ADLER GROUP

Q2

QUARTERLY FINANCIAL STATEMENTS 2023

Key Figures Q2

Profit and loss statement

In EUR thousand	For the six months ended 30 June 2023	30 June 2022	For the three months ended 30 June 2023	30 June 2022	For the year ended 31 Dec 2022
Income from rental activities	157,708	195,429	77,999	87,678	369,354
EBITDA from rental activities	60,187	85,879	27,429	37,243	148,235
EBITDA from rental activities margin	55.9%	65.7%	50.5%	62.3%	60.6%
EBITDA Total	3,604	51,739	(33,109)	8,530	95,080
FFO 1 (from rental activities)	8,198	49,907	(7,560)	20,158	86,779
FFO 2 (incl. disposal results and development activities)	(110,968)	(5,117)	(111,222)	(19,964)	(15,806)

Further KPIs

Residential(*)	30 June 2023	31 Dec 2022
Monthly in-place rent (EUR per m^2)	7.69	7.58
Total vacancy rate	1.4%	1.3%
Number of units	25,784	26,202
Like-for-like rental growth	3.1%	1.5%

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

Balance sheet

In EUR thousand except per share data	30 June 2023(*)	31 Dec 2022(*)
EPRA LTV	87.7%	74.5%
EPRA NRV	1,430,514	2,540,793
EPRA NRV per share (EUR)	9.43	21.62
EPRA NTA	1,328,229	2,440,111
EPRA NTA per share (EUR)	8.76	20.77

(*) Adjusted for BCP IFRS 5 illustration which has been disregarded; the corresponding line items have been reversed into respective balance sheet positions.

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About the Group

The Adler Group S.A. (the Company) is a Luxembourg-based real estate holding company with more than 500 subsidiaries (Adler Group) mainly operating in Germany. It specialises in the management and development of income-producing, multi-family residential real estate.

Adler Group owns and manages approximately 25,800 residential rental units, largely concentrated in Berlin (around 72% of properties) and North-Rhine Westphalia (around 26% of properties). Most of the properties fall into the market segment of affordable housing.

Besides the residential rental portfolio, Adler Group owns a portfolio of development projects located in some of the largest cities of Germany. Adler Group does not intend to hold them but rather to generate cash flow and earnings through either forward sales or upfront sales.

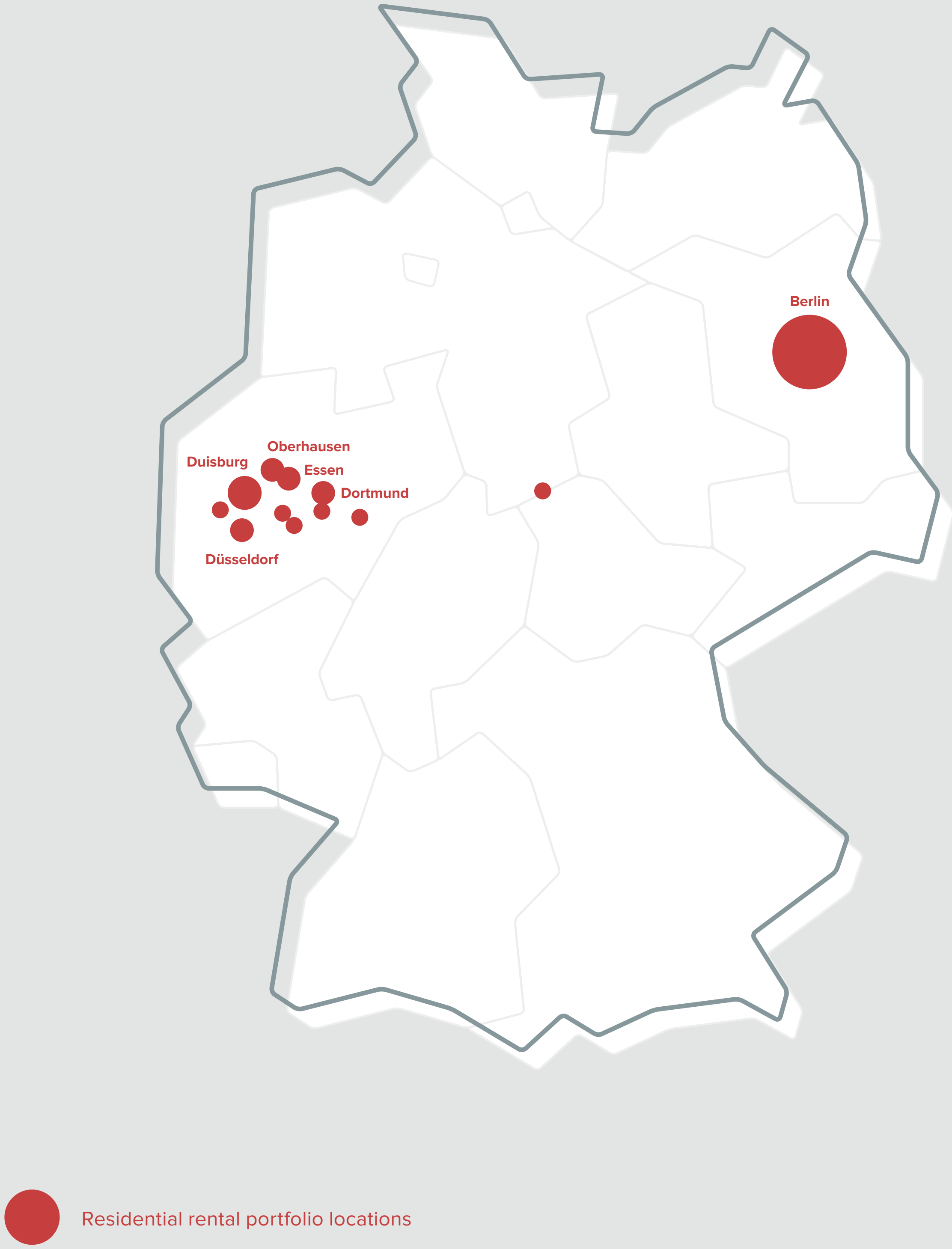
As of 30 June 2023, Adler Group had 662 employees based in Luxembourg and in several locations across Germany.

RESIDENTIAL RENTAL PORTFOLIO

25,784

units

Rental portfolio as at 30 June 2023(*)



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

Adler Group Share

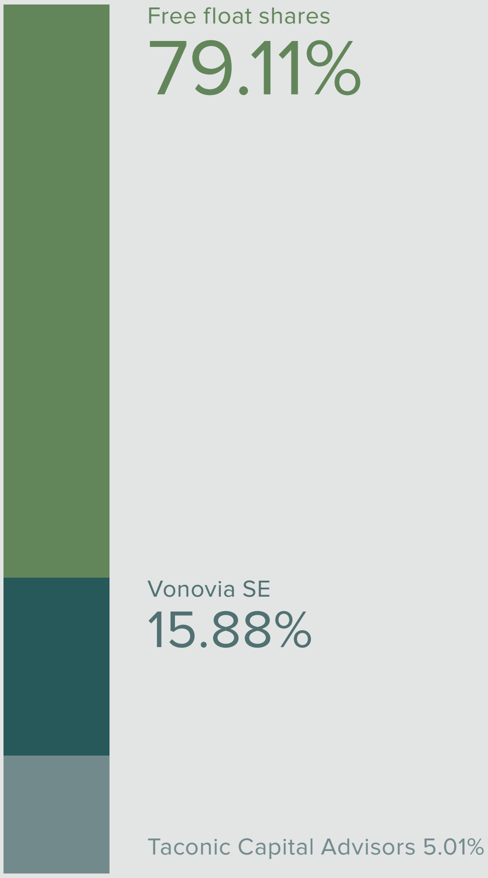
The share

Share information (as at 30 June 2023)

