fair view of the net assets, financial and earnings position of the Company, and that the Management Report includes a fair review of the development of the business, and describes the main opportunities, risks and uncertainties associated with the Company.

Maximilian Rienecker
CO-CHIEF EXECUTIVE OFFICER

Thierry Beaudemoulin
CO-CHIEF EXECUTIVE OFFICER

Consolidated Financial Statements

3 Consolidated Financial Statements

To the Shareholders of

Adler Group S.A. | 1B Heienhaff | L-1736 Senningerberg | Luxembourg

Report of the Réviseur d'Entreprises agréé

Report on the audit of the consolidated financial statements

Disclaimer of opinion

We were engaged to audit the consolidated financial statements of Adler Group S.A. (the "Company") and its subsidiaries (together the "Group"), which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies from page 118 to page 249.

We do not express an opinion on the accompanying consolidated financial statements of the Group. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements.

Basis for Disclaimer of opinion

On 6 October 2021, a third party made public it suspected that there may be or there may have been irregularities affecting certain transactions entered into by the Group. As a result, we have extended our audit procedures in this respect.

Because management denied us access to certain information, including correspondence between related parties, in performing our audit procedures, there are exceptional circumstances which prevent us from obtaining sufficient appropriate evidence about the identification and disclosure of related parties and significant related party transactions and account balances. This also precludes us from evaluating whether the accounting treatments for at least some of these transactions are appropriate and consistent with their substance, as well as evaluating whether management's assessment about the valuation of certain account balances is adequate.

Having regards to the number, size and complexity of these transactions which may have been performed with unidentified or undisclosed related parties, potential adjustments cannot be confined to a defined financial statement caption or specific disclosure. Accordingly, the possible effects on the consolidated financial statements could be both material and pervasive.

Due to these matters, we were unable to determine whether any adjustments might have been found necessary on the financial position of the Group as at 31 December 2020 and 31 December 2021, or on its financial performance and its cash flows for the years then ended.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we do not report on key audit matters.

Responsibilities of the Board of Directors and the Audit Committee for the consolidated financial statements

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs as adopted by the European Union, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

The Board of Directors is responsible for presenting and marking up the consolidated financial statements in compliance with the requirements set out in the Delegated Regulation 2019/815 on European Single Electronic Format ("ESEF Regulation").

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

Responsibilities of the Réviseur d'Entreprises agréé for the audit of the consolidated financial statements

Our responsibility is to conduct an audit of the Group's consolidated financial statements in accordance with the EU Regulation N° 537/2014, the Law of 23 July 2016 on the audit profession ("Law of 23 July 2016") and with International Standards on Auditing ("ISAs") as adopted for Luxembourg by the Commission de Surveillance du Secteur Financier ("CSSF") and to issue an auditors' report. Our responsibility is also to assess whether the consolidated financial statements have been prepared in all material respects with the requirements laid down in the ESEF Regulation. However, because of the matters described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements.

We are also independent of the Group in accordance with the International Code of Ethics for Professional Accountants, including International Independence Standards, issued by the International Ethics Standards Board for Accountants ("IESBA Code") as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the consolidated financial statements, and have fulfilled our other ethical responsibilities under those ethical requirements

Report on other legal and regulatory requirements

We have been appointed as "Réviseur d'Entreprises agréé" by the General Meeting of the Shareholders on 29 June 2021 and the duration of our uninterrupted engagement, including previous renewals and reappointments, is seven years, six years of which was since the Company became a public interest entity.

Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we do not report on whether the combined management report is consistent with the consolidated financial statements and has been prepared in accordance with applicable legal requirements.

The corporate governance statement is included in the combined management report. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we do not report on whether the information required by Article 68ter paragraph (1) letters c) and d) of the law of 19 December 2002 on the commercial and companies register and on the accounting records and annual accounts of undertakings, as amended, is consistent with the consolidated financial statements and has been prepared in accordance with applicable legal requirements.

We confirm that the audit report is consistent with the additional report to the audit committee or equivalent.

We confirm that the prohibited non-audit services referred to in the EU Regulation N° 537/2014 were not provided and that we remained independent of the Group while being engaged for the audit.

Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we do not report on the compliance of the consolidated financial statements of the Group as at 31 December 2021 with relevant statutory requirements set out in the ESEF Regulation that are applicable to consolidated financial statements.

For the Group it relates to:

- Consolidated financial statements prepared in a valid xHTML format;
- The XBRL markup of the consolidated financial statements using the core taxonomy and the common rules on markups specified in the ESEF Regulation.

Our audit report only refers to the consolidated financial statements of Adler Group S.A. as at 31 December 2021, identified as 391200OYYFJ3DWAMEC69-2021-12-31-en.zip, prepared and presented in accordance with the requirements laid down in the ESEF Regulation, which are the only authoritative version.

Luxembourg, 30 April 2022

KPMG

KPMG Luxembourg
Société coopérative
Cabinet de révision agréé

Bobbi Jean Breboneria
Partner

Consolidated Statement of Financial Position

In EUR thousand	Note	31 Dec 2021	31 Dec 2020(*)
Assets			
Non-current assets			
Investment properties	6	7,113,859	10,108,888
Investments in financial instruments	7	20,228	23,219
Investments accounted under the equity method	8	32,395	84,816
Advances related to investment properties		2,003	1,954
Property, plant and equipment	9	30,028	36,663
Other financial assets	10	73,063	296,958
Derivatives	21	10,433	119,249
Restricted bank deposits	11	42,060	34,587
Deferred expenses		1,602	342
Right-of-use assets	31	14,764	17,858
Goodwill	5, 12	91,400	1,204,934
Other intangible assets		3,023	4,538
Contract assets	13	12,510	8,044
Deferred tax assets	24	5,673	7,878
Total non-current assets		**7,453,041**	**11,949,928**
Current assets			
Inventories	14	1,093,454	1,558,763
Restricted bank deposits	11	29,400	62,633
Trade receivables	15	379,118	204,120
Other receivables and financial assets	16	423,412	461,099
Contract assets	13	69,727	154,689
Derivatives	21	-	2,036
Cash and cash equivalents		555,700	376,026
Advances paid on inventories		14,884	3,005
Total current assets		**2,565,695**	**2,822,371**
Non-current assets held for sale	17	3,017,588	139,361
Total assets		**13,036,324**	**14,911,660**

(*) Previous year’s figures adjusted according to IAS 8, please refer to Note 4, subchapter O.

In EUR thousand	Note	31 Dec 2021	31 Dec 2020(*)
Shareholders' equity			
Share capital		146	146
Share premium		1,844,765	1,892,145
Reserves		217,788	146,708
Retained earnings		927,684	2,086,788
Total equity attributable to owners of the Company		**2,990,383**	**4,125,787**
Non-controlling interests		**703,094**	**774,192**
Total equity	**18**	**3,693,477**	**4,899,979**
Liabilities			
Non-current liabilities			
Corporate bonds	19	4,211,305	3,216,058
Convertible bonds	19	99,025	212,485
Other loans and borrowings	20	2,056,810	2,658,653
Other financial liabilities		25,253	38,878
Derivatives	21	2,412	20,848
Pension provisions		1,363	1,817
Lease liabilities	31	10,186	25,714
Other payables		8,815	11,905
Deferred tax liabilities	24	759,828	944,221
Total non-current liabilities		**7,174,997**	**7,130,579**
Current liabilities			
Corporate bonds	19	399,047	512,904
Convertible bonds	19	117,916	99,487
Other loans and borrowings	20	119,326	1,310,539
Other financial liabilities		1,915	1,915
Trade payables		76,383	121,523
Other payables	22	357,065	402,719
Provisions	22	73,865	69,696
Lease liabilities	31	6,815	8,019
Prepayments received	23	92,132	300,767
Contract liabilities	13	36,109	25,870
Derivatives	21	38,227	392
Total current liabilities		**1,318,800**	**2,853,831**
Non-current liabilities held for sale	17	849,050	27,271
Total shareholders' equity and liabilities		**13,036,324**	**14,911,660**

(*) Previous year's figures adjusted according to IAS 8, please refer to Note 4, subchapter O.

Maximilian Rienecker
CO-CHIEF EXECUTIVE OFFICER

Thierry Beaudemoulin
CO-CHIEF EXECUTIVE OFFICER

Date of approval: 30 April 2022

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statement of Profit or Loss

In EUR thousand	Note	2021	2020(*)
Revenue	25	1,143,732	540,070
Cost of operations	26	(1,131,964)	(300,422)
Gross profit		**11,768**	**239,648**
General and administrative expenses	27	(122,762)	(107,421)
Other expenses	28	(1,128,797)	(76,198)
Other income	29	183,680	109,399
Changes in fair value of investment properties	6	415,142	413,675
Results from operating activities		**(640,969)**	**579,103**
Finance income	30	133,091	186,500
Finance costs	30	(515,560)	(376,566)
Net finance income / (costs)		**(382,469)**	**(190,066)**
Net income (losses) from investments in associated companies	8	758	(5,666)
Profit before tax		**(1,022,680)**	**383,371**
Income tax expense	24	(142,327)	(121,033)
Profit for the year		**(1,165,007)**	**262,338**
Profit attributable to:			
Owners of the company		(1,177,213)	190,796
Non-controlling interests		12,206	71,542
Profit for the year		**(1,165,007)**	**262,338**
Earnings per share in EUR (undiluted)		**(10.03)**	**2.39**
Earnings per share in EUR (diluted)		**(10.03)**	**2.41**

(*) Previous year's figures adjusted according to IAS 8, please refer to Note 4, subchapter O.

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

In EUR thousand	Note	2021	2020(*)
Profit for the year		**(1,165,007)**	**262,338**
Items that may be reclassified subsequently to profit or loss			
Hedging reserve classified to profit or loss, net of tax		1,117	412
Effective portion of changes in fair value of cash flow hedges		(349)	(24)
Related tax		177	90
Currency translation reserve		28,363	(3,560)
Reserve from financial assets measured at fair value through other comprehensive income		(9,071)	(3,950)
Items that may not be reclassified subsequently to profit or loss			
Reserve from financial assets measured at fair value through other comprehensive income		-	(42,803)
Total other comprehensive income / (loss)		**20,237**	**(49,835)**
Total comprehensive income for the year		**(1,144,770)**	**212,503**
attributable to:			
Owners of the company		(1,156,976)	140,961
Non-controlling interests		12,206	71,542
Total comprehensive income for the year		**(1,144,770)**	**212,503**

(*) Previous year's figures adjusted according to IAS 8, please refer to Note 4, subchapter O.

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

In EUR thousand	Note	2021	2020(*)
Cash flows from operating activities			
Profit for the year		(1,165,007)	262,338
Adjustments for:			
Depreciation		19,649	11,303
Profit from disposal of portfolio		-	17,678
Change in fair value of investment properties	6	(415,142)	(413,674)
Non-cash other income and expense		988,929	(31,155)
Change in contract assets		80,496	69,642
Change in contract liabilities		10,239	819
Non-cash income from at-equity valued investment associates		(758)	5,666
Net finance costs / (income)	30	382,469	220,053
Income tax expense	24	142,327	119,079
Share-based payments		756	547
Change in short-term restricted bank deposits related to tenants		(1,382)	(41,910)
Change in long-term restricted bank deposits from condominium sales		4,041	(986)
Change in trade receivables		(32,942)	136,398
Change in other receivables		(3,079)	(76,632)
Change in inventories		382,396	(18,759)
Change in advances received		(258,635)	(30,006)
Change in advances on development projects		-	26,320
Change in trade payables		(66,974)	(15,292)
Change in other payables		(304,188)	(92,905)
Income tax paid		(39,435)	(23,768)
Net cash from operating activities		**(276,240)**	**124,756**

In EUR thousand	Note	2021	2020(*)
Cash flows from investing activities			
Purchase of and CAPEX on investment properties	6	(272,819)	(284,559)
Advances paid for purchase of investment properties		(188)	6,300
Grant of long-term loans		(10,263)	(47,519)
Proceeds from disposals of investment properties		1,541,386	246,566
Investments in financial instruments		(270,450)	(40,159)
Purchase of and CAPEX on property, plant and equipment		(3,951)	(7,880)
Interest received		10,752	2,013
Proceeds from sale of financial instruments		129,284	12,821
Proceeds from sale of fixed assets		4,335	10
Acquisition of subsidiaries, net of acquired cash		-	(64,686)
Acquisition of other investments		1,114	-
Change in short-term restricted bank deposits, net		4,474	(1,275)
Net cash from (used in) investing activities		**1,133,674**	**(178,368)**
Cash flows from financing activities			
Acquisition of non-controlling interests		(41,925)	(20,220)
Issuance of ordinary shares		-	457,338
Repayment of bonds		(1,051,562)	(101,485)
Long-term loans received	20	837,466	1,747,951
Repayment of long-term loans	20	(1,910,915)	(2,395,528)
Proceeds from issuance of corporate bonds, net	19	1,951,053	781,268
Short-term loans received	20	314,999	175,569
Upfront fees paid for credit facilities		(2,114)	(217)
Repayment of short-term loans	20	(370,386)	(534,183)
Interest paid		(306,470)	(187,287)
Payment of lease liabilities	31	(9,238)	(7,031)
Transaction costs		(14,179)	(26,084)
Prepaid costs of raising debt		(4,441)	(26,390)
Tax payments		(15,994)	-
Dividend distributed		(54,054)	-
Net cash from (used in) financing activities		**(677,760)**	**(136,299)**
Change in cash and cash equivalents during the year		**179,674**	**(189,911)**
Net cash and cash equivalents acquired as a result of business combination		**-**	**178,379**
Cash and cash equivalents at the beginning of the year		**376,026**	**387,558**
Cash and cash equivalents at the end of the year		**555,700**	**376,026**

(*) Previous year's figures adjusted according to IAS 8, please refer to Note 4, subchapter O.

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

In EUR thousand	Share capital	Share premium	Treasury shares	Hedging reserve	Currency translation reserve	Other capital reserves	Reserve financial assets measured at FVTOCI	Retained earnings	Total	Non-controlling interests	Total equity
Balance as at 1 January 2021(*)	**146**	**1,892,145**	**-**	**(372)**	**(3,560)**	**264,903**	**(114,263)**	**2,086,788**	**4,125,787**	**774,192**	**4,899,979**
Profit for the year	-	-	-	-	-	-	-	(1,177,213)	(1,177,213)	12,206	(1,165,007)
Other comprehensive income, net of tax	-	-	-	945	28,363	-	(9,071)	-	20,237	-	20,237
Total comprehensive income (loss) for the year	**-**	**-**	**-**	**945**	**28,363**	**-**	**(9,071)**	**(1,177,213)**	**(1,156,976)**	**12,206**	**(1,144,770)**
Transactions with owners, recognised directly in equity											
Transactions with non-controlling interest without a change in control (Note 5D)	-	6,674	-	-	-	-	-	17,212	23,886	(27,661)	(3,775)
Change in consolidation scope related to sale	-	-	-	-	-	50,843	-	141	50,984	(55,643)	(4,659)
Dividend distributed	-	(54,054)	-	-	-	-	-	-	(54,054)	-	(54,054)
Share-based payment	-	-	-	-	-	-	-	756	756	-	756
Balance as at 31 December 2021	**146**	**1,844,765**	**-**	**573**	**24,803**	**315,746**	**(123,334)**	**927,684**	**2,990,383**	**703,094**	**3,693,477**

The accompanying notes are an integral part of these consolidated financial statements.

In EUR thousand	Share capital	Share premium	Treasury shares	Hedging reserve	Currency translation reserve	Other capital reserves	Reserve financial assets measured at FVTOCI	Retained earnings	Total	Non-controlling interests	Total equity
Balance as at 1 January 2020	**55**	**500,608**	**-**	**(850)**	**-**	**319,044**	**(67,510)**	**1,895,445**	**2,646,792**	**51,653**	**2,698,445**
Total comprehensive income for the year									-		
Profit for the year	-	-	-	-	-	-	-	159,697	159,697	69,766	229,463
Other comprehensive income, net of tax	-	-	-	478	(3,560)	-	(46,753)	-	(49,835)	-	(49,835)
Total comprehensive (loss) for the year	**-**	**-**	**-**	**478**	**(3,560)**	**-**	**(46,753)**	**159,697**	**109,862**	**69,766**	**179,628**
Transactions with owners, recognised directly in equity											
Change relating to business combination ADLER (Note 5)	34	600,396	(319,423)	-	-	-	-	-	281,007	409,898	690,905
Change relating to business combination Consus (Note 5)	3	74,322	319,423	-	-	-	-	-	393,748	351,146	744,894
Issuance of ordinary shares, net	54	787,720	-	-	-	-	-	-	787,774	-	787,774
Transactions with non-controlling interest without a change in control (Note 5)	-	(70,901)	-	-	-	-	-	-	(70,901)	(150,444)	(221,345)
Change in consolidation scope related to sale	-	-	-	-	-	-	-	-	-	(8,724)	(8,724)
Changes in put option	-	-	-	-	-	(3,298)	-	-	(3,298)	48,715	45,417
Share-based payment	-	-	-	-	-	-	-	547	547	-	547
Correction of errors - IAS 8											
IAS 8 Adjustment	-	-	-	-	-	(50,843)	-	31,099	(19,744)	2,182	(17,562)
Balance as at 31 December 2020(*)	**146**	**1,892,145**	**-**	**(372)**	**(3,560)**	**264,903**	**(114,263)**	**2,086,788**	**4,125,787**	**774,192**	**4,899,979**

(*) Previous year's figures adjusted according to IAS 8, please refer to Note 4, subchapter O.

The accompanying notes are an integral part of these consolidated financial statements.

Note 1 – Adler Group S.A.

Adler Group S.A. (the “Company” or “Adler Group” or “Group”) is a public limited liability company (société anonyme) incorporated under Luxembourg law. The address of the Company’s registered office is Aerogolf Center, 1B Heienhaff, L-1736 Senningerberg, Luxembourg.

The Company is specialised in and focused on the purchase, management and development of income producing multi-family residential real estate. In addition to being accountable for the condition of its apartments and buildings, Adler Group S.A. assumes responsibility for the tenants, its own employees and the surrounding environment. The portfolio of Adler Group S.A. and its subsidiaries is situated in or on the outskirts of major urban areas with a significant portion in Berlin. With the acquisition of Consus Real Estate AG, Adler Group provides an integrated German residential platform that covers the entire real estate value chain, from acquisition of land, planning and development of projects to property management and letting of residential units throughout Germany.

The consolidated financial statements of the Company as at 31 December 2021 and for the year then ended comprise the Company and its subsidiaries (together referred to as the “Group”).

Note 2 – Basis of preparation

A. Statement of compliance

The consolidated financial statements as at and for the year ended 31 December 2021, have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) as adopted by the European Union (“EU”).

The consolidated financial statements were authorised for issue by the Board of Directors on 30 April 2022.

B. Functional and presentation currency

These consolidated financial statements are presented in euro, which is the Group’s functional currency. All financial information presented in euro (“EUR”) has been rounded to the nearest thousand, unless otherwise indicated. Due to rounding, the figures reported in tables and cross-references may deviate from their exact values as calculated.

C. Basis of measurement

The consolidated financial statements have been prepared under the historical cost convention, except, in particular, investment properties, other financial assets, other financial liabilities and derivatives, which are measured at fair value.

D. Operating cycle

The Group has the following operating cycles:

- Holding and operating residential and commercial units: the operating cycle is one year;
- Sale of units as a separate condominium: the operating cycle is up to three years;
- Sales from development projects: the operating cycle is up to three years.

As a result, current assets and current liabilities also include items, the realisation of which is intended and anticipated to take place within the operating cycle of these operations of up to three years.

E. The coronavirus pandemic and its impact on the Group

Following the outbreak of the coronavirus in December 2019 there has been a decline in economic activity in many regions of the world including Germany. In response to the risks of the pandemic for the health system and in order to protect particularly vulnerable individuals, the government took numerous measures to limit the spread of the virus with serious negative effects on the economic development of the Federal Republic of Germany. The year 2021 was both characterised by a gradual withdrawal of those measures due to the availability of new vaccines, an increasing vaccination ratio of the German population, and by renewed restrictions following the emergence of new virus variants. At present, neither an end to the pandemic nor a final end to the regulatory restrictions associated with the pandemic is in sight. The further development of and the reactions of the German authorities to the pandemic are, in their nature, events that are not under the control of the Group. All estimates and disclosures regarding the impact of the coronavirus reflect the information available as of the report publication date and may be subject to subsequent changes.

The Group's risks and exposures relating to the coronavirus pandemic

The Group may be exposed to risks from a deterioration in the solvency of commercial and private tenants. Furthermore, the pandemic may result in a decline in demand for apartments and a corresponding decline in realisable sales proceeds. Risks for the Group's development projects arise from disruptions in global supply chains causing further delays in the construction progress and price increases for building materials.

Specific effects of the coronavirus on the Group's operating results

The Group is continuously assessing the impact of the pandemic on its business, on the measurement of all of its assets and liabilities and on its ability to generate positive results from forward and upfront sales of development projects. The value of investment properties, projects, financial assets and financial liabilities as at 31 December 2021 as disclosed in these consolidated financial statements reflects the economic conditions in existence at that date.

The economic development and the effects of the COVID-19 pandemic had adverse implications on the development business. Supply bottlenecks, material shortages and the resulting price increases affected the construction activity, especially in the second half of 2021. The shortage of materials, especially wood and steel, caused delays in production, and the sharp price increases reduced the sale activities.

Although commercial properties were severely affected by the measures to contain the coronavirus, their overall value and contribution to the consolidated profit is not material as the Group has already significantly reduced the commercial property portfolio through preceding disposals. The remainder is almost entirely held by Brack Capital Properties N.V., a disposal group held for sale at the balance sheet date. The crisis did not have a negative effect on the Group's residential assets (also see Note 6).

As of the reporting date, trade receivables due from tenants of approximately EUR 27.8 million (prior year: EUR 38.4 million) were not materially affected by deferral of payment and/or cancellation.

The Group estimates that a further spread of the virus could have significant adverse effects on the global economy on the markets in which the Group operates and on its areas of activity and operating results. Nevertheless, the recent measures taken to reduce the Group's leverage ratio, the focusing of its activities on the residential sector and the Group's geographical and sectoral distribution, location and occupancy levels have significantly reduced the exposure of the Company's business to the pandemic.

F. The Ukraine conflict and its impact on the Group

Following the invasion of Ukraine by the Russian Federation on 24 February 2022, the German government and the European Union decided on a set of comprehensive economic sanctions against the Russian Federation. Whether and to what extent further sanctions will be adopted or whether the conflict may intensify further cannot be assessed at present. All estimates and disclosures regarding the impact of the Ukraine conflict reflect the information available as of the report publication date and may be subject to subsequent changes.

The Group's risks and exposures relating to the Ukraine conflict

In the area of its residential business, the exposure of the Group to risks caused by rising energy prices levels is currently not deemed to be material as those price increases are deemed to be rechargeable. Furthermore the German government already announced measures to protect its citizens from the economic impact of rising energy price levels which may leverage the potential risk of a deterioration of the Group's tenants' ability to pay for rents and ancillary cost.

The Group is not aware of any business relations with companies or financial institutions directly affected by the sanctions against the Russian Federation.

Risks for the Group's development projects arise from further disruptions in global supply chains causing further delays in the construction progress and price increases for building materials.

In the short term, market fluctuations and sanctions against investors from the Russian Federation make refinancing more difficult. As a company with a weaker credit rating, the Group might be affected. However, (re-)financing is not planned in the short to medium term.

Specific effects of the Ukraine crisis on the Group's operating results

The Group's assessment of the impact of the Ukraine conflict on its business, on the measurement of all of its assets and liabilities and on its ability to generate positive results from forward and upfront sales of development projects is not finished, yet. However, it shall be noted that the Ukraine crisis may impact the Company's development activity due to intensified supply bottlenecks, material shortages and price increases. This may result in extended construction periods and less contract volumes with customers.

The value of investment properties, projects, financial assets and financial liabilities as at 31 December 2021 as disclosed in these consolidated financial statements reflects the economic conditions in existence at that date.

G. Use of estimates, judgements and fair value measurement

In preparing these consolidated financial statements, management has made judgements, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

Judgements and use of estimates

Information about judgements, assumptions and estimation uncertainties made in applying accounting policies that have the most significant effects on the amounts recognised in the consolidated financial statements is included in the following notes:

- **Note 5 – Regarding acquisitions of companies holding real estate assets (judgement)**
  When buying a company holding real estate assets ("Property Company"), the Group exercises judgement to determine whether it is a business or a group of assets and liabilities, for the purpose of determining the accounting treatment of the transaction. In determining whether a Property Company is

a business, the Group examines, inter alia, the nature of existing processes in the Property Company, including the extent and nature of management, security, cleaning and maintenance services provided to tenants.

- **Note 12 – Goodwill impairment testing (judgement)**
  The determination of the recoverable amount requires assumptions and estimates, especially on the future development of profits and sustainable growth rates. Refer to Note 12.
- **Note 6 – Regarding fair value measurement of investment properties (estimations)**
  The fair value of residential investment properties as at 31 December 2021 was mainly assessed by CBRE, an industry specialist that has appropriate and recognised professional qualifications and up-to-date experience regarding the location and category of the properties. The fair value of the investment properties under construction (project development) was determined by the valuation expert NAI Apollo, an independent industry specialist that has appropriate, recognised professional qualifications and up-to-date experience regarding the location and category of the properties.
  The valuation of the yielding investment properties includes assumptions regarding rent, growth in market rent, vacancies, maintenance costs and discount/capitalisation rates. The investment properties under development are measured according to residual method including assumptions on the remaining construction and financing costs, estimates on the future rental income as well as on the discount/capitalisation rates. Although these assumptions are made to reflect the conditions present as of the valuation date as accurate as possible by using up to date and the most relevant market data available, they are still subject to uncertainties. Market data which the assumptions are based on may change and lead to either positive or negative value adjustments in the future, impacting the profit or loss from changes in fair value of investment properties in the period that such a change in estimations occurs. In addition, the investment properties under development are unique in terms of size, location, regulation and different type of use. Therefore, there are no comparable transaction prices and more reliance is placed on the assumptions specifically made for the property under development when applying the residual value approach.
- **Note 8/3 – Control analysis**
  The Group exercises judgement in examining control over investees. For the purpose of this assessment, the Group examines the structure and characteristics of the investee companies, the relevant activities and shareholder agreements in these companies, as well as potential voting rights. In accordance with this examination, the Group exercises discretion as to whether it has the current ability to direct relevant activities in the investees, whether its rights in these companies are substantial and provide power over the investee and whether it has the ability to use its power to affect the returns from its investment. Determining the existence of control may affect the consolidation of the assets, liabilities and results of operations of the investee companies.
- **Note 8/3 –Significant influence analysis**
  The Group exercises judgement in examining significant influence over investees. For the purpose of this assessment, the Group examines its voting rights in the investee, whether it has board representation, the relative size and dispersion of the holdings of other shareholders and the existence of potential voting rights that are currently exercisable or convertible. In accordance with this examination, the Group exercises discretion as to whether it has the power to participate in the financial and operating policy decisions of the investee. Determining the existence of significant influence may lead to equity accounting regarding the investee's assets, liabilities and results of operations.
- **Note 19/20/21 – Regarding measurement of derivatives at fair value (estimation)**
  Stand-alone derivatives, which mainly consist of interest hedging instruments, are calculated by the financing bank and checked by management. The risk that derivatives will not be appropriately valued exists, since the Group needs to make judgements about the estimation of the credit risk used by the lending bank

and about whether the bank used the appropriate market observation for the other variables. New information may become available that causes the Group to change its estimation, impacting the profit or loss from changes in fair value of derivatives in the period that such a change in estimations occurs.
In some cases, bonds and loans issued by the Group contain embedded derivatives, which are measured at fair value through profit or loss separately from their host contract. These embedded derivatives include the conversion option in convertible bonds or termination options that allow the Group to repay the respective bonds before the actual due date. These options are assessed using an option pricing model (binomial model). The main input factors in the option price model used are expected volatility and risk-free interest rate, which mainly represent unobservable inputs.

- **Note 24 – Uncertain tax positions (judgements)**
  The extent of the certainty that the Group's tax positions will be accepted (uncertain tax positions) and the risk of it incurring any additional tax and interest expenses. This is based on an analysis of a number of matters including interpretations of tax laws and the Group's past experience. New information may become available that causes the Group to change its judgement, resulting in recognition of additional income tax expense in the period that such a change in judgement occurs.
- **Note 24 – Regarding the utilisation of losses carried forward (estimations)**
  Deferred tax assets are recognised in respect of tax losses carried forward when there is a high probability that in the future there will be taxable profits against which losses carried forward can be utilised. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its estimation regarding the utilisation of existing tax assets; any such changes to deferred tax assets will impact tax income/expense in the period that such a change in estimate occurs.
- **Note 25 – Revenue recognition**
  Both income from real estate inventories disposed of as well as income from property development underlie significant estimates and management judgements.
  Income from property development results from forward sales and strongly relies on the project calculation in order to measure project progress as well as projected revenues. The project calculation is subject to management estimates and assumptions. The Group uses the cost-to-cost method to determine the project development at each balance sheet date. Therefore, the incurred costs are compared with the total project costs concerning the actual business plan. The margin of each project is calculated also on a project-by-project basis taking into account the price agreed in the forward sale agreement for each real estate inventory. The price agreed in the forward sale agreement is generally subject to future uncertainties, such as guaranteed letting rates or price adjustment mechanisms, and is taken into account with the most probable outcome. Since the price adjustment mechanisms mainly take into account letting targets, the achievement of which appears largely certain in the current market environment, future reductions in sales revenues are highly unlikely.
  Similarly, income from real estate inventory disposed of underlies management estimates and assumptions. Revenue is measured at the transaction price agreed under the contract and might involve management estimates, e.g. amount and timing of contingent consideration and variable components. Management assesses the respective probabilities of the possible scenarios at each balance sheet date. In addition, judgements may be required in case of disposals via share deals to determine when the transfer of control has occurred using the respective standards (e.g. IFRS 15/IFRS 10).
- **Note 25 – Regarding principle versus agent considerations (judgement)**
  The Group provides ancillary services to tenants, mainly utilities, which it re-charges to the tenants. The Group uses judgement when it examines whether it acts as a principal or as an agent in providing the services to tenants. The Group examines the indicators in IFRS 15, mainly whether it is primarily responsible for fulfilling the promise to perform the specific services (i.e. as-

sumed the non-performance risk associated with such services). For the ancillary services, the Group determined that it is primarily responsible for fulling the promise to perform the services, in particular due to the non-performance and inventory risk assumed by the Company. Therefore, the Group acts as a principle in relation to promised ancillary services and recognises revenue in the gross amount of consideration.

Determination of fair values and net realisable value

Preparation of the financial statements requires the Group to determine the fair value of certain assets and liabilities. Further information about the assumptions that were used to determine fair value is included in the following notes:

- Note 6, investment properties;
- Note 17, Non-current assets and liabilities held for sale and
- Note 32, financial instruments

Inventories are measured at the lower of cost and net realisable value. The latter is determined by estimating the selling price in the ordinary course of business less the estimated costs of completion and sale (residual approach). The remaining construction expenses as well as the future selling prices are key inputs when determining the net realisable value. Although these assumptions are made to reflect the conditions present as of the valuation date as accurately as possible by using the most up-to-date and relevant market data available, they are still subject to uncertainties. Market data on which the assumptions are based may change and lead to write-down impacting the profit or loss in the period when such a change in estimations occurs. In addition, inventories are mostly unique in terms of size, location, regulation and potential use. Therefore, there are no comparable transaction prices and more reliance is placed on the assumptions specifically made for the property when determining the net realisable value.

When assessing the recoverability in regard to outstanding balances from the property asset disposals, for which collaterals are in place, the determination of the fair value of the collateral underlies management judgements and estimations as outlined above.

When measuring the fair value of an asset or liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

H. Initial application of new standards, amendments to standards and interpretations

The following new or amended standards and interpretations became mandatory for the first time in 2021 and have been applied:

Standard/Interpretation	Title	IASB effective date[1]	Effective date of initial application in the EU[1]
Amend. IFRS 9, IAS 39, IFRS 7, IFRS 4, IFRS 16	Interest Rate Benchmark Reform (Phase 2)	1 Jan 2021	1 Jan 2021
Amend. IFRS 4	Extension of the temporary exception from the application of IFRS 9	1 Jan 2021	1 Jan 2021
Amend. IFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021	1 Apr 2021	1 Apr 2021

1) For financial years beginning on or after that date

Amendment IFRS 16

The Amendment relates to the one-year extension to the practical expedient for Covid-19-Related Rent Concessions under IFRS 16 *Leases*. Due to the rent concessions granted as a result of the coronavirus pandemic, IFRS 16 was amended to provide companies with an exemption from assessing whether a coronavirus-related rent concession is a lease modification under IFRS 16. Lessees can opt to account for coronavirus-related rent concessions as if they were not lease modifications.

The first-time application of the other amendments, more specifically the Interest Rate Benchmark Reform - Phase 2 and the Amendment to IFRS 4, also had no material impact on the consolidated financial statements.

I. New standards and interpretations not yet applied

Application of the following standards, interpretations and amendments was not mandatory for the 2021 financial year and the Group did not elect to apply them in advance. After a preliminary assessment the Group does not expect material impacts on the financial statements. The respective changes and their mandatory dates of implementation are outlined in the table below:

Relevant new standards, interpretations and amendments to existing standards and interpretations		Endorsement status in the EU	Effective date for Group
Annual improvements 2018-2020	Amendments to IFRS 1, IFRS 9, IAS 41 and IFRS 16	endorsed on 28 June 2021	1 Jan 2022
Amendments to standards			
IFRS 3, IAS 16 and IAS 37	*Business Combinations, Property, Plant and Equipment* and *Provisions, Contingent Liabilities and Contingent Assets*	endorsed on 2 July 2021	1 Jan 2022
IAS 1	*Presentation of Financial Statements and IFRS Practice statement 2: Disclosure of Accounting policies*	endorsed on 3 March 2022	1 Jan 2023
IAS 1	*Presentation of Financial Statements: Classification of Liabilities as Current or Non-current*	pending	1 Jan 2023(*)
IAS 8	*Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates*	endorsed on 3 March 2022	1 Jan 2023
IAS 12	*Income Taxes: Deferred tax related to Assets and Liabilities arising from a Single Transaction*	pending	1 Jan 2023(*)
IFRS 17	*Insurance contracts: Initial Application of IFRS 17 and IFRS 9 – Comparative Information*	pending	1 Jan 2023(*)
New Standards			
IFRS 17	*Insurance contracts*	endorsed on 23 Nov 2021	1 Jan 2023(*)

(*) Estimated.

Note 3 – Basis of consolidation

Consolidation methods

The consolidated financial statements comprise the Company and the subsidiaries it controls. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

In addition to the Company, 568 subsidiaries (2020: 609) have been included in these consolidated financial statements.

When buying a company holding real estate assets ("Property Company"), the Group exercises judgement to determine whether it is the purchase of a business or a group of assets and liabilities, for the purpose of determining the accounting treatment of the transaction. In determining whether a Property Company is a business, the Group examines, inter alia, the nature of existing processes in the Property Company, including the extent and nature of management, security, cleaning and maintenance services provided to tenants. In transactions in which the acquired company is a business, the transaction is accounted for as a business combination according to IFRS 3.

However, in transactions in which the acquired Property Company is not a business, the acquisition cost, including transaction costs, is allocated in proportion to the identified assets and liabilities acquired, based on their relative fair values at the acquisition date. In this case, neither goodwill nor deferred taxes on the temporary difference existing at the date of acquisition are recognised.

Intra-Group balances and transactions, and any unrealised income and expenses arising from intra-Group transactions, are eliminated. Unrealised losses are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests comprise the equity of a subsidiary that cannot be attributed, directly or indirectly, to the Company. Profit or loss and any part of other comprehensive income are allocated to the owners of the Company and the non-controlling interests.

For changes in the consolidation scope without loss of control (such as increase/decrease of the percentage held in the investee), the Group adjusts the carrying amounts of the controlling and non-controlling interests to reflect the changes in the relative interests in the subsidiaries according to IFRS 10.B96. The resulting gains or losses are presented within owner's equity.

A put option granted by the Group to non-controlling interests that is settled in cash or another financial instrument is recognised as a liability at the present value of the exercise price. In subsequent periods, changes in the value of the liability and dividends distributed to non-controlling interests in respect of put options are recognised in equity. The Group's share of a subsidiary's profits includes the share of the non-controlling interests to which the Group granted a put option, also when the non-controlling interests have access to the returns arising from the interests in the investee company.

Note 4 – Significant accounting policies

A. Investment properties

Investment property is property held to earn rental income or for capital appreciation or both and is not owner-occupied or held for sale in the ordinary course of business.

Investment property is initially measured at cost, including transaction costs. In subsequent periods, investment property is measured at fair value, and changes in fair value are recognised in the statement of profit and loss.

Gains and losses on the disposal of investment property are determined by comparing the net proceeds from the disposal with the asset's carrying amount (the fair value of the investment property as at the disposal date). The gains and losses on the disposal of investment properties is recognised when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group has no further substantial acts to complete under the contract.

In certain circumstances the Group decides to change the use of existing buildings that are rented out and classified as investment property into trading properties; the Group then begins the process of converting such buildings. When the conversion is completed, the necessary approvals are received and the marketing of the apartments begins, the aforesaid buildings are reclassified from investment properties to trading properties. The cost of trading properties is determined according to the fair value at the time of the change in use.

The Group presents advances in respect of investment properties as non-current assets and does not include them as part of the investment properties. In subsequent periods, when the transactions are completed, the advances are reclassified to investment properties.

B. Investments accounted under the equity method

Investments over which the Group exerts significant influence – generally as a result of shareholdings between 20 percent and 50 percent – are basically measured using the at-equity method. For investments requiring measurement using the equity method, the acquisition cost is increased or decreased each year by the changes in equity attributable to the Group.

Gains and losses from transactions between Group companies and associates are eliminated based on the Group's share in the associates. Gains and losses from transactions between associates are not eliminated.

C. Lease accounting (IFRS 16)

Leases in which the Group is the lessee

The Group applies IFRS 16 *Leases* as from 1 January 2019. In particular, the Group has lease agreements with respect to the following items:

1. Leasehold contracts for land (leaseholds);
2. Leases for office space, garages and storage space (property);
3. Leases for cars and commercial vehicles (vehicles);
4. Leases for hardware and heating equipment (hardware and contracting).

Information regarding material lease agreements

- Leasehold contracts have terms of up to 200 years. The lessee has no renewal or purchase options. Some of the leasehold payments are index-linked. The right-of-use assets arising from leasehold contracts meet the definition of the investment properties and are accounted for using IAS 40.
- The Group leases office space, garages and storage space. These leases typically do not have a fixed term and can be terminated by the contracting parties observing a defined notice period. In assessing the term of such leases, the Group assumed that the respective leases will remain in effect for five years, unless there were specific indications of shorter use. Some leases provide for additional lease payments based on changes in local price indexes.
- The Group enters into lease agreements for cars and commercial vehicles which typically have a term of three to four years. Typically there are no renewal or purchase options, or such options are not exercised. These leases were also previously classified as operating leases in accordance with IAS 17.
- The Group leases hardware and heating equipment (contracting). The terms for leases for hardware are typically between four and five years. Typically there are no renewal or purchase options, or such options are not exercised. In the context of contracting

agreements, the leases for heating equipment will gradually expire by 2031 at the latest and will not be renewed.

On the inception date of the lease, the Group determines whether the arrangement is a lease or contains a lease, while examining if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. In its assessment of whether an arrangement conveys the right to control the use of an identified asset, the Group assesses whether it has the following two rights throughout the lease term:

(1) The right to obtain substantially all the economic benefits from use of the identified asset; and

(2) The right to direct the identified asset's use.

The Group has chosen to apply the following expedients:

- Applying the practical expedient regarding the recognition and measurement of leases where the underlying asset has a low value. These leases continue to be recognised in profit or loss over the term using the straight-line method;
- Applying the practical expedient regarding the recognition and measurement of short-term leases that end within 12 months from the date of commencement.

The leases with low value underlying assets typically relate to office equipment, emergency call devices in lifts, smoke alarms, heating and water meters.

For all lease contracts that meet the definition of leases according to IFRS 16, Company recognizes lease liabilities equal to the present value of the future lease payments, discounted using the term-specific incremental borrowing rate. Correspondingly, right-of-use assets are recognized in the amount of the lease liabilities, plus any advance payments or any initial direct costs.

Periods resulting from extension or termination options granted on a unilateral basis are assessed on a case-by-case basis and are only taken into account if their use is sufficiently probable - for example, due to financial incentives.

The Group reports right-of-use assets that do not meet the definition of investment property in its statement of financial position separately. Accordingly, the current and non-current portion of lease liabilities are presented separately in the statement of financial position. Right-of-use assets to investment property (leaseholds) measured at fair value in accordance with IAS 40 are likewise measured at fair value and reported under investment properties.