1st day of trading	23 July 2015
Subscription price	EUR 20.00
Price at the end of H1 2023	EUR 0.536
Highest share price LTM	EUR 4.058
Lowest share price LTM	EUR 0.405
Total number of shares	151.6 million
ISIN	LU1250154413
WKN	A14U78
Symbol	ADJ
Class	Dematerialised shares
Free float	79.11%
Stock exchange	Frankfurt Stock Exchange
Market segment	Prime Standard
EPRA indices	FTSE EPRA / NAREIT Global Index, FTSE EPRA / NAREIT Developed Europe Index, FTSE EPRA / NAREIT Germany Index

Shareholder structure

(as at 30 June 2023)



Key stock market data

Adler Group shares are traded on the Prime Standard of the Frankfurt Stock Exchange. During the 12 months ended 30 June 2023, the shares traded between EUR 0.405 and EUR 4.058. Adler Group shares are included in the relevant real estate sector indices of the EPRA index family.

Shareholder structure

As at 30 June 2023, the total number of outstanding shares of Adler Group amounts to 151.6 million. At that time, the main shareholders with holdings of over 5% were: Vonovia SE (15.88%) and Taconic Capital Advisors (5.01%)[1]. The remaining 79.11% free float shares were mainly held by institutional investors.

Dividend

Following the implementation of the proposed amendments pursuant to the Restructuring Plan, the Company is not permitted to declare or pay any dividends to shareholders for the year 2022 and thereafter.

1) According to the official notifications received from the shareholders.

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Fundamentals of the Group

Business model

Adler Group S.A. is a residential real estate company which – through its more than 500 subsidiaries – holds and manages approximately 25,800 rental units, primarily based in Berlin and North-Rhine-Westphalia. This rental portfolio is valued at EUR 4.8 billion. Besides the rental portfolio, Adler Group owns a portfolio of development projets in some of the larger cities in Germany valued at EUR 1.7 billion. In agreement with the bondholders under the terms of the Restructuring Plan, these development projects shall be sold – some sales processes have already begun, others are to be initiated.

Hence, the Adler Group's business model focuses on asset and portfolio management, property and facility management, aiming at improving operating results by increasing rents and decreasing vacancies in its existing portfolio. The portfolio shall be further optimised depending on opportunities or necessities.

Our 662 operational employees are based in Luxembourg and in several locations across Germany in order to bring Adler Group as close as possible to assets and tenants.

Objectives and strategy

Focus on active management of our portfolio to grow earnings and improve EBITDA margins.

Adler Group focuses on increasing rents through active asset management and targeted investments to modernise, refurbish and re-position properties, while constantly screening and anticipating developments in different sub-markets. In order to realise upside potential, Adler Group pursues regular rent increases up to the market levels within the regulatory and legal limits without CapEx investment. In addition, Adler Group continuously reviews rent potentials and pursues growth beyond the rent tables through targeted CapEx investments to modernise, refurbish and/or re-position properties. Vacancies are

RESIDENTIAL RENTAL PORTFOLIO

25,784
units

OPERATIONAL EMPLOYEES

662
people

kept low through active marketing tailored to the respective micro-location.

As apartments are typically renovated to market standard after a tenant has moved out, Adler Group is in the position to rent vacant apartments to higher quality tenants and thus to continuously improve the tenant structure and average rent.

Optimise the portfolio and recycle capital through selective investments and disposals.

By disposing of non-core assets, Adler Group aims to streamline the rental portfolio and to focus on mid and large-size cities where a critical mass of assets can be managed thereby improving profitability and portfolio KPIs. When selling selected assets, Adler Group aims to sell at or around book value and has supporting documents proving it has been able to do so in the past, thus demonstrating the resilience of the German residential real estate market. Active capital recycling enables Adler Group to reduce leverage and ultimately to improve its capital structure.

Committed to adding value through refurbishment and modernisation.

Investing selected CapEx in refurbishment and modernisation measures in the existing portfolio will elevate the quality of the rental portfolio, improve energy efficiency in line with sustainability targets to reduce greenhouse gas emissions and thus add value overall.

Changes in the Board of Directors

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 necessary or useful actions to fulfil the corporate objectives of the Company, save for actions reserved by law to the General Meeting.

The Company further improved its Corporate Governance by enlarging its Board of Directors as the main governing body with the addition of two independent Board members and one non-independent Board member, also in compliance with its established Restructuring Plan. The annual General Meeting (AGM) on 21 June 2023 approved with an overwhelming majority the appointment of Thomas Echelmeyer as non-independent member of the Board of Directors in addition to his current role as CFO of Adler Group. Dr. Heiner Arnoldi and Stefan Brendgen were appointed as additional independent Board members.

Together with Prof. Dr. A. Stefan Kirsten, Thierry Beaudemoulin (also CEO of Adler Group), Thilo Schmid and Thomas Zinnöcker, Adler Group's Board of Directors now consists of seven individuals, five of whom are independent, all with extensive expertise in corporate governance, real estate, finance, restructuring and capital markets.

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 five committees:

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

The purpose, responsibilities and duties of each committee are described in the Annual Report. The former Investment and Financing Committee has been split into two committees, the Investment Committee and the Financing Committee. The chairmanships and memberships of each Board member are shown in the table below.

As of 30 June 2023 the Board consists of the following members:

Prof. Dr. A. Stefan Kirsten

Chairman of the Board of Directors

Prof. Dr. A. Stefan Kirsten is a German manager who studied business in Germany and the USA. He holds a doctorate degree in economics and teaches at various German universities. From 1986 to 2000 he held positions in auditing and at corporate level with Arthur Andersen, Rheinmetall, WMF and EMI Music. In 2000, he became the group chief financial officer of Metro AG, in 2002, the group CFO at ThyssenKrupp AG. From 2007 to 2010, he was chief financial officer and later chief executive officer of Majid al Futtaim Group in Dubai. In 2011, he joined Deutsche Annington as chief financial officer and helped to refinance the company, go public and grow into Vonovia SE. After stepping down from Vonovia SE in 2018, he concentrated on non-executive directorships, i.e., Jeronimo Martins SGPS SA, Footprint International Inc. or Planted AG. He is also an active investor as well as co-founder and chief financial officer of Monarch, a start-up in security-related consulting.

Dr. Heiner Arnoldi

Dr. Heiner Arnoldi studied at the University of Hamburg and received his doctorate from the University of Frankfurt am Main. He worked for Deutsche Bank AG for almost 14 years, most recently as a director in the global corporate finance division. From 2004 to 2006, he was head of mergers & acquisitions and corporate investments, later a divisional board member at WestLB. From 2007 to 2019, Mr Arnoldi was head of real estate investment banking at Sal. Oppenheim jr. & Cie. AG & Co. KGaA, since 2017 as a member of the management board. From 2019 to 2022, he was a member of the management board of Deutsche Oppenheim Family Offices. Dr. Arnoldi has been a member of the Board of Directors of Adler Group S.A. since June 2023.

Thierry Beaudemoulin

Thierry Beaudemoulin graduated from the Institut d'études politiques de Paris, France in 1993 and obtained a master's degree in real estate and urban planning from the same institution in 1995. From 1996 to 1998, Mr Beaudemoulin was special advisor to the chief executive officer of Batigère. Between 1998 and 2000, he was head of property management at Foncia and held positions as asset manager and managing director France at ING REIM (Europe) between 2000 and 2004. From 2004 to 2006, Mr Beaudemoulin was managing director for the Paris region at Batigère. Between 2006 and October 2019 he was chief executive officer at Covivio Germany and member of the executive board at Covivio.

Stefan Brendgen

Stefan Brendgen studied business administration at Bayreuth University and the University of Cologne. During his career, he held various management positions in the real estate industry, including DTZ Zadelhoff, Tishman Speyer Properties and Allianz Real Estate. From 2015 to 2017, he was a board member at IVG Immobilien AG and, among others, chairman of the supervisory board of Triuva Kapitalverwaltungsgesellschaft mbH. He has been Chairman of the supervisory board of Instone Real Estate Group SE since 2018 and of HAHN-Immobilien-Beteiligungs AG since 2021. Mr Brendgen has been a member of the Board of Directors of Adler Group S.A. since June 2023.

Thomas Echelmeyer

Thomas Echelmeyer studied business administration and earned the degree of a Diplom-Kaufmann at the Westfälische Wilhelms-Universität, Münster. Mr Echelmeyer is a Certified Public Accountant and Tax Advisor. He has over 36 years of professional experience, of which he spent ten years as CFO for GWH Immobilien Holding GmbH. Prior to joining Adler Group as CFO, Mr Echelmeyer worked on several interim CFO assignments in Germany.

Thilo Schmid

Thilo Schmid held several positions in the software industry including at KHK-Software, in Frankfurt and Basel and was chief technology officer at Aparis Software GmbH. After working as a real estate project controller at the Tivona Group, Basel, he joined Wecken & Cie., a Swiss family office, as an investment manager in 2008, where he has been responsible for venture capital and real estate investments. Mr Schmid has been a member of the Board of Directors of Adler Group S.A. since October 2020. Other current directorships include ADLER Real Estate Aktiengesellschaft (Deputy Chairman of the Supervisory Board), DTH S.à r.l. (member of the board of managers), Cynora GmbH (member of the advisory board) and Yeditepe Marina Yatirim Turizm Insaat A.S. (member of the board of directors).

Thomas Zinnöcker

Thomas Zinnöcker studied business administration and earned the degree of a Diplom-Kaufmann at the University of Cologne in 1985. He held various managing positions at Krantz TKT GmbH, Deutsche Telekom Immobilien und Service GmbH, GSW Immobilien AG, Gagfah S.A., Vonovia SE and ista International GmbH. From 2014 to 2020, he was chairman of the board of the Institute for Corporate Governance in the German Real Estate Industry. From 2006 to 2021, Mr Zinnöcker was a member of the board of the ZIA German Property Federation (Immobilienverband ZIA) and since 2013, Mr Zinnöcker has been a member of the board of trustees of Familienstiftung Becker & Kries and chairman of the board as of 2019. Mr Zinnöcker has been a member of the Board of Directors of Adler Group S.A. since October 2020.

Board of Directors	Nomination and Compensation Committee	Investment	Financing	Audit	Ad hoc
Prof. Dr. A. Stefan Kirsten (Chair)	Chair	Member	Member	Member	
Dr. Heiner Arnoldi			Chair	Member	
Stefan Brendgen		Chair		Member	
Thilo Schmid	Member			Chair	
Thomas Zinnöcker	Member	Member	Member		
Thierry Beaudemoulin (non-independent)					Chair
Thomas Echelmeyer (non-independent)					Member

Portfolio Overview

Business performance highlights

As at 30 June 2023, the 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 figures presented in this section show the residential core portfolio and do not comprise any assets classified as held for sale (i.e, assets owned by BCP).

Portfolio overview(*)

Location	Fair value EUR m H1 23	Fair value EUR/m² H1 23	Units	Lettable area m²	NRI(**) EUR m H1 23	Rental yield (in-place rent)	Vacancy H1 23	Vacancy Δ YoY LFL	Avg. rent EUR/m²/ month H1 23	NRI Δ YoY LFL	Rever-sionary potential
Berlin	4,113	3,225	18,479	1,275,323	126.5	3.1%	1.3%	0.0%	8.30	3.2%	24.5%
Other	639	1,375	7,305	464,632	33.0	5.2%	1.8%	(0.4%)	6.02	2.7%	15.0%
Total	**4,752**	**2,731**	**25,784**	**1,739,955**	**159.5**	**3.4%**	**1.4%**	**(0.1%)**	**7.69**	**3.1%**	**22.5%**

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

In addition to the financial performance indicators, Adler Group also uses the following non-financial operating performance indicators.

The vacancy rate shows the ratio of m² of vacant units in the portfolio to total m² of the portfolio. Vacancy rate is used as an indicator of the current letting performance.

The in-place rent per m² 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.

The total amounts spent on maintenance and CapEx in relation to the total lettable area of the portfolio are further operational figures to ensure an appropriate level of investment in the real estate portfolio.

Portfolio performance

Residential portfolio(*)

	30 June 2023	31 Dec 2022
Number of units	25,784	26,202
Average rent/m²/month (EUR)	7.69	7.58
Vacancy	1.4%	1.3%

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

The average rent per m² increased to EUR 7.69 in the first half, while the vacancy rate was mainly stable at 1.4%.

Like-for-like rental growth(*)

In %	LTM(**) 30 June 2023	1 Jan - 31 Dec 2022
Like-for-like rental growth	3.1%	1.5%

(*) 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 the Berlin portfolio amounted to 3.2% while like-for-like rental growth of the remaining portfolio was at 2.7%.

Adler Group's fully integrated active asset management is focused on rental growth and employs dedicated strategies to drive all relevant components. In units that require modernisation, Adler Group invests CapEx to improve quality to meet today's standards and regulations. Applying the relevant regulatory framework accurately and efficiently is key to successfully maximising rental growth for let units.

AVERAGE RESIDENTIAL IN-PLACE RENT

EUR/M²/MONTH

7.69

LIKE-FOR-LIKE RENTAL GROWTH

3.1%

Maintenance and CapEx

In EUR per m²	1 Jan - 30 June 2023	1 Jan - 31 Dec 2022
Maintenance	3.1	4.7
CapEx	7.2	17.0
Total	**10.3**	**21.7**

Maintenance and CapEx

In EUR million	1 Jan - 30 June 2023	1 Jan - 31 Dec 2022
Maintenance	5.6	9.9
CapEx	12.9	35.9
Total	**18.5**	**45.8**

In H1 2023, total investment in the core portfolio amounted to EUR 18.5 million resulting in maintenance and CapEx expenses per m² of EUR 10.3.

Vacancy split

Adler Group's active asset management aims to minimise the vacancy rate while keeping the necessary flexibility for portfolio optimisation.

Vacancy(*)

	30 June 2023	31 Dec 2022
Total vacancy (units)	369	321
Total vacancy (m²)	24,339	22,521
Total vacancy rate	1.4%	1.3%

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

VACANCY RATE

1.4%

Financial Overview

Financial performance indicators

As outlined at various places in this report (e.g., refer to the section “Material Events”), Adler Group has been exposed to a crisis that was partly self-inflicted and largely caused by external factors throughout the financial year 2022. The crisis itself manifested in liquidity constraints, lack of financing capacities and dried real estate markets that made portfolio sales almost impossible. By coping with this crisis, management decided to focus on always preserving enough liquidity as well as on net rental income as the main key performance indicators. The other financial performance indicators outlined below were not suspended but were followed with a much lower focus than usual. Consequently, we waive the explicit description of the below listed 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 that 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 2022.