Leases in which the Group is the lessor

The Group leases investment properties and leaseholds to tenants. The Group classifies these leases as operating leases as the lessee does not receive substantially all of the risks and rewards incidental to ownership. For the residential properties, leases are generally subject to the three-month statutory term of notice.

The Group recognises operating lease payments as revenue on a straight-line basis over the lease term. The Group charges the tenants for land tax and building insurance incurred. Land tax and building insurance do not transfer goods and services to tenants and fall within the scope of IFRS 16 (see Note 31).

D. Inventories including acquired land and buildings

Inventory is measured at the lower of cost and net realisable value. The net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and sale. The cost of inventories includes expenses incurred in acquiring the inventories (i.e., land and buildings) and related purchase costs. The cost of inventories also includes a reasonable share of the indirect overheads based on normal production capacity as well as attributable borrowing costs.

E. Restricted bank deposits

Restricted bank deposits consist of deposits in banks that the Group has pledged to secure banking facilities, deposits received from tenants, and restricted proceeds from condominium sales. The Group cannot use these deposits freely for operations. The basis of measurement of the restricted bank deposits is amortised cost.

F. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits in banks and short-term investments with an original term of up to three months. The basis of measurement of the cash and cash equivalents is amortised cost.

G. Financial instruments

(1) Non-derivative financial assets

The Group initially recognises trade receivables and debt instruments issued on the date that they are created. All other financial assets are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument. Except for items measured at fair value through profit or loss, a financial asset is initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issuance of the financial asset. A trade receivable without a significant financing component is initially measured at the transaction price. Receivables originating from contract assets are initially measured at the carrying amount of the contract assets on the date classification was changed from contract asset to receivables.

Derecognition of financial assets

Financial assets are derecognised when the contractual rights of the Group to the cash flows from the asset expire, or the Group transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. When the Group retains substantially all of the risks and rewards of ownership of the financial asset, it continues to recognise the financial asset.

Classification of financial assets into categories and the accounting treatment of each category

Financial assets are classified at initial recognition to one of the following measurement categories: amortised cost, fair value through profit or loss or fair value through other comprehensive income.

Financial assets are not reclassified in subsequent periods unless, and only if, the Group changes its business model for the management of financial debt assets, in which case the affected financial debt assets are reclassified at the beginning of the period following the change in the business model.

A financial asset is measured at amortised cost (aac) if it meets both of the following conditions and is not designated at fair value through profit or loss:

- It is held within a business model, the objective of which is to hold assets so as to collect contractual cash flows; and
- The contractual terms of the financial asset give rise to cash flows representing solely payments of principal and interest on the principal amount outstanding on specified dates.

All financial assets not classified as measured at amortised cost as described above, as well as financial assets designated at fair value through profit or loss, are measured at fair value through profit or loss (afvtpl).

The Group has balances of trade and other receivables, financial assets and deposits that are held within a business model, the objective of which is to collect contractual cash flows. The contractual cash flows of these financial assets represent solely payments of principal and interest, which reflects consideration for the time value of money and the credit risk. Accordingly, these financial assets are measured at amortised cost.

Assessment whether cash flows are solely payments of principal and interest

For the purpose of assessing whether the cash flows are solely payments of principal and interest, “principal” is defined as the fair value of the financial asset on initial recognition. “Interest” is defined as consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- Contingent events that would change the timing or amount of the cash flows;
- Terms that may change the stated interest rate, including variable interest; and
- Terms that limit the Group’s claim to cash flows from specified assets (for example a non-recourse financial asset).

Subsequent measurement and gains and losses

Financial assets at fair value through profit or loss (aafvPL)

If the contractual cash flows of the financial assets do not solely represent payments of principal and interest, they are measured at fair value through profit or loss. Net gains and losses, including any interest income or dividend income, are recognised in profit or loss (other than certain derivatives designated as hedging instruments).

Financial assets at amortised cost (aac)

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Financial assets at fair value through other comprehensive income (aafvOCI)

These assets are subsequently measured at fair value. Net gains and losses, including any interest income or dividend income, are recognised in other comprehensive income.

(2) Non-derivative financial liabilities

Non-derivative financial liabilities include bonds, loans and borrowings from banks and others, trade and other payables.

The Group initially recognises financial liabilities on the trade date when the Group becomes a party to the contractual provisions of the instrument. The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

Such financial liabilities are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method (flac).

An exchange of debt instruments having substantially different terms between an existing borrower and lender is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability at fair value. In such cases, the entire difference between the amortised cost of the original financial liability and the fair value of the new financial liability is recognised in profit or loss as financing income or expense.

The terms are substantially different if the discounted present value of the cash flows according to the new terms (including any commissions paid, less any commissions received and discounted using the original effective interest rate) is different by at least ten percent from the discounted present value of the remaining cash flows of the original financial liability. In addition to the aforesaid quantitative criterion, the Group also examines qualitative factors, inter alia, whether there have also been changes in various economic parameters inherent in the exchanged debt instruments.

(3) Share capital – ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

Incremental costs directly attributable to an expected issuance of an instrument that will be classified as an equity instrument are recognised as an asset in deferred expenses in the statement of financial position. The costs are deducted from the equity upon the initial recognition of the equity instruments, or recognised in profit or loss as finance expense if the issuance is no longer expected to take place.

(4) Derivative financial instruments, including hedge accounting

The Group enters into contracts for derivative financial instruments such as interest rate swaps (SWAP) to hedge risks associated with variable interest rate bank loans. The Group holds the derivatives as an economic hedge without designating them for a hedge relationship. The stand-alone derivatives are measured at fair value through profit and loss (lafv).

Recycling of cash flow hedge reserve to profit and loss

For the hedge relationships established in the past under IAS 39, the amount recognised in the other comprehensive income is transferred to profit or loss in the same period as the hedged cash flows affect profit or loss under the same line item as the hedged item in the statement of profit or loss.

(5) Hybrid financial instruments (convertible bond)

Liabilities that are convertible into shares at the option of the holder, including a cash settlement option in favour of the Group, are a hybrid instrument (combined) that is fully presented as a financial liability. The instrument is split into two components for measurement purposes: a liability component without a conversion feature that is measured at amortised cost according to the effective interest method, and a conversion option that is an embedded derivative and is measured at fair value at each reporting date.

Separable embedded derivatives that do not serve hedging purposes

Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset. Embedded derivatives are separated from the host contract and accounted for separately if:

(a) the economic characteristics and risks of the host contract and the embedded derivative are not closely related,
(b) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and
(c) the combined instrument is not measured at fair value through profit or loss.

Changes in the fair value of separable embedded derivatives are recognised in profit or loss, as financing income or expense.

H. Impairment

(1) Non-derivative financial assets

Financial assets

The Group recognises a provision for expected credit losses in respect of financial assets at amortised cost.

The Group has elected to measure the provision for expected credit losses in respect of trade receivables and contract assets, which comprise a very large number of small balances, at an amount equal to the full lifetime credit losses of the instrument. The Group uses a credit loss matrix when calculating expected credit losses in respect of trade receivables from tenants and contract assets. The matrix is based on historical default rates and takes into account future expectations. For other receivables, the expected credit losses are individually estimated taking into account the credit quality and credit enhancements in place.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition, and when estimating expected credit losses, the Group considers reasonable and supportable information that is relevant and available with no undue cost or effort. Such information includes quantitative and qualitative information, and an analysis based on the Group's past experience and informed credit assessment, and it includes forward looking information.

Group assumes that the credit risk of a financial asset has increased significantly since initial recognition when contractual payments are past due for more than 30 days unless there is reasonable and supportable information available to demonstrate that the credit risk has not increased significantly since initial recognition.

The Group considers a financial asset to be in default when:

- The borrower is unlikely to pay its credit obligations to the Group in full; or
- The contractual payments of the financial asset are past due for more than 180 days.

Lifetime expected credit losses are expected credit losses that result from all possible default events over the expected life of the financial asset. The maximum period considered when assessing expected credit losses is the maximum contractual period over which the Group is exposed to credit risk.

Measurement of expected credit losses

Expected credit losses are a probability-weighted estimate of credit losses. Credit losses are measured as the nominal value of the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes a breach of contract such as a default or payments being past due.

Presentation of provision for expected credit losses in the statement of financial position

Provisions for expected credit losses of financial assets measured at amortised cost are deducted from the gross carrying amount of the financial assets.

Write-off

The gross carrying amount of a financial asset is written off when the Group does not have reasonable expectations of recovering a financial asset in its entirety or a portion thereof. This is usually the case when the Group determines that the debtor does not have assets or sources of income that may generate sufficient cash flows for paying the amounts being written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due. Write-off constitutes a derecognition event.

(2) Non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than investment properties, trading properties and deferred tax assets) to determine whether there is any indication of impairment. The next step involves estimating the recoverable amount of the group of cash-generating units (CGU). This corresponds to either the fair value less costs of sale or the value in use, whichever is higher. Determining the value in use includes adjustments and estimates regarding the forecast and discounting of the future cash flows. Although the management believes that the assumptions used to determine the recoverable amount are appropriate, any unforeseeable changes in these assumptions could result in impairment losses, with a detrimental impact on the net assets, financial position and results of operations. If any such indication exists, then the asset's recoverable amount is estimated.

Goodwill is tested annually for impairment. For the purpose of goodwill impairment testing, goodwill acquired in a business combination is allocated to the respective CGUs that are largely independent of the cash inflows of other assets and are expected to benefit from the synergies of the business combination. Each unit or group of units to which the goodwill is so allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purposes and is not larger than an operating segment. The value in use is derived from the estimated future free cash flows. These are based on the ten-year detailed planning phases specific to the cash-generating units and perpetual annuities for the subsequent period. The detailed planning phases and perpetual annuities include both contractually agreed development projects and new development projects planned with standard expected margins reflecting sustainable business development. Both the agreed property projects and the planned inventory projects consider experience from previous years and management forecasts for the development of the property market.

I. Provisions

Provisions are recognised in other payables when the Group has a present, legal or constructive obligation as a result of a past event that can be estimated reliably and it is probable that it will require an outflow of resources embodying economic benefits to settle the obligation.

The Group recognises indemnification as an asset if, and only if, it is virtually certain that the indemnification will be received if the Group will settle the obligation. The amount recognised for the indemnification does not exceed the amount of the provision. Provisions are measured on the basis of discounted expected future cash flows.

J. Employee benefits

Share-based payment transactions

The grant-date fair value of equity-settled share-based payment awards granted to employees is recognised as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

For share-based payment awards with market performance vesting conditions, the grant-date fair value of the share-based payment awards is measured to reflect such conditions, and therefore the Group recognises an expense in respect of the awards whether or not the conditions have been met.

Share-based payment arrangements in which equity instruments are granted by the parent company to the employees of the Group are recognised in the reserve from transactions with the controlling shareholder. Share-based payment arrangements in which the Company's equity instruments are granted are recognised in the retained earnings.

K. Revenue recognition

Revenue from contracts with customers

In addition to rental income which represents a major source of income within scope of IFRS 16, the Group also generates revenue from a number of contracts with customers which fall in the scope of IFRS 15 *Revenue from Contracts with Customers*. The Group recognises revenue when the customer obtains control over the promised goods or services. The revenue is measured according to the amount of the consideration to which the Group expects to be entitled in exchange for the goods or services promised to the customer, other than amounts collected for third parties.

The Group's key sources of revenue under IFRS 15 include:

- Revenue from charged costs of utilities and facility services;
- Revenue from sale of trading properties (condominiums);
- Revenue from property development;
- Revenue from real estate inventories disposed of.

Revenue from charged costs of utilities and facility services

The Group provides ancillary services to tenants, mainly utilities such as heating, cold water, draining, street cleaning, gardening, which it recharges the tenants. Each promised service is accounted for as a single performance obligation. The performance obligation is satisfied over time in accordance with IFRS 15.3, because the tenant simultaneously receives and consumes the benefits while they are rendered by Group and the Group's performance does not create an asset with alternative use whereby the Group has an enforceable right to payment for performance completed to date. Revenue from the rendering of these services is recognised by reference to the stage of completion at the end of the reporting period. Under this method, revenues are recognised in the accounting periods in which the services are rendered. The tenants perform advance payments in relation to ancillary services which are due monthly and are payable immediately. The liabilities from advance payments of ancillary services are reported net with contract assets from the services completed to date. Depending on the balance, the net amount is presented either as accrued receivables under trade receivables or as contract liabilities under trade payables.

Revenue from sale of trading properties (condominiums)

The Group enters into contracts with customers to sell trading properties. The promised goods and services identified in the contract mainly include condominiums. The promised transfer of ownership of the trading properties is accounted for as a single performance obligation which is satisfied at the point in time when the control is transferred to the customer, which is generally expected to be when legal title is transferred. The customer contract specifies a fixed or a determinable amount as consideration and an immediate payment term whereby the transfer of control and payment occur simultaneously. Revenue from the sale of trading properties is measured at the fair value of the consideration.

Revenue from property development

The Group enters into forward sale contracts, i.e., the sale of properties before their completion with institutional or individual customers. The Group differentiates between two different types of development projects for which revenue is recognised over time: forward sales of development projects to institutional investors and the forward sale of apartments primarily to individuals.

Forward sales of development projects to institutional investors are separated into two material performance obligations, one involving the sale of land and the other representing the development work performed. Whereas the development work is accounted for over time on a percentage of completion basis, revenue for the sale of the land is recognised at the point in time when the customer obtains control over the land, typically at the end of the forward sale. For the accounting of forward sales of apartments to individuals only one performance obligation is assumed. The agreed total revenue from the contract is allocated to the performance obligations for land and development in accordance with the relative stand-alone selling prices. The relative stand-alone selling prices are estimated by using the standard land values for the land performance obligation, taking into account the gross floor area plus capitalised interest up to the date of conclusion of the forward sales contract, and for the development performance obligation the remaining costs of the project plan thereafter plus the margin or a minimum margin planned. Revenue for the land performance obligation is recognised at the point in time when the title passes and revenue for the performance obligation development project is recognised over time.

For the accounting of forward sales of apartments to individuals only one performance obligation is assumed, namely the development of the respective apartment. Similarly, the development work is accounted for over time on a percentage of completion basis.

Upon conclusion of a forward sales contract, the Group begins to recognise revenue from property development over a certain period of time, provided that planning permission had already been granted at the time the contract was concluded. If planning permission is granted after the contract has been signed, the period-related revenue recognition does not commence until the building permit ("Baugenehmigung") is granted, as the forward sales customer usually has the right to withdraw from the contract before the building permit is granted.

Revenue recognised over time is calculated using the "Percentage of Completion" method, which determines the stage of completion of the development project on the basis of the costs incurred in relation to the expected total costs. Revenue over the period is determined according to the stage of completion of the development project, which is calculated on the basis of the costs incurred in relation to the expected total costs. In the Group's opinion, this method is the most reliable way of estimating the stage of completion of a project because potential cost overruns are immediately identified and taken into account. If the contract revenue cannot be reliably estimated, it is recognised without a margin in the amount of the contract costs incurred. If contract losses are expected, appropriate provisions are recognised in the statement of profit or loss, so that the contract loss is fully recognised before the completion of the contract.

The timing of revenue recognition, invoicing and cash collections results in billed accounts receivables, unbilled receivables (contract assets) and customer advances (contract liabilities) in the Statement of Financial Position. In the Group's development activities, amounts are billed as work progresses in accordance with agreed-upon contractual term, either at periodic intervals or upon achievement of sub-works ("baurechtliche Gewerke"). The completion of these sub-works is usually confirmed by external experts or the customers itself. Generally, billing occurs subsequent to revenue recognition resulting in contract assets. However, the Group sometimes receives advances from its customers before revenue is recognised, resulting in contract liabilities. These assets and liabilities are reported in the Consolidated Statement of Financial Position on a contract-by-contract basis at the end of each reporting period. Based on the expected date of advance payment by the customer, which is presented net after offset with relating gross contract amount on contract basis, the Group considers contract assets which are realised within a period of one year from the reporting date as current, whereas contract assets which are realised after more than one year are classified as non-current.

The outstanding performance obligations from the customer contracts relate to the completion of the construction of the buildings and usually do not include any obligations of the Group concerning returns or similar obligations and only includes the statutory warranties.

Revenue from real estate inventories disposed of

Occasionally, the Group enters into contracts with customers to sell development projects in current state (up-front sales). Revenue from the sale is recognised when the control has been transferred to the customer; this is usually the case when transferring ownership rights, benefits and obligations arising from properties. It is required that there are contractual arrangements with enforceable rights and obligations and that it is likely that the consideration specified will be received. The contracts in question include the transfer of one or multiple development projects in current state as performance obligation with a fixed or determinable consideration and a specific point-in-time where the transfer of control takes place. This is generally when the legal title to the property is transferred. The consideration is usually deposited on notary accounts and paid to the Group when the control has been transferred.

The Group has elected to make use of the following practical expedients:

- The Group applies the practical expedient regarding the consideration of material financing components, according to which the consideration does not have be adjusted for the effects of financing if it is expected at the time of conclusion of the contract that the period between the receipt of the consideration and the time of realisation of the sale will not exceed one year, IFRS 15.63;
- The Group applies the practical expedient to recognise the incremental costs of obtaining a contract as an expense when incurred if the amortisation period of the asset that the Group otherwise would have recognised is one year or less, IFRS 15.94;
- As a practical expedient, the Group does not disclose the information about its remaining performance obligations if the performance obligation is part of a contract that has an original expected duration of one year or less, IFRS 15.121;
- The Group applies the practical expedient in IFRS 15.121 and does not disclose information about the remaining performance obligations for contracts in which the Group has a right to consideration from tenants in an amount that corresponds directly with the value to the tenant of the Group’s performance completed to date.

L. Finance income and costs

Finance income comprises interest income on funds invested including changes in the fair value of financial assets or liabilities at fair value through profit or loss and gains on hedging instruments that are recognised in profit or loss. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Finance costs comprise interest expense on borrowings, changes in the fair value of financial assets or liabilities at fair value through profit or loss, impairment losses recognised on financial assets, losses from refinance and losses on hedging instruments that are recognised in profit or loss. All borrowing costs are recognised in profit or loss using the effective interest method.

In the statements of cash flows, interest received is presented as part of cash flows from investing activities. Interest paid and dividends paid are presented as part of cash flows from financing activities.

M. Taxation

Income tax on the profit or loss for the year comprises current and deferred tax.

Current tax is the expected tax payable (or receivable) on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date. Current taxes also include taxes in respect of prior years and any tax arising from dividends.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax liability is not recognised for the following taxable temporary differences:

- The initial recognition of goodwill;
- The initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss; and
- Differences relating to investments in subsidiaries, to the extent that the Group is able to control the timing of the reversal of the temporary difference and it is probable that they will not reverse in the foreseeable future, either by way of selling the investment or by way of distributing dividends in respect of the investment.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. For investment property that is measured at fair value, there is a rebuttable presumption that the carrying amount of the investment property will be recovered through sale. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised for unused tax losses, tax benefits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Current and deferred tax is charged or credited in profit or loss, except when it relates to items charged or credited directly to other comprehensive income or equity, in which case the deferred tax is recognised in other comprehensive income or equity, respectively.

N. Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders of the Company and the weighted average number of ordinary shares outstanding, for the effects of all dilutive potential ordinary shares, which comprise options granted to employees.

O. Correction of an Error (IAS 8)

Consus Real Estate AG, a subsidiary of Adler Group SA, closed a package sale of several development projects in December 2020. As a result, 21 subsidiaries were deconsolidated in the Group's consolidated financial statements 2020.

A re-examination of the sale agreements in 2021 has revealed that there was no effective transfer of control to the new acquirer Ajos as of 31 December 2020. Rather, the transfer of control did not take place until 11 February 2021. Consequently, the previously disposal companies must continue to be shown as fully consolidated subsidiaries in the consolidated financial statements as of 31 December 2020.

This set of figures replaces the previously issued figures as of December 31, 2020. The following companies were reincluded in the scope of consolidation:

	Company	Country	Shareholding and control at 31 Dec in % 2021	2020
1	Grundstücksgesellschaft TCR 1 mbH	Germany	0.00	100.00
2	Billwerder Neuer Deich GmbH	Germany	0.00	100.00
3	Neuländer Quarree GmbH	Germany	0.00	100.00
4	Cologneo II GmbH & Co. KG (prev. Euroforum West GmbH & Co. KG)	Germany	0.00	94.80
5	Cologneo IV GmbH & Co. KG (prev. Euroforum Mitte GmbH & Co. KG)	Germany	0.00	94.80
6	SG Einkaufs-GbR Peschl-Areal	Germany	0.00	86.53
7	SG Peschl Areal 1 UG	Germany	0.00	100.00
8	SG Peschl Areal 2 UG	Germany	0.00	100.00
9	SG Peschl Areal 3 UG	Germany	0.00	100.00
10	SG Peschl Areal 4 UG	Germany	0.00	100.00
11	SG Peschl Areal 5 UG	Germany	0.00	100.00
12	SG Peschl Areal 6 UG	Germany	0.00	100.00
13	Consus Einkaufs-GbR Glockengut.	Germany	0.00	86.53
14	SG Glockengut 1 UG	Germany	0.00	100.00
15	SG Glockengut 2 UG	Germany	0.00	100.00
16	SG Glockengut 3 UG	Germany	0.00	100.00
17	SG Glockengut 4 UG	Germany	0.00	100.00
18	SG Glockengut 5 UG	Germany	0.00	100.00
19	SG Glockengut 6 UG	Germany	0.00	100.00
20	SG Glockengut 7 UG	Germany	0.00	100.00

In EUR thousand	31 Dec 2020 (as previously presented)	Adjustment according to IAS 8	31 Dec 2020
Assets			
Non-current assets	11,949,928	-	11,949,928
Current assets	2,748,350	74,021	2,822,371
thereof inventories	1,254,460	304,303	1,558,763
thereof trade receivables	424,998	(220,878)	204,120
Shareholders' equity and liabilities			
Equity	4,917,542	(17,563)	4,899,979
Non-current liabilities	7,119,584	10,995	7,130,579
thereof deferred tax liabilities	933,226	10,995	944,221
Current liabilities	2,773,242	80,589	2,853,831
thereof other loans and borrowings	1,265,842	44,697	1,310,539
thereof other payables	440,842	31,573	402,719

	2020 (as previously presented)	Adjustment according to IAS 8	2020
Profit and loss			
Revenue	758,737	(218,667)	540,070
Cost of operations	(553,918)	253,496	(300,422)
Results from operating activities	544,275	34,829	579,103
Profit before tax	348,543	34,829	383,371
Profit for the year	229,464	32,875	262,338

	2020 (as previously presented)	Adjustment according to IAS 8	2020
Cash flows			
Cash flow from operating activities	120,304	4,452	124,756
Cash flow from investing activities	(178,368)	-	(178,368)
Cash flow from financing activities	(136,299)	-	(136,299)
Change in cash and cash equivalents	(194,363)	4,452	(189,911)

P. Non-current assets (liabilities) and disposal groups held for sale

Non-current assets (or groups of assets and liabilities for disposal) are classified as held for sale or distribution if it is highly probable that they will be recovered primarily through a sale transaction or a distribution to the owners and not through continuing use. This applies also when the Company is obligated to a sale plan that involves losing control over a subsidiary, whether or not the Company will retain any post-sale non-controlling interests in the subsidiary.

Immediately before classification as held for sale or distribution, the assets (or components of a disposal group) are re-measured in accordance with the Group's accounting policies. Thereafter, the assets (or components of a disposal group) are measured at the lower of their carrying amount and fair value less cost to sell.

Any impairment loss on a disposal group is initially allocated to goodwill, and then to the remaining assets and liabilities on a pro rata basis, except when no loss is allocated to assets that are not in the scope of the measurement requirements of IFRS 5 such as: inventories, financial assets, deferred tax assets, employee benefit assets, investment property measured at fair value (IAS 40), which are continued to be measured in accordance with the applicable IFRSs and Group's accounting policies.

In subsequent periods, depreciable assets classified as held for sale or distribution are not periodically depreciated, and investments in associates classified as held for sale are not accounted for by the equity method.

According to the Group's accounting policy, investment properties are accounted for as non-current assets held for sale when notarised purchase contracts have been signed or declaration of intent to purchase has been signed by both parties as of the reporting date but transfer of the title did not yet take place on the balance sheet date. Initially they are recognised at the contractually agreed selling price and subsequently at fair value less costs to sell, if the latter is lower.

Note 5 - Acquisitions and other changes in the consolidation scope

In 2021, 17 companies have been deconsolidated. Four companies have been merged with others, one has been liquidated.

A. Deconsolidation of subsidiaries

As part of a share deal, TPL Erlangen S.à r.l. (total assets of EUR 12,784 thousand and total liabilities of EUR 11,748 thousand) has been deconsolidated with effect from 28 February 2021.

Magnus Achte Immobilienbesitz und Verwaltungs GmbH was deconsolidated on 1 April 2021 as part of another share deal. Based on the preliminary purchase price, the disposal of the company resulted in a loss on deconsolidation of EUR 334 thousand which is presented under other operating expenses.

Brack European Ingatlankezelő KFT, Budapest, Hungary, was removed from the scope of consolidation in the fourth quarter. The transaction did not have any significant impact on the consolidated financial statements of the Group.

In the fourth quarter of 2021, ADLER, a 97% subsidiary of Adler Group, entered into a share purchase agreement with a subsidiary of LEG IMMOBILIEN SE (“LEG”), to dispose of 15,500 residential and commercial units. On 29 December 2021, the transaction was effectively completed due to transfer of control to the buyer. The properties were predominantly located in small and medium-sized towns in northern Germany. The sale was structured as a share deal including the entire shares in 13 entities (AFP II Germany GmbH, HKA Grundstücksverwaltungsgesellschaft mbH & Co. KG, HKA Verwaltungsgesellschaft mbH, Relda 38. Wohnen GmbH, Relda 45. Wohnen GmbH, Resident Baltic GmbH, Westgrund Immobilien GmbH, Westgrund Immobilien VIII. GmbH, Westgrund Wolfsburg GmbH, WBG Jade mbH, Zweite REO Real Estate Opportunities GmbH, Westgrund Niedersachsen Nord GmbH and Westgrund Niedersachsen Süd GmbH). Due to the loss of control, the entities were deconsolidated as of 31 December 2021. The assets and liabilities of the 13 companies, which were sold on the reporting date in the fourth quarter, comprise of the following:

In EUR thousand	31 Dec 2021
Property, plant and equipment	2,973
Investment properties	1,227,323
Trade receivables	4,777
Income tax receivables	392
Other current assets	1,365
Cash and cash equivalents	47,685
Assets total	**1,284,515**
Deferred tax liabilities	123,972
Financial liabilities due to bank	555,585
Other non-current liabilities	9,919
Income tax liabilities	1,184
Trade payables	18,171
Other current liabilities	66,107
Liabilities total	**774,938**

Based on the preliminary purchase price of EUR 689.6 million, subject to customary final price adjustments, the deconsolidation of the entities resulted in a net income of EUR 123,209 thousand which is presented in other income. The deconsolidation led to a decrease of cash and cash equivalents of EUR 47,686 thousand.

In Q1 2021 Consus, a subsidiary of the Adler Group, transferred control of a portfolio of non-core assets to an institutional investor for a consideration of EUR 218.7 million (the RAFFA transaction). The RAFFA transaction was structured as a share deal including 21 subsidiaries for which the conditions of the transfer of ownership were met on 11 February 2021. The Group realised a net loss of EUR 34.8 million. The income from real estate inventories disposed of amounted to EUR 218.7 million (see Note 25). The relating cost of real estate inventories disposed of was EUR 253.5 million (see Note 26).

B. Additions to the scope of consolidated entities

Reacquisition of Artists Living Frankfurt Com GmbH & Co. KG

As part of the RAFFA transaction, Consus sold its subsidiary Artists Living Frankfurt Com GmbH & Co. KG to Ajos RE 1 GmbH. In the first half of 2021, Consus and Ajos RE 1 GmbH agreed upon the repurchase of the entity as per 30 June 2021 for a purchase price of 1 EUR. The reacquisition did not constitute a business combination according to IFRS 3. As a result, the transaction was presented as an asset deal. When allocating the purchase price to the assets and liabilities, the project (presented under inventories) was assigned with an initial value of EUR 66 million. As the residual value of the project turned out to fall below the aforesaid initial value of EUR 66 million, an impairment of EUR 12.3 million had to be considered. Thus, inventories by way of acquiring assets were added in an amount of EUR 53.7 million.

C. Changes in the consolidation scope without loss of control

During the reporting period, following changes in the consolidation scope occurred which did not result in a loss of control. Accordingly, the Group adjusted the carrying amounts of the controlling and non-controlling interests to reflect the changes in the relative interests in the subsidiaries according to IFRS 10.B96.

Adler Group S.A. increased its stake in ADLER Real Estate Aktiengesellschaft from approximately 93.9 percent to 96.7 percent through a debt-to-equity swap. In the course of this transaction, Adler Group S.A. acquired 35,107,487 additional ADLER shares against a contribution in kind of EUR 478 million. The resulting net gain of EUR 24.9 million was recognised in share premium.

In addition, the Company increased its majority holding in Consus from approximately 94.0 percent to 96.9 percent. The resulting net loss of EUR 17.6 million was recognised in share premium.

Following the share purchase agreement with LEG IMMOBILIEN SE, ADLER Real Estate Aktiengesellschaft, a 96.7 percent subsidiary of the Group, decreased its stake in Brack Capital N.V. (BCP) from approximately 69.8 percent to 62.8 percent. The resulting net gain of EUR 17.2 million was recognised in retained earnings.

D. Other changes

Following the withdrawal of a shareholder, MBG Dallgow GmbH & Co. KG was merged to the remaining shareholder in the scope of consolidation. In the third quarter, MÜBAU Real Estate GmbH was merged into ADLER, in the fourth quarter MBG Beteiligungsgesellschaft mbH & Co. KG was merged into MBG Wohnbau Verwaltungsgesellschaft mbH and the same subsequently into Münchener Wohnbau GmbH. This did not have any effect on the Group's net assets, financial position and results of operations.

In the third quarter ADLER Lux S.à r.l. was liquidated and deconsolidated, without material effect on the Group's financial position and performance.

In August 2021, the Company learned that there are delays of the zoning plan approvals in connection with the a previously sold development project in Düsseldorf (Glasmacherviertel GmbH & Co. KG) due to objections by Deutsche Bahn AG. Due to the delays of the zoning plan approvals a process was initiated to prepare for a cancellation of the sales agreement. As a result the Company reassessed its rights and obligations under the contract (in particular its right to cancel the agreement) and came to the conclusion that it effectively had control over the investee from Q3 2021 onwards. Finally, on 19 October 2021, ADLER and the (former) purchaser of the project signed a rescission agreement. Therefore, the Company reincluded the Glasmacherviertel GmbH & Co. KG into the scope of fully consolidated subsidiaries from Q3 2021 onwards. Previously, the entity had been presented as an investment accounted for under the equity method. The investee's assets and liabilities primarily consist of investment properties with a fair value of EUR 270,000 thousand and loans and borrowings with a carrying amount of approximately EUR 148,000 thousand. The fair value measurement of the project resulted in a loss of approximately EUR 106,000 thousand (after taking into account offsetting effects from the adjustment to liabilities for deferred taxes). The fair value was determined by an independent external appraiser (CBRE). Glasmacherviertel GmbH & Co. KG is a subsidiary of Brack Capital Properties N.V. (BCP), a 63% subsidiary of ADLER Real Estate AG. Due to the written call option over the sale of the remaining shares in BCP with LEG IMMOBILIEN SE ("LEG", please refer to Note 17), the investee including the aforementioned project and financing arrangement has been included in the disposal group held for sale according to IFRS 5.

Prior year's acquisitions

A. Acquisition of ADLER Real Estate Aktiengesellschaft

On 9 April 2020, the Company acquired 91.93 percent stake in ADLER Real Estate Aktiengesellschaft ("ADLER") by way of a voluntary tender offer. Consideration was EUR 601.1 million, measured at Adler Group's closing share price as at acquisition date. ADLER is a well-established residential property holder. Around 92 percent of the investment properties belong to the residential portfolio. As at 1 April 2020, ADLER held approximately 58,000 rental units totalling 3.5 million m^2. The regional focus of the Group's properties is primarily Lower Saxony, North Rhine-Westphalia and Saxony. ADLER's portfolio comprises small and medium-sized residential units.

The final purchase price allocation resulted in a negative difference of EUR 74.8 million, which was recognised as other income in 2020.

B. Acquisition of Consus

On 2 July 2020, the Group increased its stake in Consus Real Estate AG from approximately 21.8 percent to 65.1 percent by way of issuing new shares and re-issuing of treasury shares under a call option with a major shareholder of Consus. In total the equity purchase price amounted to EUR 595.4 million. In December 2020, the Group further increased its stake in Consus from approximately 65.0 percent to 94.0 percent by issuing new shares.

Consus is a leading real estate developer in Germany's top 9 cities. Development of rental housing and forward sales are the core elements of Consus' business model. Real estate projects are generally forward sold to institutional buyers prior to construction, such as pension funds or insurance companies. Consus operates an integrated project development platform, which creates significant competitive advantages. This platform enables Consus to cover the entire value chain.

In the second quarter of 2021, the purchase price allocation was finalised. The goodwill largely represents the expected earnings potential of the acquired business with a significant development pipeline located in major urban areas with a strong customer demand as well as other advantages (e.g. workforce, financial/platform synergies). Consequently, the goodwill has been allocated to the acquiree's business.

The following final fair values were assigned to the acquired assets and liabilities at the time of initial consolidation, including the adjustments required for the provisional amounts reported as at 31 December 2020:

In EUR thousand	Provisional amounts as at 31 Dec 2020	Adjustments	Final amounts as at 31 Dec 2021
Investment properties	1,123,409	-	1,123,409
Inventories	1,426,867	51,387	1,478,254
Contract assets	255,291	-	255,291
Trade receivables	399,046	-	399,046
Investment in associated companies	20,725	-	20,725
Other intangible assets	38,994	-	38,994
Property, plant and equipment	10,175	-	10,175
Financial receivables and other financial assets	283,026	(7,888)	275,138
Right-of-use assets	10,184	-	10,184
Other assets	195	-	195
Cash and cash equivalents	103,284	-	103,284
Acquired assets	**3,671,196**	**43,499**	**3,714,695**
Corporate bonds	556,407	-	556,407
Convertible bonds	165,905	-	165,905
Other loans and borrowings	2,041,375	-	2,041,375
Other financial liabilities	271,107	-	271,107
Provisions	103,402	-	103,402
Deferred tax liabilities	109,492	13,126	122,618
Trade payables	127,849	-	127,849
Other payables	97,333	-	97,333
Prepayments received	330,773	-	330,773
Contract liabilities	25,002	-	25,002
Assumed liabilities	**3,828,645**	**13,126**	**3,841,771**
Fair value of acquired net assets	**(157,449)**	**30,373**	**(127,076)**
Pre-existing relationship	100,890	-	100,890
Non-controlling interests	351,146	-	351,146
Equity purchase price (consideration)	595,449	-	595,449
Goodwill	**1,204,934**	**(30,373)**	**1,174,561**

The adjustments to prior year's provisional amounts were made to reflect new information obtained about facts and circumstances that existed as of the acquisition date with impact on the measurement as of the acquisition date.

Note 6 – Investment properties

investment properties - residential / commercial

In EUR thousand	2021	2020
Balance as at 1 January	**8,396,307**	**3,624,453**
Additions by way of acquiring assets	127,864	-
Additions arising from business combination (Note 5)	-	4,643,232
Capital expenditure	145,880	130,766
Transfer from investment properties to property, plant and equipment	-	(3,337)
Transfer from investment properties to assets of disposal groups classified as held for sale	(2,431,716)	(437,434)
Other reclassifications	(3,600)	-
Transfer to investment property residential/ commercial from property developments	-	67,242
Disposal of investment properties	(1,292,538)	-
Fair value adjustments	624,272	371,385
Balance as at 31 December	**5,566,469**	**8,396,307**

Investment properties - project developments

In EUR thousand	2021	2020
Balance as at 1 January	**1,712,581**	**-**
Additions arising from business combination (Note 5)	-	1,409,924
Additions by way of acquiring assets	42,508	20,406
Transfer due to consolidation of at equity investments	270,000	-
Capital expenditure	121,204	-
Transfer from investment properties to inventories	-	-
Transfer to investment properties from intangible assets	-	34,300
Investments in project development properties under construction (acquisition and building costs)	-	211,426
Transfer to investment properties from inventories	97,735	62,764
Transfer from investment properties project developments to residential/ commercial	-	(67,242)
Transfer from investment properties to assets of disposal groups classified as held for sale	(491,108)	(1,286)
Other reclassifications	3,600	-
Fair value adjustments	(209,130)	42,289
Balance as at 31 December	**1,547,390**	**1,712,581**

According to the Group's fair value valuation policies, investment properties generally undergo a detailed valuation as at 30 June and 31 December of each year unless the Group identified material changes in the value of this properties at an earlier date.

Interest expenses capitalized in the investment properties under development amount to EUR 24,481 thousand (prior year: EUR 5,386 thousand).

The fair value of the residential investment properties as at 31 December 2021 was mainly determined by CBRE, an independent industry specialist that has appropriate, recognised professional qualification and up-to-date experience regarding the location and category of the respective properties. The fair value of the investment properties under construction (project developments) was determined by the valuation expert NAI Apollo, an independent industry specialist with appropriate, recognised professional qualifications and up-to-date experience regarding the location and category of the respective properties.

The fair value measurement for all investment properties has been categorised as Level 3 fair value due to prevailing use of unobservable inputs to the adopted valuation method.

The Group's residential investment properties are valued using the discounted cash flow (DCF) method. Under the DCF method, the expected future income and costs of the properties are forecast over a period of 10 years and discounted to the date of valuation. The income mainly comprises expected rental income (current in-place rent, market rents as well as their development) taking vacancy losses into account. For investment properties under construction (project developments), which will be held in the long term to generate gross rental income and capital appreciation after completion, the residual value method is applied. This approach is common to calculate the value of real estate developments in planning stage or still under construction. The approach is a deductive method to derive the market value of an undeveloped project according to its construction / development progress and represents the amount a market participant would be willing to pay for the property (land). The approach is based on the assumption that the market value of an ongoing project can be derived from an indicative market value less the anticipated costs for the realisation of the project (e.g. construction or marketing costs).

The outbreak of the coronavirus ("Covid-19") continues to affect the economies and real estate markets globally. According to CBRE, despite Covid-19, property markets are mostly functioning, with transaction volumes and other relevant evidence at levels where enough market evidence exists upon which to base opinions of value.

Based on the above, for certain major German cities, the overall fair values at portfolio level as at 31 December 2021 are increasing.

A positive fair value adjustment of EUR 624.3 million (2020: EUR 371.4 million) was recognised for the residential portfolio. The Company's prior year's acquisition, ADLER Real Estate AG, contributed with a fair value adjustment of EUR 225.2 million (2020: EUR 249.8 million).

The commercial portfolio in the amount of EUR 49.1 million (2020: EUR 67.4 million) which stems from Brack Capital Properties B.V. (BCP), has been reclassified as held for sale.

During the reporting period, the development projects were impacted as follows:

Upon the reversal of the forward sales contracts (VauVau), the inventories amounting to EUR 185.8 million were transferred to investment properties (see Note 14). Contrary, as of 30 September 2021, Icoon (EUR 12.6 million) and Franklinstraße (EUR 75.5 million) were transferred from investment properties to inventories.

Due to the consolidation of the at equity investment (Glasmacherviertel), the project developments increased by EUR 270.0 million during the reporting period. A development portfolio in the amount of EUR 386.3 million (including the aforementioned Glasmacherviertel) is part of the BCP disposal group and has been presented as assets held for sale (see Note 17). In addition, as of 30 December 2021, Consus, a subsidiary of the Group, signed a purchase agreement for the project Ostend, which therefore was transferred to assets held for sale according (IFRS 5) with a carrying amount of EUR 104.8 million reflecting the purchase price.

A negative fair value adjustment of EUR 209.1 million (2020: positive fair value adjustment of EUR 42.3 million) was recognised for the development projects in 2021. Consus contributed with a fair value adjustment of EUR 184.9 million (2020: EUR 39.8 million). The main reasons for the negative fair value adjustments were increased costs and extended construction times.

Valuation technique and significant unobservable inputs

Due to the significant disposals of the investment properties and reclassification of disposal groups including investment properties as held for sale (IFRS 5), the residential investment properties are more predominantly concentrated on Berlin.