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.

EPRA has introduced a new metric, the EPRA loan-to-value (LTV) ratio which has been included in the EPRA Best Practices Recommendations (BPR) Guidelines 2022, as part of the EPRA Performance Measures which become effective in 2022.

The Adler Group LTV has been replaced by EPRA LTV and will be reported from the publication of the 2022 Annual Report onwards. EPRA LTV illustrates the relationship between net debt and total property value of a real estate company and thus evaluates the gearing of shareholder equity.

EPRA LTV calculation as well as the information taken from the Adler Group balance sheet is depicted below:

Calculation of EPRA LTV	Group as reported	Share of joint ventures[27]	Share of material associates[27]	Non-controlling interests[28]	**Total[29]**
Borrowings from financial institutions[20]					
(+) Commercial paper					
(+) Hybrids[21]					
(+) Bond loans[22]					
(+) Foreign currency derivatives					
(+) Net payables[23]					
(+) Owner-occupied property (debt)					
(+) Current accounts (equity characteristic)					
(–) Cash and cash equivalents					
= **Net Debt**					
Owner-occupied property					
(+) Investment properties at fair value					
(+) Properties held for sale[24]					
(+) Properties under development[25]					
(+) Intangibles					
(+) Net receivables[23]					
(+) Financial assets[26]					
= **Total property**					
= EPRA LTV in %					

20) Including current and non-current other loans and borrowings.
21) Including convertible bonds.
22) Containing current and non-current corporate bonds.
23) Net payables are equal to payables less receivables on the IFRS balance sheet if that number is positive. Net receivables are equal to receivables less payables on the IFRS balance sheet if that number is positive. The position includes:
24) Incorporating inventories at fair value and non-current assets held for sale.
25) This position is included in investment properties at fair value.
26) Containing other financial assets.
27) Net debt and total property value of joint ventures and associated companies are disregarded due to immateriality reasons.
28) Non-controlling interests are only adjusted for minority shareholders in Adler's subsidiary Brack Capital Properties N.V. for reasons of materiality, thus any other minority shareholders are not considered due to their insignificancy.
29) Total column illustrates the combined values of the previous columns.

Investments in financial instruments

(+)	Advances related to investment properties
(+)	Restricted bank deposits
(+)	Contract assets
(+)	Trade receivables
(+)	Other receivables and financial assets
(+)	Advances paid on inventories
(–)	Other financial liabilities
(–)	Pension provisions
(–)	Other payables
(–)	Contract liabilities
(–)	Trade payables
(–)	Provisions
(–)	Prepayments received
(–)	Non-current liabilities held for sale
= **Net amount**	

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 useful for our investors when 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.

Profit situation

EBITDA from rental activities decreased in H1 2023 compared to 2022 mainly as a result of the Eastern Portfolio disposal to KKR/Velero and the Waypoint portfolio disposal, respectively. These assets had still contributed to the H1 2022 result. However, the decrease in EBITDA from rental activities in H1 2023 was mitigated by rent increases and low vacancy ratios.

EBITDA Total decreased in H1 2023 compared to H1 2022 mainly due to higher operational costs from development and privatisation sales. The reasons behind this are lower earnings due to construction delays and increased development costs.

For the first six months of 2023, FFO 1 amounts to EUR 8.2 million and translates into a per share basis of EUR 0.06, mainly reflecting higher financing costs.

As at 30 June 2023, the total interest-bearing nominal debt amounted to around EUR 6.8 billion. As at H1 2023, the average interest rate on all outstanding debt is 5.5%, with a weighted average maturity of 3.2 years .

EBITDA

EBITDA from rental activities

	For the six months ended		For the three months ended		For the year ended
In EUR thousand	**30 June 2023**	**30 June 2022**	**30 June 2023**	**30 June 2022**	**31 Dec 2022**
Net rental income	107,679	130,787	54,272	59,737	244,506
Income from facility services and recharged utilities costs	50,029	64,642	23,727	27,941	124,848
Income from rental activities	**157,708**	**195,429**	**77,999**	**87,678**	**369,354**
Cost from rental activities	(63,388)	(80,018)	(32,717)	(36,344)	(159,166)
Net operating income (NOI) from rental activities	**94,320**	**115,411**	**45,282**	**51,334**	**210,188**
NOI from rental activities margin (%)	**87.6%**	**88.2%**	**83.4%**	**85.9%**	**86.0%**
Overhead costs from rental activities	(34,133)	(29,533)	(17,853)	(14,092)	(61,954)
EBITDA from rental activities	**60,187**	**85,879**	**27,429**	**37,243**	**148,235**
EBITDA margin from rental activities (%)	**55.9%**	**65.7%**	**50.5%**	**62.3%**	**60.6%**

NET RENTAL INCOME

EUR

107.7

million

EBITDA Total

In EUR thousand	For the six months ended 30 June 2023	30 June 2022	For the three months ended 30 June 2023	30 June 2022	For the year ended 31 Dec 2022
Income from rental activities	157,708	195,429	77,999	87,678	369,354
Income from property development	10,437	9,558	(9,366)	(5,959)	115,481
Income from other services	4,876	7,767	2,902	2,274	18,498
Income from real estate inventory disposed of	19,300	17,000	1,800	17,000	228,750
Income from sale of trading properties	455	1,295	455	930	2,389
Revenue	**192,776**	**231,049**	**73,790**	**101,923**	**734,472**
Cost from rental activities	(63,388)	(80,018)	(32,717)	(36,344)	(159,166)
Other operational costs from development and privatisation sales	(75,714)	(54,120)	(50,428)	(31,997)	(389,593)
Net operating income (NOI)	**53,673**	**96,911**	**(9,355)**	**33,582**	**185,713**
Overhead costs from rental activities	(34,133)	(29,533)	(17,853)	(14,092)	(61,954)
Overhead costs from development and privatisation sales	(15,936)	(15,639)	(5,900)	(10,960)	(28,679)
Profit from portfolio sales(*)	-	-	-	-	-
Fair value gain from build-to-hold development(**)	-	-	-	-	-
EBITDA Total	**3,604**	**51,739**	**(33,109)**	**8,530**	**95,080**
Net cash interest	(103,648)	(45,456)	(71,186)	(22,677)	(83,281)
Other net financial costs	(179,336)	(374,832)	(168,572)	(343,793)	(452,049)
Depreciation and amortisation	(5,467)	(12,314)	(1,813)	(6,328)	(20,288)
Other income/(expenses)	(179,628)	(194,797)	(120,852)	(133,568)	(584,990)
Change in valuation	(741,571)	(147,448)	(735,759)	(216,766)	(761,851)
Net income from at-equity valued investments	(953)	538	(607)	192	208
EBT	**(1,206,998)**	**(722,569)**	**(1,131,897)**	**(714,410)**	**(1,807,171)**

(*) Contains the profit stemming from the KKR/Velero transaction.
(**) Figures contain the build-to-hold developments at the time of the corresponding reporting date.