The following tables give an overview of the main valuation parameters and valuations results for each regional cluster as well as the change compared to the prior year:

A. Investment properties - residential

	Location							
Balance as at 31 Dec 2021	**Berlin**	**Leipzig**	**Wilhelms-haven**	**Duisburg**	**Wolfsburg**	**Göttingen**	**Dortmund**	**Hanover**
Value per m² (EUR)	3,880	-	-	1,312	-	-	1,809	-
Average residential in-place rent	8.71	-	-	5.70	-	-	6.35	-
CBRE market rent (EUR/m²)	9.70	-	-	6.16	-	-	7.05	-
Multiplier (current rent)	37.6	-	-	19.1	-	-	23.4	-
Multiplier (CBRE market rent)	31.0	-	-	17.5	-	-	20.8	-
Discount rate (%)	4.22	-	-	5.12	-	-	4.62	-
Capitalisation interest rate (%)	2.29	-	-	3.64	-	-	3.14	-
Market rental growth (%)	2.4	-	-	1.7	-	-	1.7	-
Vacancy rate (%)	0.5	-	-	2.0	-	-	1.6	-
Fair value (EUR thousand)	4,871,499	-	-	346,882	-	-	30,290	-

Balance as at 31 Dec 2021	**Kiel**	**Düsseldorf**	**Halle (Saale)**	**Essen**	**Cottbus**	**Other**	**Total**
Value per m² (EUR)	-	3,341	-	-	-	1,381	3,594
Average residential in-place rent	-	8.74	-	-	-	5.84	8.39
CBRE market rent (EUR/m²)	-	10.07	-	-	-	6.56	9.33
Multiplier (current rent)	-	32.7	-	-	-	19.6	35.5
Multiplier (CBRE market rent)	-	27.9	-	-	-	16.5	29.4
Discount rate (%)	-	4.00	-	-	-	4.98	4.31
Capitalisation interest rate (%)	-	2.52	-	-	-	3.70	2.44
Market rental growth (%)	-	1.7	-	-	-	1.5	2.8
Vacancy rate (%)	-	1.0	-	-	-	2.3	0.7
Fair value (EUR thousand)	-	91,998	-	-	-	225,800	5,566,469

The following table gives an overview of the main valuation parameters and valuations for the prior year:

	Location							
Balance as at 31 Dec 2020	**Berlin**	**Leipzig**	**Wilhelms-haven**	**Duisburg**	**Wolfsburg**	**Göttingen**	**Dortmund**	**Hanover**
Value per m^2 (EUR)	3,230	1,792	1,006	1,140	1,782	1,716	1,405	2,050
Average residential in-place rent	7.30	6.07	5.53	5.67	6.47	6.12	6.20	7.33
CBRE market rent (EUR/m^2)	6.54	7.11	5.84	6.05	8.41	8.09	6.98	8.65
Avg. new letting rent (EUR/m^2)	9.03	7.20	5.94	6.03	7.63	7.26	7.40	8.42
Multiplier (current rent)	37.3	25.2	15.9	17.0	23.6	23.3	19.3	23.2
Multiplier (CBRE market rent)	37.4	20.9	14.1	15.6	17.6	17.5	16.6	19.0
Multiplier (new letting rent)	35.8	24.4	15.1	16.6	22.7	22.5	18.8	22.5
Discount rate (%)	4.14	4.70	5.36	5.27	4.53	4.22	5.26	5.00
Capitalisation interest rate (%)	2.20	3.20	4.11	4.04	3.03	2.72	3.81	3.50
Market rental growth (%)*	1.9	1.7	1.4	1.4	1.8	1.8	1.7	1.8
Vacancy rate (%)*	1.6	2.0	3.4	1.3	1.9	1.1	1.0	0.7
Fair value (EUR thousand)*	4,450,345	456,340	412,942	347,825	156,110	146,230	143,620	130,830

Balance as at 31 Dec 2020	**Kiel**	**Düsseldorf**	**Halle (Saale)**	**Essen**	**Cottbus**	**Other**	**Total**
Value per m^2 (EUR)	1,862	3,226	892	1,403	813	1,118	1,869
Average residential in-place rent	7.14	8.35	5.22	5.93	5.13	5.71	6.30
CBRE market rent (EUR/m^2)	8.39	10.20	5.42	7.01	5.39	6.22	6.49
Avg. new letting rent (EUR/m^2)	8.53	10.08	5.23	7.15	5.56	6.12	6.87
Multiplier (current rent)	21.9	32.4	16.6	19.8	14.2	17.7	25.8
Multiplier (CBRE market rent)	18.3	26.4	13.6	16.4	12.5	15.1	23.2
Multiplier (new letting rent)	21.6	31.7	14.0	19.2	13.2	16.3	24.4
Discount rate (%)	5.13	3.87	4.84	5.36	5.32	5.05	4.53
Capitalisation interest rate (%)	3.63	2.38	4.09	3.87	4.57	3.97	2.91
Market rental growth (%)*	1.8	1.7	0.8	1.7	0.8	0.9	1.6
Vacancy rate (%)*	0.6	1.7	12.3	1.1	6.7	5.7	3.4
Fair value (EUR thousand)*	124,300	118,837	94,450	93,820	88,330	1,564,919	8,328,898

B. Investment properties - commercial

As at 31 December 2021, commercial properties amounting to EUR 49.1 million were included in the disposal group held for sale according to IFRS 5 (see Note 17).

C. Investment properties - project development - under construction

Valuation parameters for investment properties under construction	31 Dec 2021	31 Dec 2020
Market rent, weighted average (EUR)	14.51	17.98
Project development costs (EUR/m^2)	3,583	3,345
Capitalisation interest rate, weighted average (in %)	2.89	3.01

It is noted that according to the methodology applied in the valuations, the estimated cash flow for the first 10 years are capitalised based on the discount rate basis. Cash flows effective from the eleventh year onwards are capitalised based on the cap rate basis.

Sensitivity analysis

The main value drivers influenced by the market are the market rents and their development, current rent increases, the vacancy rate and interest rates. The effect of possible fluctuations in these parameters is shown separately for each parameter and group in the following table. Interactions between the parameters are possible but cannot be quantified due to the complexity of the interrelationships:

Investment properties – residential

Valuation parameters	Change in parameters	In EUR thousand	Change in values %
Average new letting rent (EUR/m^2)	10%	362,633	6.62
Vacancy rate (%)	1%	(70,735)	(1.29)
Discount and capitalisation rate (%)	25bps	(531,275)	(9.70)

Investment properties - project development (under construction)

Sensitivity	Market rent		Capitalisation rate		Construction costs	
Change in parameters	(10%)	10%	(0.25%)	0.25%	(10%)	10%
Change of fair value (EUR thousand)	(349,800)	350,000	368,100	(306,300)	309,200	(308,900)

The following table gives an overview of the sensitivity analysis for the prior year:

Investment properties – residential

Valuation parameters	Change in parameters	In EUR thousand	Change in values %
Average new letting rent (EUR/m^2)	10%	395,417	4.70
Vacancy rate (%)	1%	(121,447)	(1.50)
Discount and capitalisation rate (%)	25bps	(737,302)	(8.80)

Investment properties - commercial

Sensitivity	Discount and rate cap		Void month		Market rent	
Change in parameters	0.25%	(0.25%)	3	(3)	5.0%	(5.0%)
Change of fair value (EUR thousand)	(3,080)	3,510	(710)	810	3,320	(3,120)

Investment properties - project development (under construction)

Sensitivity	Market rent		Capitalisation rate		Construction costs	
Change in parameters	(10%)	10%	(0.25%)	0.25%	(10%)	10%
Change of fair value (EUR thousand)	(345,807)	345,707	354,990	(297,773)	291,509	(291,709)

Assuming all other variables remain constant, a negative change in the parameters at the same percentage would have a similar impact on the value, although in the opposite direction.

D. Amounts that were recognised in the consolidated statement of profit or loss

In EUR thousand	2021	2020
Rental income from investment property	346,188	293,387
Direct operating expenses arising from investment property that generated rental income during the period	(54,792)	(71,229)
Total	**291,396**	**222,158**

Note 7 – Investments in financial instruments

Investments in financial instruments principally relate to non-controlling interests in property companies disposed of in prior periods (in each case 10.1%) following the disposal of the shares. The instruments (31 December 2021: EUR 18,927 thousand, 31 December 2020: EUR 21,733 thousand) are measured at fair value through profit or loss.

Note 8 – Investments accounted under the equity method

Investments accounted under the equity method developed as follows:

In EUR thousand	2021	2020
Balance as at 1 January	**84,816**	**-**
Additions arising from business combination	-	96,448
Share in profit and losses (at equity result)	758	(5,666)
Impairments	(1,436)	-
Disposals	-	(2,011)
Transfer to consolidated entities	(51,743)	-
Transfer to non-current assets held for sale (IFRS 5)	-	(3,955)
Balance as at 31 December	**32,395**	**84,816**

The main investments in associated companies are ACCENTRO Real Estate AG (EUR 10,466 thousand, 31 December 2020: EUR 11,557 thousand), AB Immobilien B.V. (EUR 0 thousand, 31 December 2021: EUR 0 thousand), and MAP Liegenschaften GmbH (EUR 21,848 thousand, 31 December 2020: EUR 21,178 thousand). The transfer to consolidated entities at EUR 51.7 million relates to the re-inclusion of Glasmacherviertel GmbH & Co. KG into the scope of consolidated entities (see Note 5). In 2020 a 25% interest in the shares of Caesar JV Immobilienbesitz und Verwaltungs GmbH with a value of EUR 3,955 thousand were reclassified to non-current assets held for sale (also see Note 17).

The interest in ACCENTRO (4.78 percent after taking into account dilution) is included in the consolidated financial statements as an associated company due to the possibility of continuing significant influence via representation in the supervisory board of ACCENTRO. ACCENTRO is a listed public limited company and is primarily engaged in trading (buying and selling) of residential real estate and individual apartments, as well as in the brokerage business in connection with apartment privatisation. The carrying amount of the at-equity investment in ACCENTRO developed as follows:

In EUR thousand	**2021**	**2020**
Balance as at 1 January	**11,557**	**-**
Additions arising from business combination	-	11,557
Share in profit and loss (at equity result)	345	-
Impairments	(1,436)	-
Balance as at 31 December	**10,466**	**11,557**

The tables below contain the combined financial information of ACCENTRO based on the last published IFRS consolidated financial statements:

Assets (in EUR thousand)	**30 Sep 2021**	**31 Dec 2020**
Non-current assets	385,969	311,348
of which goodwill	17,776	17,776
Current assets	571,813	550,640
of which inventories	384,861	409,505
of which cash and cash equivalents	72,441	56,541

Equity and liabilities (in EUR thousand)	**30 Sep 2021**	**31 Dec 2020**
Equity	260,535	247,101
Non-current liabilities	519,001	402,448
of which financial liabilities to banks	162,201	148,063
of which liabilities from bonds	346,095	245,265
Current liabilities	178,246	212,438
of which financial liabilities to banks	109,785	168,760
of which liabilities from bonds	3,327	3,446

Profit or loss (in EUR thousand)	1 Jan 2021 - 30 Sep 2021	1 Jan 2020 - 31 Dec 2020
Earnings from sale of inventories	28,671	19,625
Earnings from property lettings	3,111	4,854
Earnings from services	875	871
EBIT (Earnings before interest and tax)	31,015	34,767
EBT (Earnings before tax)	14,349	24,313
Consolidated net profit	9,647	18,055

Cash flows (in EUR thousand)	1 Jan 2021 - 30 Sep 2021	1 Jan 2020 - 31 Dec 2020
Cash flow from operating activities	(47,102)	(32,655)
Cash flow from investing activities	(67,333)	(99,617)
Cash flow from financing activities	34,151	163,672
Change in cash and cash equivalents	14,040	31,400

ADLER holds an interest (25 percent) in AB Immobilien B.V., which is a property company that pursues the objective of selling its assets at a profit. The interest (25 percent) developed as follows:

In EUR thousand	2021	2020
Balance as at 1 January	**-**	**-**
Additions arising from business combination	-	5,369
Share in profit and loss (at equity result)	-	(5,369)
Balance as at 31 December	**-**	**-**

The tables below contain the combined financial information of AB Immobilien B.V.:

Assets (in EUR thousand)	**31 Dec 2021**	**31 Dec 2020**
Non-current assets	2	6
Current assets	45,698	92,931

Equity and liabilities (in EUR thousand)	**31 Dec 2021**	**31 Dec 2020**
Equity	(7,376)	(3,329)
Non-current liabilities	11,670	53,669
Current liabilities	41,406	42,597

Profit or loss (in EUR thousand)	**2021**	**2020**
Earnings from property lettings	71	(1,488)
Earnings from the sale of properties	2,076	(4,071)
EBIT (Earnings before interest and tax)	(2,362)	(6,516)
Net profit	(3,713)	(8,906)

Caesar JV Immobilienbesitz und Verwaltungs GmbH is a real estate property company that aims to generate income from the letting and, where appropriate, the sale of its properties. The interest (25 percent) developed as follows:

In EUR thousand	**2021**	**2020**
Balance as at 1 January	**-**	**-**
Additions arising from business combination	-	3,723
Share in profit and loss (at equity result)	-	232
Reclassification as assets held for sale (IFRS 5)	-	(3,955)
Balance as at 31 December	**-**	**-**

The shares in Caesar JV Immobilienbesitz und Verwaltungs GmbH with a value of EUR 3,955 thousand were reclassified to non-current assets held for sale as at 31 December 2020 due to a binding sale and purchase agreement. The following tables contain the summarised financial information of Caesar JV Immobilienbesitz und Verwaltungs GmbH:

Assets (in EUR thousand)	**31 Dec 2021**	**31 Dec 2020**
Non-current assets	73,473	72,348
Current assets	16,073	19,182

Equity and liabilities (in EUR thousand)	**31 Dec 2021**	**31 Dec 2020**
Equity	3,153	3,348
Non-current liabilities	71,420	79,046
Current liabilities	14,973	9,136

Profit or loss (in EUR thousand)	**2021**	**2020**
Earnings from property lettings	(263)	5,079
Earnings from the sale of properties	-	-
EBIT (Earnings before interest and tax)	948	3,238
Net profit	(195)	522

The Group holds an interest (75 percent) in the joint venture MAP Liegenschaften GmbH. Due to the structure of the shareholders' agreement, MAP Liegenschaften GmbH is not controlled by the Group in accordance with IFRS 10, but accounted for using the equity method. As at 31 December 2021, the interest in MAP Liegenschaften GmbH has a book value of EUR 21,848 thousand and developed as follows:

In EUR thousand	**2021**	**2020**
Balance as at 1 January	**21,178**	**-**
Additions arising from business combination	-	20,725
Share in profit and loss (at equity result)	670	453
Balance as at 31 December	**21,848**	**21,178**

The tables below contain the combined financial information of MAP Liegenschaften GmbH:

Assets (in EUR thousand)	**31 Dec 2021**	**31 Dec 2020**
Non-current assets	-	-
Current assets	23,820	46,390

Equity and liabilities (in EUR thousand)	**31 Dec 2021**	**31 Dec 2020**
Equity	23,820	46,390
Non-current liabilities	-	-
Current liabilities	23,820	46,390

Profit or loss and Cash flows (in EUR thousand)	**2021**	**2020**
EBIT (Earnings before interest and tax)	306	314
Net profit	(829)	(561)
Cash flow from operating activities	(1,897)	(8,338)
Cash flow from financing activities	1,545	8,552
Change in cash and cash equivalents	(352)	164

Further, the Group holds investments in five (previous year: five) other associates that are not of material significance. The carrying amounts and the share of profit and other comprehensive income of these associates are presented in aggregated form in the table below:

In EUR thousand	**31 Dec 2021**	**31 Dec 2020**
Carrying amount of shares in non-significant investees consolidated at equity	81	284
Share in profit or loss of the investee	**(258)**	**(758)**
Total result	**(258)**	**(758)**

Note 9 – Property, plant and equipment

Property, plant and equipment (principally fixtures and fittings) developed as follows:

In EUR thousand	2021	2020
Carrying amount as of 1 January	**36,663**	**10,927**
Additions - business combinations (+)	-	23,493
Transfer from investment property	-	55
Transfer to investment property	(56)	-
Additions (+)	3,926	6,124
Depreciation current period (-)	(5,444)	(3,873)
Disposals	(5,061)	(63)
Balance at 31 December	**30,028**	**36,663**

Note 10 – Other financial assets

In EUR thousand	2021	2020
Loans to non-controlling shareholders	48,772	46,948
Other long-term receivables	-	236,501
Investments in debt securities	22,885	12,519
Miscellaneous other financial assets	1,406	990
Balance at 31 December	**73,063**	**296,958**

Loans to non-controlling shareholders mainly relate to an interest-bearing loan at an amount of EUR 43.5 million, granted to Taurecon Invest IX GmbH (“Taurecon”) on 6 February 2020. The loan has a term until 15 February 2023 and was used by Taurecon to purchase from ADO Group Ltd. (a wholly owned subsidiary of ADLER) its minority shareholdings in various entities in which Adler Group (directly or directly) owns the majority of shares. The original interest on the loan was accrued at an interest rate of 3.00% p.a. The loan amount was amended upon the final purchase price calculation in March 2021 to EUR 46.3 million. In addition the interest rate was retrospectively adjusted to 3.50% p.a. The loan is classified as a financial asset measured at fair value through profit and loss because it does not meet the “solely payment of principal and interest” criteria due to the borrower’s possible fulfillment in shares. The valuation model is based on a univariable Monte-Carlo simulation. As at 31 December 2021, the fair value of the loan amounts to EUR 37.9 million (31 December 2020: EUR 36.6 million).

As at 31 December 2020, other long-term receivables included purchase price receivables from the sale of a 75 percent stake in the shares of Glasmacherviertel GmbH & Co. KG at an amount of EUR 133.2 million as well as an interest-bearing loan to that entity with an amount of EUR 66.9 million. As at 31 December 2021 the transaction has been reversed (also see Note 5D). The purchase price receivable has been derecognised and the remaining loan due from the investee has been eliminated upon consolidation. The Group also presented a long-term purchase price receivable against AB Immobilien B.V. at an amount of EUR 32.5 million under other long-term receivables. As at 31 December 2021 that receivable has been transferred to other receivables (see Note 16).

Investments in debt securities relate to bonds that are held with both the intention to collect the contractual cashflows and to sell if necessary. The instruments are measured at fair value with changes recognised in other comprehensive income.

Note 11 – Restricted bank deposits

Restricted bank deposits are denominated in euro and they do not carry any interest. The total balance (current and non-current) as at 31 December 2021 includes EUR 23,144 thousand of pledged bank deposits received from tenants (31 December 2020: EUR 32,209 thousand), EUR 28,494 thousand pledged to secure banking facilities (31 December 2020: EUR 41,602 thousand) and EUR 19,822 thousand of restricted proceeds from condominium sales (31 December 2020: EUR 23,044 thousand).

Note 12 – Goodwill

The goodwill arising from the acquisition of Consus totalling EUR 91.4 million (Final PPA: EUR 1,174.6 million, 31 December 2020: EUR 1,205 million) was tested for impairment in accordance with the regulations of IAS 36.

The impairment test was carried out based on the value in use of the cash-generating unit ("CGU") Consus, whereby the CGU is characterised by the development of real estate projects for the CGU's own portfolio as well as the sale to third parties. The value in use was derived from estimated future free cash flows. The detailed planning extends over ten years. The terminal value is derived from the latest period of the detailed planning phase and takes into account a sustainable and anticipated average level of future annual financial surpluses. The detailed planning and the terminal value include both contractually agreed development projects and new development projects planned with standard expected margins reflecting a sustainable business development.

For the projects of the CGU's own portfolio as well as for the sale to third parties, the business plan considers the experience from previous years and management forecasts for the development of the property market. For the terminal value a sustainable growth rate of 1.00% was applied. The discount rates for the property development business and the rental business were derived separately. The beta factors for the two businesses were derived from specific peer groups. A risk-free rate of 0.2% and a market risk premium of 7.5% was assumed. The discount rate before taxes is 7.9% (7.2% after tax) for the property development and 4.5% (3.7% after tax) for the rental business.

Based on the planned free cash flows and the discount rates as described above the resulting goodwill impairment is EUR 1,083.2 million. The recoverable amount of the CGU amounts to EUR 2,461.5 million. The impairment has been presented in other expenses.

Information about the events and circumstances that led to the goodwill impairment of EUR 1,083.33 million:

The economic development and the effects of the COVID-19 pandemic are significantly affecting the current net assets of the CGU, its financial position and results of operations, as well as its future business prospects.

Supply chain bottlenecks, material shortages and the resulting price increases have a negative impact on the construction activity, especially in the second half of 2021. The shortage of materials, especially wood and steel, caused delays in production, and the sharp price increases reduced real sales.

The impairment of the CGU as at 31 December 2021 is predominantly triggered by the following factors:

- Higher construction costs and lower expected sales proceeds for the contractually agreed projects in the current portfolio;
- Realisation of upfront sales with a lower depth of value creation compared to fully developed projects;
- Lower volume as well as profitability for the other development projects ('ODPs');
- For risk and prudence reasons, the goodwill impairment test was based on a business plan scenario, according to which the CGU is burdened with a significantly reduced annual construction volume compared to the actual expectations of the management. This takes into account current macroeconomic developments, possible risks due to continued disruptions in supply chains and a limited availability of human and material resources.

Description of the management approach to determine the values assigned to each key assumption

The business plan for the CGU mainly includes the components: current portfolio and other development projects (ODPs):

The current portfolio refers to the contractually agreed projects currently being developed by the CGU. The projects within that portfolio are distinguished by three exit strategies:

- Build to hold ("BTH"): Real estate projects that are being developed for the Group's own portfolio;
- Forward sale ("FS")/Condo sale: Real estate projects that have already been sold, either completely or partially, but are still under development;
- Upfront sale ("US"): Land or unfinished buildings that are not fully developed and are planned to be sold in their current state.

ODPs refer to new real estate projects. These projects are planned to be sold to third parties through forward sales. The realisation of ODP projects includes the acquisition of new land, the development of project ideas, planning and obtaining approval, and the successful construction and sale of the properties.

For both the current portfolio and ODPs, sales proceeds, construction costs and financing costs are the key planning parameters. The planned rental income on completion of the BTH projects are estimated by management on the basis of the expected sales proceeds and rental multiples per use type. Revenues for FS/Condo sales are based on the respective sales contracts already in place for these projects or are planned based on the current market environment. The sales proceeds for US are planned by management considering the current market environment and specific factors relevant to the individual projects.

The construction cost planning related to BTH and FS/Condo sales is based on concrete offers from general contractors or prices observed in other comparable projects.

Financing reflects the current as well as expected interest rate environment and creditworthiness of the Group.

ODPs are planned with standard revenue, cost and margin assumptions. The assumed gross development volume of EUR 600 Million p.a. reflects a level of projects that can be developed in the future and is based on the past performance of the CGU. The projects are planned to be sold as FS. Assumptions regarding the margins as well as the development and payment profile are based on management's experience.

Explanation of the reasons for the extension of the detailed planning period beyond 5 years

An extension of the detailed planning period beyond five years can be considered in particular for companies in sectors with stable and predictable development (e.g. real estate companies).

As a project developer, the CGU realises large-volume real estate projects that regularly extend over a multi-year period of four to seven years. In line with this business model, the CGU's business plan covers a detailed planning period of ten years. The extension of the detailed planning period in itself is not a special feature of the CGU's business plan but corresponds to an industry-wide established procedure for real estate companies and in particular project development entities.

The use of a business plan beyond a five-year detailed planning period, is permissible because management can forecast cash flows with sufficient precision over a longer period of up to ten years and is necessary because the projects in progress in the current portfolio all exceed a completion period of five years.

The results of the individual project developments (revenues, costs, degree of completion) can be reliably forecast for the current portfolio. The respective revenues and costs are reflected in the business plan in line with the progress of work. These projects are based on detailed development calculations, which allow and justify an extension of the planning horizon for deriving free cash flows.

In summary, it can be stated that an extension of the planning period by five years and the derivation of the terminal value from 2032 onwards is customary in the industry and takes sufficient account of the requirements of IAS 36.

The following assumptions underlying the calculation of the value in use are inherently uncertain:

Discount rate: If the discount rate for the property development business and the rental business increased by 0.5% respectively, the goodwill would be completely impaired.

Terminal value growth rate: If the terminal value growth rate decreased to 0.5%, the goodwill would be fully impaired.

Note 13 - Contract assets from development

Contract assets and liabilities mainly result from development contracts with customers. The timing of revenue recognition, invoicing and cash collections results in billed accounts receivables, unbilled receivables (contract assets) and customer advances (contract liabilities). In the Group's development activities, amounts are billed as work in progress in accordance with agreed-upon contractual terms, either at periodic intervals or upon achievement of contractual milestones. Generally, billing occurs subsequent to revenue recognition resulting in contract assets. However, the Group sometimes receives advances from its customers before revenue is recognised, resulting in contract liabilities. These assets and liabilities are reported on a contract-by-contract basis at the end of each reporting period. Changes in the contract asset and liability balances during the reporting period were not materially impacted by other factors besides as laid out below.

In EUR thousand	31 Dec 2021	31 Dec 2020(*)
Gross contract assets - non-current	12,510	8,044
Prepayments received on non-current contract balances	-	-
Net contract assets - non-current	**12,510**	**8,044**
Gross contract assets - current	196,430	428,572
Prepayments received on current contract balances	(126,703)	(273,883)
Net contract asset - current	**69,727**	**154,689**
Net contract liabilities - current	**(36,109)**	**(25,837)**

(*) Previous year's figures adjusted according to IAS 8, please refer to Note 4, subchapter O.

Contract assets have not been impaired for credit risks in accordance with IFRS 9. This is due to the fact that the credit default risk of the contractual partners is relatively low. Furthermore, the value at-risk can be regarded as relatively low due to collaterals.

The net contract assets related to development projects developed as follows:

In EUR thousand	2021	2020(*)
Contract asset balance as at 1 January	**162,733**	**-**
+ Business combinations (IFRS 3)	-	263,013
+ Additions due to performance obligations satisfied in the reporting period	63,737	44,100
- Reclassification to receivables / payments received	(59,210)	(39,542)
+/- Other changes (i.e., timing, transaction price, change in the measure of progress)	(85,023)	(3,687)
- Reclassifications to investment properties[1]	-	(87,683)
+/- Change in scope of consolidation incl. reclassification as held for sale (IFRS 5)[1]	-	(13,468)
Balance as at 31 December	**82,237**	**162,733**

(*) Previous year's figures adjusted according to IAS 8, please refer to Note 4, subchapter O.

1) Prior year amended: Reclassifications to investment properties have been shown separately

The net contract liabilities related to development projects developed as follows:

In EUR thousand	2021	2020
Contract liabilities balance as at 1 January	**25,870**	**-**
+ Business combinations (IFRS 3)	-	26,367
+ Received prepayments (incl. billed invoices) relating to performance obligations not satisfied yet	25,564	39,750
- Derecognition when performance obligations satisfied	(5,574)	(40,247)
+/- Other changes (i.e., timing, transaction price, change in the measure of progress)	(9,751)	-
Balance as at 31 December	**36,109**	**25,870**

Note 14 - Inventories

Inventories also include land from forward sales and are broken down as follows:

In EUR thousand	31 Dec 2021	31 Dec 2020 (*)
Real Estate "Trading properties (condominiums)"	174,077	21,791
Real Estate "Institutional"	864,905	1,075,491
Real Estate "Parking"	35,490	23,523
Real Estate "Apartment for sale"	-	422,395
Real Estate "Other construction work"	7,536	7,705
Other inventories: excl. development	11,446	7,858
Total balance	**1,093,454**	**1,558,763**

(*) Previous year's figures adjusted according to IAS 8, please refer to Note 4, subchapter O.

Interest expenses capitalised in inventories amount to EUR 54,734 thousand (2020: EUR 44,332 thousand). The capitalisation rate was 2.4 percent (2020: 4.5 percent).

The change in inventories was mainly impacted by additions including capitalised interest (EUR 153.3 million, thereof EUR 53.7 due to acquisitions), reductions due to sales (EUR 648.7 million) as well as due to transfer from inventories to investment properties (EUR 97.7 million, see Note 6), increases from the reversal of forward contracts (EUR 405.6 million), reductions du to write-offs (EUR 227.2 million) and reductions due to reclassifications to assets held for sale (EUR 50.7 million, see Note 16).

Four forward sales were reversed due to withdrawals in 2021. Based on the withdrawal, no enforceable rights exist any longer and revenue recognition according to IFRS 15 cannot be applied anymore. As a result, contract assets amounting to EUR 224.4 million and prepayments amounting to EUR 179.1 million (previously presented on a net basis) were un-balanced in Q2 2021 and revenues of EUR 22.5 million have been reversed against the contract assets. The previously recognised provisions for contingent losses for these projects (EUR 31.1 million) have been reversed against other income. The reversal resulted in an increase of inventories by EUR 405.6 million in Q2 2021. The increase includes compensation liabilities to the former buyer (interest expenses and incidental costs) of EUR 33.2 million. The prepayments received for the land component in an amount of EUR 87.0 million and for the buildings in an amount of EUR 179.1 million were repaid to the former buyer as of 31 December 2021.

The inventories decreased by EUR 304.3 million as a result of a sale of non-core assets to institutional investors in February 2021 (refer to IAS 8 adjustments in Note 4, subchapter O). In addition, the projects Franklinstraße (Berlin) and 2Stay (Frankfurt am Main) were sold, leading to a decrease of inventories by EUR 266.3 million. Further, land of three forward sales projects (MaryAnn, Ernst-Reuter-Platz and Cologneo I) was sold to the customers of the projects that resulted in a decrease in inventories in an amount of EUR 67.1 million.

Based on the updated estimates of the expected sales prices, a write-down of EUR 227.2 million was recognised in cost of operations (see Note 26). The expected sales prices determined by the valuation expert NAI Apollo, an independent valuation expert with appropriate, recognised professional qualifications and up-to-date experience regarding the location and category of the properties.

Various projects were transferred to investment properties, amounting to EUR 97.7 million during the reporting period. All projects were transferred at fair value.

The carrying amount of the inventories provided as collateral for loan agreements is EUR 1,062,051 thousand (prior year EUR 1,200,374 thousand). The sale of the inventories relating to development will likely occur after more than twelve months. Inventories in an amount of EUR 388,879 thousand have been carried at fair value less costs to sell.

Note 15 – Trade receivables

As at the reporting date trade receivables mainly consist of rental receivables (EUR 27,784 thousand; 31 December 2020: EUR 38,407 thousand), receivables from the sale of real estate inventories (EUR 261,652 thousand; 31 December 2020(*): EUR 104,177 restated) and receivables from property development (EUR 90,542 thousand; 31 December 2020: EUR 59,782 thousand). The receivables from the sale of real estate inventories can be mainly attributed to the receivables due from the RAFFA transaction (see Note 4, subchapter O) and Grexit amounting to EUR 83.7 million. The balances represent gross amounts less allowances for expected credit losses (see Note 32A).

Note 16 – Other receivables and financial assets

Other current receivables and financial assets consist of the following:

In EUR thousand	31 Dec 2021	31 Dec 2020 (*)
Receivables from income tax	18,249	14,743
Receivables from other taxes	13,003	1,597
Advances to suppliers	4,792	354
Prepaid expenses	3,706	3,650
Assets from cost to obtain or fulfill a contract	-	7,774
Miscellaneous other receivables (non-financial)	6,427	9,122
Total other receivables (non-financial)	**46,177**	**37,240**
Receivables from portfolio sales	145,069	189,115
Receivables against non-controlling shareholders of subsidiaries	119,594	142,670
Deposits	3,627	4,156
Miscellaneous other receivables (financial)	44,045	59,782
Other receivables (financial)	**312,335**	**395,723**
Short-term financial investments	64,900	28,136
Total other receivables and financial assets	**423,412**	**461,099**

(*) Previous year's figures adjusted according to IAS 8, please refer to Note 4, subchapter O.

Receivables from other taxes principally relate to value added tax.

Receivables from portfolio sales include receivables against AB Immobilien B.V. of EUR 14,972 thousand (31 December 2020: EUR 32,494 thousand) as well as against Caesar JV Immobilienbesitz und Verwaltungs GmbH of EUR 27,802 thousand (31 December 2020: EUR 44,636 thousand) and ACCENTRO of EUR 58,592 thousand (31 December 2020: EUR 59,127 thousand). The Group expects EUR 11,281 thousand (31 December 2020: EUR 76,032 thousand) from final payments with relation to recent portfolio transactions.

Receivables against non-controlling shareholders from subsidiaries relate to several transactions conducted in the fourth quarter of 2020.

Short-term financial investments relate to liquid structured products that are purchased and sold apart from the Group's business activities with the objective to avoid negative interest. Short-term financial investments in an amount of EUR 64,900 thousand were sold in January 2022.

Miscellaneous other receivables (financial) include receivables against Aggregate at an amount of EUR 21,000 thousand (31 December 2020: EUR 21,000 thousand) (also see Note 33).

Note 17 – Non-current assets and liabilities held for sale

As a result of a review of the Group's strategic options the management decided to dispose some of its residential portfolio. The properties are included in the segment ADLER Real Estate AG and further explained below.

On 26 October 2021, Adler Group S.A. signed a term sheet with a leading investment firm setting out the key points of a transaction regarding a total of approximately 14,400 units, located in the Eastern part of Germany and held by ADLER Real Estate AG, a fully consolidated company of the Group. Following a due diligence conducted by the buyer, the sale plan was structured as an asset deal only subject to terms that are customary for similar deals. On 13 January 2022, the final agreement was signed with the buyer. For approximately 68 % of the investment properties, the transfer of the title took place after 31 March 2022, with the remaining portion expected to be closed in the first half year of 2022. With the expected cash inflow, the Company will repay debts and pursue its strategic goal of reducing the loan-to-value ratio (LTV) to below 50%. Based on the assessment of the plan to sell, in particular in the light of the commitment of the appropriate level of the Management to the plan, the letter of intent being signed with a potential buyer as a result of actively marketing for a price that is reasonable in relation to current fair value and the expected sale within one year from the date of the classification, the Group concluded that the sale of the respective investment properties is highly probable on the balance sheet date. Therefore, the investment properties subject to the plan to sell have been reclassified to non-current assets held for sale. As of 31 December 2021, the investment properties held for sale were re-measured at the fair value of EUR 1,046,530 thousand evidenced in the purchase price agreement. The Company does not disclose valuation parameters and sensitivity analyses for the carrying amount which represents a fixed transaction price therefore does not include the use of significant unobservable inputs. Considering the fixed purchase price and the sales progress after the balance sheet date, the resulting remeasurement gain in the amount of EUR 57,179 thousand has been presented in changes in fair value of investment properties.

ADLER has irrevocably undertaken vis-à-vis LEG Immobilien SE to tender its remaining shares in BCP as part of a public tender offer by LEG, provided that the price per share offered is not less than EUR 157 (EUR 765 million for the remaining BCP stake) and that the (first) acceptance period ends no later than 30 September 2022. As a consideration for the granted option, the Company received a premium of EUR 7,500 thousand. The exercise of the call option will trigger a loss of control over the BCP subgroup. Based on the assessment of the sale plan, in particular the written call option over the remaining controlling shares, the Company reclassified BCP as a disposal group in accordance with IFRS 5 (disposal group BCP). The investment properties held for sale are measured at fair value according to IAS 40 and the gain/loss in an amount of EUR 13.5 million is presented in the profit and loss statements. The classification as held for sale in itself did not result in a gain or loss. Major classes of assets and associated liabilities classified as held for sale comprise of the following:

In EUR thousand	31 Dec 2021
Investment properties	1,686,330
Financial assets	13,344
Inventories	50,720
Other assets	55,869
Cash and cash equivalents	24,861
Assets total	**1,831,124**
Deferred tax liabilities	154,970
Financial liabilities due to bank	602,267
Corporate bonds	74,504
Other liabilities	33,518
Liabilities total	**865,259**

The investment properties of the disposal group comprised income-generating residential real estate of EUR 1,250.9 million, income-generating commercial real estate of EUR 49.1 million and development properties of EUR 386.3 million. The fair value of these assets was determined by independent external appraisers with appropriate, recognised professional qualification and up-to-date experience regarding the location and category of the properties valued. Significant assumptions (based on weighted averages) that were used in valuation estimates are as follows:

Income-generating residential real estate	31 Dec 2021	31 Dec 2020
Discount rate (%)	4.72	5.03
Capitalisation interest rate (%)	3.27	3.62
Vacancy rate (%)	1.82	2.01
Representative monthly rent (EUR/m^2)	7.51	7.41
Income-generating commercial real estate		
Discount rate (%)	7.14	6.93
Capitalisation interest rate (%)	6.21	6.07
Development projects (*)		
Expected sales price (EUR/m^2)	7,555	10,592
Expected construction costs (EUR/m^2)	2,884	4,456

(*) The figure as of 31 December 2021 includes Gerresheim in the amount of EUR 270 million.

The effect of a possible increase (decrease) in the discount rate by 0.25 basis points would lead to a change in the fair value of the investment properties included in the disposal group BCD by EUR -24,200 thousand (EUR + 28,850 thousand respectively).

As of 30 December 2021, Consus, a subsidiary of the Company, signed a purchase agreement for the project Ostend which therefore was transferred to assets held for sale (IFRS 5) with a purchase price of EUR 104.8 million.

Non-current assets held for sale also include the equity investment in Caesar JV Immobilienbesitz und Verwaltungs GmbH, which has been reclassified to assets held for sale in 2020 due to a binding sale and purchase agreement. In 2021 the investment has been impaired by EUR 3,243 thousand to a value of EUR 752 thousand. The impairment has been allocated to the segment ADLER. For detailed financial information regarding Caesar JV Immobilienbesitz und Verwaltungs GmbH please refer to Note 8.

The remainder of non-current assets and liabilities held for sale principally relate to the sale of real estate properties, for which notarised purchase agreements are in place without transfer of control on the balance sheet date.

Note 18 – Equity

1. Share capital and share premium

Ordinary shares (in thousands of shares)	2021	2020
In issue as at 1 January	**117,510**	**44,195**
Increase relating to business combination ADLER (Note 5)	-	27,826
Increase relating to business combination Consus (Note 5)	-	14,670
Increase from issuance of ordinary shares, net	-	30,819
In issue as at 31 December	**117,510**	**117,510**

The holders of ordinary shares are entitled to receive dividends and are entitled to one vote per share at the General Meetings of the Company. All shares rank equally with regard to the Company's residual assets. The par value per share is EUR 0.00124.

Share premium development is as follows:

Share premium (in EUR thousand)	2021	2020
In issue as at 1 January	**1,892,145**	**500,608**
Increase relating to business combination ADLER (Note 5)	-	600,396
Increase relating to business combination Consus (Note 5)	-	74,322
Increase from issuance of ordinary shares, net	-	787,720
Transactions with non-controlling interests without a change in control	6,674	(70,901)
Dividend	(54,054)	-
In issue as at 31 December	**1,844,765**	**1,892,145**

At the annual General Meeting of shareholders held on 29 June 2021, a dividend in an amount of EUR 0.46 per share (gross dividend in an aggregate amount of EUR 54.1 million) was declared. The dividend was paid to the shareholders at the beginning of July 2021 from the share premium.

For further details, we refer to Note 5 and to the consolidated statement of changes in equity.

2. Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments, net of the related deferred tax.

3. Other capital reserves

The other capital reserves comprises the cumulative equity impact from transactions with previous controlling shareholder (ADO Group) in the past.

The legal reserve according to Luxembourg law amounts to EUR 14.6 thousand.

4. Reserve from financial assets measured at fair value through other comprehensive income

The reserve from financial assets measured at fair value through other comprehensive income comprises of equity instruments for which the Group chose to present the fair value changes in other comprehensive income. The fair value change relates to the difference between the fair value on the balance sheet date and the fair value at the acquisition date, net of tax. In addition, it includes the fair value changes from debt instruments for which the Group is required to present the fair value changes in other comprehensive income.

5. Non-controlling interests

Non-controlling interests comprise the share of the non-controlling shareholders in equity and annual earnings of consolidated subsidiaries. The consolidated net income attributable to shareholders in the parent company corresponds to the difference between the consolidated net income before non-controlling interests and the non-controlling interests reported in the income statement. Non-controlling interests are broken down as follows:

In EUR thousand	31 Dec 2021	31 Dec 2020(*)
Subsidiary ADLER subgroup	490,574	534,848
Subsidiary Consus subgroup	43,465	81,061
Other	169,056	158,283
Total Balance	**703,094**	**774,192**

(*) Previous year's figures adjusted according to IAS 8, please refer to Note 4, subchapter O.

The development of non-controlling interests is presented separately in the statement of changes in equity.

The increase of non-controlling interests was mainly impacted by a number of changes in the consolidation scope without loss of control. Accordingly, the Group adjusted the carrying amounts of the controlling and non-controlling interests to reflect the changes in the relative interests in the subsidiary as follows:

The Group increased its stake in ADLER Real Estate Aktiengesellschaft from approximately 93.9 percent to 96.6 percent as a result of a debt-to-equity swap which became effective in the first quarter 2021. Accordingly, the non-controlling interests were decreased by EUR 44,100 thousand and a gain of EUR 24,939 thousand is directly recognised in equity (share premium).

The Group increased its majority stake in Consus from approximately 94.0 percent to 96.9 percent in the first half year of 2021. Accordingly, the non-controlling interests were decreased by EUR 23,351 thousand and a loss of EUR 17,593 thousand is directly recognised in equity (share premium).