FFO

FFO 1 (from rental activities)

In EUR thousand	For the six months ended 30 June 2023	30 June 2022	For the three months ended 30 June 2023	30 June 2022	For the year ended 31 Dec 2022
EBITDA from rental activities	60,187	85,879	27,429	37,243	148,235
Net cash interest	(43,556)	(26,957)	(31,074)	(12,550)	(46,720)
Current income taxes	(5,168)	(4,138)	(2,276)	(2,098)	(5,004)
Interest of minority shareholders	(3,266)	(4,877)	(1,640)	(2,436)	(9,732)
FFO 1 (from rental activities)	**8,198**	**49,907**	**(7,560)**	**20,158**	**86,779**
No. of shares(*)	130,209	117,510	142,908	117,510	117,510
FFO 1 per share	**0.06**	**0.42**	**(0.05)**	**0.17**	**0.74**

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

FFO 2 (incl. disposal results and development activities)

In EUR thousand	For the six months ended 30 June 2023	30 June 2022	For the three months ended 30 June 2023	30 June 2022	For the year ended 31 Dec 2022
EBITDA Total	3,604	51,739	(33,109)	8,530	95,080
Net cash interest	(103,648)	(45,456)	(71,186)	(22,677)	(83,281)
Current income taxes	(7,658)	(6,524)	(5,287)	(3,381)	(17,873)
Interest of minority shareholders	(3,266)	(4,877)	(1,640)	(2,436)	(9,732)
FFO 2	**(110,968)**	**(5,117)**	**(111,222)**	**(19,964)**	**(15,806)**
No. of shares(*)	130,209	117,510	142,908	117,510	117,510
FFO 2 per share	**(0.85)**	**(0.04)**	**(0.78)**	**(0.17)**	**(0.13)**

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

Financial and asset position

The Group's total assets decreased from EUR 9.7 billion on 31 December 2022 to EUR 8.8 billion as at 30 June 2023 mainly due to a slight reduction of current assets.

Financial position

In EUR thousand	30 June 2023	31 Dec 2022
Investment properties and advances related to investment properties	5,714,953	6,344,294
Other non-current assets	316,014	324,913
Non-current assets	**6,030,967**	**6,669,207**
Cash and cash deposits	231,010	386,985
Inventories	632,373	678,572
Other current assets	367,501	325,758
Current assets	**1,230,884**	**1,391,315**
Non-current assets held for sale	**1,529,765**	**1,648,991**
Total assets	**8,791,616**	**9,709,513**
Interest-bearing debts	6,264,764	5,980,366
Other liabilities	636,848	611,821
Deferred tax liabilities	363,546	525,715
Liabilities classified as available for sale	**687,103**	**678,548**
Total liabilities	**7,952,261**	**7,796,450**
Total equity attributable to owner of the Company	**448,476**	**1,417,112**
Non-controlling interests	390,879	495,951
Total equity	**839,355**	**1,913,063**
Total equity and liabilities	**8,791,616**	**9,709,513**

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

30 June 2023(*)

In EUR thousand	NAV	NRV	NTA	NDV
Total equity attributable to owners of the Company	448,476	448,476	448,476	448,476
Revaluation of inventories	(3,854)	(3,854)	(3,854)	(3,854)
Deferred tax	497,135	497,135	497,135	-
Goodwill	-	-	-	-
Fair value of financial instruments	2,588	2,588	2,588	-
Fair value of fixed interest rate debt	-	-	-	1,647,307
Real estate transfer tax	-	486,168	383,883	-
EPRA NAV	**944,346**	**1,430,514**	**1,328,229**	**2,091,929**
No. of shares	151,626	151,626	151,626	151,626
EPRA NAV per share	**6.23**	**9.43**	**8.76**	**13.80**
Convertibles	100,968	100,968	100,968	100,968
EPRA NAV fully diluted	**1,045,314**	**1,531,482**	**1,429,197**	**2,192,898**
No. of shares (diluted)	152,810	152,810	152,810	152,810
EPRA NAV per share fully diluted	**6.84**	**10.02**	**9.35**	**14.35**

(*) Adjusted for BCP IFRS 5 illustration which has been disregarded; the corresponding line items have been reversed into respective balance sheet positions.

31 Dec 2022(*)

In EUR thousand	NAV	NRV	NTA	NDV
Total equity attributable to owners of the Company	1,417,112	1,417,112	1,417,112	1,417,112
Revaluation of inventories	(2,260)	(2,260)	(2,260)	(2,260)
Deferred tax	597,505	597,505	597,505	-
Goodwill	-	-	-	-
Fair value of financial instruments	806	806	806	-
Fair value of fixed interest rate debt	-	-	-	1,698,375
Real estate transfer tax	-	527,630	426,948	-
EPRA NAV	**2,013,163**	**2,540,793**	**2,440,111**	**3,113,227**
No. of shares	117,510	117,510	117,510	117,510
EPRA NAV per share	**17.13**	**21.62**	**20.77**	**26.49**
Convertibles	100,503	100,503	100,503	100,503
EPRA NAV fully diluted	**2,113,666**	**2,641,296**	**2,540,614**	**3,213,730**
No. of shares (diluted)	118,694	118,694	118,694	118,694
EPRA NAV per share fully diluted	**17.81**	**22.25**	**21.40**	**27.08**

(*) Adjusted for BCP IFRS 5 illustration which has been disregarded; the corresponding line items have been reversed into respective balance sheet positions.

EPRA loan-to-value

The table below shows the loan-to-value (LTV) according to the latest definition by EPRA.

30 June 2023

In EUR thousand	Group loan-to-value	Non-controlling interests(***)	Total
Borrowings from financial institutions	2,536,951		2,536,951
Commercial paper			
Hybrids	101,327		101,327
Bond loans	3,626,486		3,626,486
Foreign currency derivatives			
Net payables	852,027	(304,857)	547,170
Owner-occupied property (debt)			
Current accounts (equity characteristics)			
Cash and cash equivalents	(231,010)		(231,010)
Net financial liabilities	**6,885,781**	**(304,857)**	**6,580,924**
Owner-occupied property(*)	6,060		6,060
Investment properties at fair value	5,714,953		5,714,953
Properties held for sale(**)	2,158,284	(538,034)	1,620,251
Properties under development			
Intangibles			
Net receivables			
Financial assets	161,385		161,385
Total property value	**8,040,682**	**(538,034)**	**7,502,649**
EPRA loan-to-value	**85.6%**	**56.7%**	**87.7%**

(*) The balance sheet position property, plant and equipment contains owner-occupied property in the amount of EUR 6,060 thousand.
(**) Considers inventories at fair value (EUR 628,519 thousand) as well as non-current assets held for sale.
(***) Considers the interest of minority shareholders in ADLER's subsidiary Brack Capital Properties N.V. ("BCP").

31 Dec 2022			
In EUR thousand	**Group loan-to-value**	**Non-controlling interests(***)**	**Total**
Borrowings from financial institutions	1,645,817		1,645,817
Commercial paper	-		
Hybrids	100,503		100,503
Bond loans	4,234,046		4,234,046
Foreign currency derivatives			
Net payables	867,711	(304,289)	563,422
Owner-occupied property (debt)			
Current accounts (equity characteristics)			
Cash and cash equivalents	(386,985)		(386,985)
Net financial liabilities	**6,461,092**	**(304,289)**	**6,156,803**
Owner-occupied property(*)	6,107		6,107
Investment properties at fair value	6,344,294		6,344,294
Properties held for sale(**)	2,325,303	(580,144)	1,745,159
Properties under development			
Intangibles			
Net receivables			
Financial assets	168,961		168,961
Total property value	**8,844,665**	**(580,144)**	**8,264,521**
EPRA loan-to-value	**73.1%**	**52.5%**	**74.5%**

(*) The balance sheet position property, plant and equipment contains owner-occupied property in the amount of EUR 6,107 thousand.
(**) Considers inventories at fair value (EUR 676,312 thousand) as well as non-current assets held for sale.
(***) Considers the interest of minority shareholders in ADLER's subsidiary Brack Capital Properties N.V. ("BCP").

EPRA LTV

87.7%

The table below shows the breakdown of net payables as included in the EPRA LTV calculation presented above. For the detailed methodology of the EPRA LTV calculation, please also refer to the section 'Fundamentals of the Group'.

Net payables

In EUR thousand	30 June 2023	31 Dec 2022
Investments in financial instruments	19,158	19,234
Advances related to investment properties	0	0
Restricted bank deposits	106,824	77,885
Contract assets	78,019	86,862
Trade receivables	72,076	95,672
Other receivables and financial assets	172,537	118,853
Advances paid on inventories	7,833	9,194
Deduct:		
Other financial liabilities	(15,670)	(16,029)
Pension provisions	(719)	(719)
Other payables	(354,869)	(341,504)
Contract liabilities	(20,336)	(13,924)
Trade payables	(71,226)	(78,242)
Provisions	(98,117)	(75,580)
Prepayments received	(60,434)	(70,865)
Non-current liabilities held for sale	(687,103)	(678,548)
Net payables	**(852,027)**	**(867,711)**

Forecast Report

Forecast for 2023

The current political and economic environment, including the price increases in construction and energy costs, the rising interest rates and the negative development of the real estate market as well as of the general economy are affecting Adler Group's performance, especially the performance of its development business. Therefore, Adler Group stated in its annual financial statements 2022 that it intends to dispose actively of selected portfolios and development projects and to focus on a Berlin-anchored yielding portfolio with limited development exposure. All projects, which will not be completed in the short-term (until 2025) and delivered as forward sale or condominium projects, have been classified as upfront sales.

Following significant disposals made from the yielding asset portfolio already in 2021 and 2022, Adler Group expects to generate net rental income for 2023 in the range of EUR 207-219 million.

Following the sanctioning of the Restructuring Plan, the Company refrained from announcing an FFO 1 guidance for the year 2023 due to the current situation of the Group which is primarily focused on steering its liquidity situation and de-leveraging through asset and portfolio disposals.

From today's perspective, Senior Management does not see above all certain financial and financing risks and Company-specific as well as governance risks that could jeopardize mid-term the continuation of the Adler Group as a going concern in terms of its results of operations and/or net assets.

Opportunities and Risk Report

In addition to the opportunities and risks presented in Adler Group's Integrated Annual Report for the financial year 2022, the first half of 2023 mainly saw changes due to the provisions of the Restructuring Plan and the associated changes in the Adler Group's strategic orientation as well as resulting risks. With regard to opportunities, reference is made to the Integrated Annual Report for 2022.

With the Adler Group's focus on a yield portfolio anchored in Berlin with limited development exposure and the classification of upfront sales being all projects that will not be completed in the short term (by 2025) and delivered as forward sale or condominium projects, all such projects were analysed for their sales opportunities and achievable sales prices. The Company's sales strategy developed for the existing properties and project developments is currently being implemented. As a result, the number of employees was reduced, changes were made to the Group structure and long-term liabilities were refinanced. In view of the advancing maturities of the financial liabilities, in particular the repayment of the New Money due in mid-2025, the liquidity and valuation risks have increased. At the same time, the approval of the Restructuring Plan and the provision of the New Money improved the Adler Group's reputation, and the decision to sell most of the projects makes the Adler Group less dependent on the availability of suppliers and subcontractors and more vulnerable to further price increases for construction materials and energy.

On 29 June 2023 the Court of Appeal in the United Kingdom granted permission to appeal against the approval of the Restructuring Plan of AGPS BondCo PLC, a 100% subsidiary of Adler Group, by the High Court of Justice of England and Wales under Part 26A of the Companies Act 2006 on 12 April 2023. The appeal was sought by a group of bondholders known as the Ad Hoc Group ("AHG"). The hearing of the appeal has been listed for three to four days, between 23 - 26 October 2023. Thereafter, it is expected that the Court of Appeal will give its decision within a few months. While the proposed appeal is pending, the Company takes the view that this will not create any legal barrier to continuing to implement the restructuring. However, in the absence of relevant court decisions, the Company cannot assess with certainty the outcome and impact of the appeal.

Risk management system

Compared to 31 December 2022, there have been no significant changes in the risk management process and risk identification and assessment. With regard to risk organisation and responsibilities, central risk management was assigned to the Chief Restructuring Officer (CRO) as a new function in the Senior Management of the Adler Group as of 1 July 2023 as part of the "Compliance & Risk Management" division.

Quantification scoring model

The risks with a high probability of occurrence and at the same time with a high potential amount of damage have decreased from 7 to 6 risks.

In addition to the three risks already reported at the end of 2022, two further risks were assessed as threatening the existence of the Adler Group as at the first half of 2023. The risks "audit opinion and publication risks" and "project phase (plan) risks" were recorded with a potential loss amount with respect to liquidity of EUR 30 - < 100 million and with respect to assets of EUR 225 - < 750 million (class 4), respectively, with a probability of occurrence of > 90% (class 6). The probability of occurrence of the risk "accounting and valuation risks" was upgraded to > 90% (class 6) with regard to liquidity of EUR 30 - < 100 million and assets of EUR 225 - < 750 million (class 4).

The risks "Reputational risk" and "Central purchasing: availability and dependence on suppliers" were downgraded.

Qualitative assessment

The following table summarises the changes in risk sub-categories as of 30 June 2023 compared to 31 December 2022 that have been assigned a risk score greater than 4.5 according to the qualitative assessment and are therefore considered highly relevant. Risk sub-categories that are considered material (i.e., weighting in the overall risk score exceeding 5%) are also listed below. For the remaining risk sub-categories, please refer to the Annual Report 2022. In the table below, the comparative values as of 31 December 2022 are shown in brackets.

Risk category	Risk sub-category	Risk score	Materiality
Financial and refinancing risks	Audit opinion and disclosure risks	6.0 (4.8)	
	Liquidity risks	5.7 (5.4)	material
	Accounting valuation risks	5.7 (5.3)	material
	Deterioration of the Company's rating	5.0	
Operating risks in property management	Environmental risks	4.8 (4.7)	
	Asset management	4.7	
	Property management	4.5	
Operating risks in project development	Risks in the "Build & Deliver" project phase	6.0 (5.9)	material
	Risks in the "Plan" project phase	5.5	
	Project-specific transaction risks	5.4 (5.6)	
Company-specific risks	Human resources	5.0 (4.9)	
	Tax risks	4.8	
	Central purchasing	4.8 (5.8)	

Very relevant and material risks

Among the risks or risk sub-categories identified as at 30 June 2023 that have been classified by the Group as highly relevant (i.e., with a risk score of more than 4.5 in the qualitative assessment) and material (i.e., with a weighting of more than 5% in the overall risk assessment), the following risks are considered to be risks that threaten the existence of the Company: (1) risks in the "Build & Deliver" project phase, (2) liquidity risks, (3) accounting and valuation risks, (4) audit opinion and publication risks and (5) risks in the "Plan" project phase.

Overall assessment of risks and opportunities by the Senior Management

The Senior Management of the Adler Group has identified the above-mentioned risks threatening the Company's continued existence as of 30 June 2023 and has initiated appropriate measures to avert them. The strategic orientation with the planned sale of the projects and the further focus of the portfolio on the Berlin region is intended to create the conditions needed for a positive going concern forecast and for the financing of all material maturities until mid-2025. Through the continued intensive search for an auditor, the Company believes that it will be able to present the audited consolidated financial statements for 2022 by 30 September 2024. The provision of New Money by the bondholders as part of the Restructuring Plan has given the Adler Group the necessary flexibility to be able to implement the further measures in the interests of the Company.