On 9 June 2021, as a result of a squeeze-out, the Annual General Meeting of WESTGRUND AG resolved to transfer the shares of the minority shareholders to ADLER. The transfer resolution was entered in the commercial register on 03 November 2021 and announced on 04 November 2021. The minority interest in equity was reduced by EUR 18,993 thousand.

Following the share purchase agreement with LEG IMMOBILIEN SE, ADLER Real Estate Aktiengesellschaft, a 93.9 percent subsidiary of the Group, decreased its stake in Brack Capital N.V. (BCP) from approximately 70 percent to 63 percent. Accordingly, the non-controlling interests were increased by EUR 57,788 thousand and a gain of EUR 17,212 thousand is recognised in equity (retained earnings).

The key financials of the subsidiaries with non-controlling interests which are of material relevance to the Group are presented in the following tables. The amounts are presented prior to consolidation.

Combined consolidated balance sheets IFRS		Subsidiary ADLER subgroup		Subsidiary Consus subgroup
Headquarters	**Berlin**	**Berlin**	**Berlin**	**Berlin**
Minority interest %	**3.28%**	**6.11%**	**3.12%**	**6.06%**
In EUR thousand	**31 Dec 2021**	**31 Dec 2020**	**31 Dec 2021**	**30 Sep 2020**
Current assets[1]	3,762,006	713,388	/	3,471,744
Current liabilities[1]	(1,416,747)	(1,160,080)	/	(2,481,990)
Net current assets	**2,345,259**	**(446,692)**	**/**	**989,754**
Investment properties	1,662,824	4,951,790	/	99,681
Other non-current assets	159,831	626,634	/	1,178,958
Non-current liabilities	(2,023,897)	(3,551,462)	/	(1,233,375)
Net non-current assets	**(201,242)**	**2,026,962**	**/**	**45,264**
Equity	**2,144,017**	**1,580,270**	**/**	**1,035,018**
Contribution made for completion of agreed capital increase	**-**	**478,164**	**/**	**-**
Equity including contribution made	**2,144,017**	**2,058,434**	**/**	**1,035,018**

1) Includes non-current assets and liabilities held for sale.

Combined statement of comprehensive income IFRS	Subsidiary ADLER subgroup		Subsidiary Consus subgroup	
In EUR thousand	**2021**	**2020**	**2021**	**9M 2020**
Revenue	337,758	354,680	/	354,680
Annual result	**74,588**	**195,107**	**/**	**195,107**
Other comprehensive income	23,401	(839)	/	(839)
Net result	**97,959**	**194,268**	**/**	**194,268**
Profit or loss attributable to non-controlling interests	5,407	49,282	/	49,282

Combined statement of comprehensive income IFRS	Subsidiary ADLER subgroup		Subsidiary Consus subgroup	
In EUR thousand	**2021**	**2020**	**2021**	**9M 2020**
Cash flow from operating activities	93,759	144,050	/	(108,792)
Cash flow from investing activities	1,105,839	(126,106)	/	(48,562)
Cash flow from financing activities	(1,051,173)	(204,526)	/	136,507
Change in cash and cash equivalents	148,425	(186,582)	/	(20,847)

Note 19 – Corporate bonds and convertible bonds

These liabilities were structured as follows as at the balance sheet date:

In EUR thousand	31 Dec 2021	31 Dec 2020
Adler Group Bond 2017/2024	398,529	397,977
Adler Group Convertible Bond 2018/2023	99,025	97,623
Adler Group Bond 2020/2025	392,959	391,164
Adler Group Bond 2020/2026	390,774	389,051
Adler Group Bond 2021/2026	686,444	-
Adler Group Bond 2021/2029	778,694	-
Adler Group Bond 2021/2027	490,418	-
ADLER Convertible Bond 2016/2021	-	99,062
ADLER Bond 2017/2021	-	506,444
ADLER Bond 2017/2024	292,512	289,111
ADLER Bond 2018/2023	493,977	489,571
ADLER Bond 2018/2026	286,999	284,307
ADLER Bond 2019/2022	399,047	395,887
BCP Bond 2013/2024 (B)[1]	-	36,814
BCP Bond 2014/2026 (C)[1]	-	25,381
Consus Bond 2019/2024	-	523,255
Consus Convertible Bond 2019/2022	117,915	115,287
Total balance	**4,827,293**	**4,040,934**

1) included in the disposal group held for sale IFRS 5 (Note 17).

On 20 July 2017, the Company placed unsecured, fixed-rate corporate bonds with a total nominal amount of EUR 400 million with institutional investors (Adler Group Bond 2017/2024). The bonds carry an interest rate of 1.5% per annum and mature on 26 July 2024. The gross proceeds resulting from the transaction amounted to EUR 398.6 million with an issue price of 99.651%. The net proceeds of the bond were mainly used to fund acquisitions.

On 16 November 2018, the Company placed senior, unsecured bonds in a total nominal amount of EUR 165 million with institutional investors, which are convertible into new and/or existing ordinary registered shares of the Company (Adler Group Convertible Bond 2018/2023). The coupon has been set at 1.25% per annum, payable semi-annually in arrears. Due to the downgrade of the Company the interest increased to 2.00% p.a. starting from 23 November 2020. The bonds will mature on 23 November 2023. A subsidiary of the Adler Group holds 38.24% of the convertible bond on the balance sheet date.

On 5 August 2020, the Company placed unsecured, fixed-rate corporate bonds with a total nominal amount of EUR 400 million with institutional investors (Adler Group Bond 2020/2025). The bonds carry an interest rate of 3.25% per annum and mature on 5 August 2025. The gross proceeds resulting from the transaction amounted to EUR 395.5 million with an issue price of 98.871%. The net proceeds of the bond were mainly used to refinance existing liabilities.

On 13 November 2020, the Company placed unsecured, fixed-rate corporate bonds (Adler Group Bond 2020/2026) with a total nominal amount of EUR 400 million with institutional investors. The bonds carry an interest rate of 2.75% per annum and mature on 13 November 2026. The gross proceeds resulting from the transaction amounted to EUR 394.6 million with an issue price of 98.646%. The net proceeds of the bond have mainly been used to refinance existing liabilities.

On 8 January 2021, the Company placed EUR 1,500 million fixed rate senior unsecured notes comprising of two tranches, a EUR 700 million 5-year maturity with a 1.875 percent fixed coupon (Adler Group Bond 2021/2027) and a EUR 800 million 8-year maturity with a 2.25 percent fixed coupon (Adler Group Bond 2021/2029). The proceeds of the issues were used to repay existing indebtedness, including buybacks. Subsequent to the placement, ADLER Real Estate AG made a public tender offer to redeem its EUR 500 million bond due in December 2021 (ADLER Bond 2017/2021) which was accepted by approximately 66 percent of bondholders. After the redemption, the remaining outstanding amount of EUR 170.4 million has been repaid upon expiry.

On 21 April 2021, Adler Group S.A. placed EUR 500 million fixed rate senior unsecured notes with a 6-year maturity and a 2.25 percent fixed coupon under its newly established EMTN programme (Adler Group Bond 2021/2027). The proceeds of the issue of the notes were used to call and repay the EUR 450 million 9.625 percent high yield bond issued by Consus Real Estate AG (Consus Bond 2019/2024). In connection with the redemption, early repayment fees of EUR 21.7 million were incurred. The derecognition of the bond without the embedded derivative led to a gain of EUR 65.8 million which has been presented in finance income.

The ADLER Convertible Bond 2016/2021 with a total number of 10,000,000 bonds and a nominal value of EUR 13.79 per bond was issued in June 2016. The convertible bond totals EUR 137.9 million, has an interest rate of 2.5% and matures in July 2021. ADLER grants each bondholder the right, within the exercise period, to convert each bond into no-par bearer shares in ADLER each representing a nominal value of EUR 1.00 of the share capital as at the issue date. The conversion price at issuance was EUR 13.79. The conversion price was adjusted to EUR 12.5364 as at 7 June 2017 and then to EUR 12.5039 as at 31 August 2018 as a result of the issuing of bonus shares. In July 2021, the remaining amount of the convertible bond with EUR 90 million was repaid.

In December 2017, ADLER issued a corporate bond of EUR 800 million in two tranches. The first tranche (ADLER Bond 2017/2021) with a coupon of 1.50%, a volume of EUR 500 million and a term until December 2021 and was issued at 99.52% of par value. The first tranche was partly redeemed during the reporting period, with remaining amount repaid upon expiry. The second tranche (ADLER Bond 2017/2024) with a coupon of 2.13% and a volume of EUR 300 million expires in February 2024 and was issued at 99.28% of par value. On average, the interest on the bonds overall is 1.73%.

In April 2018, ADLER successfully placed corporate bonds of EUR 800 million in two tranches again with institutional investors in Europe. The first tranche (ADLER 2018/2023) has a volume of EUR 500 million, a coupon of 1.88% and a term until April 2023; the second tranche (ADLER 2018/2026) has a volume of EUR 300 million, a coupon of 3.0% and a term until April 2026. On average, the interest on the bonds overall is 2.30%. The net proceeds were largely used to refinance the bridge loan which ADLER had raised in connection with the acquisition of Brack Capital Properties N.V. (“BCP”).

In April 2019, ADLER successfully placed a corporate bond of EUR 400 million with a coupon of 1.5% with institutional investors in Europe (ADLER 2019/2022). The bond has a three-year term and matures in April 2022.

As part of the acquisition of BCP, ADLER has assumed liabilities for bonds in three tranches with an original volume of NIS 700 million. Tranche A (BCP Bond 2011/2020 originally NIS 400 million) has a term up to July 2020 and has 4.80% interest rate. The liabilities from the BCP Tranche A bond were repaid early on 20 April 2020. Tranche B (BCP Bond 2013/2024 originally NIS 175 million) has a term up to December 2024 and has a 3.29% interest rate. Tranche C (BCP Bond 2014/2026) originally NIS 125 million) has a term up to 2026 and has a 3.30% interest rate. Annual principal payments are made until the end of the respective term. The interest rate and the repayment of the three tranches is also linked to the development of the Israeli Consumer Price Index. Due to the sale plan, the bonds were reclassified as non-current liabilities held for sale along with disposal group BCP according to IFRS 5 (Note 17).

A convertible bond with a total nominal value of EUR 200 million was issued by Consus on 29 November 2017 (Consus Convertible Bond 2017/2022). The convertible bond has a maturity as of 29 November 2022, and was issued at a price of 100% of the principal amount in a denomination of EUR 100,000 each. The convertible bonds bear an interest at a rate of 4.0% per annum, payable semi-annually in arrears. In accordance with the convertible bond conditions, bondholders have the right to offer to the Company to participate in a capital increase by way of contribution in kind (Sacheinlage) by offering bonds held by it as contribution in kind. It is in the discretion of the Company whether it accepts such offer. If the Company accepts such offer, the new shares would be derived from the Company's conditional capital. The exercise of the included termination right leads to a 100% repayment plus accrued interest. The conversion right and the redemption rights represent an embedded derivative, which is measured at fair value and presented in derivatives liabilities. As of 31 December 2021 EUR 117.9 million remained outstanding under the Consus Convertible Bonds 2017/2022.

On 11 August 2021, the international rating agency Standard and Poor's (S&P) published a full analysis report on Adler Group's "BB/stable" rating. On 11 October 2021, the international rating agency Standard and Poor's (S&P) has downgraded Adler Group's rating to "B+/watch negative" from BB/stable. On 6 December 2021, S&P Global Ratings affirmed its B+ long-term issuer credit ratings on Adler Group and removed the ratings from CreditWatch negative. The notes were rated BB- with S&P as of 31 December 2021.

On 11 February 2022, the international rating agency Standard and Poor's (S&P) lowered the long-term issuer credit rating on Adler to "B-" from "B+" and lowered the issue ratings on its senior unsecured debt to "B" from "BB-". The ratings were placed on CreditWatch negative.

Adler Group undertakes to not incur any financial indebtedness after the issue date of the bonds, and will also procure that its subsidiaries will not incur any financial indebtedness after the issue date of the bonds (except for refinancing existing financial indebtedness), if immediately after giving effect to the incurrence of such additional financial indebtedness (taking into account the application of the net proceeds of such incurrence), the following tests would not be met: (i) loan-to-value ratio (LTV) ≤ 60%; (ii) secured loan-to-value ratio ≤ 45%; (iii) interest coverage ratio (ICR) ≥ 1.8 and iv) unencumbered asset ratio ≥ 125%; the latter only applies to the following instruments: Adler Group S.A. bond (EUR 400 million, 1.5% coupon, maturity 26 July 2024) and Adler Group S.A. promissory note tranches (total volume EUR 24.5 million, maturity 2023 – 2028, WACD 2.21% as of 31 December 2021).

ADLER Real Estate AG undertakes to not incur any financial indebtedness after the issue date of the bonds, and will also procure that its subsidiaries will not incur any financial indebtedness after the issue date of the bonds (except for refinancing existing financial indebtedness), if immediately after giving effect to the incurrence of such additional financial indebtedness (taking into account the application of the net proceeds of such incurrence), the following tests would not be met: (i) loan-to-value ratio (LTV) ≤ 60%; (ii) secured loan-to-value ratio ≤ 40%. Additionally, it is required from Adler RE to maintain the consolidated coverage ratio at or above 1.70 to 1.00 on 31 December 2020 and at or above 1.80 to 1.00 for any reporting date falling on or after 1 January 2021.

As at 31 December 2021, the Company was in compliance with all applicable financial covenants.

Note 20 – Other loans and borrowings

The Group's other loans and borrowings are comprised as follows:

	31 Dec 2021		31 Dec 2020(*)	
In EUR thousand	**Non-current**	**Current**	**Non-current**	**Current**
Loans from banks	2,006,549	119,326	2,609,455	1,260,539
Other creditors	50,261	-	49,198	50,000
Total	**2,056,810**	**119,326**	**2,658,653**	**1,310,539**

(*) Previous year's figures adjusted according to IAS 8, please refer to Note 4, subchapter O.

As at 31 December 2021, other loans and borrowings of Adler Group including ADLER and Consus carry an average effective interest rate (i.e., considering the swap interest hedging effect from variable to fixed interest) of 2.03% per annum (as at 31 December 2020: 3.1%). The average maturity of other loans and borrowings is 4.6 years (as at 31 December 2020: 3.5 years.)

Most of these loan agreements have imposed requirements in the form of financial covenants. Loans secured by properties which constitute the bulk of a loan agreement usually include financial covenants at the level of the subsidiaries. Covenant levels vary by property. Most secured loans contain minimum/maximum debt service coverage ratios (DSCR), interest coverage ratios (ICR), loan-to-value (LTV) ratios and/or loan-to-mortgage-lending-value (LTMLV) ratios. Individual credit agreements require a minimum amount of maintenance work or rental income. Should the maintenance measures agreed in the loan agreement not be carried out, the Company must maintain a cash reserve of the same amount on restricted accounts. Failure to comply with such covenants entitles the lenders to impose various sanctions, which may also include terminating the respective facility. As at 31 December 2021, under the existing loan agreements, the Group is compliant with its obligations (including loan covenants) to the financing banks.

On 15 March 2021, the Group signed a EUR 300 million syndicated revolving credit facility for a 3-year-term with extension options, each for one year. At the same time the bilateral RCFs with the same lenders were terminated. In the second half year of 2021, the Group, the Group drew down an amount of EUR 300 million as a further liquidity cushion and to enhance the Group's flexibility which were repaid towards the end of the financial year. The facility was terminated in April 2022.

On 15 December 2019, the Company signed a EUR 3,463 million bridge facility agreement with a variable interest rate and a 1-year term and four extension options, each for six months in the course of the acquisition of ADLER. The interest rate is variable (2.75% as of 31 December 2020). The remaining amount under the bridge facility agreement (as at 31 December 2020: EUR 371 million) was repaid in the beginning of 2021. At the same time, the bridge loan facility agreement was terminated.

In January 2021, BCP, a subsidiary of the Group, signed a refinancing agreement with a German banking corporation for a loan of approximately EUR 100.5 million The loan bears an average annual interest rate of approximately 1.41% with a maturity date in June 2023.

In March 2021, Westgrund, a subsidiary of the Group, raised a secured loan of EUR 400 million with a 7-year term and a fixed interest rate of 1.6 percent, replacing the current outstanding loan of EUR 191 million due in December 2021.

In March and April 2021, the Group raised a secured banking loan of EUR 100 million in total. The loan has an interest rate of 1.25 percent p.a. and a maturity term to 2028.

On 25 June 2021, Adler Group established a commercial paper programme which allows the Company to issue short-term notes up to a maximum aggregate amount of EUR 500 million for interim financings of general corporate purposes. As per the balance sheet date, no commercial papers were outstanding.

In addition to the repayment of Consus high yield bond 2019/2024, the Group refinanced bank and mezzanine loans relating to Consus in a total volume of EUR 756 million in the financial year 2021. Proceeds from bond issuances were largely utilised for the repayment. Consus bank loans including mezzanine debt were significantly decreased and amount to EUR 341 million on the balance sheet date (prior year: EUR 1,087 million).

Almost all loans are secured with the assets (investment properties and inventory properties, financial assets, trade and other receivables, cash and cash equivalents).

Note 21 – Derivatives

Derivative assets principally relate to embedded derivatives recognised separately from their respective host contracts and measured at fair value through profit or loss. These derivatives include an option for early redemption of the 2019/2024 Consus bond. In 2021 that option has been exercised and the remaining value of the embedded derivative (EUR 90.4 million, 31 December 2020 EUR 96.7 million) derecognised. Further embedded derivatives relate to early repayment options of other loans and borrowings in a total amount of EUR 2.1 million (31 December 2020: EUR 15.4 million). Derivative assets also include an option to repurchase the shares of non-controlling shareholders in an amount of EUR 8.3 million (31 December 2020: EUR 7.1 million).

Non-current derivative liabilities relate to interest rate swaps. The fair value of those swaps, including both current and non-current liabilities (EUR 2,412 thousand, 31 December 2020: EUR 21,240 thousand), is measured by discounting the future cash flows over the period of the contract and using market interest rates appropriate for similar instruments. The credit risk used by the bank is not a material component of the valuation made by the bank, and the other variables are market-observable.

Current derivatives liabilities relate to the written call option granted by ADLER to LEG Immobilien SE to tender its remaining shares in BCP at a minimum tender offer price of EUR 157 per share (also see Note 17). The option has been initially measured at transaction price of EUR 7.5 million. As of 31 December 2021, the option has been remeasured at fair value using the option pricing model of Black and Scholes which includes the stock price of BCP, the volatility of the stock price and discount rates as key parameters. The fair value of the option amounts to EUR 38.2 million as of 31 December 2021. The increase in value has been presented in finance expenses (EUR 30.7 million).

Note 22 – Provisions and other payables

Provisions and other payables are composed of the following:

In EUR thousand	31 Dec 2021	31 Dec 2020(*)
Provisions for litigations	77,975	-
Contingent losses from development contracts	73,865	69,696
Provisions	**151,840**	**69,696**
Income tax payables	81,988	77,039
Provisions for litigations	-	-
Contingent losses from development contracts	-	-
Accrued expenses	48,297	69,098
Transaction costs related to sale of commercial properties	-	6,150
Deferred income	4,288	2,245
Value added tax	2,244	14,160
Miscellaneous other payables (non-financial)	17,113	55,602
Total other payables (non-financial)	**153,930**	**224,294**
Accrued interest	69,720	84,630
Tenants' deposits	22,213	31,195
Other payables due to associated companies	16,120	17,467
Liability to Minority Shareholders	2,924	-
Purchase price liabilities	869	27,219
Other payables due to other related parties	-	183
Miscellaneous other payables (financial)	13,314	17,731
Total other payables (financial)	**125,160**	**178,425**
Total other payables	**430,930**	**472,415**

(*) Previous year's figures adjusted according to IAS 8, please refer to Note 4, subchapter O.

Provisions

Provisions for litigations principally relate to legal claims resulting from contractual penalties and from compensation for other damages. The balance is resulting from additions in 2021.

Contingent losses from development contracts and relate to project developments with potential adverse margin expectations. The measurement is based on management's expectations on sales, revenues for those projects and the completion stage for individual projects. During the reporting period, an amount of EUR 31,456 thousand has been released and presented in other income as a result of the reversal of the forward sale project VauVau. A further amount of EUR 20,853 thousand have been released due to the termination of another sales project. An amount of EUR 26,225 thousand has been added based on updated management's expectations. The balance of the provision for contingent losses from development contracts is short-term and hence does not include any interest component.

Other payables

As at 31 December 2021, other current payables consist of financial liabilities with a book value of EUR 125,160 thousand (as at 31 December 2020: EUR 178,424 thousand) and non-financial liabilities with a book value of EUR 153,930 thousand (as at 31 December 2020: EUR 262,417 thousand).

Other payables due to associated companies are short-term interest- bearing loans.

Note 23 – Prepayments received

Whereas payments received for development projects accounted for according to IFRS are presented under contract assets and liabilities, the prepayments received for inventories is presented separately in the consolidated statement of financial position.

Note 24 – Taxes

A. The main tax laws imposed on the Group companies in their countries of residence

(1) Germany

- Corporation tax is levied at a uniform rate of 15% and is then subject to a surcharge of 5.5% (solidarity surcharge). This results in a total corporate tax rate of 15.825%. The corporate tax rate is applicable for resident and non-resident companies. Trade tax at the rate applicable in the municipality is also levied on the income of the companies, except for companies with no permanent establishment in Germany. The trade tax rate is a combination of a uniform tax rate of 3.5% (base rate) and a municipal tax rate (Hebesatz) depending on where the establishments of the business are located. For example, the municipal tax rate in Berlin is 410%, resulting in an effective trade tax rate of 14.35%. Enterprises, which exclusively manage and use their “own real estate”, may be eligible to deduct that part of the income which relates to the management and use of their own real estate from their tax base (“extended trade tax deduction”) and thus practically be entirely or nearly entirely be exempted from trade tax in Germany.
- Capital gains on the sale of German real estate property are subject to corporation tax at the standard rate for both residents and non-resident companies. Trade tax is also applicable at the relevant rate, except for non-resident companies with no permanent establishment in Germany and (subject to further conditions) for property holding companies eligible to the extended trade tax deduction.
- Dividends received from another company are 95% tax exempt when the investment in the other company is at least 10% at the beginning of the calendar year or the investment was increased by 10% during the year. Capital gains realised by a company on the sale of shares in a corporation held long-term are also 95% tax exempt.
- German real estate owned at the start of the calendar year is subject to annual property tax at 3.5% to 6.5% (depending on the location of the property, 6.0% for Berlin) on the specially assessed value of the property (dependent on the rental value and age of the property). The tax payable is a deductible expense for income tax purposes and is typically passed on to tenants.

- German Real Estate Transfer Tax ("RETT") is a transaction tax which can for example be triggered by acquisitions (share and asset deals), mergers, reorganisations, contributions, demergers, spin-offs, etc. involving German real estate owning companies. RETT due is calculated by multiplying the RETT basis with the applicable RETT rate. The RETT rate depends on the location of the real estate and ranges from currently between 3.5% and 6.5% depending on the Federal State. With effect as of 1 July 2021, the German legislator has further tightened the already complex RETT Act with respect to direct and indirect transfers of shares in corporations and of interests in partnerships owning real estate in Germany (or real estate equivalent rights such as hereditary building rights). Direct and indirect transfers of at least 90% (before 1 July 2021 the hurdle was 95%) over a period of 10 years are now taxable. Specific rules apply to partnerships and in case of transfers made on a recognised stock exchange.
- Limitation on the tax deductibility of interest expenses, and simultaneous repeal of the existing thin-capitalisation rules: the "interest barrier rule" allows the deduction of net interest expenses exceeding EUR 3 million p.a. only to the extent that total net interest expenses do not exceed 30% of EBITDA, unless the total net interest does not exceed EUR 3 million p.a. or other exemption criteria are met. The net interest expenses that are not deductible can be carried forward.
- Accumulated tax losses can be carried forward without time restriction and can be deducted from future profits and capital gains unless they exceed EUR 1 million. Losses carried forward that exceed EUR 1 million can only be deducted to the amount of 60% of the profits/capital gains that exceed EUR 1 million (minimum taxation). Those parts that cannot be deducted on the basis of the minimum taxation can be carried forward again and are subject to minimum taxation in the following years. For corporation tax there is also a loss carry back to the previous year up to EUR 1 million (due to COVID-19 the carry back mechanism was temporarily made more advantageous and flexible in 2020 and 2021). Loss forfeiture rules apply in case of a change of control.
- The tax rate used to calculate deferred tax assets and deferred tax liabilities as at 31 December 2021 and as at 31 December 2020 is 15.825% for the property holding companies which only hold real estate assets and 30.18% for the management companies that operate the real estate in Berlin, as these management companies are subject to corporate income tax of 15.825% and trade tax at the relevant rate.
- In 2018, a Group tax audit for the former ADO subgroup (scope of 37 companies) for the financial years 2013 until 2016 was commenced by the tax authorities. Even though the audit has not yet been finalised it is expected to end soon.

(2) Luxembourg

- The Company is liable for Luxembourg corporation taxes. The aggregate maximum applicable rate, including corporate income tax, municipal business tax and a contribution to the employment fund, is 24.94% for the financial year ending 2021 for a company established in Luxembourg City.
- The Company is fully subject to the annual net wealth tax charge which amounts to 0.5% of the net asset value of the Company. Certain assets might be excluded from the net asset value for the purposes of the net wealth tax computation, provided that the provisions of paragraph 60 of the valuation law of 16 October 1934, as amended (BewG), are met.
- A 15% withholding tax will be due in Luxembourg on dividends paid by the Company to its shareholders unless the domestic withholding tax exemption regime or a withholding tax reduction or exemption under a double tax treaty concluded by Luxembourg applies. Normal interest payments (i.e., not profit-linked interest) and liquidation proceeds are generally not subject to withholding tax, unless the EU Savings Directive applies. Should any withholding taxes be payable on amounts paid by the Company, the Company assumes responsibility for the withholding of Luxembourg taxes at the source.

(3) Ireland

- An Irish tax resident company is subject to corporation tax on its worldwide income (subject to any relevant exemptions) at either 12.5% or 25% depending on the activities undertaken by the company. Any capital gains recognised by an Irish company (subject to any relevant exemptions) will also be subject to corporation tax. However, such gains are re-grossed for corporation tax purposes to ensure they are taxed at the capital gains tax rate of 33%.
- Dividends received by an Irish resident company from another Irish resident company are exempt from corporation tax. Dividends received from a foreign company in the hands of an Irish resident company are subject to corporation tax; however, a credit should be available for underlying corporate and withholding tax generally for foreign tax paid.
- In general, with respect to non-resident companies, interest and patent royalties which are derived from Ireland are subject to withholding tax in Ireland at the rate of 20%. However, there are a number of domestic exemptions from this withholding tax. In addition, there may be exemptions or reliefs available under a treaty or under the EU directives.

(4) Malta

- A Malta tax resident company is subject to corporation tax on its worldwide income (subject to any relevant exemptions) at 35%. Any capital gains recognised by a Maltese company (subject to any relevant exemptions) will also be subject to corporation tax.
- The corporation income tax rate of a Maltese company may be significantly reduced based on the Notional Interest Deduction (NID) provision, and subject to conditions, or based on the refund mechanism subject to the conditions under the domestic law in Malta.
- Malta does not impose any withholding tax on an outbound payment of dividends. Consequently, dividends distribution by a Maltese resident company to its shareholder should not be subject to withholding tax in Malta.
- Interest payments generated in Malta by non-residents should not be subject to withholding tax in Malta based on the domestic tax law.

B. Income taxes

In EUR thousand	2021	2020(*)
Current year	(46,760)	(29,451)
Adjustments for prior years	(8,302)	(8,630)
Deferred tax expense	(87,265)	(82,952)
Total	**(142,327)**	**(121,033)**

(*) Previous year's figures adjusted according to IAS 8, please refer to Note 4, subchapter O.

C. Reconciliation of statutory to effective tax rate

In EUR thousand	2021	2020(*)
Statutory income tax rate	24.94%	24.94%
Profit before taxes	(1,022,680)	383,371
Tax using the Company's domestic tax rate	255,056	(95,613)
Non-deductible expense	62,933	41,802
Not taxable income	(55,257)	(29,450)
Utilisation of tax losses from prior years for which deferred taxes were not created	35,760	-
Effect of tax rates in foreign jurisdictions	(48,372)	(29,607)
Deferred tax assets not recognised for tax losses and other timing differences	42,713	15,742
Adjustments for prior years	96,182	3,772
Tax effect from impairment of goodwill	271,765	-
Other differences, net	(8,341)	(27,679)
Income tax expense	**(142,327)**	**(121,033)**

(*) Prior year's presentation amended.

D. Recognised deferred tax assets and liabilities

Deferred taxes recognised are attributable to the following:

Assets	31 Dec 2021	31 Dec 2020 (*)
Tax loss carryforwards incl. interests carried forward (DTA)	106,473	146,679
Derivatives	-	92
Other non-current liabilities	4,505	8,135
Other current liabilities	9,788	13,787
Financial liabilities	70,845	38,987
Other provision	12,861	5,230
Financial receivables	8,532	56,399
Bonds and convertible bonds	(1,198)	1,169
Other deferred tax assets	7,631	15,814
Derivatives	-	(28,842)
Bonds and convertible bonds	(14,132)	(15,695)
Investment properties	(796,949)	(1,022,670)
Trading properties	(27,533)	(37,405)
Financial assets	(3,887)	(38,293)
Financial liabilities	(70,491)	(25,237)
Right-of-Use assets	(1,189)	(1,472)
Contractual assets	(14,584)	(21,832)
Other current receivables	(3,516)	(24,133)
Prepayments received	(7,854)	-
Other deferred tax liabilities	(33,455)	(7,056)
Total deferred tax assets	219,437	286,292
Total deferred tax liabilities	(973,592)	(1,222,635)
Offsetting (-)	213,764	278,413
Reported deferred tax assets (net)	**5,673**	**7,879**
Reported deferred tax liabilities (net)	**(759,828)**	**(944,222)**

(*) Previous year's figures adjusted according to IAS 8, please refer to Note 4, subchapter O.

The change in deferred taxes is as follows:

In EUR thousand	2021	2020(*)
Deferred tax liabilities as of 1 January	**(936,344)**	**(239,346)**
Deferred tax expense in income statement	(87,265)	(82,874)
Deferred tax due to first-time consolidation and deconsolidation	134,967	(623,140)
Transfer to disposal group held for sale (IFRS 5)	154,970	5,201
Deferred taxes recognised directly in equity due to costs of issuance equity	2,781	3,564
Other	(23,264)	251
Reported deferred tax liabilities (deferred tax assets offset) as at 31 December	**(754,155)**	**(936,344)**

(*) Previous year's figures adjusted according to IAS 8, please refer to Note 4, subchapter O.

Losses for tax purposes carried forward to future years, based on the Group's estimation:

Tax losses carried forward amounted to EUR 1,469,555 thousand at 31 December 2021 (2020: EUR 1,664,961 thousand). Tax losses can be carried forward indefinitely.

Deferred tax assets for tax losses carried forward are recognised to the extent that they can be offset against deferred tax liabilities from taxable temporary differences. The Group did not recognise deferred tax assets in respect of losses carried forward amounting to EUR 676,161 thousand as at 31 December 2021 (2020: EUR 719,288 thousand).

The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience.

Note 25 – Revenue

In EUR thousand	2021	2020(*)
Net rental income	346,188	293,387
Income from charged costs of utilities	119,460	65,461
Income from facility services	29,444	25,058
Income from property development	122,969	134,634
Sale of trading properties (condominiums)	5,437	6,637
Income from real estate inventories disposed of	502,108	-
Revenue other	18,126	14,893
Total	**1,143,732**	**540,070**

(*) Previous year's figures adjusted according to IAS 8, please refer to Note 4, subchapter O.

Net rental income amounting to EUR 225,587 thousand, income from charged costs of utilities amounting to EUR 83,307 thousand, income from property development amounting to EUR 8,301 thousand and income from facility services with an amount of EUR 28,147 thousand are attributable to the business of ADLER.

Net rental income amounting to EUR 8,179 thousand, income from property development amounting to EUR 115,481 thousand, income from real estate inventories disposed of amounting to EUR 514,729 and other revenue with an amount of EUR 18,126 thousand are attributable to the business of Consus.

Adler Group previously accounted for the revenue from charged costs of utilities according to the agent method and therefore offset expenses and corresponding revenue from recharged utilities whereas ADLER recorded revenue from charged costs of utilities and cost of apportionable utilities separately according to the principal method. After reassessment of the contracts for the combined Group and taking into account the jurisdiction applicable to the properties as well as the prevailing industry practice, the Group concluded that it acts as the main responsible party in regard to the promised services and therefore acts as principal. The change in the presentation did not impact net income. If the same method was already applied in the previous year, both prior year's revenue (revenue from utilities recharged) and cost of operations (costs of utilities recharged) would be shown by EUR 33 million higher without any impact on prior year's net result.

Revenue from real estate inventories disposed of includes the sale of properties, buildings and projects that are not recognised over time.

In 2021 no new forward sales contracts were signed. Income from property development mainly resulted from construction progress.

A transaction price of EUR 36,109 thousand (prior year: EUR 27,146 thousand) was allocated to the remaining performance obligations that had not yet been satisfied (in full) at the end of the current reporting period. These amounts are expected to be recognised, affecting net income, with an amount of EUR 22,619 thousand attributable to 2022, an amount of EUR 13,490 thousand attributable to the years 2023 and thereafter.

Disaggregation of revenue

The following table presents the revenue streams and their allocation to the segments in addition to rental income which represents a major source of income in the Group:

	Segments					Total
2021	**Residential Property management**	**Privatisation**	**ADLER**	**Consus**	**Consolidation**	
Revenue from charged costs of utilities and facility services	33,393	-	95,476	-	(4,486)	124,383
Revenue from sale of trading properties (condominiums)	-	5,437	-	-	-	5,437
Revenue from property development contracts	-	-	8,301	115,481	(814)	122,969
Revenue from real estate inventories disposed of	-	-	-	502,108	-	502,108
Revenue other	9,727	-	-	19,018	(10,619)	18,126
Revenue from contracts with customers (IFRS 15)	**43,120**	**5,437**	**103,777**	**636,607**	**(15,919)**	**773,022**
thereof: products and services transferred at a point in time	-	5,437	-	571,735	-	577,172
thereof: products and services transferred over time	43,120	-	103,777	64,872	(15,919)	195,850
Rental income (IFRS 16)	112,028	467	225,585	8,179	(72)	346,188
Revenue from ancillary costs (IFRS 16)(*)	8,508	-	15,978	36	-	24,521
Rental income (IFRS 16)	**120,536**	**467**	**241,563**	**8,215**	**(72)**	**370,709**
Revenues (IFRS 15/IFRS 16)	**163,656**	**5,904**	**345,340**	**644,822**	**(15,991)**	**1,143,732**

(*) Includes land tax and building insurance.

Revenues from charged costs of utilities and facility services subject to consolidation principally relate to energy and heat supply services distributed by ADLER Energie Service GmbH. Other revenues subject to consolidation between segments are comprised of management fees charged between the management entities of the Group.

	Segments				Total(*)
2020	Residential Property management	Privatisation	ADLER	Consus	
Revenue from charged costs of utilities and facility services	6,493	-	71,556	-	78,049
Revenue from sale of trading properties (condominiums)	-	6,637	-	-	6,637
Revenue from property development contracts	-	-	60,212	74,422	134,634
Revenue other	-	-	-	14,894	14,894
Revenue from contracts with customers (IFRS 15)	**6,493**	**6,637**	**131,768**	**89,316**	**234,214**
thereof: products and services transferred at a point in time	-	6,637	-	-	6,637
thereof: products and services transferred over time	6,493	-	131,768	89,315	227,576
Rental income (IFRS 16)	108,797	340	179,528	4,722	293,387
Revenue from ancillary costs (IFRS 16)(*)	-	-	12,155	314	12,469
Rental income (IFRS 16)	**108,797**	**340**	**191,683**	**5,036**	**305,856**
Revenues (IFRS 15/IFRS 16)	**115,290**	**6,977**	**323,451**	**94,352**	**540,070**

(*) Includes land tax and building insurance.

Contract balances

Following table summarises the contract balances from revenue with customers under IFRS 15:

Contract balances	31 Dec 2021	31 Dec 2020(*)
Contract assets arising from re-charge of utilities (presented in "trade receivables")	11,359	12,579
Receivables from sale of real estate properties (presented in "trade receivables")	261,652	325,055
Receivables from other sales including forward sales (presented in "trade receivables")	90,542	61,536
Contract assets from developments (presented net in "contract assets")	82,237	162,733
Total contract assets	**445,790**	**561,903**
Prepayments received from developments (presented net in "contract liabilities")	36,109	25,870
Contract liabilities arising from re-charge of utilities (presented net in "trade payables")	2,178	2,278
Total contract liabilities	**38,287**	**28,148**

(*) Previous year’s figures adjusted according to IAS 8, please refer to Note 4, subchapter O.

Note 26 – Cost of operations

In EUR thousand	2021	2020(*)
Salaries and other expenses	37,481	36,434
Costs of apportionable utilities	148,782	81,750
Costs of utilities recharged, net	1,281	1,267
Costs of property development	80,759	104,713
Cost of real estate inventories disposed of	789,045	13,279
Costs of sale of trading properties (condominiums)	3,675	4,709
Property operations and maintenance	54,792	42,297
Other costs of operations	16,149	15,973
Total	**1,131,964**	**300,422**

(*) Previous year's figures adjusted according to IAS 8, please refer to Note 4, subchapter O.

Cost of real estate inventories disposed of includes write-down of inventories in an amount of EUR 227,174 thousand (prior year: EUR 18,240 thousand). Refer to Note 14.

Note 27 – General and administrative expenses

In EUR thousand	2021	2020
Salaries and related expenses	28,916	23,875
Share-based payments	756	547
Directors fee	1,184	957
Rent	2,172	2,972
Professional services	30,410	25,198
Traveling	2,512	1,728
Office, communication and IT expenses	19,247	19,100
Advertising and marketing	1,532	1,880
Impairment loss on trade receivables	4,622	12,332
Depreciation	17,645	9,498
Services from former parent company (Note 33)	-	6
Other	13,766	9,328
Total	**122,762**	**107,421**

Expenses for professional services include expenses for legal, accounting, audit and consulting fees.

Other general and administrative expenses principally include expenses for local taxes, car and related costs, insurance expenses and representation cost.

As at 31 December 2021, the Group had 1,329 full-time employees (2020: 1,787). On an annual average 1,499 people (2020: 1,909) were employed.

Note 28 – Other expenses

Other expenses principally relate to the impairment of goodwill in an amount of EUR 1,083.3 million (please refer to Note 12). Further other expenses in an amount of EUR 5.1 million relate to one-off legal and consulting fees. The remainder mainly relates to expenses for selling investment properties held for sale. In 2020 other expenses mainly comprised one-off legal and consulting fees.

Note 29 – Other income

In the fourth quarter of 2021, ADLER Real Estate AG, a subsidiary of the Group, closed the sale of approximately 15,500 units to a subsidiary of LEG IMMOBILIEN SE. The disposed properties are predominantly located in small and medium-sized towns in northern Germany. The sale was structured as share deal including 13 property holding entities. As a result of the deconsolidation of these entities, a net income of EUR 123,209 thousand has been achieved and presented under other income. For the investment properties included in the share deal, the change in fair value of investment properties was EUR 47,713 thousand (please refer to Note 6).

In addition, other income includes EUR 37,972 thousand from the reversal of provisions primarily relating to the reversal of forward sales. The remainder mainly relates to the derecognition of liabilities, income from prior periods and minor effects from deconsolidation of subsidiaries.

Note 30 – Net finance costs

In EUR thousand	2021	2020
Interest received	33,333	12,979
Change in fair value of derivative component of convertible bond	6,570	-
Change in fair value of other derivatives	10,605	72,697
Change in fair value of other financial assets - profit	1,160	3,264
Net foreign exchange gain	-	5,745
Other finance income	81,423	91,815
Total finance income	**133,091**	**186,500**
Interest on bonds	(135,303)	(92,208)
Change in fair value of derivative component of convertible bond	-	(23,087)
Change in fair value of other derivatives	(53,751)	(20,700)
Expense from derecognition of derivatives	(90,399)	-
Change in fair value of investments in financial assets and other financial assets	(5,650)	(91,732)
Change in fair value of loans granted	(4,224)	(8,126)
Impairment of financial instruments	(18,512)	(14,349)
Interest on other loans and borrowings	(75,011)	(82,142)
One-off refinance costs	(69,154)	(8,188)
Net foreign exchange loss	(38,484)	-
Other finance expenses	(25,072)	(36,034)
Total finance costs	**(515,560)**	**(376,566)**
Total net finance costs	**(382,469)**	**(190,066)**

Other finance income is mainly comprised of one-off effects from the early repayment of the bonds. EUR 11,187 thousand relate to adjustments made to deferred transaction costs and interest, and EUR 61,566 thousand relate to derecognition effects.