Responsibility Statement

We confirm, to the best of our knowledge, that the Condensed Interim Financial Statements of Adler Group S.A. presented in this Q2 2023 Quarterly Financial Statements, 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 Interim Management Report includes a fair review of the development of the business, and describes the main opportunities, risks and uncertainties associated with the Company for the remaining six months of the year.

Thierry Beaudemoulin
CEO

Thomas Echelmeyer
CFO

Condensed Consolidated Interim Financial Statements

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Condensed Consolidated Interim Statement of Financial Position

In EUR thousand	Note	30 June 2023	31 Dec 2022
Assets			
Non-current assets			
Investment properties	5A	5,714,953	6,344,294
Investments in financial instruments		19,158	19,234
Investments accounted under the equity method	5B	2,961	25,530
Property, plant and equipment		23,212	24,981
Other financial assets	5C	161,385	168,961
Derivatives		27,607	8,053
Restricted bank deposits		40,517	40,621
Right-of-use assets		10,937	12,234
Other intangible assets		432	646
Contract assets	5D	29,271	22,087
Deferred tax assets		534	2,566
Total non-current assets		**6,030,967**	**6,669,207**
Current assets			
Inventories	5E	632,373	678,572
Restricted bank deposits		66,307	37,264
Trade receivables	5F	72,076	95,672
Other receivables and financial assets	5G	172,537	118,853
Contract assets	5D	48,748	64,775
Cash and cash equivalents		231,010	386,985
Advances paid on inventories		7,833	9,194
Total current assets		**1,230,884**	**1,391,315**
Non-current assets held for sale	5H	1,529,765	1,648,991
Total assets		**8,791,616**	**9,709,513**

In EUR thousand	Note	30 June 2023	31 Dec 2022
Shareholders' equity			
Share capital		188	146
Share premium		1,844,765	1,844,765
Reserves		166,978	193,852
Retained earnings		(1,563,455)	(621,651)
Total equity attributable to owners of the Company		**448,476**	**1,417,112**
Non-controlling interests		**390,879**	**495,951**
Total equity		**839,355**	**1,913,063**
Liabilities			
Non-current liabilities			
Corporate bonds	5I	3,623,112	3,735,550
Other loans and borrowings	5J	2,034,767	1,337,655
Other financial liabilities		13,755	14,114
Derivatives		2,588	800
Pension provisions		719	719
Lease liabilities		8,948	10,341
Other payables		46	46
Deferred tax liabilities		363,546	525,715
Total non-current liabilities		**6,047,481**	**5,624,940**
Current liabilities			
Corporate bonds	5I	3,374	498,496
Convertible bonds	5I	101,327	100,503
Other loans and borrowings	5J	502,184	308,162
Other financial liabilities		1,915	1,915
Trade payables		71,226	78,242
Other payables	5K	354,823	341,458
Provisions	5K	98,117	75,580
Lease liabilities		3,941	3,811
Prepayments received	5L	60,434	70,865
Contract liabilities	5D	20,336	13,924
Derivatives		-	6
Total current liabilities		**1,217,677**	**1,492,962**
Non-current liabilities held for sale	5H	687,103	678,548
Total shareholders' equity and liabilities		**8,791,616**	**9,709,513**

Thierry Beaudemoulin
CEO

Thomas Echelmeyer
CFO

Date of approval: 28 August 2023

Condensed Consolidated Interim Statement of Profit or Loss

		For the six months ended 30 June		For the three months ended 30 June	
In EUR thousand	**Note**	**2023**	**2022**	**2023**	**2022**
Revenue	6A	192,776	231,049	73,790	101,923
Cost of operations	6B	(215,093)	(218,792)	(137,843)	(134,534)
Gross profit		**(22,317)**	**12,257**	**(64,053)**	**(32,611)**
General and administrative expenses	6C	(71,487)	(72,509)	(32,355)	(40,727)
Other expenses	6D	(112,133)	(137,572)	(70,999)	(93,802)
Other income	6E	24,446	42,453	11,633	35,774
Changes in fair value of investment properties	5B	(741,571)	(147,448)	(735,759)	(216,766)
Results from operating activities		**(923,062)**	**(302,819)**	**(891,533)**	**(348,132)**
Finance income	6F	41,525	67,929	26,618	46,536
Finance costs	6F	(324,509)	(113,125)	(266,376)	(413,006)
Impairments on trade and other receivables		-	(375,092)	-	-
Net finance income / (costs)		**(282,984)**	**(420,288)**	**(239,758)**	**(366,470)**
Net income (losses) from investments in associated companies		(953)	538	(607)	192
Profit before tax		**(1,206,999)**	**(722,569)**	**(1,131,898)**	**(714,410)**
Income tax expense		167,298	118,184	146,727	120,148
Profit for the period		**(1,039,701)**	**(604,385)**	**(985,171)**	**(594,262)**
Profit attributable to:					
Owners of the Company		(934,491)	(581,037)	(875,877)	(579,064)
Non-controlling interests		(105,210)	(23,348)	(109,294)	(15,198)
Profit for the period		**(1,039,701)**	**(604,385)**	**(985,171)**	**(594,262)**
Earnings per share in EUR (undiluted)		**(7.18)**	**(4.94)**	**0.50**	**4.55**
Earnings per share in EUR (diluted)		**(7.15)**	**(4.94)**	**0.50**	**4.55**

Condensed Consolidated Interim Statement of Comprehensive Income

		For the six months ended 30 June		For the three months ended 30 June	
In EUR thousand	**Note**	**2023**	**2022**	**2023**	**2022**
Profit for the period		**(1,039,701)**	**(604,385)**	**(985,171)**	**(594,262)**
Items that may be reclassified subsequently to profit or loss					
Effective portion of changes in fair value of cash flow hedges		(1,476)	729	(306)	309
Related tax		(127)	169	-	71
Currency translation reserve		(17,593)	(6,682)	(7,514)	(6,880)
Reserve from financial assets measured at fair value through other comprehensive income		(7,679)	(11,511)	(5,205)	(5,975)
Total other comprehensive income / (loss)		**(26,875)**	**(17,295)**	**(13,025)**	**(12,475)**
Total comprehensive income for the period		**(1,066,576)**	**(621,680)**	**(998,196)**	**(606,737)**
attributable to:					
Owners of the Company		(961,366)	(598,332)	(888,901)	(591,539)
Non-controlling interests		(105,210)	(23,348)	(109,295)	(15,198)
Total comprehensive income for the period		**(1,066,576)**	**(621,680)**	**(998,196)**	**(606,737)**