One-off refinance costs are mostly early repayment penalties for the repayment of the bonds of ADLER and Consus.

The net foreign exchange losses relate to negative revaluation effects of bonds and convertible bonds denoted in NIS.

An amount of EUR 79,214 (prior year: EUR 63,305) interest on other loans and borrowings was capitalised to investment properties and inventories under construction.

Note 31 – Leases

A. Leases in which the Group is the lessee

Lease obligations not resulting from leaseholds are discounted using the incremental borrowing rate. Discount rates of between 1.92 percent and 5.04 percent were applied in the reporting year.

The following table shows the right-of-use assets that do not meet the definition of investment property.

In EUR thousand	Property	Vehicles	Hardware/ Contracting	Total
Balance as at 1 January 2021	**12,278**	**4,881**	**699**	**17,858**
Additions to right-of-use assets (+)	4,827	925	-	5,752
Depreciation charge for the year (-)	(5,117)	(2,567)	(180)	(7,864)
Impairment (-)	(401)	(581)	-	(982)
Balance as at 31 December 2021	**11,587**	**2,658**	**519**	**14,764**

In EUR thousand	Property	Vehicles	Hardware/ Contracting	Total
Balance as at 1 January 2020	**644**	**170**	**-**	**814**
Additions from acquisitions (e.g. IFRS 3) (+)	10,909	4,673	921	16,503
Additions to right-of-use assets (+)	5,113	1,948	-	7,061
Depreciation charge for the year (-)	(3,549)	(1,901)	(201)	(5,651)
Impairment (-)	(839)	(9)	(21)	(869)
Balance as at 31 December 2020	**12,278**	**4,881**	**699**	**17,858**

The following table shows the amounts recognised in the consolidated statement of profit or loss in connection with leases (including leaseholds):

In EUR thousand	2021	2020
Interest expenses for lease liabilities	1,203	754
Expenses for short-term leases	765	632
Expenses for low-value leases	334	2,099
Total	**2,302**	**3,485**

The lease payments over the lease term (including lease holds) break down as follows by maturity:

	Expected lease payments as per	
In EUR thousand	**31 Dec 2021**	**31 Dec 2020**
Up to 1 year	5,307	10,945
1 to 5 years	5,874	14,858
More than 5 years	16,989	79,656

Leases that the Group has entered into as a lessee but have not yet commenced result in possible future payment outflows totalling EUR 24.8 million (including the amount from new office lease agreement over the term).

B. Leases in which the Group is the lessor

ADLER leases its investment property. A lessor classifies these leases as operating leases as the lessee does not receive substantially all of the risks and rewards incidental to ownership.

The claims to lease payments from long-term operating leases generally result from the letting of commercial properties. For the residential properties, leases are generally subject to the three-month statutory term of notice. There are no further claims to lease payments. The lease payments shown in the following tables include the net rental income only.

At the end of the reporting period, the future minimum lease payments under non-cancellable operating leases are as follows:

		Expected lease payments as per
In EUR thousand	**31 Dec 2021**	**31 Dec 2020**
Up to 1 year	45,735	66,817
1 to 3 years	19,297	17,208
More than 3 years	15,448	14,641

Note 32 – Financial instruments

The Group has exposure to the following risks arising from its use of financial instruments:

Credit risk
Market risk
Liquidity risk

A. Credit risk

Credit risk is the risk of financial loss to the Group if a counterparty to a financial instrument fails to meet its contractual obligations and arises principally from financial assets, trade and other receivables.

Exposure to credit risk

The carrying amounts of financial assets and contract assets represent the maximum exposure to credit risk The following table presents the carrying amounts for each class of financial instruments as at the balance sheet date.

In EUR thousand	Category in accordance with IFRS 9	31 Dec 2021	31 Dec 2020(*)
Investments in financial instruments	aafvPL	20,228	23,219
Other financial assets - investments in debt securities	aafOCI	22,885	12,519
Other financial assets - loans and borrowings	afvPL	37,900	36,594
Other financial assets - loans and borrowings	aac	12,278	247,846
Other receivables	aac	312,335	395,723
Other financial assets	aafvPL	64,900	28,136
Trade receivables - tenants	aac	27,784	38,407
Trade receivables - other trade receivables	aac	351,334	165,713
Restricted bank deposits	aac	71,460	97,220
Cash and cash equivalents	aac	555,700	376,026
Total financial assets		**1,476,804**	**1,421,403**

(*) Previous year's figures adjusted according to IAS 8, please refer to Note 4, subchapter O.

Restricted bank deposits, cash and cash equivalents

Deposits with banks and other financial institutions are made exclusively at well-known financial institutions with very high credit ratings. The ratings are monitored and assessed by the Group on a regular basis. In the event of substantial deterioration in the credit rating, the Group takes efforts to ensure that its exposures are no longer entered into with the respective counterparty. The credit risk resulting from restricted bank deposits, cash and cash equivalents is not material to the Group. The group did not recognise any material credit loss with regard to deposits with banks and other financial institutions on those financial instruments.

Other financial assets

The Group limits its exposure to credit risk by investing only in liquid products and only with counterparties with an appropriate credit rating. The Group monitors changes in credit risk by tracking published external credit ratings and other information available with regard to the credit worthiness of a counterparty. The credit risk resulting from debt securities is not material to the Group. Credit losses are recorded at the amount of the 12-month expected credit loss.

Loans and borrowings and other receivables

The credit risk from loans and borrowings, other receivables and other trade receivables is managed before and throughout the contract term and monitored closely at Group level. There are trading rules to ensure that transactions are only made with business partners if they have shown adequate payment behaviour in the past. Care is taken to ensure that all counterparties with relevance for the Group have at least a satisfactory credit rating. Credit risk is reduced by requiring the borrowers to provide securities, bank guarantees or other similar credit enhancements.

The following table presents a breakdown of loans and borrowings, other receivables and other trade receivables by category as at the balance sheet date. It indicates whether those assets were subject to a 12-month expected credit loss or lifetime expected credit loss allowance and, in the latter case, whether they were credit-impaired.

			31 Dec 2021
In EUR thousand	**Expected 12-month credit loss**	**Lifetime expected credit loss - not credit- impaired**	**Lifetime expected credit loss - credit-impaired**
Loans and borrowings			
Loans to non-controlling shareholders of subsidiaries	-	-	-
Miscellaneous other borrowings	7,990	-	4,288
Other receivables			
Receivables from portfolio sales	130,097	34,346	
Receivables against non-controlling shareholders of subsidiaries	122,076	-	-
Miscellaneous other receivables	60,162	-	-
Trade receivables			
Receivables against tenants	-	51,346	-
Other trade receivables	351,334	-	-
Gross carrying amount	**671,659**	**85,692**	**4,288**
Accumulated impairment losses	(2,482)	(42,936)	(4,288)
Net carrying amount	**669,177**	**42,756**	**-**

			31 Dec 2020
In EUR thousand	**Expected 12-month credit loss**	**Lifetime expected credit loss - not credit- impaired**	**Lifetime expected credit loss - credit-impaired**
Financial assets			
Loans to non-controlling shareholders of subsidiaries	46,948	-	-
Miscellaneous other borrowings	990	-	4,067
Other receivables			
Receivables from portfolio sales	112,574	37,352	-
Receivables against non-controlling shareholders of subsidiaries	143,823	-	-
Miscellaneous other receivables	63,938	-	-
Trade receivables			
Receivables against tenants	-	73,037	-
Other trade receivables	131,083	-	-
Gross carrying amount	**499,356**	**110,389**	**4,067**
Accumulated impairment losses	(3,955)	(39,446)	(4,067)
Net carrying amount	**495,401**	**70,943**	**-**

Expected credit losses regarding loans to and other receivables against non-controlling shareholders of subsidiaries are considered as relatively low as those are generally secured by liens on the shares held by these shareholders.

The credit risk from portfolio-sales is managed before and throughout the contract term and monitored closely at Group level. Care is taken to ensure that all counterparties with relevance for the Group have at least a satisfactory credit rating. Receivables from portfolio sales are typically collateralised by share liens and exploitation rights.

Receivables from portfolio sales include receivables against ACCENTRO at an amount of EUR 58,592 thousand (31 December 2020: EUR 59,127 thousand), CAESAR at an amount of EUR 27,802 thousand (31 December 2020: EUR 44,636 thousand) and AB Immobilien B.V. (EUR 14,972 thousand; 31 December 2020: EUR 32,494 thousand). Due to sufficient collateralisation, expected credit losses from the receivables against CAESAR are relatively low. Due to a reassessment of expected cashflows, the Group raised the impairment allowance for receivables against A.B. Immobilien B.V. by EUR 19.374 thousand, in 2021. According to an agreement made between the Group and ACCENTRO, the total outstanding amount (EUR 58,592 thousand; 31 December 2020: EUR 59,127 thousand) has fallen due on 30 September 2021. The Group received a partial payment in the fourth quarter of 2021 and is currently in an exchange with the debtor regarding the settlement of the remainder. Based on these discussions, the payment period has been extended until 31 May 2022. Due to sufficient collateralisation there is no material risk of default. The Group did not recognise an impairment loss on the receivables against ACCENTRO.

Trade receivables

The credit risk inherent in **other trade receivables** is closely monitored by the Group's Senior Management. EUR 177.9 million of the outstanding amount as at 31 December 2021 has been recovered in full through a reversal of the underlying transaction in Q1 2022. An amount of EUR 90.2 Mio is resulting from forward sales. The credit risk is deemed to be immaterial for those receivables due to collateralization by land charges (real property liens). The remainder is subject to legal actions initiated by the Group. The Group's management does not expect material credit losses on the remainder.

The credit risk from **trade receivables against tenants** is managed and reduced through credit checks prior and throughout the lease term as well as through risk mitigating contractual terms such es security deposits, direct debit authorisations and advance payments. Due to the Group's heterogenous tenant base, both in terms of geographical location as well as in terms of the size of individual tenant contracts, the concentration of risk is limited.

The Group uses the simplified approach to estimate the lifetime expected credit loss of trade receivables against tenants. The approach relies on a provision matrix that is based on the ageing of the underlying receivables.

The table below shows the gross amount, the provisions for expected credit losses and the net carrying amount for each aging bucket: The Group regards trade receivables against tenants that are more than 30 days overdue as credit impaired.

			31 Dec 2021
In EUR thousand	**Gross carrying amount**	**Provision for impairment**	**Net carrying amount**
Not past due	6,876	-	6,876
0-30 days past due	3,426	(101)	3,325
31-180 days past due	2,587	(966)	1,983
180 days to one year past due	2,839	(2,210)	630
More than one year past due	22,924	(20,286)	2,637
Total	**38,652**	**(23,562)**	**15,451**

			31 Dec 2020
In EUR thousand	**Gross carrying amount**	**Provision for impairment**	**Net carrying amount**
Not past due	6,695	(131)	6,888
0-30 days past due	5,870	(92)	5,777
31-180 days past due	7,064	(1,621)	5,443
180 days to one year past due	22,988	(15,525)	7,463
More than one year past due	30,420	(17,220)	13,200
Total	**73,037**	**(34,589)**	**38,771**

Impairment losses on receivables from tenants changed as follows:

In EUR thousand	2021	2020
Balance as at 1 January	**(34,589)**	**(4,156)**
Business combinations (IFRS 3)	-	(30,186)
Additions	(8,177)	(11,949)
Reversals	13,981	10,140
Write off of irrecoverable debts	347	1,624
Reclassification as held for sale (IFRS 5)	-	64
+/- Change in scope of consolidation	4,876	(126)
Balance as at 31 December	**(23,562)**	**(34,589)**

The following impairment losses have been recognised for each class of financial instruments in the reporting period:

In EUR thousand Impairment loss of current period for:	31 Dec 2021	31 Dec 2020
Loans and borrowings		
Miscellaneous other borrowings	(4,288)	(4,067)
Other receivables		
Receivables from portfolio sales	(19,374)	(4,857)
Trade receivables		
Receivables against tenants	(23,562)	(34,589)
Total	**(49,706)**	**(47,468)**

B. Market risk

The Group is exposed to the risk of changes in market interest rates as a result of floating rate debt. Loans obtained at variable interest rates expose the Group to cash flow interest rate risk, which could have adverse effects on the Group's profit or loss or financial position. With respect to fixed rate loans, a change in market interest rates does not have impact on Group's profit or loss or financial position as they are mainly measured at amortised cost. However, a change in market interest rates may cause variations in fair value of the respective loans.

As of 31 December 2021 the nominal amount of interest-bearing liabilities which are exposed to interest rate risk amount to EUR 7,811 million (prior year: EUR 5,278 million). Thereof, an amount of EUR 108 million (prior year: EUR 692 million) relate to variable rate loans.

On the basis of the valuation as at 31 December 2021, the Group performed a sensitivity analysis to determine the change in interest income and expenses given a parallel shift in the EUR yield curve by +/– 50 basis points:

	Variable rate instruments	
	31 Dec 2021	**31 Dec 2020**
Change in interest basis points	+50	+50
Effect on the profit before tax (in EUR thousand)	(93)	(93)

In preparation of the analysis, the Group identified all financial instruments with variable interest rates (principally loan agreements). Where applicable, interest rate floors embedded in those financial instruments have been taken into account. All other variables have been held constant. A negative change in the interest rate at the same amount would have a similar impact on the profit and loss, but in the opposite direction.

In addition, in the course of the acquisition of ADLER, the Group took over bonds which were issued in New Israeli Shekels (NIS) and linked to the Consumer Price Index (CPI) for Israel. The bonds of the ADO Group were redeemed in the 2020 financial year. The bonds of the BCP subgroup were reclassified to liabilities held for sale in the 2021 financial year. Had the exchange rate (EUR/NIS) as at 31 December 2020 been 5 percent higher/lower, the carrying amount of the bonds would have changed by EUR 3,612 thousand or EUR -3,612 thousand. If the CPI had increased/decreased by 3 percent, the carrying amount of the bonds would have changed by EUR -2,464 thousand or EUR 392 thousand.

C. Liquidity risk

In order to limit liquidity risk, the Group continuously monitors all financing options available on the capital and banking markets and uses these options in a targeted manner. Moreover, the Group subjects its existing financings to an early review prior to the respective final maturity date in order to ensure refinancing.

Under the conditions of existing loan agreements, the Group is obliged to fulfill certain financial covenants. If financial covenants are violated and all commonly practiced solutions will be unsuccessful, the lenders could call in the loan. The fulfilling of these financial covenants is continually monitored as part of risk management.

The following table shows the forecast for undiscounted cash flows of non-derivative financial liabilities and derivative financial instruments:

						31 Dec 2021
In EUR thousand	**Carrying amount**	**Contractual cash flows**	**2022**	**2023**	**2024**	**Due after 3 years**
Corporate bonds	4,610,353	5,191,000	503,125	597,125	787,750	3,303,000
Convertible bonds	216,940	231,880	125,695	106,185	-	-
Other loans and borrowings	2,176,136	2,310,192	139,486	423,156	300,280	1,447,270
Other financial liabilities	27,168	27,168	25,452	1,716	-	-
Trade payables	76,383	76,383	76,383	-	-	-
Tenants' security deposits	22,213	22,213	22,213	-	-	-
Other payables	102,947	102,947	102,947	-	-	-
Derivatives (stand-alone)	40,639	2,412	-	1,298	1,114	-
Total	**7,272,779**	**7,964,195**	**995,301**	**1,129,480**	**1,089,144**	**4,750,270**

						31 Dec 2020
In EUR thousand	**Carrying amount(*)**	**Contractual cash flows**	**2021**	**2022**	**2023**	**Due after 3 years**
Corporate bonds	3,728,962	4,175,557	623,755	515,932	609,609	2,426,262
Convertible bonds	311,972	401,215	107,706	126,447	167,063	-
Other loans and borrowings	3,969,192	4,249,174	1,735,956	329,592	429,989	1,753,636
Other financial liabilities	14,128	14,128	12,536	437	1,155	-
Trade payables	121,523	118,610	118,610	-	-	-
Tenants' security deposits	31,195	31,195	31,195	-	-	-
Other payables	147,230	147,230	147,230	-	-	-
Derivatives (stand-alone)	5,315	5,315	392	2,728	-	2,195
Total	**8,329,517**	**9,142,424**	**2,777,380**	**975,136**	**1,207,816**	**4,182,093**

(*) Previous year's figures adjusted according to IAS 8, please refer to Note 4, subchapter O.

The undiscounted cash flows expected from lease liabilities are outlined in the Note 31 – *Leases*.

D. Fair value

The following table shows an overview on different classes of financial instruments, their carrying amount, measurement basis, fair value and fair value hierarchy level:

In EUR thousand	Category	Carrying amount	Amortised cost	Fair value through PL	Fair value through OCI	Carrying amounts acc. to IFRS 16 / IAS 28	Fair Value	Fair value hie-rarchy level
								31 Dec 2021
Assets								
Investments in financial instruments								
Investments in equity instruments - FVPL	aafvPL	20,228	-	20,228	-	-	20,228	Level 3
Investments accounted under the equity method	n/a	32,395	-	-	-	32,395	-	n/a
Other financial assets								
Receivables due from associated companies	aac	-	-	-	-	-	-	1)
Receivables due from third parties	aac	4,963	4,963	-	-	-	4,963	1)
Other financial assets	aafvPL	45,215	-	45,215	-	-	45,215	Level 3
Investments in debt securities	aafvOCI	22,885	-	-	22,885	-	22,885	Level 1
Derivatives	aafvPL	10,433	-	10,433	-	-	10,433	Level 3
Restricted bank deposits	aac	71,460	71,460	-	-	-	71,460	1)
Trade receivables	aac	379,118	379,118	-	-	-	379,118	1)
Other receivables and financial assets								
Other financial receivables at cost	aac	312,335	312,335	-	-	-	312,335	1)
Short-term financial investments	aafvPL	64,900	-	64,900	-	-	64,900	Level 3
Cash and cash equivalents	aac	555,700	555,700	-	-	-	555,700	1)
Total financial assets		**1,519,632**	**1,323,576**	**140,776**	**22,885**	**32,395**	**1,487,237**	**1)**
Liabilities								
Corporate bonds	flac	4,610,352	4,610,352	-	-	-	4,138,155	Level 1
Convertible bonds	flac	216,941	216,941	-	-	-	205,871	Level 2
Other loans and borrowings	flac	2,176,136	2,176,136	-	-	-	2,181,516	Level 3
Other financial liabilities								
Other financial liabilities at cost	flac	27,168	27,168	-	-	-	27,168	1)
Derivatives	lafv	40,639	-	40,639	-	-	40,639	Level 3
Trade payables	flac	76,383	76,383	-	-	-	76,383	1)
Lease liabilities	n/a	17,001	-	-	-	17,001	-	n/a
Other payables								
Other financial payables at cost	flac	125,159	125,159	-	-	-	125,159	1)
Total financial liabilities		**7,289,779**	**7,232,139**	**40,639**	**-**	**17,001**	**6,794,891**	

1) The carrying amounts of certain financial assets and liabilities, including cash and cash equivalents, trade and other receivables, restricted and other bank deposits and trade and other financial payables are considered to be the same or proximate to their fair value due to their short-term nature.

Further information on the financial assets and liabilities measured at fair value through profit or loss are included in the respective notes 21 Derivatives, Note 16 Other receivables, Note 10 Other financial assets.

								31 Dec 2020(*)
In EUR thousand	**Category**	**Carrying amount**	**Amortised cost**	**Fair value through PL**	**Fair value through OCI**	**Carrying amounts acc. to IFRS 16 / IAS 28**	**Fair Value**	**Fair value hie-rarchy level**
Assets								
Investments in financial instruments								
Investments in equity instruments - FVPL	aafvPL	23,219	-	23,219	-	-	23,219	Level 3
Investments accounted under the equity method	n/a	84,816	-	-	-	84,816	-	n/a
Other financial assets								
Receivables due from associated companies	aac	103,270	103,270	-	-	-	103,270	1)
Receivables due from third parties	aac	144,571	144,571	-	-	-	144,571	1)
Other financial assets	aafvPL	36,594	-	36,594	-	-	36,594	Level 3
Investments in debt securities	aafvOCI	12,524	-	-	12,524	-	12,524	Level 1
Derivatives (embedded)	aafvPL	121,285	-	121,285	-	-	121,285	Level 3
Restricted bank deposits	aac	97,220	97,220	-	-	-	97,220	1)
Trade receivables	aac	204,120	204,120	-	-	-	204,120	1)
Other receivables and financial assets								
Other financial receivables at cost	aac	395,723	395,723	-	-	-	395,723	1)
Short-term financial investments	aafvPL	28,136	-	28,136	-	-	28,136	Level 3
Cash and cash equivalents	aac	376,026	376,026	-	-	-	376,026	1)
Total financial assets		**1,627,504**	**1,320,930**	**209,234**	**12,524**	**84,816**	**1,542,688**	
Liabilities								
Corporate bonds	flac	3,728,962	3,728,962	-	-	-	3,904,243	Level 1
Convertible bonds	flac	311,972	311,972	-	-	-	318,734	Level 2
Other loans and borrowings	flac	3,969,192	3,969,192	-	-	-	4,115,940	Level 3
Other financial liabilities								
Other financial liabilities at fair value	lafv	2,533	-	2,533	-	-	2,533	Level 3
Other financial liabilities at cost	flac	38,260	38,360	-	-	-	38,260	1)
Derivatives	lafv	21,240	-	21,240	-	-	21,240	Level 3
Trade payables	flac	121,523	121,523	-	-	-	121,523	1)
Lease liabilities	n/a	33,733	-	-	-	33,733	-	n/a
Other payables								
Other financial payables	flac	178,424	178,424	-	-	-	178,424	1)
Total financial liabilities		**8,405,839**	**8,348,433**	**23,773**	**-**	**33,733**	**8,700,897**	

1) The carrying amounts of certain financial assets and liabilities, including cash and cash equivalents, trade and other receivables, restricted and other bank deposits and trade and other payables are considered to be the same or proximate to their fair value due to their short-term nature.

(*) Previous year's figures adjusted according to IAS 8, please refer to Note 4, subchapter O.

Fair value for liabilities is estimated by discounting future cash flows by the market interest rate of the similar instruments on the date of measurement. In respect of the liability component of convertible bonds, the market rate of interest is determined by bid and ask quotes in the market.

E. Capital management

The Company's management aims to maximise a long-term increase in value for the investors, taking into account financial risks by maintaining a degree of financial flexibility in order to be able to pursue the Group's growth and portfolio optimisation.

The key figure for capital management is the loan-to-value ratio, which is the ratio of net financial liabilities compared to the value of the investment and trading properties. The Company aims to achieve a long-term loan-to-value ratio of below 50% (please refer to the Management Report section). The initiated disposals are expected to contribute significantly to the achievement of this target in 2022.

F. Movement in liabilities deriving from financing activities

In EUR thousand	Corporate bonds	Convertible bonds	Other loans and borrowings(*)	Other financial liabilities	Total
Balance as at 1 Jan 2021(*)	**3,728,962**	**311,972**	**3,969,192**	**16,128**	**8,026,255**
Changes from financing cash flows					
Receipt of loans and borrowings	1,951,053	-	1,152,465	-	3,103,518
Repayment of loans and borrowings	(961,298)	(91,044)	(2,281,301)	-	(3,333,643)
Transaction costs related to borrowings	(2,278)	-	-	-	(2,278)
Interest paid	(33,306)	-	(37,423)	-	(70,729)
Total net financing cash flows	954,171	(91,044)	(1,166,259)	-	(303,132)
Effect of changes in foreign exchange rates	10,023	-	-	-	10,023
Changes arising from selling group of assets and liabilities classified as held for sale	(74,459)	-	(602,267)	-	(676,726)
Changes arising from obtaining control of subsidiaries	-	-	145,185	-	145,185
Changes in fair value	-	-	-	(9,315)	(9,315)
Subsequent measurement PPA	13,533	(2,869)	36,402	-	47,066
Other changes	(21,878)	(1,118)	(206,117)	(2,000)	(231,113)
Balance as at 31 Dec 2021	**4,610,352**	**216,941**	**2,176,136**	**4,813**	**7,008,242**

(*) Previous year's figures adjusted according to IAS 8, please refer to Note 4, subchapter O.

In EUR thousand	Corporate bonds	Convertible bonds	Other loans and borrowings(*)	Other financial liabilities	Total
Balance as at 1 Jan 2021	**397,433**	**156,334**	**777,817**	**49,951**	**1,381,535**
Changes from financing cash flows					
Receipt of loans and borrowings	781,268	-	1,923,520	-	2,704,788
Repayment of loans and borrowings	(47,385)	(54,100)	(2,929,711)	(96,576)	(3,127,772)
Total net financing cash flows	733,883	(54,100)	(1,006,191)	(96,576)	(422,984)
Changes arising from obtaining control of subsidiaries	-	(60,849)	(63,252)	-	(124,101)
Change in the consolidation scope without loss of control	2,598,167	282,367	4,282,900	77,529	7,240,963
Subsequent measurement PPA	(5,026)	38	(56,220)	(18,400)	(79,608)
Other changes	4,505	(11,818)	34,138	3,624	30,449
Balance as at 31 Dec 2021	**3,728,962**	**311,972**	**3,969,192**	**16,128**	**8,026,254**

(*) Previous year's figures adjusted according to IAS 8, please refer to Note 4, subchapter O.

Other changes principally relate to deferred interest and amortisation of transaction costs.

G. Net result from financial instruments by the measurement classifications in IFRS 9

The net result from financial instruments broken down into individual measurement categories is presented in the table below. Interest income and interest expenses from financial instruments represent a component of the net result. The gains and losses are due to impairments and reversals from the fair value measurement.

					Net result 2021
In EUR thousand	**IFRS 9 category**	**Interest**	**Profit / loss**	**OCI**	**Total**
Investments in equity instruments measured at fair value through other comprehensive income	aafvOCI	-	3,689	-	3,689
Financial assets measured at amortised cost	aac	10,309	(23,134)	-	(12,825)
Financial assets measured at fair value through profit or loss	aafv	1,794	(8,714)	-	(6,920)
Financial assets measured at fair value through other comprehensive income	aafvOCI	1,326	-	(9,067)	(7,741)
Financial liabilities measured at amortised cost	flac	(280,217)	35,926	-	(244,291)
Financial liabilities measured at fair value through profit or loss	lafv	-	(126,975)	-	(126,975)
Total		**(266,788)**	**(119,208)**	**(9,067)**	**(395,063)**

In EUR thousand	IFRS 9 category	Interest	Profit / loss	OCI	Total
					Net result 2020
Investments in equity instruments measured at fair value through other comprehensive income	aafvOCI	-	-	40,953	40,953
Financial assets measured at amortised cost	aac	11,317	(20,936)	-	(9,619)
Financial assets measured at fair value through profit or loss	aafv	823	(23,897)	-	(23,074)
Financial assets measured at fair value through other comprehensive income	aafvOCI	839	-	5,800	6,639
Financial liabilities measured at amortised cost	flac	(209,373)	82,701	-	(126,672)
Financial liabilities measured at fair value through profit or loss	lafv	-	(43,787)	-	(43,787)
Total		**(196,394)**	**(5,919)**	**46,753**	**(202,313)**

H. Derivative financial instruments

Interest rate hedging instruments

Interest rate hedging instruments such as swaps are used at the Group to hedge interest rate risks for floating-rate loan agreements in particular. The fair values and nominal values of the interest hedge contracts broken down by maturity are presented below:

In EUR thousand		2021		2020
	Fair value	Nominal	Fair value	Nominal
Up to 1 year	-	-	(9,707)	11,684
Due between 1 and 5 years	(2,372)	81,126	(4,745)	161,368
Due between 5 and 10 years	-	-	(178)	8,975
As at 31 December	**(2,372)**	**81,126**	**(14,630)**	**182,027**

Note 33 – Related parties

A. Related companies

Transactions with related companies

The following amounts with related parties are included in the consolidated statement of financial position:

31 Dec 2021

In EUR thousand	Trade receivables	Other receivables and financial assets	Other financial assets	Trade payables	Other payables	Other loans and borrowings
Aggregate (subsidiaries of the parent)	124	21,330	27,885	(31)	-	-
ADO Group (former parent)	-	-	-	-	-	-
Harel Insurance Company Ltd. (joint venture partner)	-	-	-	-	-	(25,761)
Associated companies and joint ventures	524	44,775	2,072	-	(15,932)	-
Other related parties	-	2,264	914	-	(188)	-
Total nominal value	**648**	**68,369**	**30,871**	**(31)**	**(16,120)**	**(25,761)**
Accumulated impairment losses	-	-	(5,000)	-	-	-
Carrying amount	**648**	**68,369**	**25,871**	**(31)**	**(16,120)**	**(25,761)**

31 Dec 2020

In EUR thousand	Trade receivables	Other receivables and financial assets	Other financial assets	Trade payables	Other payables	Other loans and borrowings
Aggregate (subsidiaries of the parent)	-	21,010	12,519	(10)	-	-
ADO Group (former parent)	-	-	-	-	-	-
Harel Insurance Company Ltd. (joint venture partner)	-	-	-	-	-	(24,698)
Associated companies and joint ventures	-	44,636	103,270	-	(17,467)	-
Other related parties	-	1,409	864	-	(183)	-
Total nominal value	**-**	**67,055**	**116,653**	**(10)**	**(17,650)**	**(24,698)**
Accumulated impairment losses	-	-	-	-	-	-
Carrying amount	**-**	**67,055**	**116,653**	**(10)**	**(17,650)**	**(24,698)**

The following amounts with related parties are included in the consolidated statement of profit or loss:

2021

In EUR thousand	Rental income	Income from services rendered	Expense from services received	Interest income	Interest expense	Other finance expense	Other income/ (expense)
Aggregate (subsidiaries of the parent)	361	10	-	1,326	-	(5,651)	(12)
ADO Group (former parent)	-	-	-	-	-	-	-
Harel Insurance Company Ltd. (joint venture partner)	-	-	-	-	(1,064)	-	-
Associated companies and joint ventures	-	-	-	3,569	(38)	-	948
Other related parties	882	81	(60)	-	-	-	-
Total	**1,243**	**91**	**(60)**	**4,895**	**(1,102)**	**(5,651)**	**936**

2020

In EUR thousand	Rental income	Income from services rendered	Expense from services received	Interest income	Interest expense	Other finance expense	Other income/ (expense)
Aggregate (subsidiaries of the parent)	-	-	-	785	-	-	(191)
ADO Group (former parent)	-	-	(6)	-	(400)	-	-
Harel Insurance Company Ltd. (joint venture partner)	-	-	-	-	(1,064)	-	-
Associated companies and joint ventures	-	-	-	3,901	(74)	-	23
Other related parties	-	-	-	-	-	-	-
Total	**-**	**-**	**(6)**	**4,686**	**(1,538)**	**-**	**(168)**

B. Transactions with key management personnel

Within the Group, the individuals in key positions pursuant to IAS 24 include the Board of Directors of Adler Group S.A.

Compensation and benefits to key management personnel that are employed by the Group are broken down as follows:

In EUR thousand	2021	2020
Short-term employee benefits	2,638	1,993
Share-based payments	756	547
Other bonus(*)	259	-
Total	**3,653**	**2,540**

(*) Related to 2020 before appointment to the Senior Management.

The Board of Directors and members of their immediate families do not personally have any business relationship with the Group other than in their capacity as members of the Board of Directors.

C. Emoluments granted to the members of the management and supervisory bodies

The emoluments granted to the members of the supervisory bodies in that capacity for the financial year are broken down as follows:

In EUR thousand	2021	2020
Directors fee granted to the members of the Board of Directors	1,184	956
Total	**1,184**	**956**

The emoluments granted to the members of the Senior Management (Co-CEOs, CLO, CDO in 2021, Co-CEOs, CLO in 2020) are broken down as follows:

In EUR thousand	2021	2020
Fixed salary	1,645	1,303
Short-term cash incentive	852	690
Long-term incentive to be paid in shares or cash	756	547
Other bonus(*)	259	-
Consulting fees	42	14
Other benefits	99	78
Total	**3,653**	**2,632**

(*) Related to 2020 before appointment to the Senior Management.

Note 34 – Auditors' fees

Fees billed to the Company and its subsidiaries by KPMG Luxembourg, Société Anonyme, Luxembourg, and other member firms of the KPMG network during the year are as follows (excluding VAT):

In EUR thousand	2021	2020
Audit fees	1,136	1,697
Thereof: KPMG Luxembourg, Société Anonyme	868	891
Tax consultancy services	40	225
Thereof: KPMG Luxembourg, Société Anonyme	-	16
Other non-audit related services(*)	1,210	3,724
Thereof: KPMG Luxembourg, Société Anonyme	169	857

(*) **2021**: An amount of about EUR 4.0 million, was incurred on the audit by KPMG Forensic subsequent to the balance sheet date. **2020**: Including services in relation to share and bond issuance.

Note 35 – Segments reporting

The segment report reflects the operating segments reported to the Group's chief operating decision maker (CODM).

The following summary describes the operations in each of the Group's operating segments:

- Residential property management – the Group's core business activity is renting and managing residential properties, which includes the modernisation and maintenance of the properties, the management of tenancy agreements and marketing of residential units. The focus of property management is on the optimisation of rental income;
- Privatisation – this segment includes all aspects of preparing and executing the sale of units. In addition, this segment is also subject to modernisation, maintenance and management, and generates rental income from non-vacant units.
- ADLER – this segment comprises the subgroup ADLER Real Estate AG. 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 Group's 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.
- Consus – this segment comprises the subgroup Consus Real Estate AG. Consus' core business is the development of urban middle-income housing in Germany's nine largest cities. The focus is on the development of large-volume projects with a growing share of large urban neighbourhoods.

ADLER and Consus are presented as an independent segment in accordance with current internal reporting to the chief operating decision maker. The goodwill has been allocated to the segment Consus.

The CODM does not review assets and liabilities separately by segment.

Performance is measured based on segment gross profit before revaluation of investment properties. Segment results reported to the CODM include items directly attributable to a segment on a reasonable basis.

Information about reportable segments

Information regarding the results of each reportable segment is included below. For a detailed breakdown of revenues including revenues realised at a point in time and over time please refer to Note 25.

2021

In EUR thousand	Residential property manage-ment	Privatisation	ADLER	Consus	Consoli-dation	Total conso-lidated
External income from residential property management	153,928	467	337,041	8,214	(4,558)	495,092
External income from sale of trading properties (condominiums)	-	5,437	-	-	-	5,437
External income from selling of other real estate inventories	-	-	-	502,108	-	502,108
External income from property development	-	-	8,301	115,480	(813)	122,969
Other income	9,727	-	-	19,018	(10,619)	18,126
Consolidated revenue	**163,655**	**5,904**	**345,342**	**644,820**	**(15,991)**	**1,143,732**
Reportable segment gross profit	106,290	2,104	156,277	(245,495)	(7,408)	11,768
General and administrative expenses						(122,762)
Changes in fair value of investment properties						415,142
Other expenses						(1,128,797)
Other income						183,680
Finance income						133,091
Finance costs						(515,560)
Net income from at-equity valued investments						758
Consolidated profit before tax						**(1,022,680)**
Income tax expense						(142,327)
Consolidated profit after tax						**(1,165,007)**

					2020(*)
In EUR thousand	**Residential property management**	**Privatisation**	**ADLER**	**Consus**	**Total consolidated**
External income from residential property management	115,290	340	263,240	5,037	383,907
External income from sale of trading properties (condominiums)	-	6,637	-	-	6,637
External income from selling of other real estate inventories	-	-	-	-	-
External income from property development	-	-	60,212	74,422	134,634
Other income	-	-	-	14,893	14,893
Consolidated revenue	**115,290**	**6,977**	**323,452**	**94,352**	**540,071**
Reportable segment gross profit	93,073	2,273	140,905	3,398	239,648
General and administrative expenses					(107,420)
Changes in fair value of investment properties					413,675
Other expenses					(76,198)
Other income					109,399
Finance income					186,500
Finance costs					(376,566)
Net income from at-equity valued investments					(5,666)
Consolidated profit before tax					**383,372**
Income tax expense					(121,033)
Consolidated profit after tax					**262,339**

(*) Previous year's figures adjusted according to IAS 8, please refer to Note 4, subchapter O.

Note 36 – Earnings per share

Basic and diluted earnings per share

The calculation of basic earnings per share as at 31 December 2021 was based on the profit attributable to the Company's ordinary shareholders divided by a weighted average number of ordinary shares outstanding, calculated as follows:

(1) The diluted and undiluted earnings amount to:

In EUR thousand	2021	2020(*)
Profit attributable to the owners of the Company	(1,177,213)	190,796
Correction: interest from convertible bonds (after tax)	2,548	323
Correction: measurement of convertible bonds (after tax)	(4,931)	2,847
Adjusted profit attributable to the owners of the Company to calculate diluted earnings	(1,179,596)	193,966

(2) Weighted average number of ordinary shares

In EUR thousand	2021	2020
Weighted average as at 1 January	117,510	44,195
Effect of issuance of regular shares	**-**	**35,576**
Weighted average as at 31 December	**117,510**	**79,771**

In EUR thousand	2021	2020(*)
Basic earnings per share	(10.03)	2.39
Diluted earnings per share	**(10.03)**	**2.41**

(*) Previous year's figures adjusted according to IAS 8, please refer to Note 4, subchapter O.

Note 37 – Material events in the reporting period and subsequent events

A. On 30 January 2020, the World Health Organisation (WHO) declared an international health emergency due to the outbreak of the coronavirus. Since 11 March 2020, the WHO has classified the spread of the coronavirus as a pandemic. Adler Group is continuously assessing the impact of Covid-19. The valuation of the investment properties, financial assets and financial liabilities as at 30 September 2021 as disclosed in these consolidated financial statements reflects the economic conditions in existence at that date. The Company does not expect the crisis to have any material impact on rental income. In Germany, rents are still continuing to rise and the demand for living space is increasing as well. This leads to a very low risk of losing tenants and a high occupancy rate due to a change in the general condition on the residential markets.

B. On 7 January 2021, Consus, a 94 percent subsidiary of the Group, successfully completed the disposal of 24 non-strategic projects. Together with proceeds received from the successful closing of the disposal of approximately 5,000 residential units as announced in September 2020, the Group generated total proceeds in the amount of EUR 850 million. These proceeds were used to repay existing debt, to further smoothen the maturity profile and to reduce the average cost of debt.

C. On 8 January 2021, the Group successfully placed EUR 1.5 billion fixed rate senior unsecured notes comprising of two tranches, a EUR 700 million 5-year maturity with a 1.875 percent fixed coupon and a EUR 800 million 8-year maturity with a 2.25 percent fixed coupon. The proceeds of the issue of the notes were used to repay existing indebtedness, to further smoothen and extend the Group's debt maturity profile and as a next step to achieve the targeted financial synergies. Subsequent to the placement, the Group redeemed approximately EUR 329 million of ADLER Real Estate AG's EUR 500 million bond due in December 2021.

D. In January 2021, BCP, a subsidiary of the Group, signed a refinancing agreement with a German banking corporation for a loan of approximately EUR 100.5 million. The loan bears an average annual interest rate of approximately 1.41% with maturity date in June 2023.

E. Also in January 2021, the outstanding amount under the bridge loan facility agreement (outstanding volume as at 31 December 2020: EUR 371 million) was repaid. At the same time the bridge loan facility agreement was terminated.

F. Upon entry into the commercial register on 23 February 2021, the debt-to-equity swap agreement concluded in 2020 became legally effective. As a result, the Group's share in ADLER Real Estate Aktiengesellschaft increased from approximately 93.9 percent to 96.6 percent. In the course of this transaction, Adler Group acquired 35,107,487 additional Adler shares against contribution in kind of EUR 478 million. Due to the consolidation of Adler, the step up did not have an impact on the Group's assets and liabilities. However, the Group adjusted the carrying amounts of the controlling and non-controlling interests to reflect the changes in the relative interests in the subsidiary accordingly.

G. On 15 March 2021, the Company signed a EUR 300 million syndicated revolving credit facility with JP Morgan, Deutsche Bank and Barclays as lenders for a 3-year term with two extension options, each for one year. At the same time the three bilateral RCFs with the same lenders were terminated. In the second half year of 2021, the Company drew down an amount of EUR 300 million as a further liquidity cushion and to enhance the Company's flexibility. The amount was fully repaid on 30 December 2021. The facility was terminated in April 2022.

H. In March 2021, Westgrund, a subsidiary of the Group, raised a secured loan of EUR 400 million with a 7-year term and a fixed interest rate of 1.6 percent, replacing the current outstanding loan of EUR 191 million due in December 2021.

I. In March and April 2021, the Group raised a secured banking loan of EUR 100 million in total. The loan has an interest rate of 1.25 percent p.a. and a maturity term to 2028.

J. On 15 April 2021, the Federal Constitutional Court in Karlsruhe ruled that Berlin's rent freeze is unconstitutional, thus declaring the highly controversial Act on Rent Restrictions in the Housing Sector in Berlin (MietenWoG Bln) incompatible with Basic Law and therefore null and void. In the opinion of the Second Senate of the Federal Constitutional Court, the state of Berlin had no right to limit rent levels by means of a so-called "rent freeze" in the German capital due to a lack of legislative competence, as the federal legislation had exhaustively regulated rent law in the German Civil Code (BGB). The Adler Group has offered its tenants individual solutions for repayments.

K. On 21 April 2021, Adler Group successfully placed EUR 500 million fixed rate senior unsecured notes with a 6-year maturity and a 2.25 percent fixed coupon under its newly established EMTN programme. The notes were placed with institutional investors across Europe with a total order book of EUR 1.1 billion. The proceeds of the issue of the notes were used to call and repay the EUR 450 million 9.625 percent high yield bond issued by Consus Real Estate AG. In addition to the announced EUR 93.8 million run-rate financial synergies, which were realised as at the end of 31 March 2021, this refinancing will enable Adler Group to realise a further EUR 33 million of annualised financial synergies. It will have a positive impact on all debt KPIs, including average cost of debt, which is expected to come down to 2.2 percent, as well as extending the debt maturity profile to 4.5 years. The notes are rated BB+ with S&P, driven by the strong recovery rating of the bonds and influenced by Adler Group's valuable asset base.

L. On 17 May 2021, the Consus Bond 2019/2024 with a nominal outstanding amount of EUR 450 million was redeemed before its due date. In connection with the redemption, early repayment fees of EUR 21.7 million were incurred. The derecognition of the bond including the embedded derivative led to a net loss of EUR 24.6 million which is shown in net finance costs.

M. In the second quarter of 2021, Adler Group increased its shareholding in Consus from 93.9 percent to 96.9 percent. The Group adjusted the carrying amounts of the controlling and non-controlling interests to reflect the changes in the relative interests in the subsidiary accordingly.

N. On 25 June 2021, Adler Group established a commercial paper programme which allows the Company to issue short-term notes up to a maximum aggregate amount of EUR 500 million for interim financings of general corporate purposes. As per the balance sheet date, an amount of EUR 5 million was outstanding under the commercial paper programme.

O. At the annual General Meeting of shareholders held on 29 June 2021, a dividend in an amount of EUR 0.46 per share (gross dividend in an aggregate amount of EUR 54.1 million) was declared. The dividend was paid to the shareholders at the beginning of July 2021.

P. On 20 July 2021, Adler Group sold 30,000 m^2 of the office development project in Frankfurt's banking district as part of the build-to-sell development pipeline (upfront sales) for EUR 185 million. Proceeds were received in Q4 2021 and were used to repay debt in line with Group's deleveraging strategy. The sale follows the previously announced corporate strategy of focussing on the core business of residential real estate.

Q. On 11 August 2021, the international rating agency Standard and Poor's (S&P) published a full analysis report on Adler Group's "BB/stable" rating.

R. On 16 August 2021, Sustainalytics assigned a new ESG rating to Adler Group of 10.7, ranking the Group as the 46th best real estate company in Sustainalytics' global coverage of 1,001 real estate companies, positioning the Group in the top 5% of the real estate coverage. Adler Group has also become a member of the UN Global Compact and the German Association of Sustainable Building (DGNB), committing to build carbon-neutral buildings for a better future.

S. In August 2021 the Group learned that there are delays of the zoning plan approvals in connection with the Gerresheim project in Düsseldorf (Glasmacherviertel GmbH & Co. KG), which has already been sold, due to objections by Deutsche Bahn AG. According to the Group's estimation and based on the information provided to it by the authorities in Germany, the approval is expected during the year 2022. In order to prevent further delays caused by the objections of Deutsche Bahn AG, the Group is holding discussions with the Düsseldorf municipality regarding the possibility of dividing the zoning plan. Due to the delays of the zoning plan approvals in connection with the project in Düsseldorf, which has already been sold, and the process initiated as a result to prepare a cancellation of the sales agreement, the Company reassessed its rights and obligations under the contract in particular its right to cancel the agreement. As a conclusion the Company effectively controls the investee which was previously held as an investment accounted for under the equity method. Therefore, the Company fully consolidated the investee which mainly includes a development property and the associated financing arrangement. As a main result of the full consolidation of the investee, the investment properties increased by EUR 270 million and other loans and borrowings by EUR 148 million respectively. In return, the at equity investment and purchase price receivable were derecognised, while the shareholder loan is consolidated again. The fair value measurement of the development according to IAS 40 led to a negative change in an amount of EUR 126 million (before deferred tax gain of EUR 20 million). The fair value of the investment property was determined by an independent valuation expert with appropriate, recognised professional qualifications and recent experience regarding the location and category of the properties being valued.

T. In the third quarter of 2021 the Group raised secured financings in an aggregate amount of approximately EUR 177 million with maturities ranging from 4 to 10 years and interest rates between 0.8% and 1.6%. A project loan of EUR 170 million carrying a coupon of 3.5% was repaid. The repayment of this loan for the Holsten Quartier project, a subsidiary of Consus, led to a further reduction of debt at the level of Consus in line with our financing strategy. The Adler convertible bond 2016/2021 with a coupon of 1.5% was redeemed at maturity. The nominal amount at maturity that was not converted amounted to EUR 90.3 million.

U. On 4 October 2021 Adler Group decided to initiate a review of strategic options after being approached multiple times by interested institutional parties relating to its yielding assets portfolio which could result in a sale of a material part of its yielding assets, following strong inbound demand and recent upward market valuations. Proceeds from such disposals aim to significantly reduce leverage and also to return capital to bond and equity holders.

V. On 11 October 2021, the international rating agency Standard and Poor's (S&P) downgraded Adler Group's rating to “B+/watch negative” from "BB/stable". The notes are rated "BB-"with S&P.

W. On 11 October 2021, Adler Group and LEG Immobilien SE (“LEG”) signed a term sheet setting out the key points of a transaction regarding the sale of a total of 15,350 residential units and 185 commercial units. The transaction is based on a real estate portfolio value of approximately EUR 1.4 billion. The assets to be disposed of are predominantly located in small and medium-sized towns in northern Germany, thus increasing the focus of the remaining Adler Group portfolio on Germany's top German cities. On 1 December 2021, Adler Group announced the signing of this transaction with LEG. The transaction was executed by way of share deals. On 3 January 2022, Adler Group announced the successful closing of the sale to a subsidiary of LEG which had become effective on 29 December 2021. As part of the closing, Adler Group received net proceeds of around EUR 800 million, which are mainly used for further deleveraging of the Company. This portfolio sale includes a premium on the book value as of 30 September 2021 and thus once again confirms the quality of Adler Group's assets and the substance of its valuations.

X. On 26 October 2021, Adler Group signed a term sheet with KKR and Velero setting out the key points of a transaction regarding a total of 14,368 units. These units are mainly located in the Eastern part of Germany. According to the term sheet, the agreed real estate value for the portfolio amounts to more than EUR 1 billion. This is a premium compared to the respective book values appraised by CBRE as of 30 June 2021. The sale may lead to a significant reduction in Adler Group's leverage and return capital to its bond holders. The closing of the transaction is subject to due diligence conducted by the buyer, the conclusion of final agreements and the fulfillment of customary market conditions, in particular regulatory approvals, and is expected to take place in the first quarter of 2022. As this transaction marks the end of the announced strategic asset disposals, Adler Group is now focusing on selling non-core development projects to further decrease its LTV and its development exposure.

Y. On 28 October 2021, Adler Group announced that as of 1 November 2021, Dr. Bernd Schade will become Chief Development Officer (CDO) of Adler Group. He will also join Theo Gorens on the Executive Board of the Group company Consus Real Estate AG. Bernd Schade succeeds Jürgen Kutz. Bernd Schade has decades of experience in project development and project management of real estate projects throughout Germany.

Z. On 1 December 2021 ADLER Real Estate AG, a subsidiary of Adler Group sold an approx. 7% stake in Brack Capital Properties N.V. ("BCP") to a subsidiary of LEG IMMOBILIEN SE ("LEG") for a purchase price of EUR 75 million. The purchase price corresponds to the EPRA NAV per share as of 30 September 2021. In addition, ADLER has irrevocably undertaken vis-à-vis LEG to tender its remaining shares in BCP as part of a public tender offer by LEG, provided that the price per share offered is not less than EUR 157.00 (EUR 765 million for the remaining Adler stake) and that the (first) acceptance period ends no later than 30 September 2022. As consideration, LEG will immediately pay - in addition to the purchase price - a premium of EUR 7.5 million.

a) On 13 January 2022, Adler Group announced the signing of an agreement with KKR, a leading global investment firm, on the sale of approximately 14,400 residential and commercial units, predominantly located in medium-sized cities in eastern Germany. The transaction is structured as asset deal. The agreed purchase price corresponds to a valuation of the portfolio of EUR 1.05 billion and thus a premium on the book value reported as of 30 September 2021 and independently appraised by CBRE. Adler Group expects net cash proceeds from the transaction of around EUR 600 million. This corresponds to the amount stated in previous publications. With this cash inflow, Adler Group will further deliver on its objective of deleveraging its balance sheet and achieve its strategic goal of reducing the loan-to-value ratio (LTV) to below 50%. The signed agreement corresponds to the terms of the letter of intent concluded between Adler Group and KKR/Velero at the end of October 2021. Thus, the sale above book value provides further evidence of the intrinsic value of the Adler Group portfolio. For approximately 68% of the investment properties, the transfer of the title took place after 31 March 2022, with the remaining portion expected to be closed in the first half year of 2022.

b) On 28 January 2022, Adler Group was informed by its statutory auditor KPMG Luxembourg that due to the ongoing forensic special investigation on the allegations made by Viceroy Research Report which should be completed prior to the issuance of an audit opinion that it is highly unlikely that the audit of the financial statements can be concluded timely enough to allow for a publication of the audited financial statements by 31 March 2022.

c) On 31 January 2022, Dr. Michael Bütter tendered his resignation from the Board of Directors of Adler Group with effective date of 31 January 2022. This resignation is driven by the recent decision of the Supervisory Board of Union Investment Real Estate GmbH to assign Dr. Bütter additional areas of responsibility within the regulated real estate division of Union Investment with the approval of the German Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht, BaFin). After due consideration by all relevant parties, there is a consensus that these new responsibilities within Union Investment Real Estate GmbH could potentially give rise to conflicts of interest, which must be avoided in the interests of both companies.

d) On 16 February 2022, the members of the Board of Directors of Adler Group appointed Prof. Dr. A. Stefan Kirsten as new member of the Board of Directors and elected him as Chairman of the Board of Directors with immediate effect. The previous Chairman of the Board of Directors, Dr. Peter Maser, was elected as Deputy Chairman.

e) On 11 February 2022, the international rating agency Standard and Poor's (S&P) lowered the long-term issuer credit rating on Adler to "B-" from "B+" and lowered the issue ratings on its senior unsecured debt to "B" from "BB-". The ratings were placed on CreditWatch negative.

f) In May 2020, Consus had sold 7 non-strategic predominantly commercial development projects to Partners Immobilien Capital Management for a purchase price of EUR 313 million. The transfer of the project companies holding these 7 development projects was closed in December 2020. By year-end 2021, Consus had only received parts of the purchase price with no assurance regarding timing and amount of the outstanding payments. Therefore, it became clear to Consus that a rescindment was the best way to proceed thereby avoiding any lengthy legal proceedings against the buyer. The rescindment was formally notarised on 31 March 2022 and is subject to certain closing conditions.

g) On 4 April 2022, the new federal government decided that from 2023 landlords would also have to contribute to the CO_2 levy on heating costs. A staged model is planned, which sets the share of landlords in inverse relation to the energy efficiency of the building.

h) As announced on 16 March 2022, ADLER Real Estate AG repaid its bond (ISIN XS1843441491) in the full amount of EUR 400 million on 19 April 2022, the maturity date.

i) On 21 April 2022, Adler Group announced that KPMG Forensic had provided the Company with the final report of its comprehensive review of the allegations of Viceroy Research LLC. This report was published on the website of the Company on 22 April 2022. KPMG Forensic did not find evidence that there were systematic fraudulent and looting transactions with allegedly related parties. However, KPMG Forensic identified deficiencies in the documentation and the process handling of those transactions. Prof. Dr. Kirsten, Chairman of the Board of Directors of Adler Group, announced a programme to address the identified weaknesses in structure and process on 22 April 2022. First results of this programme are to be published prior to the Annual General Meeting of the Company on 29 June 2022. An amount of approximately EUR 4 million was spent on the audit by KPMG Forensic.

List of the company shareholdings

	Company	Country	Shareholding and control at 31 December in % 2021	2020
1	Adest Grundstücks GmbH	Germany	99.54	99.54
2	Adoa Grundstücks GmbH	Germany	99.54	99.54
3	Adom Grundstücks GmbH	Germany	99.54	99.54
4	Adon Grundstücks GmbH	Germany	99.54	99.54
5	Ahava Grundstücks GmbH	Germany	99.54	99.54
6	Anafa 1 Grundstücks GmbH	Germany	99.54	99.54
7	Anafa 2 Grundstücks GmbH	Germany	99.54	99.54
8	GAMAZI Grundstücks GmbH	Germany	99.54	99.54
9	Anafa Grundstücks GmbH	Germany	99.54	99.54
10	Badolina Grundstücks GmbH	Germany	99.54	99.54
11	Berale Grundstücks GmbH	Germany	99.54	99.54
12	Bamba Grundstücks GmbH	Germany	99.54	99.54
13	Zman Grundstücks GmbH	Germany	99.54	99.54
14	Adler Immobilien Management GmbH (*)	Germany	100.00	100.00
15	CCM City Construction Management GmbH	Germany	100.00	100.00
16	Drontheimer Str. 4 GmbH	Germany	99.54	99.54
17	Eldalote Grundstücks GmbH	Germany	99.54	99.54
18	NUNI Grundstücks GmbH	Germany	99.54	99.54
19	KREMBO Grundstücks GmbH	Germany	99.54	99.54
20	TUSSIK Grundstücks GmbH	Germany	99.54	99.54
21	Geut Grundstücks GmbH	Germany	99.54	99.54
22	Gozal Grundstücks GmbH	Germany	99.54	99.54
23	Gamad Grundstücks GmbH	Germany	99.54	99.54
24	Geshem Grundstücks GmbH	Germany	99.54	99.54
25	Lavlav 1 Grundstücks GmbH	Germany	99.54	99.54
26	Lavlav 2 Grundstücks GmbH	Germany	99.54	99.54
27	Lavlav 3 Grundstücks GmbH	Germany	99.54	99.54
28	Lavlav Grundstücks GmbH	Germany	99.54	99.54
29	Mastik Grundstücks GmbH	Germany	99.54	99.54
30	Maya Grundstücks GmbH	Germany	99.54	99.54
31	Mezi Grundstücks GmbH	Germany	99.54	99.54
32	Muse Grundstücks GmbH	Germany	99.54	99.54
33	Papun Grundstücks GmbH	Germany	99.54	99.54
34	Nehederet Grundstücks GmbH	Germany	99.54	99.54

			Shareholding and control at 31 December in %	
	Company	**Country**	**2021**	**2020**
35	Neshama Grundstücks GmbH	Germany	99.54	99.54
36	Osher Grundstücks GmbH	Germany	99.64	99.64
37	Pola Grundstücks GmbH	Germany	99.54	99.54
38	Adler Properties GmbH (*)	Germany	100.00	100.00
39	Reshet Grundstücks GmbH	Germany	99.54	99.54
40	Sababa 18 Grundstücks GmbH	Germany	99.54	99.54
41	Sababa 19 Grundstücks GmbH	Germany	99.54	99.54
42	Sababa 20 Grundstücks GmbH	Germany	99.54	99.54
43	Sababa 21 Grundstücks GmbH	Germany	99.54	99.54
44	Sababa 22 Grundstücks GmbH	Germany	99.54	99.54
45	Sababa 23 Grundstücks GmbH	Germany	99.54	99.54
46	Sababa 24 Grundstücks GmbH	Germany	99.54	99.54
47	Sababa 25 Grundstücks GmbH	Germany	99.54	99.54
48	Sababa 26 Grundstücks GmbH	Germany	99.54	99.54
49	Sababa 27 Grundstücks GmbH	Germany	99.54	99.54
50	Sababa 28 Grundstücks GmbH	Germany	99.54	99.54
51	Sababa 29 Grundstücks GmbH	Germany	99.54	99.54
52	Sababa 30 Grundstücks GmbH	Germany	99.54	99.54
53	Sababa 31 Grundstücks GmbH	Germany	99.54	99.54
54	Sababa 32 Grundstücks GmbH	Germany	99.54	99.54
55	Stav Grundstücks GmbH	Germany	99.54	99.54
56	Tamuril Grundstücks GmbH	Germany	99.54	99.54
57	Tara Grundstücks GmbH	Germany	99.54	99.54
58	Tehila 1 Grundstücks GmbH	Germany	99.54	99.54
59	Tehila 2 Grundstücks GmbH	Germany	99.54	99.54
60	Tehila Grundstücks GmbH	Germany	99.54	99.54
61	Trusk Grundstücks GmbH	Germany	99.54	99.54
62	Wernerwerkdamm 25 Berlin Grundstücks GmbH	Germany	99.54	99.54
63	Yarok Grundstücks GmbH	Germany	99.54	99.54
64	Yahel Grundstücks GmbH	Germany	99.54	99.54
65	Yussifun Grundstücks GmbH	Germany	99.54	99.54
66	Bombila Grundstücks GmbH	Germany	99.54	99.54
67	ADO SBI Holdings S.A. & Co. KG	Germany	94.00	94.00
68	Central Facility Management GmbH	Germany	100.00	100.00

	Company	Country	Shareholding and control at 31 December in % 2021	2020
69	Sheket Grundstücks GmbH	Germany	99.90	99.90
70	Seret Grundstücks GmbH	Germany	99.90	99.90
71	Melet Grundstücks GmbH	Germany	99.90	99.90
72	Yabeshet Grundstücks GmbH	Germany	99.90	99.90
73	ADO Finance B.V.	Netherlands	100.00	100.00
74	Yadit Grundstücks GmbH	Germany	99.90	99.90
75	Zamir Grundstücks GmbH	Germany	99.90	99.90
76	Arafel Grundstücks GmbH	Germany	99.90	99.90
77	Sharav Grundstücks GmbH	Germany	99.90	99.90
78	Sipur Grundstücks GmbH	Germany	99.90	99.90
79	Matok Grundstücks GmbH	Germany	100.00	100.00
80	Barbur Grundstücks GmbH	Germany	94.80	94.80
81	Parpar Grundstücks GmbH	Germany	100.00	100.00
82	Jessica Properties B.V.	Netherlands	94.41	94.41
83	Alexandra Properties B.V.	Netherlands	94.34	94.34
84	Marbien Properties B.V.	Netherlands	94.80	94.80
85	Meghan Properties B.V.	Netherlands	94.34	94.34
86	Matok Lövenberger Straße Grundstücks GmbH	Germany	99.90	99.90
87	Songbird 1 ApS	Denmark	60.00	60.00
88	Songbird 2 ApS	Denmark	60.00	60.00
89	Joysun 1 B.V.	Netherlands	60.00	60.00
90	Joysun 2 B.V.	Netherlands	60.00	60.00
91	Yona Investment GmbH &Co KG	Germany	60.00	60.00
92	Yanshuf Investment GmbH &Co KG	Germany	60.00	60.00
93	Ziporim Investment GmbH	Germany	60.00	60.00
94	Joysun Nestorstraße Grundstücks GmbH	Germany	59.90	59.90
95	Joysun Florapromenade Grundstücks GmbH	Germany	59.90	59.90
96	Joysun Cotheniusstraße Grundstücks GmbH	Germany	59.90	59.90
97	Joysun Tauroggener Straße Grundstücks GmbH	Germany	59.90	59.90
98	Joysun Kiehlufer Grundstücks GmbH	Germany	59.90	59.90
99	Joysun Rubenstraße Grundstücks GmbH	Germany	59.90	59.90
100	Yona Stettiner Straße Grundstücks GmbH	Germany	59.90	59.90
101	Yona Schulstraße Grundstücks GmbH	Germany	59.90	59.90
102	Yona Otawistraße Grundstücks GmbH	Germany	59.90	59.90

	Company	Country	Shareholding and control at 31 December in % 2021	2020
103	Yona Stromstraße Grundstücks GmbH	Germany	59.90	59.90
104	Yona Gutenbergstraße Grundstücks GmbH	Germany	59.90	59.90
105	Yona Kameruner Straße Grundstücks GmbH	Germany	59.90	59.90
106	Yona Schichauweg Grundstücks GmbH	Germany	59.90	59.90
107	Yona Alt-Tempelhof Grundstücks GmbH	Germany	59.90	59.90
108	Yona Gruberzeile Grundstücks GmbH	Germany	59.90	59.90
109	Yona Schloßstraße Grundstücks GmbH	Germany	59.90	59.90
110	Yona Lindauer Allee Grundstücks GmbH	Germany	59.90	59.90
111	Yona Nogatstraße Grundstücks GmbH	Germany	59.90	59.90
112	Yona Bötzowstraße 55 Grundstücks GmbH	Germany	59.90	59.90
113	Yona Herbststraße Grundstücks GmbH	Germany	59.90	59.90
114	Yona Danziger Straße Grundstücks GmbH	Germany	59.90	59.90
115	Yona Schönstraße Grundstücks GmbH	Germany	59.90	59.90
116	Yanshuf Kaiserstraße Grundstücks GmbH	Germany	59.90	59.90
117	Yanshuf Binzstraße Grundstücks GmbH	Germany	59.90	59.90
118	Yanshuf Antonienstraße Grundstücks GmbH Germany	Germany	59.90	59.90
119	Yanshuf Seestraße Grundstücks GmbH	Germany	59.90	59.90
120	Yanshuf Hermannstraße Grundstücks GmbH	Germany	59.90	59.90
121	Yanshuf Schmidt-Ott-Straße Grundstücks GmbH	Germany	59.90	59.90
122	Hanpaka Holding GmbH	Germany	100.00	100.00
123	Hanpaka Immobilien GmbH	Germany	89.90	89.90
124	Dvash 1 Holding GmbH	Germany	100.00	100.00
125	Dvash 2 Holding GmbH	Germany	100.00	100.00
126	Dvash 3 B.V.	Netherlands	100.00	100.00
127	Rimon Holding GmbH	Germany	100.00	100.00
128	Bosem Grundstücks GmbH	Germany	100.00	100.00
129	Rimon Grundstücks GmbH	Germany	89.90	89.90
130	Dvash 21 Grundstücks GmbH	Germany	89.90	89.90
131	Dvash 22 Grundstücks GmbH	Germany	89.90	89.90
132	Dvash 23 Grundstücks GmbH	Germany	89.90	89.90
133	Dvash 24 Grundstücks GmbH	Germany	89.90	89.90
134	Dvash 11 Grundstücks GmbH	Germany	89.90	89.90
135	Dvash 12 Grundstücks GmbH	Germany	89.90	89.90
136	Dvash 13 Grundstücks GmbH	Germany	89.90	89.90

	Company	Country	Shareholding and control at 31 December in % 2021	2020
137	Dvash 14 Grundstücks GmbH	Germany	89.90	89.90
138	ADO FC Management Unlimited Company	Ireland	100.00	100.00
139	5. Ostdeutschland Invest GmbH	Germany	89.90	89.90
140	8. Ostdeutschland Invest GmbH	Germany	89.90	89.90
141	Horef Holding GmbH	Germany	100.00	100.00
142	ADO 9110 Holding GmbH	Germany	100.00	100.00
143	Silan Grundstücks GmbH	Germany	99.90	99.90
144	ADO Sonnensiedlung S.à r.l.	Luxembourg	89.90	89.90
145	Horef Grundstücks GmbH	Germany	89.90	89.90
146	Sprengelstraße 39 GmbH	Germany	89.90	89.90
147	Scharnweberstraße 112 Verwaltungsgesellschaft mbH	Germany	89.90	89.90
148	Kantstraße 62 Grundstücks GmbH	Germany	100.00	100.00
149	Adler Treasury GmbH	Germany	100.00	100.00
150	ADO 9160 Grundstücks GmbH	Germany	89.90	89.90
151	ADO 9200 Grundstücks GmbH	Germany	89.90	89.90
152	ADO 9210 Grundstücks GmbH	Germany	89.90	89.90
153	ADO 9220 Grundstücks GmbH	Germany	89.90	89.90
154	ADO 9230 Grundstücks GmbH	Germany	89.90	89.90
155	ADO 9240 Grundstücks GmbH	Germany	89.90	89.90
156	ADO 9250 Grundstücks GmbH	Germany	89.90	89.90
157	ADO 9260 Grundstücks GmbH	Germany	89.90	89.90
158	ADO 9270 Grundstücks GmbH	Germany	89.90	89.90
159	ADO 9280 Grundstücks GmbH	Germany	89.90	89.90
160	ADO 9290 Grundstücks GmbH	Germany	89.90	89.90
161	ADO 9300 Grundstücks GmbH	Germany	89.90	89.90
162	ADO 9310 Grundstücks GmbH	Germany	89.90	89.90
163	ADO 9320 Grundstücks GmbH	Germany	89.90	89.90
164	ADO 9330 Grundstücks GmbH	Germany	89.90	89.90
165	ADO 9340 Grundstücks GmbH	Germany	89.90	89.90
166	ADO 9350 Grundstücks GmbH	Germany	89.90	89.90
167	ADO 9360 Holding GmbH	Germany	100.00	100.00
168	ADO 9370 Grundstücks GmbH	Germany	89.90	89.90
169	ADO 9380 Grundstücks GmbH	Germany	89.90	89.90
170	ADO 9390 Grundstücks GmbH	Germany	89.90	89.90

	Company	Country	Shareholding and control at 31 December in % 2021	2020
171	ADO 9400 Grundstücks GmbH	Germany	89.90	89.90
172	ADO 9410 Grundstücks GmbH	Germany	89.90	89.90
173	ADO 9420 Grundstücks GmbH	Germany	89.90	89.90
174	ADO 9430 Grundstücks GmbH	Germany	89.90	89.90
175	ADO 9440 Grundstücks GmbH	Germany	89.90	89.90
176	ADO 9450 Grundstücks GmbH	Germany	89.90	89.90
177	ADO 9460 Grundstücks GmbH	Germany	89.90	89.90
178	ADO 9470 Grundstücks GmbH	Germany	89.90	89.90
179	ADO 9480 Grundstücks GmbH	Germany	89.90	89.90
180	ADO 9490 Grundstücks GmbH	Germany	89.90	89.90
181	ADO 9500 Grundstücks GmbH	Germany	89.90	89.90
182	ADO 9510 Grundstücks GmbH	Germany	89.90	89.90
183	ADO 9520 Grundstücks GmbH	Germany	89.90	89.90
184	ADO 9530 Grundstücks GmbH	Germany	89.90	89.90
185	ADO 9540 Holding GmbH	Germany	100.00	100.00
186	ADO Lux Finance S.à r.l.	Luxembourg	100.00	100.00
187	ADO 9550 Grundstücks GmbH	Germany	89.90	89.90
188	ADO 9560 Grundstücks GmbH	Germany	89.90	89.90
189	ADO 9570 Grundstücks GmbH	Germany	89.90	89.90
190	ADO 9580 Holding GmbH	Germany	100.00	100.00
191	ADO 9590 Angerburgerallee B.V.	Netherlands	89.90	89.90
192	ADO 9600 Grundstücks GmbH	Germany	89.90	89.90
193	ADO 9610 Grundstücks GmbH	Germany	89.90	89.90
194	ADO 9620 Grundstücks GmbH	Germany	89.90	89.90
195	ADO 9630 Grundstücks GmbH	Germany	89.90	89.90
196	Adler Living GmbH	Germany	100.00	100.00
197	ADO 9640 Grundstücks GmbH	Germany	89.90	89.90
198	ADO Lux-EEME S.à r.l.	Luxembourg	100.00	100.00
199	ADO Malta Limited	Malta	100.00	100.00
200	ADLER Real Estate AG	Germany	96.72	93.89
201	Consus Real Estate AG	Germany	96.88	93.94
202	Westgrund Holding GmbH (prev. Westgrund AG)	Germany	100.00	98.25
203	ADLER Real Estate Service GmbH	Germany	100.00	100.00
204	Verwaltungsgesellschaft ADLER Real Estate mbH	Germany	100.00	100.00

	Company	Country	Shareholding and control at 31 December in % 2021	2020
205	Achte ADLER Real Estate GmbH & Co. KG	Germany	100.00	100.00
206	MÜBAU Real Estate GmbH	Germany	-	100.00
207	ADLER Lux S.à r.l.	Luxembourg	-	100.00
208	Münchener Baugesellschaft mbH	Germany	100.00	100.00
209	ADLER Wohnen Service GmbH	Germany	100.00	100.00
210	MBG Beteiligungsgesellschaft mbH & Co. KG	Germany	-	94.90
211	MBG Dallgow GmbH & Co. KG	Germany	-	100.00
212	MBG Großbeeren GmbH & Co. KG	Germany	100.00	100.00
213	MBG Trachau GmbH & Co. KG	Germany	99.90	99.90
214	MBG Wohnbau Verwaltungsgesellschaft mbH	Germany	-	100.00
215	MBG Erste Vermögensverwaltungs GmbH	Germany	100.00	100.00
216	Magnus zweite Immobilienbesitz und Verwaltungs GmbH	Germany	100.00	100.00
217	Energy AcquiCo I GmbH	Germany	100.00	100.00
218	Magnus Dritte Immobilienbesitz und Verwaltungs GmbH	Germany	100.00	100.00
219	Magnus Fünfte Immobilienbesitz und Verwaltungs GmbH	Germany	100.00	100.00
220	WER 1. Wohnungsgesellschaft Erfurt Rieth mbH	Germany	89.90	89.90
221	WER 2. Wohnungsgesellschaft Erfurt Rieth mbH	Germany	89.90	89.90
222	ESTAVIS 6. Wohnen GmbH	Germany	94.80	94.80
223	ESTAVIS 7. Wohnen GmbH	Germany	94.80	94.80
224	ESTAVIS 8. Wohnen GmbH	Germany	94.80	94.80
225	ESTAVIS 9. Wohnen GmbH	Germany	94.80	94.80
226	RELDA 36. Wohnen GmbH	Germany	94.80	94.80
227	RELDA 38. Wohnen GmbH	Germany	-	94.80
228	RELDA 39. Wohnen GmbH	Germany	94.80	94.80
229	RELDA 45. Wohnen GmbH	Germany	-	94.80
230	RELDA Bernau Wohnen Verwaltungs GmbH	Germany	89.90	89.90
231	MBG Sachsen GmbH	Germany	89.90	89.90
232	Magnus-Relda Holding Vier GmbH	Germany	97.99	97.99
233	Cato Immobilienbesitz und -verwaltungs GmbH	Germany	89.90	89.90
234	Magnus Immobilienbesitz und Verwaltungs GmbH	Germany	100.00	100.00
235	WBR Wohnungsbau Rheinhausen GmbH	Germany	87.35	87.35
236	S.I.G. RE GmbH	Germany	100.00	100.00
237	Resident Baltic GmbH	Germany	-	89.90
238	Resident Sachsen P&K GmbH	Germany	89.90	89.90

	Company	Country	Shareholding and control at 31 December in % 2021	2020
239	Resident West GmbH	Germany	89.90	89.90
240	MBG Schwelm GmbH	Germany	89.90	89.90
241	Alana Properties GmbH	Germany	89.90	89.90
242	Aramis Properties GmbH	Germany	89.90	89.90
243	REO-Real Estate Opportunities GmbH	Germany	89.90	89.90
244	ROSLYN Properties GmbH	Germany	89.90	89.90
245	Rostock Verwaltungs GmbH	Germany	89.90	89.90
246	SEPAT PROPERTIES GmbH	Germany	89.90	89.90
247	Wallace Properties GmbH	Germany	89.90	89.90
248	Zweite REO-Real Estate Opportunities GmbH	Germany	-	89.90
249	ADLER ImmoProjekt Erste GmbH	Germany	89.90	89.90
250	ADLER Energie Service GmbH	Germany	100.00	100.00
251	Magnus Achte Immobilienbesitz und Verwaltungs GmbH	Germany	-	94.90
252	Magnus Neunte Immobilienbesitz und Verwaltungs GmbH	Germany	89.90	89.90
253	ADLER Immo Invest GmbH	Germany	100.00	100.00
254	Wohnungsbaugesellschaft JADE mbH	Germany	-	89.90
255	ADLER Gebäude Service GmbH	Germany	100.00	100.00
256	Westgrund Immobilien GmbH	Germany	-	89.90
257	Westgrund Immobilien II. GmbH	Germany	89.90	89.90
258	Westconcept GmbH	Germany	100.00	100.00
259	IMMOLETO Gesellschaft mit beschränkter Haftung	Germany	100.00	100.00
260	ICR Idee Concept und Realisation von Immobilienvorhaben GmbH	Germany	89.90	89.90
261	HKA Grundstücksverwaltungsgesellschaft mbH & Co. Kommanditgesellschaft	Germany	-	99.90
262	HKA Verwaltungsgesellschaft mbH	Germany	-	100.00
263	Westgrund Immobilien Beteiligung GmbH	Germany	100.00	100.00
264	Westgrund Immobilien Beteiligung II. GmbH	Germany	100.00	100.00
265	Westgrund Immobilien Beteiligung III. GmbH	Germany	89.90	89.90
266	WESTGRUND Immobilien IV. GmbH	Germany	89.90	89.90
267	WESTGRUND Immobilien V. GmbH	Germany	89.90	93.90
268	WESTGRUND Immobilien VI. GmbH	Germany	89.90	89.90
269	WAB Hausverwaltungsgesellschaft mbH	Germany	100.00	100.00
270	Westgrund Wolfsburg GmbH	Germany	-	89.90
271	Westgrund Niedersachsen Süd GmbH	Germany	-	89.90
272	Westgrund Niedersachsen Nord GmbH	Germany	-	89.90

	Company	Country	Shareholding and control at 31 December in % 2021	2020
273	Westgrund Brandenburg GmbH	Germany	89.90	89.90
274	Westgrund VII. GmbH	Germany	89.90	89.90
275	Westgrund I. Halle GmbH	Germany	94.90	89.90
276	Westgrund Halle Immobilienverwaltung GmbH	Germany	100.00	100.00
277	Westgrund Immobilien II. Halle GmbH & Co. KG	Germany	99.90	99.90
278	Westgrund VIII. GmbH	Germany	-	89.90
279	RESSAP - Real Estate Service Solution Applications -GmbH	Germany	100.00	100.00
280	Xammit GmbH	Germany	100.00	100.00
281	Magnus Zehnte Immobilienbesitz und Verwaltungs GmbH	Germany	100.00	100.00
282	Magnus Elfte Immobilienbesitz und Verwaltungs GmbH	Germany	100.00	100.00
283	Zweite CM Real Estate GmbH	Germany	89.90	89.90
284	Dritte CM Real Estate GmbH	Germany	89.90	89.90
285	Vierte CM Real Estate GmbH	Germany	89.90	89.90
286	TGA Immobilien Erwerb 3 GmbH	Germany	89.90	89.90
287	ADP Germany GmbH	Germany	89.90	89.90
288	AFP II Germany GmbH	Germany	-	89.90
289	AFP III Germany GmbH	Germany	89.90	89.90
290	RIV Harbour West MI 1 GmbH	Germany	89.90	89.90
291	RIV Harbour East WA 1 GmbH	Germany	89.90	89.90
292	RIV Total MI 2 GmbH	Germany	89.90	89.90
293	RIV Central WA 2 GmbH	Germany	89.90	89.90
294	RIV Square West MI 3 GmbH	Germany	89.90	89.90
295	RIV Square East WA 3 GmbH	Germany	89.90	89.90
296	RIV Channel MI 4 GmbH	Germany	89.90	89.90
297	RIV Kornspeicher GmbH	Germany	89.90	89.90
298	Magnus Zwölfte Immobilienbesitz und Verwaltungs GmbH	Germany	100.00	100.00
299	Magnus Dreizehnte Immobilienbesitz und Verwaltungs GmbH	Germany	89.90	89.90
300	TGA Immobilien Erwerb 10 GmbH	Germany	89.90	89.90
301	Brack Capital Properties N.V. (BCP)	Netherlands	62.78	69.80
302	Magnus Fünfzehnte Immobilienbesitz und Verwaltungs GmbH	Germany	89.90	89.90
303	Magnus Sechszehnte Immobilienbesitz und Verwaltungs GmbH	Germany	89.90	89.90
304	Brack German Properties B.V.	Netherlands	100.00	100.00
305	Brack European Ingatlankezelö KFT	Hungary	-	100.00
306	Brack Capital (Düsseldorf-Rossstrasse) B.V.	Netherlands	99.90	99.90

	Company	Country	Shareholding and control at 31 December in % 2021	2020
307	Brack Capital (Düsseldorf-Schanzenstraße) B.V.	Netherlands	100.00	100.00
308	Brack Capital (Bad Kreuznach) B.V.	Netherlands	99.90	99.90
309	Brack Capital (Gelsenkirchen) B.V.	Netherlands	100.00	100.00
310	Brack Capital (Neubrandenburg) B.V.	Netherlands	99.90	99.90
311	Brack Capital (Ludwigsfelde) B.V.	Netherlands	99.90	99.90
312	Brack Capital (Remscheid) B.V.	Netherlands	99.90	99.90
313	Brack Capital Theta B.V.	Netherlands	100.00	100.00
314	Graniak Leipzig Real Estate GmbH & Co KG	Germany	99.90	99.90
315	BCRE Leipzig Residenz am Zoo GmbH	Germany	94.90	94.90
316	Brack Capital Epsilon B.V.	Netherlands	100.00	100.00
317	Brack Capital Delta B.V.	Netherlands	52.29	100.00
318	Brack Capital Alfa B.V.	Netherlands	52.29	100.00
319	Brack Capital (Hamburg) B.V.	Netherlands	100.00	100.00
320	BCP Leipzig B.V.	Netherlands	100.00	100.00
321	BCRE Leipzig Wohnen Nord B.V.	Netherlands	99.90	99.90
322	BCRE Leipzig Wohnen Ost B.V.	Netherlands	99.90	99.90
323	BCRE Leipzig Wohnen West B.V.	Netherlands	99.90	99.90
324	Brack Capital Germany (Netherlands) XVIII B.V.	Netherlands	100.00	100.00
325	Brack Capital Germany (Netherlands) XXII B. V.	Netherlands	100.00	100.00
326	BCRE Essen Wohnen B.V.	Netherlands	99.90	99.90
327	BCRE Duisburg Wohnen B.V.	Netherlands	99.90	99.90
328	BCRE Dortmund Wohnen B.V.	Netherlands	99.90	99.90
329	Brack Capital Germany (Netherlands) XVII B.V.	Netherlands	100.00	100.00
330	Brack Capital Germany (Netherlands) Hedging B.V.	Netherlands	100.00	100.00
331	Brack Capital Germany (Netherlands) XLV B.V.	Netherlands	100.00	100.00
332	S.I.B. Capital Future Markets Ltd.	Israel	100.00	100.00
333	Brack Capital Labda B.V.	Netherlands	100.00	100.00
334	LBHQ Investments B.V.	Netherlands	100.00	100.00
335	RealProb (Rodelheim) C.V.	Netherlands	100.00	100.00
336	RealProb Investment Germany (Netherlands) III B.V.	Netherlands	100.00	100.00
337	Brack Capital Germany (Netherlands) XLVII B.V.	Netherlands	99.90	99.90
338	Brack Capital Germany (Netherlands) L B.V.	Netherlands	100.00	100.00
339	Brack Capital Germany (Netherlands) LI B.V.	Netherlands	99.90	99.90
340	Brack Capital Germany (Netherlands) LIII B.V.	Netherlands	99.90	99.90

	Company	Country	Shareholding and control at 31 December in % 2021	2020
341	Brack Capital Germany (Netherlands) LIV B.V.	Netherlands	100.00	100.00
342	Brack Capital Germany (Netherlands) XLVIII B.V.	Netherlands	100.00	100.00
343	Brack Capital Beta B.V.	Netherlands	89.90	84.98
344	Grafental Mitte B.V.	Netherlands	99.90	99.90
345	Brack Capital Germany (Netherlands) XXVI B.V.	Netherlands	99.90	99.90
346	Grafental GmbH & Co. KG	Germany	100.00	100.00
347	Brack Capital Germany (Netherlands) XLIX B.V.	Netherlands	99.90	99.90
348	Brack Capital Germany (Netherlands) XLVI B.V.	Netherlands	100.00	100.00
349	Brack Capital (Witten) GmbH & Co. Immobilien KG	Germany	100.00	100.00
350	Brack Capital Witten GmbH (GP)	Germany	100.00	100.00
351	Brack Capital Germany (Netherlands) XII B.V.	Netherlands	100.00	100.00
352	Brack Capital Germany (Netherlands) XIX B.V.	Netherlands	99.90	99.90
353	Brack Capital Germany (Netherlands) XXI B.V.	Netherlands	99.90	99.90
354	Brack Capital Germany (Netherlands) XLI B.V.	Netherlands	99.90	99.90
355	Brack Capital Germany (Netherlands) XXIII B.V.	Netherlands	100.00	100.00
356	Brack Capital Germany (Netherlands) XLII B.V.	Netherlands	99.90	99.90
357	Brack Capital Germany (Netherlands) XLIII B.V.	Netherlands	100.00	100.00
358	Brack Capital Germany (Netherlands) XLIV B.V.	Netherlands	99.90	99.90
359	Brack Capital Germany (Netherlands) XXX B.V.	Netherlands	99.90	99.90
360	Brack Capital (Darmstadt Goebelstrasse) GmbH	Germany	100.00	100.00
361	Brack Capital Germany (Netherlands) XXXI B.V.	Netherlands	99.90	99.90
362	Brack Capital Germany (Netherlands) XXXV B.V.	Netherlands	99.90	99.90
363	Brack Capital Germany (Netherlands) XXXVI B.V.	Netherlands	99.90	99.90
364	Brack Capital Germany (Netherlands) XXXVII B.V.	Netherlands	99.90	99.90
365	Brack Capital Germany (Netherlands) XXXVIII B.V.	Netherlands	99.90	99.90
366	Brack Capital Germany (Netherlands) XXXIX B.V.	Netherlands	99.90	99.90
367	Brack Capital Germany (Netherlands) XXV B.V.	Netherlands	100.00	100.00
368	Brack Capital Wuppertal (Netherlands) B.V.	Netherlands	100.00	100.00
369	Brack Capital (Wuppertal) GmbH	Germany	100.00	100.00
370	Invest Partner GmbH	Germany	93.90	93.90
371	Brack Capital Gelsenkirchen GmbH & Co. Immobilien KG	Germany	99.23	99.23
372	Brack Capital (Oberhausen) GmbH	Germany	100.00	100.00
373	Grafental Verwaltungs GmbH (phG)	Germany	100.00	100.00
374	Brack Capital Kaufland Sarl	Luxembourg	89.89	100.00

	Company	Country	Shareholding and control at 31 December in % 2021	2020
375	TPL Augsburg Sàrl	Luxembourg	92.00	92.00
376	TPL Bad Aibling Sàrl	Luxembourg	91.90	91.90
377	TPL Biberach Sàrl	Luxembourg	91.90	91.90
378	TPL Borken Sàrl	Luxembourg	92.00	92.00
379	TPL Geislingen Sàrl	Luxembourg	91.90	91.90
380	TPL Erlangen Sàrl	Luxembourg	-	91.90
381	TPL Neckersulm Sàrl	Luxembourg	91.90	91.90
382	TPL Vilshofen Sàrl	Luxembourg	92.00	92.00
383	TPL Ludwigsburg Sàrl	Luxembourg	91.90	91.90
384	Brack Capital Eta B.V.	Netherlands	100.00	100.00
385	Brack Capital Germany (Netherlands) XL B.V.	Netherlands	100.00	100.00
386	Parkblick GmbH & Co. KG	Germany	99.90	99.90
387	Grafental am Wald GmbH (PhG)	Germany	100.00	100.00
388	Brack Capital Germany (Netherlands) LII B.V. "Holdco BV"	Netherlands	100.00	100.00
389	Brack Capital Patros GmbH "Holdco GmbH"	Germany	100.00	100.00
390	Brack Capital Magdeburg I GmbH	Germany	94.80	94.80
391	Brack Capital Magdeburg II GmbH	Germany	94.80	94.80
392	Brack Capital Magdeburg III GmbH	Germany	94.80	94.80
393	Brack Capital Magdeburg IV GmbH	Germany	94.80	94.80
394	Brack Capital Magdeburg V GmbH	Germany	94.80	94.80
395	Brack Capital Magdeburg VI GmbH	Germany	94.80	94.80
396	Brack Capital Halle I GmbH	Germany	94.80	94.80
397	Brack Capital Halle II GmbH	Germany	94.80	94.80
398	Brack Capital Halle III GmbH	Germany	94.80	94.80
399	Brack Capital Halle IV GmbH	Germany	94.80	94.80
400	Brack Capital Halle V GmbH	Germany	94.80	94.90
401	Brack Capital Leipzig I GmbH	Germany	94.80	94.80
402	Brack Capital Leipzig II GmbH	Germany	94.80	94.80
403	Brack Capital Leipzig III GmbH	Germany	94.80	94.80
404	Brack Capital Leipzig IV GmbH	Germany	94.80	94.80
405	Brack Capital Leipzig V GmbH	Germany	94.80	94.80
406	Brack Capital Leipzig VI GmbH	Germany	94.80	94.80
407	Brack Capital Germany (Netherlands) LV B.V.	Netherlands	100.00	100.00
408	RT Facility Management GmbH & Co. KG	Germany	100.00	100.00

	Company	Country	Shareholding and control at 31 December in % 2021	2020
409	RT Facility Management (Germany) GmbH (GP)	Germany	100.00	100.00
410	BCRE Kassel I B.V.	Netherlands	100.00	100.00
411	Brack Objekt Kassel Hafenstrasse GmbH	Germany	94.90	94.90
412	Brack Capital (Kassel) GmbH & Co. Immobilien KG	Germany	100.00	100.00
413	RealProb Investment (Duisburg) B.V.	Netherlands	100.00	100.00
414	Magnus Siebzehnte Immobilienbesitz- und Verwaltungs GmbH	Germany	99.90	99.90
415	Wasserstadt Co-Living GmbH	Germany	100.00	100.00
416	Magnus Neunzehnte Immobilienbesitz- und Verwaltungs GmbH	Germany	100.00	100.00
417	Magnus Zwanzigste Immobilienbesitz- und Verwaltungs GmbH	Germany	100.00	100.00
418	Spree Zweite Beteiligungs Ost GmbH	Germany	89.90	89.90
419	Spree Röbellweg 2-10 Verwaltungs GmbH	Germany	89.90	89.90
420	ADO GROUP LTD.	Israel	100.00	100.00
421	BCP Invest Rostock B.V.	Netherlands	100.00	100.00
422	BCP Invest Celle B.V.	Netherlands	100.00	100.00
423	BCP Invest Castrop B.V.	Netherlands	100.00	100.00
424	Eurohaus Frankfurt AG	Germany	89.99	89.99
425	Glasmacherviertel Verwaltungs GmbH (phG)	Germany	100.00	100.00
426	Brack Capital (Duisburg 2) GmbH & Co. Immobilien KG	Germany	99.33	99.33
427	Glasmacherviertel GmbH & Co. KG	Germany	100.00	100.00
428	Consus Holding GmbH	Germany	100.00	100.00
429	CCP Objektholding GmbH	Germany	100.00	100.00
430	Consus CCP 13 GmbH	Germany	100.00	100.00
431	Consus CCP 6 GmbH	Germany	100.00	100.00
432	DIPLAN GmbH	Germany	74.90	74.90
433	CONSUS Swiss Finance AG	Switzerland	93.40	93.40
434	CONSUS Swiss Services AG	Switzerland	93.40	93.40
435	CSW GmbH & Co. KG	Germany	93.40	93.40
436	CSW Verwaltungs GmbH	Germany	93.40	93.40
437	Consus Projektmanagement Verwaltungs GmbH	Germany	93.40	93.40
438	Knecht Ludwigsburg GmbH	Germany	93.40	93.40
439	SSN Facility Services GmbH	Germany	93.40	93.40
440	CSW Beteiligungs GmbH	Germany	93.40	93.40
441	SSN Gebäudetechnik GmbH	Germany	79.39	79.39
442	Consus Projektmanagement GmbH & Co. KG	Germany	93.40	93.40

	Company	Country	Shareholding and control at 31 December in % 2021	2020
443	CONSUS Swiss Projektholding AG	Switzerland	93.40	93.40
444	SSN Alboingärten Berlin GmbH	Germany	93.40	93.40
445	Franklinstrasse 26a Verwaltungs GmbH	Germany	87.80	87.80
446	Consus Wilhelmstraße Berlin GmbH	Germany	93.40	93.40
447	Wilhelmstrasse 56-59 Immobilienentwicklungs GmbH	Germany	93.40	93.40
448	Consus Franklinstraße Berlin GmbH	Germany	93.40	93.40
449	Consus Projekt Holding Deutschland GmbH	Germany	93.40	93.40
450	CONSUS (Schweiz) AG	Switzerland	93.40	93.40
451	Consus Deutschland GmbH	Germany	87.61	87.61
452	Consus Development Verwaltungs GmbH	Germany	87.61	87.61
453	Consus Development GmbH & Co. KG	Germany	87.61	87.61
454	Parken & Immobilien Invest GmbH Hamburg	Germany	87.61	87.61
455	Parken & Immobilien Betriebs GmbH Hamburg	Germany	87.61	87.61
456	Consus Investment Bundesallee Berlin GmbH	Germany	87.61	87.61
457	SSN Real GmbH	Germany	93.40	93.40
458	Consus Projekt Development GmbH	Germany	86.53	86.53
459	Wilhelmstrasse I GmbH	Germany	85.90	85.90
460	SG IBM-Campus 4 UG	Germany	86.53	86.53
461	SG IBM-Campus 5 UG	Germany	86.53	86.53
462	SG IBM-Campus 6 UG	Germany	86.53	86.53
463	SG IBM-Campus 7 UG	Germany	86.53	86.53
464	SG IBM-Campus 8 UG	Germany	86.53	86.53
465	SG IBM-Campus 9 UG	Germany	86.53	86.53
466	SG IBM-Campus 10 UG	Germany	86.53	86.53
467	SG IBM-Campus 11 UG	Germany	86.53	86.53
468	SG IBM-Campus 12 UG	Germany	86.53	86.53
469	SG IBM-Campus 13 UG	Germany	86.53	86.53
470	SG IBM-Campus 14 UG	Germany	86.53	86.53
471	SG IBM-Campus 15 UG	Germany	86.53	86.53
472	SG IBM-Campus 16 UG	Germany	86.53	86.53
473	SG IBM-Campus 17 UG	Germany	86.53	86.53
474	Consus Einkaufs-GbR Garden Campus Vaihingen	Germany	86.53	86.53
475	Consus Stuttgart Wohnen an der Villa Berg UG haftungsbeschränkt	Germany	86.53	86.53
476	Consus Stuttgart Park an der Villa Berg UG haftungsbeschränkt	Germany	81.34	81.34

	Company	Country	Shareholding and control at 31 December in % 2021	2020
477	Consus Stuttgart Villa Berg Parkhaus UG haftungsbeschränkt	Germany	81.34	81.34
478	Consus Stuttgart Villa Berg historisch UG haftungsbeschränkt	Germany	81.34	81.34
479	Consus Frankfurt Mainzer Landstraße Investitions UG haftungsbeschränkt	Germany	86.53	86.53
480	SG Frankfurt Mainzer Landstrasse GmbH	Germany	81.34	81.34
481	Consus München Schwabing Investitionsgesellschaft UG haftungsbeschränkt	Germany	86.53	86.53
482	Consus München Schwabing Verwaltungs GmbH	Germany	86.53	86.53
483	Consus Mannheim Glücksteinquartier Investitions UG haftungsbeschränkt	Germany	86.53	86.53
484	Consus Mannheim Glücksteinquartier Verwaltungs GmbH	Germany	86.53	86.53
485	Consus Mannheim Glücksteinquartier GmbH & Co. KG	Germany	81.34	81.34
486	SG Hamburg Holsten Quartiere 1 UG	Germany	86.53	86.53
487	SG Hamburg Holsten Quartiere 2 UG	Germany	86.53	86.53
488	SG Hamburg Holsten Quartiere 3 UG	Germany	86.53	86.53
489	SG Hamburg Holsten Quartiere 4 UG	Germany	86.53	86.53
490	SG Hamburg Holsten Quartiere 5 UG	Germany	86.53	86.53
491	SG Hamburg Holsten Quartiere 6 UG	Germany	86.53	86.53
492	SG Hamburg Holsten Quartiere 7 UG	Germany	86.53	86.53
493	SG Hamburg Holsten Quartiere 8 UG	Germany	86.53	86.53
494	SG Hamburg Holsten Quartiere 9 UG	Germany	86.53	86.53
495	SG Hamburg Holsten Quartiere 10 UG	Germany	86.53	86.53
496	SG Hamburg Holsten Quartiere 11 UG	Germany	86.53	86.53
497	SG Hamburg Holsten Quartiere 12 UG	Germany	86.53	86.53
498	SG Hamburg Holsten Quartiere 13 UG	Germany	86.53	86.53
499	SG Hamburg Holsten Quartiere 14 UG	Germany	86.53	86.53
500	SG Hamburg Holsten Quartiere 15 UG	Germany	86.53	86.53
501	SG Hamburg Holsten Quartiere 16 UG	Germany	86.53	86.53
502	SG Hamburg Holsten Quartiere 17 UG	Germany	86.53	86.53
503	SG Hamburg Holsten Quartiere 18 UG	Germany	86.53	86.53
504	SG Hamburg Holsten Quartiere 19 UG	Germany	86.53	86.53
505	SG Hamburg Holsten Quartiere 20 UG	Germany	86.53	86.53
506	Consus Einkaufs-GbR Holsten-Quartiere Hamburg	Germany	86.53	86.53
507	SG Neues Korallusviertel 1 UG	Germany	86.53	86.53
508	SG Neues Korallusviertel 2 UG	Germany	86.53	86.53
509	SG Neues Korallusviertel 3 UG	Germany	86.53	86.53
510	SG Neues Korallusviertel 4 UG	Germany	86.53	86.53

	Company	Country	Shareholding and control at 31 December in % 2021	2020
511	SG Neues Korallusviertel 5 UG	Germany	86.53	86.53
512	SG Neues Korallusviertel 6 UG	Germany	86.53	86.53
513	SG Neues Korallusviertel 7 UG	Germany	86.53	86.53
514	SG Neues Korallusviertel 8 UG	Germany	86.53	86.53
515	Consus Einkaufs-GbR Korallusviertel Hamburg	Germany	86.53	86.53
516	SG IBM-Campus 1 UG	Germany	86.53	86.53
517	SG IBM-Campus 2 UG	Germany	86.53	86.53
518	SG IBM-Campus 3 UG	Germany	86.53	86.53
519	Consus Stuttgart Vaihingen IBM Campus Holding GmbH	Germany	86.53	86.53
520	Consus RE GmbH	Germany	100.00	100.00
521	Artists Living Berlin - ST GmbH & Co. KG	Germany	94.00	94.00
522	Steglitzer Kreisel Sockel GbR	Germany	94.00	94.00
523	Steglitzer Kreisel Turm GbR	Germany	94.00	94.00
524	Steglitzer Kreisel Parkhaus GbR	Germany	94.00	94.00
525	Artists Commercial Berlin - ST GmbH & Co. KG	Germany	94.00	94.00
526	Artists Parking Berlin - ST GmbH & Co. KG	Germany	94.00	94.00
527	Artists Living Leipzig GmbH & Co. KG	Germany	100.00	100.00
528	Ostplatz Leipzig Work & Life GmbH & Co. KG	Germany	94.00	94.00
529	Ostplatz Leipzig Mensa GmbH	Germany	88.26	88.26
530	Artists Living Dresden PP GmbH & Co. KG	Germany	100.00	100.00
531	Artists Living Frankfurt SSc GmbH & Co. KG	Germany	100.00	100.00
532	Artists Living Frankfurt Dev GmbH & Co. KG	Germany	94.00	94.00
533	UpperNord Tower GmbH & Co. KG	Germany	94.00	94.00
534	UpperNord Hotel GmbH & Co. KG	Germany	100.00	100.00
535	UpperNord Quarter GmbH	Germany	94.00	94.00
536	Artists Living Köln StG GmbH & Co. KG	Germany	100.00	100.00
537	Holz ART CG-Innovationen GmbH	Germany	100.00	100.00
538	BCC BauCompetenzCenter GmbH	Germany	100.00	100.00
539	Consus ST(R)AHLKRAFT GmbH	Germany	100.00	100.00
540	CG Estate & Hostel GmbH & Co. KG	Germany	100.00	100.00
541	Böblinger CityQuartier GmbH	Germany	94.90	94.90
542	Innenstadt Residenz Dresden GmbH & Co. KG	Germany	94.00	94.00
543	Residenz Dresden an der Elbe GmbH & Co. KG	Germany	100.00	100.00
544	Frankfurt Ostend Immobilienentwicklungs GmbH	Germany	94.00	94.00

	Company	Country	Shareholding and control at 31 December in % 2021	2020
545	LEA Grundstücksverwaltung GmbH	Germany	94.00	94.00
546	Cologneo I GmbH & Co. KG	Germany	100.00	100.00
547	Cologneo III GmbH	Germany	100.00	100.00
548	Consus Deutsche Wohnen GmbH	Germany	93.90	93.90
549	Consus Bauprojekte GmbH	Germany	100.00	100.00
550	Günther Fischer Gesellschaft für Projektentwicklung mbH	Germany	80.00	80.00
551	Consus Immobilien GmbH	Germany	100.00	100.00
552	RVG Real Estate Vertriebs GmbH	Germany	51.00	51.00
553	City-Hausverwaltung GmbH	Germany	100.00	100.00
554	CG Gruppe IT-Service GmbH	Germany	51.00	51.00
555	APARTes Gestalten GmbH	Germany	100.00	100.00
556	CREATIVes Bauen GmbH	Germany	100.00	100.00
557	Consus Denkmalimmobilien GmbH	Germany	93.90	93.90
558	Consus Graphisches Viertel GmbH & Co. KG	Germany	94.00	94.00
559	Living Central Beteiligungs-GmbH	Germany	94.00	94.00
560	Living Central 1 GmbH	Germany	94.00	94.00
561	Living Central 2 GmbH	Germany	94.00	94.00
562	Living Central 3 GmbH	Germany	94.00	94.00
563	Living Central 4 GmbH	Germany	94.00	94.00
564	Living Central 5 GmbH	Germany	94.00	94.00
565	Living Central 6 GmbH	Germany	94.00	94.00
566	Living Central 7 GmbH	Germany	94.00	94.00
567	Living Central 8 GmbH	Germany	94.00	94.00
568	Living Central 9 GmbH	Germany	94.00	94.00
569	Living Central 11 GmbH	Germany	94.00	94.00
570	Consus Erste Delitzscher Straße GmbH & Co. KG	Germany	100.00	100.00
571	Consus Zweite Delitzscher Straße GmbH & Co. KG	Germany	100.00	100.00
572	Benrather Gärten Wohnentwicklung GmbH & Co. KG	Germany	94.90	94.90
573	Consus Sechste Delitzscher Straße GmbH & Co. KG	Germany	100.00	100.00
574	SLT 107 Schwabenland Tower GmbH	Germany	94.90	94.90
575	Benrather Gärten Gewerbeentwicklung GmbH & Co. KG	Germany	94.90	94.90
576	Benrather Gärten Projektentwicklung GmbH	Germany	94.90	94.90
577	Consus Siebte SHELF GmbH & Co. KG	Germany	94.90	94.90
578	Consus Achte SHELF GmbH & Co. KG	Germany	100.00	100.00

	Company	Country	Shareholding and control at 31 December in % 2021	2020
579	Consus Neunte SHELF GmbH & Co. KG	Germany	100.00	100.00
580	Consus Zehnte SHELF GmbH & Co. KG	Germany	100.00	100.00
581	Consus Elfte SHELF GmbH & Co. KG	Germany	100.00	100.00
582	Consus Zwölfte SHELF GmbH & Co. KG	Germany	100.00	100.00
583	Consus Dreizehnte SHELF GmbH & Co. KG	Germany	100.00	100.00
584	Consus Construction GmbH	Germany	90.00	90.00
585	Consus TEC Service GmbH	Germany	100.00	100.00
586	Neuländer Quaree II Verwaltungs GmbH	Germany	100.00	100.00
587	Consus Works GmbH	Germany	100.00	100.00
588	RAFFA Verwaltungs GmbH	Germany	100.00	100.00
589	Artists Living Verwaltungs GmbH	Germany	100.00	100.00
590	Grundstücksgesellschaft TCR 1 mbH	Germany	-	100.00
591	Billwerder Neuer Deich GmbH	Germany	-	100.00
592	Neuländer Quarree GmbH	Germany	-	100.00
593	Cologneo II GmbH & Co. KG (prev. Euroforum West GmbH & Co. KG)	Germany	-	94.80
594	Cologneo IV GmbH & Co. KG (prev. Euroforum Mitte GmbH & Co. KG)	Germany	-	94.80
595	SG Einkaufs-GbR Peschl-Areal	Germany	-	86.53
596	SG Peschl Areal 1 UG	Germany	-	100.00
597	SG Peschl Areal 2 UG	Germany	-	100.00
598	SG Peschl Areal 3 UG	Germany	-	100.00
599	SG Peschl Areal 4 UG	Germany	-	100.00
600	SG Peschl Areal 5 UG	Germany	-	100.00
601	SG Peschl Areal 6 UG	Germany	-	100.00
602	Consus Einkaufs-GbR Glockengut Bayreuth	Germany	-	86.53
603	SG Glockengut 1 UG	Germany	-	100.00
604	SG Glockengut 2 UG	Germany	-	100.00
605	SG Glockengut 3 UG	Germany	-	100.00
606	SG Glockengut 4 UG	Germany	-	100.00
607	SG Glockengut 5 UG	Germany	-	100.00
608	SG Glockengut 6 UG	Germany	-	100.00
609	SG Glockengut 7 UG	Germany	-	100.00

(*) Footnote to Adler Properties GmbH and Adler Immobilien Management GmbH.

The corporation Adler Properties GmbH (formerly: ADO Properties GmbH), Berlin, which is included in the consolidated financial statements, makes use of the reliefs with regard to the preparation, audit and disclosure of annual financial statements and management report in accordance with the provisions applicable to corporations pursuant to Section 264 (3) German Commercial Code (HGB).

The corporation Adler Immobilien Management GmbH (formerly: ADO Immobilien Management GmbH), Berlin, which is included in the consolidated financial statements, makes use of the reliefs with regard to the preparation, audit and disclosure of annual financial statements and management report in accordance with the provisions applicable to corporations pursuant to Section 264 (3) German Commercial Code (HGB).

Annual Accounts

4 Annual Accounts

To the Shareholders of

Adler Group S.A. | 1B Heienhaff | L-1736 Senningerberg | Luxembourg

Report of the Réviseur d'Entreprises agréé

Report on the audit of the annual accounts

Disclaimer of opinion

We were engaged to audit the annual accounts of ADLER Group S.A. (the "Company"), which comprise the balance sheet as at 31 December 2021, and the profit and loss account for the year then ended, and notes to the annual accounts, including a summary of significant accounting policies.

We do not express an opinion on the accompanying annual accounts of the Company. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these annual accounts.

Basis for Disclaimer of opinion

On 6 October 2021, a third party made public it suspected that there may be or there may have been irregularities affecting certain transactions entered into by the Company. As a result, we have extended our audit procedures in this respect.

Because management denied us access to certain information, including correspondence between related parties, in performing our audit procedures, there are exceptional circumstances which prevent us from obtaining sufficient appropriate evidence about the identification and disclosure of related parties and significant related party transactions and account balances. This also precludes us from evaluating whether the accounting treatments for at least some of these transactions are appropriate and consistent with their nature, as well as evaluating whether management's assessment about the valuation of certain account balances is adequate.

Having regards to the number, size and complexity of these transactions which may have been performed with unidentified or undisclosed related parties, potential adjustments cannot be confined to a defined financial statement caption or specific disclosure. Accordingly, the possible effects on the annual accounts could be both material and pervasive.

Due to these matters, we were unable to determine whether any adjustments might have been found necessary on the balance sheet of the Company as at 31 December 2020 and 31 December 2021, or on its the profit and loss account for the years then ended.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts of the current period. These matters were addressed in the context of the audit of the annual accounts as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we do not report on key audit matters.

Responsibilities of the Board of Directors and Those Charged with Governance for the annual accounts

The Board of Directors is responsible for the preparation and fair presentation of the annual accounts in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the annual accounts, and for such internal control as the Board of Directors determines is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

The Board of Directors is responsible for presenting the annual accounts in compliance with the requirements set out in the Delegated Regulation 2019/815 on European Single Electronic Format ("ESEF Regulation").

In preparing the annual accounts, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Responsibilities of the réviseur d'entreprises agréé for the audit of the annual accounts

Our responsibility is to conduct an audit of the Company's annual accounts in accordance with the EU Regulation N° 537/2014, the Law of 23 July 2016 on the audit profession ("Law of 23 July 2016") and with International Standards on Auditing ("ISAs") as adopted for Luxembourg by the Commission de Surveillance du Secteur Financier ("CSSF") and to issue an auditors' report. Our responsibility is also to assess whether the annual accounts have been prepared in all material respects with the requirements laid down in the ESEF Regulation. However, because of the matters described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these annual accounts.

We are also independent of the Company in accordance with the International Code of Ethics for Professional Accountants, including International Independence Standards, issued by the International Ethics Standards Board for Accountants ("IESBA Code") as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the annual accounts, and have fulfilled our other ethical responsibilities under those ethical requirements.

Report on other legal and regulatory requirements

We have been appointed as "réviseur d'entreprises agréé" by the Shareholders on 29 June 2021 and the duration of our uninterrupted engagement, including previous renewals and reappointments, is seven years, six years of which was since the Company became a public interest entity.

Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we do not report on whether the combined management report is consistent with the annual accounts and has been prepared in accordance with applicable legal requirements.

We confirm that the audit report is consistent with the additional report to the audit committee or equivalent.

We confirm that the prohibited non-audit services referred to in the EU Regulation N° 537/2014 were not provided and that we remained independent of the Company during the audit.

Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we do not report on the compliance of the annual accounts of the Company as at 31 December 2021 with relevant statutory requirements set out in the ESEF Regulation that are applicable to annual accounts.

For the Company it relates to:

- Annual accounts prepared in a valid xHTML format.

Our audit report only refers to the annual accounts of Adler Group S.A. as at 31 December 2021, identified as 391200OYYFJ3DWAMEC69-2021-12-31-en.zip, prepared and presented in accordance with the requirements laid down in the ESEF Regulation, which are the only authoritative version.

Luxembourg, 30 April 2022

KPMG

KPMG Luxembourg
Société coopérative
Cabinet de révision agréé

Bobbi Jean Breboneria
Partner

Balance Sheet

In EUR	Note	31 Dec 2021	31 Dec 2020
Assets			
Formation expenses	**2.2.2, 3**	**46,780,999**	**35,635,346**
Fixed assets		**4,263,117,054**	**4,397,587,396**
Financial assets		4,263,117,054	4,397,587,397
Shares in affiliated undertakings	2.2.3, 4.1	3,201,878,222	4,225,210,109
Loans to affiliated undertakings	2.2.3, 4.2	999,119,828	115,894,274
Investments held as fixed assets	2.2.3, 4.3	14,807,000	12,940,772
Other loans	2.2.3, 4.4	47,312,005	43,542,242
Current assets		**292,120,033**	**211,879,924**
Debtors		99,182,399	114,422,344
Trade debtors	2.2.4, 5.1	508,077	-
Becoming due and payable within one year		508,077	-
Amounts owed by affiliated undertakings	2.2.4, 5.2	74,539,202	96,614,456
Becoming due and payable within one year		74,539,202	96,614,456
Other debtors	2.2.4, 5.3	24,135,120	17,807,888
Becoming due and payable within one year		24,135,120	17,807,888
Investments	2.2.5, 6	98,400,000	-
Other investments		98,400,000	-
Cash at bank and in hand	2.2.6	94,537,634	97,457,580
Prepayments	**2.2.8, 7**	**33,683,228**	**10,256,908**
Total assets		**4,635,701,315**	**4,655,359,575**

The accompanying notes form an integral part of the annual accounts.

In EUR	Note	31 Dec 2021	31 Dec 2020
Capital, reserves and liabilities			
Capital and reserves		**841,630,962**	**2,731,592,248**
Subscribed capital	8.1	145,713	145,713
Share premium account	8.2	2,242,906,370	2,296,961,077
Reserves		452,059	442,968
Legal reserve	8.3, 8.4	14,571	5,480
Other reserves, including the fair value reserve	8.4	437,488	437,488
Other available reserves		437,488	437,488
Profit or (loss) brought forward	8.4	434,033,399	424,770,100
Profit or (loss) for the financial year	8.4	(1,835,906,579)	9,272,390
Provisions		**1,467,594**	**1,904,295**
Provisions for taxation	2.2.9	9,630	4,815
Other provisions	2.2.9, 9.1	1,457,964	1,899,480
Creditors	**2.2.10, 10**	**3,792,602,759**	**1,921,863,032**
Debenture loans	10.1	3,412,244,955	1,374,669,955
Convertible loans		165,354,885	165,354,885
Becoming due and payable within one year		354,885	354,885
Becoming due and payable after more than one year		165,000,000	165,000,000
Non-convertible loans		3,246,890,070	1,209,315,070
Becoming due and payable within one year		46,890,070	9,315,070
Becoming due and payable after more than one year		3,200,000,000	1,200,000,000
Amounts owed to credit institutions	10.2	98,500,000	426,240,710
Becoming due and payable within one year		2,000,000	5,453,731
Becoming due and payable after more than one year		96,500,000	420,786,980
Trade creditors		3,631,115	4,678,484
Becoming due and payable within one year		3,631,115	4,678,484
Amounts owed to affiliated undertakings(*)	10.3	273,374,313	109,552,231
Becoming due and payable within one year		273,374,313	109,552,231
Becoming due and payable after more than one year		0	-
Other creditors		4,852,376	6,721,652
Tax authorities	10.4	3,402,979	5,685,121
Social security authorities	10.4	6,647	427
Other creditors(*)	10.5	1,442,751	1,036,105
Becoming due and payable within one year		1,442,751	1,036,105
Total capital, reserves and liabilities		**4,635,701,315**	**4,655,359,575**

(*) For the financial year ended 31 December 2020, EUR 656,070 was reclassified to items “Amounts owed to affiliated undertakings” from “Other creditors” accounts to ensure comparability with the figures for the financial year ended 31 December 2021.

The accompanying notes form an integral part of the annual accounts.

Profit and Loss Account

In EUR	Note	2021	2020
Profit and loss account			
Net turnover	**2.2.11, 11**	**8,594,436**	**7,307,193**
Other operating income		**8,646**	**-**
Raw materials and consumables and other external expenses		**(19,636,384)**	**(20,043,651)**
Other external expenses	12	(19,636,384)	(20,043,651)
Staff costs		**(1,768,802)**	**(994,683)**
Wages and salaries		(1,757,181)	(992,637)
Social security costs		(11,620)	(2,046)
Relating to pensions		(7,500)	-
Other social security costs		(4,120)	(2,046)
Value adjustments		**(13,746,353)**	**(30,754,791)**
In respect of formation expenses and of tangible and intangible fixed assets	2.2.12, 3	(13,746,353)	(30,754,791)
Other operating expenses		**(2,199,178)**	**(3,714,396)**
Income from participating interests		**-**	**4,591,269**
Derived from affiliated undertakings	2.2.13	-	4,591,269
Income from other investments and loans forming part of the fixed assets	**2.2.14**	**72,248,765**	**11,617,225**
Derived from affiliated undertakings	4.2	61,193,376	10,439,795
Other income not from affiliated undertakings	4.3, 4.4, 6	11,055,389	1,177,430
Other interest receivable and similar income		**1,184,891**	**535,779**
Derived from affiliated undertakings	5	1,184,832	533,851
Other interest and similar income	2.2.14	59	1,928
Value adjustments in respect of financial assets and of investments held as current assets	**2.2.3, 4.1, 4.3**	**(1,793,595,962)**	**68,160,930**
Interest payable and similar expenses		**(86,991,823)**	**(27,537,925)**
Concerning affiliated undertakings	2.2.14	(173,311)	(145,776)
Other interest and similar expenses	2.2.14, 10.1, 10.2	(86,818,512)	(27,392,149)
Tax on profit or loss		**-**	**-**
Profit or loss after taxation		**(1,835,901,764)**	**9,166,950**
Other taxes not shown above		**(4,815)**	**105,440**
Profit or loss for the financial year	**8.4**	**(1,835,906,579)**	**9,272,390**

The notes in the annex form an integral part of the annual accounts.

Note 1 – General information

Adler Group S.A. (hereafter the "Company") previously known as ADO Properties S.A. was incorporated in Cyprus as Swallowbird Trading & Investments Limited on 13 November 2007 as a private limited liability company in accordance with the provisions of the Cyprus Companies Law, Cap. 113. Its registered office was situated in Larnaca, Cyprus. On 8 June 2015, the Company deleted its registration in Cyprus and moved its registered office and central administration to Luxembourg.

The Company adopted the form of a private limited liability company (société à responsabilité limitée) under Luxembourg law. The Company was then converted to a public limited liability company (société anonyme) for an unlimited duration under the Luxembourg law by decision of the General Meeting of Shareholders dated 16 June 2015 and changed its name to ADO Properties S.A.

The Company changed its name from ADO Properties S.A. to Adler Group S.A. by decision of the General Meeting of Shareholders dated 29 September 2020.

The Company is registered under the RCS number B197554 in Luxembourg.

On 23 July 2015, the Company completed an initial public offering ("IPO") and its shares are traded on the regulated market (Prime Standard) of the Frankfurt Stock Exchange.

The registered office of the Company is established at 1B Heienhaff L-1736 Senningerberg. The Company's financial year starts 1 January and ends 31 December of each year.

The object of the Company is the acquisition and holding of interests in Luxembourg and/or in foreign undertakings, as well as the administration, development and management of such holdings. The Company may provide financial assistance to the undertakings forming part of the group of the Company such as the providing of loans and granting of guarantees or securities in any kind or form.

The Company may also utilise its funds to invest in real estate and, provided such investment is ancillary to or related to the acquisition, holding, administration, development and management of the undertaking forming part of the group of the Company, the Company may invest in intellectual property rights or any other movable or immovable assets in any kind or form.

The Company may borrow in any kind or form and may privately issue bonds, notes or similar debt instruments.

The annual accounts of the Company are prepared under the provision of the law applicable for commercial companies in Luxembourg.

The Company also prepares consolidated financial statements under International Financial Reporting Standards (IFRSs) as adopted by the European Union. The copies of the consolidated financial statements are available at the registered office of the Company or at https://adler-group.com.

Note 2 - Summary of significant accounting and valuation policies

2.1 Basis of preparation

The annual accounts have been prepared in accordance with Luxembourg legal and regulatory requirements under the historical cost convention. Accounting policies and valuation rules are, besides the ones laid down by the Law of 19 December 2002, determined and applied by the Board of Directors.

The preparation of annual accounts requires the use of certain critical accounting estimates. It also requires the Board of Directors to exercise its judgement in the process of applying the accounting policies. Changes in assumptions may have a significant impact on the annual accounts in the period in which the assumptions changed. Management believes that the underlying assumptions are appropriate and that these annual accounts present the financial position and results fairly.

The books and records are maintained in EUR and the annual accounts have been prepared in accordance with the valuation rules and accounting policies described below.

The accounting policies applied to prepare these annual accounts are in conformity with the going concern principle.

The coronavirus pandemic and its impact on the Company

Following the outbreak of the coronavirus in December 2019 there has been a decline in economic activity in many regions of the world including Germany. In response to the risks of the pandemic for the health system and in order to protect particularly vulnerable individuals, the government took numerous measures to limit the spread of the virus with serious negative effects on the economic development of Germany. The year 2021 was both characterised by a gradual withdrawal of those measures due to the availability of new vaccines and an increasing vaccination ratio of the German population, and by renewed restrictions following the emergence of new virus variants. At present, neither an end to the pandemic nor a final end to the regulatory restrictions associated with the pandemic is in sight. The further development of and the reactions of the German authorities to the pandemic are, in their nature, events that are not under the control of the Company. All estimates and disclosures regarding the impact of the coronavirus are reflecting the information available as of the report publication date and may be subject to subsequent changes.

The Company's risks and exposures relating to the coronavirus pandemic

Adler Group may be exposed to risks from a deterioration in the solvency of commercial and private tenants. Furthermore, the pandemic may result in a decline in demand for apartments and a corresponding decline in realisable sales proceeds. Risks for the Group's development projects arise from disruptions in global supply chains causing further delays in the construction progress and price increases for building materials.

Specific effects of the coronavirus on the Company's operating results

The Company is continuously assessing the impact of the pandemic on its business, on the measurement of all of its assets and liabilities and on its ability to generate positive results from forward and upfront sales of development projects. The Company does not expect the crisis to have material impact on the rental income and the valuation of investment properties. In Germany, rents are continuing to rise and the strong demand for housing is unbroken. This leads to a very low risk of losing tenants and a high occupancy rate.

The Company estimates that a further spread of the virus could have significant adverse effects on the global economy on the markets in which the Company operates and on its areas of activity and operating results. Nevertheless, the recent measures taken to reduce the Company's leverage ratio and the focusing of its activities on the residential sector have reduced the exposure of the Company's business to the pandemic significantly.

2.2 Significant accounting and valuation policies

The main accounting and valuation rules applied by the Company are the following:

2.2.1. Currency translation

Transactions expressed in currencies other than EUR are translated into EUR at the exchange rate effective at the time of the transaction.

Formation expenses and long-term assets expressed in currencies other than EUR are translated into EUR at the exchange rate effective at the time of the transaction. At the balance sheet date, these assets remain translated at historical exchange rates.

Cash at bank is translated at the exchange rate effective at the balance sheet date. Exchange losses and gains are recorded in the profit and loss account of the year.

Other assets and liabilities are valued individually at the lower, respectively the higher, of their value at the historical exchange rate or their value determined at the exchange rates prevailing at the balance sheet date. The unrealised exchange losses are recorded in the profit and loss account. Realised exchange gains and realised exchange losses are recorded in the profit and loss account at the moment of their realisation.

Where there is an economic link between an asset and a liability, these are valued in total according to the method described above, the net unrealised losses are recorded in the profit and loss account, and the net unrealised exchange gains are not recognised.

2.2.2. Formation expenses

Formation expenses include expenses incurred for the IPO, capital increase, bond issuance, and costs incurred on revolving credit facilities. Formation expenses are written off based on a straight-line method over a period of five years or until the maturity date of the respective loan.

2.2.3. Financial assets

Shares in affiliated undertakings/participating interests/loans to these undertakings/investments held as fixed assets/other loans are valued at purchase price/nominal value (loans and claims), including their incidental expenses.

If, in the opinion of the Board of Directors, the value is permanently compromised, the values of the financial assets are adjusted and recognised at the lower value as at the balance sheet date. These value adjustments are not continued if the reasons for which the value adjustments were made have ceased to apply.

2.2.4. Debtors

Debtors are valued at their nominal value. They are subject to value adjustments where their recovery is compromised. These value adjustments are not continued if the reasons for which the value adjustments were made have ceased to apply.

2.2.5. Investments

Transferable securities are valued at the lower of purchase price, including expenses incidental thereto and calculated on the basis of weighted average prices method, or market value, expressed in the currency in which the annual accounts are prepared. A value adjustment is recorded where the market value is lower than the purchase price. These value adjustments are not continued if the reasons for which the value adjustments were made have ceased to apply.

The market value corresponds to:

- The latest available quote on the valuation day for transferable securities listed on a stock exchange or traded on another regulated market;
- The probable realisation value estimated with due care and in good faith by the Board of Directors for transferable securities not listed on a stock exchange or not traded on another regulated market and for transferable securities listed on a stock exchange or traded on another regulated market where the latest quote is not representative.

2.2.6. Cash at bank and in hand

Cash at bank and in hand comprise cash on hand and deposits in banks. Cash is valued at its nominal value.

2.2.7. Derivative financial instruments

The Company may enter into derivative financial instruments such as options, swaps and futures. These derivative financial instruments are initially recorded at cost.

At each balance sheet date, unrealised losses are recognised in the profit and loss account whereas gains are accounted for when realised.

In the case of hedging of an asset or a liability that is not recognised at fair value, unrealised gains or losses are deferred until the recognition of the realised gains or losses on the hedged item.

2.2.8. Prepayments

Prepayments include expenditure incurred during the financial year but relating to a subsequent financial year.

2.2.9. Provisions

Provisions are intended to cover losses or debts, the nature of which is clearly defined and which, at the balance sheet date, are either likely to be incurred or certain to be incurred but uncertain as to their amount or the date on which they will arise.

Provisions may also be created to cover charges which originate in the financial year under review or in a previous financial year, the nature of which is clearly defined and, which at the date of the balance sheet, are either likely to be incurred or certain to be incurred but uncertain as to their amount or the date on which they will arise.

Provisions for taxation corresponding to the tax liability estimated by the Company for the financial years for which no final assessment notices have yet been received are recorded under the caption “Provisions for taxation”. The advance payments are shown in the assets of the balance sheet under “Other debtors”.

2.2.10. Creditors

Creditors are recorded at repayable amount.

2.2.11. Net turnover

The net turnover comprises the amounts of management fees, sales of services, recharge of fees and income on loan guarantee charged to affiliated companies.

2.2.12. Value adjustments

Value adjustments are deducted directly from the carrying value of the related asset and charged to the profit and loss.

2.2.13. Income from participating interests

Dividend income and gain on disposal of shares in affiliated undertakings are recognised on an accrual basis.

2.2.14. Interest income and expenses

Interest income and expenses are recognised on an accrual basis.

Note 3 - Formation expenses

Formation expenses comprise incorporation expenses, expenses incurred for the capital increase, costs incurred for the IPO and costs incurred for bond or loan issuance (covering mainly underwriting, appraisal, legal and audit expenses).

In EUR	31 Dec 2021	31 Dec 2020
Gross book value - opening balance	79,220,131	32,821,116
Additions for the year	24,892,006	46,399,015
(Disposals for the year)	-	-
Gross book value - closing balance	**104,112,137**	**79,220,131**
(Accumulated value adjustments - opening balance)	(43,584,785)	(12,829,994)
(Additions for the year)	(13,746,353)	(30,754,791)
Reversals for the year	-	-
(Accumulated value adjustments - closing balance)	**(57,331,138)**	**(43,584,785)**
Net book value - closing balance	**46,780,999**	**35,635,346**
Net book value - opening balance	**35,635,346**	**19,991,122**

During the year the addition of the formation expenses is composed of the following elements:

Nature and date of the formation expenses In EUR	2021	2020
Expenses on capital increase in April 2020	-	5,513,682
Expenses on capital increase in July 2020 - 1st	-	561,431
Expenses on capital increase in July 2020 - 2nd	-	15,691,744
Expenses on capital increase in December 2020	-	772,251
Bond issuance costs in August 2020	-	5,021,085
Bond issuance costs in November 2020	-	5,751,788
Revolving credit facility costs in March 2018	27,708	217,075
Bridge facility costs in December 2019	-	12,581,487
Revolving credit facility costs in September 2020	72,917	288,472
Bonds issuance costs in January 2021	17,955,272	-
Revolving credit facility costs in March 2021	2,114,496	-
Loan issuance costs in March 2021	316,000	-
EMTN Programme costs in 2021	560,846	-
Bonds issuance costs in April 2021	3,822,267	-
Green bond costs in 2021	22,500	-
Total	**24,892,006**	**46,399,015**

Note 4 - Financial assets

4.1 Shares in affiliated undertakings

The movements are as follows:

In EUR	31 Dec 2021	31 Dec 2020
Gross book value - opening balance	4,225,210,109	1,831,035,575
Additions for the year	60,559,943	2,105,177,270
(Disposals for the year)	-	(5,501,961)
Transfers during the year	-	294,499,225
Gross book value - closing balance	**4,285,770,051**	**4,225,210,109**
(Accumulated value adjustments - opening balance)	-	-
(Additions for the year)(*)	(1,083,891,829)	-
Reversals for the year	-	68,160,930
Transfers during the year	-	(68,160,930)
(Accumulated value adjustments - closing balance)	**(1,083,891,829)**	**-**
Net book value - closing balance	**3,201,878,222**	**4,225,210,109**
Net book value - opening balance	**4,225,210,109**	**1,831,035,575**

(*) As at 31 December 2021 the Board of Directors decided about a full impairment in the value of the shares of the Consus Real Estate AG. As at 31 December 2020 the Board of Directors deemed that no permanent impairment have occurred in the value of the shares in affiliated undertakings.

As at 31 December 2021 the Board of Directors decided about a full impairment in the value of the shares of the Consus Real Estate AG and in the value of the loans and amounts owed by Consus. The decision was made based on a calculation of the equity value of the investment in Consus. The equity (EUR -776.7 million) is the enterprise value (EUR 2,461.5 million) reduced by the net financial debt of the Consus Group (EUR 3,224.8 million) according to IFRS. The Company's share in the equity value amounts to EUR -752.6 million. Based on this information, the Board of Directors decided to impair the investment in Consus in full (EUR 1,083.9 million) and to put further impairments to intragroup debt as stated above (please refer to the Notes 4.2 and 5.2). The enterprise value has been calculated according to the requirements of IAS 36. For further details please refer to the Note 12 of the consolidated financial statements.

As at the year-end, the Company held the following shares in affiliated undertakings:

Company's name	Registered country	Ownership 2021 %	Ownership 2020 %
Adest Grundstücks GmbH	Germany	93.90	93.90
Adler Immobilien Management GmbH	Germany	100.00	100.00
Adler Properties GmbH	Germany	100.00	100.00
ADLER Real Estate AG	Germany	96.72	93.89
Adler Treasury GmbH	Germany	100.00	100.00
ADO 9110 Holding GmbH	Germany	100.00	100.00
ADO 9360 Holding GmbH	Germany	100.00	100.00
ADO 9500 Grundstücks GmbH	Germany	89.90	89.90
ADO 9540 Holding GmbH	Germany	100.00	100.00
ADO 9580 Holding GmbH	Germany	100.00	100.00
ADO Finance B.V.	Netherlands	100.00	100.00
ADO Living GmbH	Germany	100.00	100.00
ADO Lux-EEME S.à r.l.	Luxembourg	100.00	100.00
ADO SBI Holdings S.A. & Co. KG	Germany	94.00	94.00
ADO Sonnensiedlung S.à r.l.	Luxembourg	89.90	89.90
Adoa Grundstücks GmbH	Germany	93.90	93.90
Adom Grundstücks GmbH	Germany	93.90	93.90
Adon Grundstücks GmbH	Germany	93.90	93.90
Ahava Grundstücks GmbH	Germany	93.90	93.90
Alexandra Properties BV	Netherlands	94.34	94.34
Anafa 1 Grundstücks GmbH	Germany	93.90	93.90
Anafa 2 Grundstücks GmbH	Germany	93.90	93.90
Anafa Grundstücks GmbH	Germany	93.90	93.90
Arafel Grundstücks GmbH	Germany	99.90	99.90
Badolina Grundstücks GmbH	Germany	93.90	93.90
Bamba Grundstücks GmbH	Germany	93.90	93.90
Barbur Grundstücks GmbH	Germany	94.80	94.80
Berale Grundstücks GmbH	Germany	93.90	93.90
Bombila Grundstücks GmbH	Germany	93.90	93.90
Bosem Grundstücks GmbH	Germany	100.00	100.00
CCM City Construction Management GmbH	Germany	100.00	100.00
Central Facility Management GmbH	Germany	100.00	100.00
Consus Real Estate AG	Germany	93.86	90.92
Drontheimer Str. 4 GmbH	Germany	93.90	93.90
Dvash 1 Holding GmbH	Germany	100.00	100.00
Dvash 2 Holding GmbH	Germany	100.00	100.00

Company's name	Registered country	Ownership 2021 %	Ownership 2020 %
Eldalote Grundstücks GmbH	Germany	93.90	93.90
Gamad Grundstücks GmbH	Germany	93.90	93.90
GAMAZI Grundstücks GmbH	Germany	93.90	93.90
Geshem Grundstücks GmbH	Germany	93.90	93.90
Geut Grundstücks GmbH	Germany	93.90	93.90
Gozal Grundstücks GmbH	Germany	93.90	93.90
Hanpaka Holding GmbH	Germany	100.00	100.00
Horef Holding GmbH	Germany	100.00	100.00
Jessica Properties BV	Netherlands	94.41	94.41
Joysun 1 B.V.	Netherlands	60.00	60.00
Joysun 2 B.V.	Netherlands	60.00	60.00
KREMBO Grundstücks GmbH	Germany	93.90	93.90
Lavlav 1 Grundstücks GmbH	Germany	93.90	93.90
Lavlav 2 Grundstücks GmbH	Germany	93.90	93.90
Lavlav 3 Grundstücks GmbH	Germany	93.90	93.90
Lavlav Grundstücks GmbH	Germany	93.90	93.90
Marbien Properties BV	Netherlands	94.80	94.80
Mastik Grundstücks GmbH	Germany	93.90	93.90
Matok Grundstücks GmbH	Germany	100.00	100.00
Maya Grundstücks GmbH	Germany	93.90	93.90
Meghan Properties BV	Netherlands	94.34	94.34
Melet Grundstücks GmbH	Germany	99.90	99.90
Mezi Grundstücks GmbH	Germany	93.90	93.90
Muse Grundstücks GmbH	Germany	93.90	93.90
Nehederet Grundstücks GmbH	Germany	93.90	93.90
Neshama Grundstücks GmbH	Germany	93.90	93.90
NUNI Grundstücks GmbH	Germany	93.90	93.90
Osher Grundstücks GmbH	Germany	94.00	94.00
Papun Grundstücks GmbH	Germany	93.90	93.90
Parpar Grundstücks GmbH	Germany	100.00	100.00
Pola Grundstücks GmbH	Germany	93.90	93.90
Reshet Grundstücks GmbH	Germany	93.90	93.90
Rimon Holding GmbH	Germany	100.00	100.00
Sababa 18 Grundstücks GmbH	Germany	93.90	93.90
Sababa 19 Grundstücks GmbH	Germany	93.90	93.90
Sababa 20 Grundstücks GmbH	Germany	93.90	93.90

Company's name	Registered country	Ownership 2021 %	Ownership 2020 %
Sababa 21 Grundstücks GmbH	Germany	93.90	93.90
Sababa 22 Grundstücks GmbH	Germany	93.90	93.90
Sababa 23 Grundstücks GmbH	Germany	93.90	93.90
Sababa 24 Grundstücks GmbH	Germany	93.90	93.90
Sababa 25 Grundstücks GmbH	Germany	93.90	93.90
Sababa 26 Grundstücks GmbH	Germany	93.90	93.90
Sababa 27 Grundstücks GmbH	Germany	93.90	93.90
Sababa 28 Grundstücks GmbH	Germany	93.90	93.90
Sababa 29 Grundstücks GmbH	Germany	93.90	93.90
Sababa 30 Grundstücks GmbH	Germany	93.90	93.90
Sababa 31 Grundstücks GmbH	Germany	93.90	93.90
Sababa 32 Grundstücks GmbH	Germany	93.90	93.90
Seret Grundstücks GmbH	Germany	99.90	99.90
Sharav Grundstücks GmbH	Germany	99.90	99.90
Sheket Grundstücks GmbH	Germany	99.90	99.90
Silan Grundstücks GmbH	Germany	99.90	99.90
Sipur Grundstücks GmbH	Germany	99.90	99.90
Songbird 1 ApS	Denmark	60.00	60.00
Songbird 2 ApS	Denmark	60.00	60.00
Stav Grundstücks GmbH	Germany	93.90	93.90
Tamuril Grundstücks GmbH	Germany	93.90	93.90
Tara Grundstücks GmbH	Germany	93.90	93.90
Tehila 1 Grundstücks GmbH	Germany	93.90	93.90
Tehila 2 Grundstücks GmbH	Germany	93.90	93.90
Tehila Grundstücks GmbH	Germany	93.90	93.90
Trusk Grundstücks GmbH	Germany	93.90	93.90
TUSSIK Grundstücks GmbH	Germany	93.90	93.90
Wernerwerkdamm 25 Berlin Grundstücks GmbH	Germany	93.90	93.90
Yabeshet Grundstücks GmbH	Germany	99.90	99.90
Yadit Grundstücks GmbH	Germany	99.90	99.90
Yahel Grundstücks GmbH	Germany	93.90	93.90
Yarok Grundstücks GmbH	Germany	93.90	93.90
Yussifun Grundstücks GmbH	Germany	93.90	93.90
Zamir Grundstücks GmbH	Germany	99.90	99.90
Zman Grundstücks GmbH	Germany	93.90	93.90

During the year 2021 the Company acquired further shares in ADLER Real Estate AG and Consus Real Estate AG.

These affiliated undertakings form part of the Company's consolidated financial statements prepared under IFRS as adopted by the European Union.

4.2 Loans to affiliated undertakings

The movements are as follows:

In EUR	31 Dec 2021	31 Dec 2020
Gross book value - opening balance	115,894,274	-
Additions for the year	1,534,309,657	1,113,062,468
(Repayments during the year)	(18,712,806)	(997,168,194)
Transfers during the year	50,000,000	-
Gross book value - closing balance	**1,681,491,125**	**115,894,274**
(Accumulated value adjustments - opening balance)	-	-
(Additions for the year)(*)	(682,371,297)	-
Reversals for the year	-	-
Transfers during the year	-	-
(Accumulated value adjustments - closing balance)	**(682,371,297)**	**-**
Net book value - closing balance	**999,119,828**	**115,894,274**
Net book value - opening balance	**115,894,274**	**-**

(*) As at 31 December 2021, the Board of Directors decided about a full impairment in the value of the loan amount to Consus. As at 31 December 2020 the Board of Directors deemed that no permanent impairment in value has occurred in the value of the loans to affiliated undertakings.

During the year 2021, the Company entered into loan agreements with ADO Lux Finance S.á r.l. (interest: 5.8% p.a., maturity date: 31 March 2023) and Consus Swiss Finance AG (interest: 4.32-6.00% p.a, maturity date: variable, latest at 31 December 2023.) As at 31 December 2021, the balance of the loans amounted to EUR 999,119,828 with ADO Lux Finance S.á r.l. The loan to Consus Swiss Finance AG was fully impaired. The EUR 18,712,806 loan to ADLER Real Estate AG from 2020 was repaid during 2021. The increase of the loan with Consus Swiss Finance AG includes the reclassification of a EUR 50,000,000 advance into loan.

The interest income from loans to affiliated undertakings amounted to EUR 61,193,376 (2020: EUR 10,439,795).

4.3 Investments held as fixed assets

The movements are as follows:

In EUR	31 Dec 2021	31 Dec 2020
Gross book value - opening balance	12,940,772	254,319,356
Additions for the year	19,806,613	53,120,641
(Disposals for the year)	(12,940,772)	-
Transfers during the year	-	(294,499,225)
Gross book value - closing balance	**19,806,613**	**12,940,772**
(Accumulated value adjustments - opening balance)	-	(68,160,930)
(Additions for the year)	(4,999,613)	-
Reversals for the year	-	-
Transfers during the year	-	68,160,930
(Accumulated value adjustments - closing balance)	**(4,999,613)**	**-**
Net book value - closing balance	**14,807,000**	**12,940,772**
Net book value - opening balance	**17,940,385**	**186,158,426**

Investments held as fixed assets relate to the bond from Aggregate Holdings S.A, a subsidiary of Aggregate Holdings Invest S.A (a shareholder of the Company) in an amount of EUR 14,807,000. During the financial year the Company partially disposed of the bonds of Aggregate with a loss of EUR 5,651,000. As at 31 December 2021 the Company deemed that an impairment has occurred in the value of the bond from Aggregate based on the decreasing market rate. The value adjustment amounts to EUR 4,999,613. The Company realised EUR 664,163 interest income from the Aggregate Bond.

During the year 2021 all shares in Westgrund AG were sold. The Company realised a EUR 1,496,521 gain from the transaction.

4.4 Other loans

The movements are as follows:

In EUR	31 Dec 2021	31 Dec 2020
Gross book value - opening balance	43,542,242	-
Additions for the year	3,769,763	43,542,242
(Disposals for the year)	-	-
Transfers during the year	-	-
Gross book value - closing balance	**47,312,005**	**43,542,242**
(Accumulated value adjustments - opening balance)	-	-
(Additions for the year)	-	-
Reversals for the year	-	-
Transfers during the year	-	-
(Accumulated value adjustments - closing balance)	**-**	**-**
Net book value - closing balance	**47,312,005**	**43,542,242**
Net book value - opening balance	**43,542,242**	**-**

On 6 February 2020, the Company entered into a loan agreement with Taurecon Invest IX GmbH (Taurecon). In March 2021 the loan amount was increased to EUR 46,294,355 and the interest rate adjusted from 3.00% to 3.50% retrospectively. According to the agreement, Taurecon has a repayment in kind option: they can decide to repay the loan by giving back the minority shares of group companies which were bought from the loan amount.

The total interest income from other loans for 2021 amounted to EUR 1,827,082 (2020: EUR 1,177,430).

Note 5 - Debtors

5.1 Trade debtors

In EUR	31 Dec 2021	31 Dec 2020
Becoming due and payable within one year		
Suppliers with a debit balance	508,077	-
Total	**508,077**	**-**

5.2 Amounts owed by affiliated undertakings

In EUR	31 Dec 2021	31 Dec 2020
Becoming due and payable within one year		
Management fees due to affiliated companies	7,355,273	3,236,506
Other related parties	67,183,929	93,377,950
Total	**74,539,202**	**96,614,456**

Other related parties are principally composed of an accrued interest receivable of EUR 33,641,541 from the loan given to ADO Lux Finance S.á r.l. and a short-term loan of EUR 31,380,739 (2020: EUR 40,000,844) owed by Adler Treasury GmbH. The EUR 50,000,000 advance given to Consus Projekt Development GmbH in 2020 was reclassified to loan in 2021. The EUR 20,062,155 interest receivable from the loan given to Consus Swiss Finance AG in 2020 and 2021 was fully impaired.

The interest income on the loan given to Adler Treasury GmbH amounted to EUR 1,184,832 (2020: EUR 461,704).

5.3 Other debtors

In EUR	31 Dec 2021	31 Dec 2020
Becoming due and payable within one year		
VAT receivable	3,729,651	5,539,439
Advance tax payments	104,309	99,494
Advance foreign tax payments	291,932	-
Other receivables	20,009,227	12,168,955
Total	**24,135,120**	**17,807,888**

Other receivables are principally composed of a total amount of EUR 10,991,525 owed by minority shareholder of affiliated undertakings and EUR 9,017,702 accrued interest receivable from bonds and loans given, from which EUR 5,772,096 is a receivable from Consus RE GmbH, a subsidiary of Consus Real Estate AG and EUR 216,459 is a receivable from Aggregate Holdings S.A, a subsidiary of Aggregate Holdings Invest S.A (a shareholder of the Company).

Note 6 - Other investments

Other investments are composed of investments in bonds. An amount of EUR 33,500,000 relates to a bond of Consus RE GmbH, a subsidiary of Consus Real Estate AG. The remaining EUR 64,900,000 are liquid structured products that the Company invested in to avoid negative interest, these products were sold in January 2022.

In 2021 the interest income from other investments in bonds amounted to EUR 7,067,623 (2020: EUR 0).

Note 7 - Prepayments

Prepayments are mainly composed of an amount of EUR 33,522,923 (2020: EUR 10,159,495) concerning the net value of the discount on the corporate bonds (please refer to the Note 10.1).

Note 8 - Capital

8.1 Subscribed capital

Subscribed capital amounts to EUR 145,713 and is divided into 117,510,233 dematerialised shares without a nominal value, all of said shares being fully paid-up.

The authorised unissued capital of the Company is set at EUR 1,000,000 without nominal value.

The movements are as follows:

In EUR	2021	2020
Subscribed capital - opening balance	145,713	54,801
Subscriptions for the period	-	90,912
Subscribed capital - closing balance	**145,713**	**145,713**

8.2 Share premium

The movements are as follows:

In EUR	2021	2020
Share premium and similar premiums - opening balance	2,296,961,077	844,345,307
Movements for the year	(54,054,707)	1,452,615,770
Share premium and similar premiums - closing balance	**2,242,906,370**	**2,296,961,077**

During the year 2021 EUR 54,054,707 dividend was distributed from the share premium. The dividend was paid in cash in July 2021.

8.3 Legal reserve

The Company is required to allocate a minimum of 5% of its annual net income to a legal reserve after deduction of any losses brought forward, until this reserve equals 10% of the subscribed share capital. This reserve is non-distributable during the life of the Company. The appropriation to legal reserve is effected after approval at the General Meeting of shareholders.

8.4 Movements during the year on the reserves and profit and loss items

The movements during the year 2021 are as follows:

In EUR	Legal reserve	Other reserves	Profit or loss brought forward	Profit or loss for the financial year
At the beginning of the year	**5,480**	**437,488**	**424,770,100**	**9,272,390**
Movements for the year				
Allocation of prior year's result	-	-	9,263,299	(9,272,390)
Allocation to legal reserve	9,091	-	-	-
Allocation to the share capital	-	-	-	-
Dividend distribution	-	-	-	-
Result of the year	-	-	-	(1,835,906,579)
At the end of the year	**14,571**	**437,488**	**434,033,399**	**(1,835,906,579)**

Note 9 - Provisions

9.1 Other provisions

Other provisions are presented as follows:

In EUR	31 Dec 2021	31 Dec 2020
Provision for KPMG audit services	476,700	181,800
Provision for KPMG tax services	15,225	162,875
Provision for KPMG other services	950,606	727,500
Provision for transaction costs	-	5,541
Provision for costs relating to the capital increase	-	34,249
Provision for costs relating to the bond issuance	15,433	787,514
Total	**1,457,964**	**1,899,480**

Note 10 - Creditors

Amounts due and payable for the accounts shown under creditors are as follows:

In EUR	Within one year	After one year and within five years	After more than five years	2021 Total	2020 Total
10.1 Non-convertible debenture loans - principal	-	1,900,000,000	1,300,000,000	3,200,000,000	1,200,000,000
Non-convertible debenture loans - accrued interest	46,890,070	-	-	46,890,070	9,315,070
10.1 Convertible debenture loans - principal	-	165,000,000	-	165,000,000	165,000,000
Convertible debenture loans - accrued interest	354,885	-	-	354,885	354,885
10.2 Amounts owed to credit institutions	2,000,000	-	96,500,000	98,500,000	426,240,710
Trade creditors	3,631,115	-	-	3,631,115	4,678,484
10.3 Amounts owed to affiliated undertakings(*)	273,374,313	-	-	273,374,313	109,552,231
10.4 Tax and social security debts	3,409,625	-	-	3,409,625	5,685,548
10.5 Other creditors(*)	1,442,751	-	-	1,442,751	1,036,105
Total	**331,102,759**	**2,065,000,000**	**1,396,500,000**	**3,792,602,759**	**1,921,863,033**

(*) For the financial year ended 31 December 2020, EUR 656,070 was reclassified to items “Amounts owed to affiliated undertakings” from “Other creditors” accounts to ensure comparability with the figures for the financial year ended 31 December 2021.

10.1 Debenture loans

On 20 July 2017, the Company placed unsecured, fixed-rate corporate bonds with a total nominal amount of EUR 400 million with institutional investors. The bonds carry an interest rate of 1.5% per annum and mature on 26 July 2024. The gross proceeds resulting from the transaction amounted to EUR 398.6 million with an issue price of 99.651%. The discount is shown in the assets of the balance sheet under “Prepayments” (please refer to the Note 7) and will be written off based on a straight-line method over the lifetime of the bond. The net proceeds of the bond have mainly been used to fund future acquisitions.

On 16 November 2018, the Company placed senior, unsecured convertible bonds in a total nominal amount of EUR 165 million, convertible into new and/or existing ordinary registered shares of the Company at the maturity date. The coupon has been set at 1.25% p.a., payable semi-annually in arrears. Due to the downgrade of the Company the interest increased to 2.00% p.a. starting from 23 November 2020. The bonds will mature on 23 November 2023. The Company used the net proceeds to repay existing short-term debt, extend the Company’s debt maturity profile as well as to strengthen the Company’s liquidity position.

On 5 August 2020, the Company placed unsecured, fixed-rate corporate bonds with a total nominal amount of EUR 400 million with institutional investors. The bonds carry an interest rate of 3.25% per annum and mature on 5 August 2025. The gross proceeds resulting from the transaction amounted to EUR 395.484 million with an issue price of 98.871%. The discount is shown in the assets of the balance sheet under “Prepayments” (please refer to the Note 7) and will be written off based on a straight-line method over the lifetime of the bond. The net proceeds of the bond have mainly been used to refinance existing liabilities.

On 13 November 2020, the Company placed unsecured, fixed-rate corporate bonds with a total nominal amount of EUR 400 million with institutional investors. The bonds carry an interest rate of 2.75% per annum and mature on 13 November 2026. The gross proceeds resulting from the transaction amounted to EUR 394.584 million with an issue price of 98.646%. The discount is shown in the assets of the balance sheet under “Prepayments” (please refer to the Note 7) and will be written off based on a straight-line method over the lifetime of the bond. The net proceeds of the bond have mainly been used to refinance existing liabilities.

On 8 January 2021, the Company successfully placed EUR 1.5 billion fixed rate senior unsecured notes comprising of two tranches, a EUR 700 million 5-year maturity with a 1.875 percent fixed coupon and a EUR 800 million 8-year maturity with a 2.25 percent fixed coupon. The gross proceeds resulting from the transaction amounted to EUR 691.782 million with an issue price of 98.826% and EUR 785.656 million with an issue price of 98.207%. The discount is shown in the assets of the balance sheet under “Prepayments” (please refer to the Note 7) and will be written off based on a straight-line method over the lifetime of the bond. The net proceeds of the bond have mainly been used to refinance existing liabilities.

On 21 April 2021, Adler Group S.A. successfully placed EUR 500 million fixed rate senior unsecured notes with a 6-year maturity and a 2.25 percent fixed coupon under its newly established EMTN programme. The notes were placed with institutional investors across Europe with a total order book of EUR 1.1 billion. The gross proceeds resulting from the transaction amounted to EUR 493.115 million with an issue price of 98.623%. The discount is shown in the assets of the balance sheet under "Prepayments" (please refer to the Note 7) and will be written off based on a straight-line method over the lifetime of the bond. The net proceeds of the bond have mainly been used to refinance existing liabilities.

The Company undertakes not to incur any financial indebtedness after the issue date of the bonds, and will also procure that its subsidiaries will not incur any financial indebtedness after the issue date of the bonds (except for refinancing existing financial indebtedness), if immediately after giving effect to the incurrence of such additional financial indebtedness (taking into account the application of the net proceeds of such incurrence), the following tests would not be met: (i) loan-to-value ratio (LTV) ≤ 60%; (ii) secured loan-to-value ratio ≤ 45%; (iii) unencumbered asset ratio ≥ 125%; and (iv) interest coverage ratio (ICR) ≥ 1.8.

During 2021 the Company had a total amount of EUR 70,876,311 interest expense (2020: EUR 14,911,401) and a total amount of EUR 6,083,572 (2020: EUR 684,245) expense from the amortisation of bonds issuance premium on the debenture loans.

As at 31 December 2021, the Company is fully compliant with all financial covenant requirements.

10.2 Amounts owed to credit institutions

On 9 March 2018, the Company signed a EUR 200 million revolving credit facility agreement with a two-year term and two extension options, each for one year. The relating upfront fees were recognised under formation expenses in the balance sheet and were amortised over three years. As at 31 December 2020, the balance amounted to EUR 50 million that was repaid in January 2021. In March 2021 the facility was terminated.

On 15 December 2019, the Company signed a EUR 885.470 million bridge facility agreement with a one year and three months term and four extension options, each for six months. The relating upfront fees were recognised under formation expenses in the balance sheet and were amortised over 13 months. As at 31 December 2020, the balance amounted to EUR 370.787 million that was fully repaid in January 2021. At the same time the facility was terminated.

On 30 September 2020 the Company signed two EUR 50 million revolving credit facility agreements with a two-year term and two extension options, each for one year. The relating upfront fees were recognised under formation expenses in the balance sheet and were amortised over 6 months. No amount has been withdrawn. Both facilities were terminated in March 2021.

On 15 December 2020, the Company signed a EUR 5 million “Schuldschein” agreement ending on 31 January 2021. As at 31 December 2020, the balance amounted to EUR 5 million that was repaid on the maturity date.

On 15 March 2021, the Company signed a EUR 300 million syndicated revolving credit facility with JP Morgan, Deutsche Bank and Barclays as lenders for a 3-year term with two extension options, each for one year. At the same time the three bilateral RCFs with the same lenders were terminated. In the second half year of 2021, the Company drew down an amount of EUR 300 million. The amount was fully repaid on 30 December 2021. The facility was terminated in April 2022.

In March and April 2021, the Company raised a secured banking loan of EUR 100 million in total. The loan has an interest rate of 1.25 percent p.a. and a maturity term to 2028.

In 2021 the Company had a total amount of EUR 2,899,332 (2020: EUR 11,347,790) interest expense on loans owed to credit institutions.

10.3 Amounts owed to affiliated undertakings

In EUR	31 Dec 2021	31 Dec 2020
ADLER Real Estate AG	265,220,905	-
Other related parties(*)	8,153,408	109,552,231
Total	**273,374,313**	**109,552,231**

(*) For the financial year ended 31 December 2020, EUR 656,070 was reclassified to items “Amounts owed to affiliated undertakings” from “Other creditors” accounts to ensure comparability with the figures for the financial year ended 31 December 2021.

The loan received from ADLER Real Estate AG bears an interest of 2.84 per cent p.a. and has a maturity date of 29 December 2022. Other related parties are principally composed of a total amount of EUR 4,968,644 owed to Ziporim Investment GmbH. The EUR 106,694,917 loan received from ADO Lux Finance S.á r.l. in 2020 was repaid during 2021.

10.4 Tax and social security debts

In EUR	31 Dec 2021	31 Dec 2020
Becoming due and payable within one year		
Social security debts	6,647	427
VAT payable	3,399,743	5,690,127
Tax on salaries	6,717	(18,619)
Tax on director fees	(3,522)	13,613
Other tax debts	40	-
Total	**3,409,625**	**5,685,548**

10.5 Other creditors

In EUR	31 Dec 2021	31 Dec 2020
Becoming due and payable within one year		
Amount payable to staff	1,442,751	1,036,105
Other creditors(*)	-	-
Total	**1,442,751**	**1,036,105**

(*) For the financial year ended 31 December 2020, EUR 656,070 was reclassified to items “Amounts owed to affiliated undertakings” from “Other creditors” accounts to ensure comparability with the figures for the financial year ended 31 December 2021.

Note 11 - Net turnover

The Company's net turnover is mainly composed of management fee services in an amount of EUR 7,152,335 (2020: EUR 3,784,922) and recharged fees in an amount of EUR 1,312,006 (2020: EUR 90,590). The total amount of the net turnover is coming from related parties.

Note 12 - Other external expenses

Other external expenses are presented as follows:

In EUR	2021	2020
Consulting services - external	12,083,053	19,992,569
Accounting and audit fees	2,444,118	2,242,564
Legal fees	1,309,748	1,651,486
Capital market fees	254,833	578,416
Travel and entertainment costs - staff	25,074	71,638
Consulting services - ADO Group Ltd	-	6,188
Management fees - Adler Properties GmbH	957,888	1,198,001
Management fees - ADLER subgroup	982,244	-
Management fees - Consus subgroup	73,464	-
Transactions costs	-	(7,200,000)
Fees related to domination agreement	-	351,945
Data processing	57,882	112,728
Real estate rental building and services	19,563	19,243
Other fees	1,428,518	1,018,875
Total	**19,636,384**	**20,043,651**

The main driver of the decrease of the other external expenses is the consulting services - external. In 2020 the Company had a lot of one-off expenses in relation to the purchase of the ADLER and Consus subgroups. However, in 2021 the Company continued to have significant one-off expenses due to the merger of the three subgroups.

Note 13 - Auditor's remuneration

Fees billed to the Company by KPMG Luxembourg, Société anonyme, and other member firms of the KPMG network during the year are as follows (excluding VAT):

In EUR	2021	2020
Audit fees	1,135,762	1,697,114
Thereof: KPMG Luxembourg, Société anonyme	868,262	890,944
Tax fees	39,574	224,869
Thereof: KPMG Luxembourg, Société anonyme	-	16,275
Other fees (*)	1,209,754	2,648,687
Thereof: KPMG Luxembourg, Société anonyme	169,148	857,087

(*) Including fees in relation to share and bond issuance. In 2021 including fees incurred on the audit by KPMG Forensic.

Note 14 - Staff

As at 31 December 2021, the Company has three full-time employees (2020: two) and one part-time (at 3/10) employee (since October 2017) with an annual average of three employees (2020: two) during the financial year.

Note 15 - Emoluments granted to the members of the management and supervisory bodies

The emoluments granted by the Company to the members of the supervisory bodies in that capacity for the financial year are broken down as follows:

In EUR	2021	2020
Directors fee granted to the members of the Board of Directors	1,184,499	956,545
Total	**1,184,499**	**956,545**

The emoluments granted by the Company to the members of the Senior Management (Co-CEOs, CLO) are broken down as follows:

In EUR	2021	2020
Fixed salary	660,000	616,444
Short-term cash incentive	852,846	627,158
Other benefits	72,764	66,494
Consulting fees	42,000	14,000
Total	**1,627,610**	**1,324,096**

There are no commitments arising or entered into in respect of retirement pensions for former members of the management or supervisory bodies in that capacity of the company.

There are no advances and loans to members of the management or supervisory body or commitment entered into on their behalf by way of guarantees of any kind.

Note 16 - Related party transactions

Other than those disclosed elsewhere in the annual accounts, the Company did not enter into any other material related party transactions with its related parties during the year.

Note 17 - Off balance sheet commitments

Based on the agreements signed by the Company in respect of the revolving credit facilities (please refer to Note 3) and the issuance of the corporate bonds and the convertible bond (please refer to Note 10.1) the Company is bound by a negative pledge clause.

The Company issued “Letters of Comfort” to some of the German subsidiaries in order to avoid illiquidity or over indebtedness of these companies.

Note 18 - Material events in the Reporting Period and Subsequent events

A. On 30 January 2020, the World Health Organisation (WHO) declared an international health emergency due to the outbreak of the coronavirus. Since 11 March 2020, the WHO has classified the spread of the coronavirus as a pandemic. Adler Group is continuously assessing the impact of Covid-19. The valuation of the financial assets and financial liabilities as at 31 December 2021 as disclosed in these annual accounts reflects the economic conditions in existence at that date. The Company does not expect the crisis to have any material impact on the rental income. In Germany, rents are still continuing to rise and the demand for living space is increasing as well. This leads to a very low risk of losing tenants and a high occupancy rate due to a change in the general condition on the residential markets.

B. On 8 January 2021, the Company successfully placed EUR 1.5 billion fixed rate senior unsecured notes comprising of two tranches, a EUR 700 million 5-year maturity with a 1.875 percent fixed coupon and a EUR 800 million 8-year maturity with a 2.25 percent fixed coupon. The proceeds of the issue of the notes were used to repay existing indebtedness, to further smoothen and extend Adler Group's debt maturity profile and as a next step to achieve the targeted financial synergies.

C. In January 2021, the outstanding amount under the bridge loan facility agreement (outstanding volume as at 31 December 2020: EUR 371 million) was repaid. At the same time the bridge loan facility agreement was terminated.

D. Upon entry into the commercial register on 23 February 2021, the debt-to-equity swap agreement concluded in 2020 became legally effective. As a result, the Company's share in ADLER Real Estate Aktiengesellschaft increased from approximately 93.9 percent to 96.6 percent. In the course of this transaction, Adler Group S.A. acquired 35,107,487 additional ADLER shares against contribution in kind of EUR 478 million.

E. On 15 March 2021, the Company signed a EUR 300 million syndicated revolving credit facility with JP Morgan, Deutsche Bank and Barclays as lenders for a 3-year term with two extension options, each for one year. At the same time the three bilateral RCFs with the same lenders were terminated. In the second half year of 2021, the Company drew down an amount of EUR 300 million as a further liquidity cushion and to enhance the Company's flexibility. The amount was fully repaid on 30 December 2021. The facility was terminated in April 2022.

F. In March and April 2021, the Company raised a secured banking loan of EUR 100 million in total. The loan has an interest rate of 1.25 percent p.a. and a maturity term to 2028.

G. On 15 April 2021, the Federal Constitutional Court in Karlsruhe ruled that Berlin's rent freeze is unconstitutional, thus declaring the highly controversial Act on Rent Restrictions in the Housing Sector in Berlin (MietenWoG Bln) incompatible with Basic Law and therefore null and void. In the opinion of the Second Senate of the Federal Constitutional Court, the state of Berlin had no right to limit rent levels by means of a so-called "rent freeze" in the German capital due to a lack of legislative competence, as the federal legislation had exhaustively regulated rent law in the German Civil Code (BGB). The Adler Group has offered its tenants individual solutions for repayments.

H. On 21 April 2021, Adler Group S.A. successfully placed EUR 500 million fixed rate senior unsecured notes with a 6-year maturity and a 2.25 percent fixed coupon under its newly established EMTN programme. The notes were placed with institutional investors across Europe with a total order book of EUR 1.1 billion. The proceeds of the issue of the notes were used to repay existing indebtedness, to further smoothen and extend Adler Group's debt maturity profile and as a next step to achieve the targeted financial synergies.

I. In the second quarter of 2021, the Company increased its shareholding in Consus from 90.9 percent to 93.9 percent.

J. On 25 June 2021, Adler Group established a commercial paper programme which allows the Company to issue short-term notes up to a maximum aggregate amount of EUR 500 million for interim financings of general corporate purposes. As per the balance sheet date, no amount was borrowed under the commercial paper programme.

K. At the Annual General Meeting of shareholders held on 29 June 2021, a dividend in an amount of EUR 0.46 per share (gross dividend in an aggregate amount of EUR 54.1 million) was declared. The dividend was paid in July 2021.

L. On 11 August 2021, the international rating agency Standard and Poor's (S&P) published a full analysis report on Adler Group's "BB/stable" rating.

M. On 16 August 2021, Sustainalytics assigned a new ESG rating to Adler Group of 10.7, ranking it as the 46th best real estate company in Sustainalytics' global coverage of 1,001 real estate companies, positioning in the top 5% of the real estate coverage. Adler Group has also become a member of the UN Global Compact and the German Association of Sustainable Building (DGNB), committing to build carbon-neutral buildings for a better future.

N. On 4 October 2021, Adler Group decided to initiate a review of strategic options after being approached multiple times by interested institutional parties relating to its yielding assets portfolio which could result in a sale of a material part of its yielding assets, following strong inbound demand and recent upward market valuations. Proceeds from such disposals aim to significantly reduce leverage and also to return capital to bond and equity holders.

O. On 6 October 2021 Adler Group has appointed KPMG's specialised forensic accounting division to review - amongst others - certain historical transactions because of the allegations of the Viceroy report.

P. On 11 October 2021, the international rating agency Standard and Poor's (S&P) has downgraded Adler Group's rating to "B+/watch negative" from BB/stable. The notes are rated BB- with S&P.

Q. Dr. Michael Bütter tendered his resignation from the Board of Directors of Adler Group S.A. with effect from the end of 31 January 2022. The resignation is driven by the recent decision of the Supervisory Board of Union Investment Real Estate GmbH to assign Dr. Bütter additional areas of responsibility within the regulated real estate division of Union Investment with the approval of the German Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht, BaFin).

R. On 11 February 2022, the international rating agency Standard and Poor's (S&P) lowered the long-term issuer credit rating on Adler to "B-" from "B+" and lowered the issue ratings on its senior unsecured debt to "B" from "BB-". The ratings were placed on CreditWatch negative.

S. On 16 February 2022, the members of the Board of Directors of Adler Group appointed Prof. Dr. A. Stefan Kirsten as new member of the Board of Directors and elected him as Chairman of the Board of Directors with immediate effect. The previous Chairman of the Board of Directors, Dr. Peter Maser, was elected as Deputy Chairman.

T. Following the invasion of Ukraine by the Russian Federation on 24 February 2022, the German government and the European Union decided on a set of comprehensive economic sanctions against the Russian Federation Whether and to what extent further sanctions will be adopted or whether the conflict may intensify further cannot be assessed at the moment. All estimates and disclosures regarding the impact of the Ukraine conflict are reflecting the information available as of the report publication date and may be subject to subsequent changes. In the area of its residential business, the exposure of Adler Group to risks caused by rising energy prices levels is currently not deemed to be material as those price increases are deemed to be rechargeable. Furthermore the German government already announced measures to protect its citizens from the economic impact of rising energy price levels which may leverage the potential risk of a deterioration of the tenants' ability to pay for rents and ancillary cost. The Company is not aware of any business relations with companies or financial institutions directly affected by sanctions against the Russian Federation. In the short term, market fluctuations and sanctions against investors from the Russian Federation make refinancing more difficult. As a company with a weaker credit rating, the Company might be affected. However, (re-)financing is not planned in the short to medium term.

U. On 21 April 2022, Adler Group announced that KPMG Forensic had provided the Company with the final report of its comprehensive review of the allegations of Viceroy Research LLC. This report was published on the website of the Company on 22 April 2022. KPMG Forensic did not find evidence that there were systematic fraudulent and looting transactions with allegedly related parties. However, KPMG Forensic identified deficiencies in the documentation and the process handling of those transactions. Prof. Dr. Kirsten, Chairman of the Board of Directors of Adler Group, announced a programme to address the identified weaknesses in structure and process on 22 April 2022. First results of this programme are to be published prior to the Annual General Meeting of the Company on 29 June 2022.

When preparing these annual accounts, the Board of Directors considered that these events and their related impact are non-adjusting events (with the exception of going concern).

The valuation of the assets and liabilities as at 31 December 2021 as disclosed in these annual accounts reflects the economic conditions in existence at that date.

Financial Calendar 2022

Adler Group S.A. publication dates 2022

31 May 2022	Publication Q1 2022 Results
31 August 2022	Publication Q2 2022 Results
30 November 2022	Publication Q3 2022 Results

Online Financial Calendar

www.adler-group.com

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