Condensed Consolidated Interim Statement of Cash Flows

		For the six months ended 30 June		For the three months ended 30 June	
In EUR thousand	**Note**	**2023**	**2022**	**2023**	**2022**
Cash flows from operating activities					
Profit for the period		(1,039,701)	(604,385)	(985,171)	(594,262)
Adjustments for:					
Depreciation		5,477	12,207	1,828	6,318
Change in fair value of investment properties	5A	741,571	147,448	735,759	216,766
Profit from selling portfolio	4	(439)	(18,896)	-	(18,896)
Non-cash other income and expense		1,255	73,228	(4,052)	38,930
Change in contract assets		8,843	11,310	4,139	9,057
Change in contract liabilities		6,412	1,296	7,474	4,803
Non-cash income from at-equity valued investment associates		951	(538)	606	(192)
Net finance costs / (income)	6F	282,984	420,288	239,758	366,470
Income tax expense		(167,298)	(118,184)	(146,727)	(120,148)
Share-based payments		457	2	232	(187)
Change in short-term restricted bank deposits related to tenants		(171)	1,411	(65)	(2,490)
Change in long-term restricted bank deposits from condominium sales		105	818	(525)	-
Change in trade receivables		17,316	194,469	253,962	173,607
Change in other receivables		(53,028)	3,482	17,088	59,508
Change in inventories		49,399	23,677	48,331	42,121
Change in advances received		(10,431)	(16,524)	2,497	(2,024)
Change in trade payables		(405)	(120,729)	(242,516)	(105,430)
Change in other payables		76,077	(27,078)	30,618	(37,841)
Income tax paid		(2,127)	(25,966)	3,976	(7,569)
Net cash from operating activities		**(82,753)**	**(42,664)**	**(32,788)**	**28,541**
Cash flows from investing activities					
Purchase of and CapEx on investment properties		(40,806)	(93,666)	(22,891)	(56,474)
Advances paid for purchase of investment properties		300	-	-	(15)
Proceeds from disposals of investment properties	5H	20,310	1,063,948	37,972	401,435

		For the six months ended 30 June		For the three months ended 30 June	
In EUR thousand	**Note**	**2023**	**2022**	**2023**	**2022**
Proceeds from selling portfolio	4	17,662	243,198	(14,663)	243,198
Purchase of and CapEx on property, plant and equipment		(131)	(1,155)	(543)	(490)
Interest received		1,879	3,375	628	(216)
Proceeds from sale of financial instruments		-	64,950	-	39
Proceeds from sale of fixed assets		-	(596)	-	(771)
Change in short-term restricted bank deposits, net		(238)	(20,874)	123	(3,755)
Net cash from (used in) investing activities		**(1,024)**	**1,259,180**	**626**	**582,951**
Cash flows from financing activities					
Acquisition of non-controlling interests	4	(29,727)	(37,038)	-	(37,038)
Repayment of bonds	5I	(8,303)	(400,000)	(8,303)	(400,000)
Long-term loans received		205,715	11,369	205,715	1,398
Repayment of long-term loans	5J	(129,254)	(496,464)	(112,082)	(159,991)
Proceeds from issuance of corporate bonds, net		-	162,518	-	-
Upfront fees paid for credit facilities		-	(560)	-	(122)
Interest paid		(99,859)	(104,183)	(47,955)	(53,574)
Payment of lease liabilities		(3,324)	(3,690)	(1,623)	(1,833)
Transaction costs		(6,578)	(27,978)	(5,840)	(128)
Prepaid costs of raising debt		(250)	(741)	(123)	504
Net cash from (used in) financing activities		**(71,580)**	**(896,767)**	**29,789**	**(650,784)**
Change in cash and cash equivalents during the period		**(155,357)**	**319,749**	**(2,373)**	**(39,292)**
Changes in the carrying amount of cash and cash equivalents that are presented among assets held for sale as part of a disposal group		**(618)**	**(104,728)**	**(1,126)**	**49,853**
Cash and cash equivalents at the beginning of the period		**386,985**	**555,700**	**234,509**	**760,160**
Cash and cash equivalents at the end of the period		**231,010**	**770,721**	**231,010**	**770,721**

Condensed Consolidated Interim Statement of Changes in Equity

In EUR thousand	Share capital	Share premium	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 2023	**146**	**1,844,765**	**903**	**10,772**	**315,746**	**(133,568)**	**(621,651)**	**1,417,113**	**495,951**	**1,913,064**
Total comprehensive income for the period										
Profit for the period	-	-	-	-	-	-	(934,491)	(934,491)	(105,210)	(1,039,701)
Other comprehensive income, net of tax	-	-	(1,603)	(17,593)	-	(7,679)	-	(26,875)	-	(26,875)
Total comprehensive income (loss) for the period	**-**	**-**	**(1,603)**	**(17,593)**	**-**	**(7,679)**	**(934,491)**	**(961,366)**	**(105,210)**	**(1,066,576)**
Transactions with owners, recognised directly in equity										
Change in the scope of consolidation	-	-	-	-	-	-	(7,770)	(7,770)		(7,770)
Share-based payments	-	-	-	-	-	-	457	457	-	457
Balance as at 30 June 2023	**188**	**1,844,765**	**(700)**	**(6,821)**	**315,746**	**(141,247)**	**(1,563,455)**	**448,476**	**390,879**	**839,355**

In EUR thousand	Share capital	Share premium	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 2022	**146**	**1,844,765**	**573**	**24,803**	**315,746**	**(123,334)**	**927,684**	**2,990,383**	**703,094**	**3,693,477**
Total comprehensive income for the period										
Profit for the period	-	-	-	-	-	-	(581,037)	(581,037)	(23,348)	(604,385)
Other comprehensive income, net of tax	-	-	898	(6,682)	-	(11,511)	-	(17,295)	-	(17,295)
Total comprehensive income (loss) for the period	**-**	**-**	**898**	**(6,682)**	**-**	**(11,511)**	**(581,037)**	**(598,332)**	**(23,348)**	**(621,680)**
Transactions with owners, recognised directly in equity										
Change in consolidation scope related to sale	-	-	-	-	-	-	(3,387)	(3,387)	(33,649)	(37,036)
Share-based payments	-	-	-	-	-	-	2	2	-	2
Balance as at 30 June 2022	**146**	**1,844,765**	**1,471**	**18,121**	**315,746**	**(134,845)**	**343,262**	**2,388,666**	**646,097**	**3,034,763**

Note 1 – Adler Group S.A.

Adler Group S.A. (the "Company" or "Adler Group") is a public limited liability company (société anonyme) incorporated under Luxembourg law. The address of the Company's registered office is 55 Allée Scheffer, 2520 Luxembourg, Grand Duchy of 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. 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 in Germany.

The condensed consolidated interim financial statements of the Company as at 30 June 2023 and for the six-month period then ended comprise the Company and its subsidiaries (together referred to as the "Group").

Note 2 – Basis of preparation

A. Statement of compliance

The condensed consolidated interim financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting* as applicable in the European Union ("EU"). They do not include all the information required for a complete set of financial statements. However, selected explanatory notes are included to explain events and transactions that are significant for understanding the changes in the Group's financial position and performance since the last annual consolidated financial statements as at and for the year ended 31 December 2022.

These condensed consolidated interim financial statements are presented in Euro ("EUR") and have been rounded to the nearest thousand except where otherwise indicated. Due to rounding, the figures reported in tables and cross-references may deviate from their exact values as calculated.

These condensed consolidated interim financial statements were authorised for issue by the Company's Board of Directors on 28 August 2023.

B. Use of judgements, estimates and fair value measurements

In preparing these condensed consolidated interim financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. This also applies to fair value measurements and the determination of fair values. Actual results may differ from these estimates.

Unless specified otherwise in the following sections, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that were applied to the consolidated financial statements as at and for the year ended 31 December 2022.

Note 3 – Accounting policies

The accounting policies applied by the Group in these condensed consolidated interim financial statements are the same as those applied by the Group in its consolidated financial statements for the year ended 31 December 2022. These condensed consolidated interim financial statements should therefore be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2022.

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

The following new or amended standards and interpretations became effective and have been applied as per 1 January 2023 without any material impact on the consolidated financial statements.

- Amendments to IAS 12 *Income Taxes*

The amendments limit the initial recognition exemption of deferred taxes on assets or liabilities in accordance with IAS 12 to the extent that the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition. This pertains in particular to deferred taxes on transactions such as leases and decommissioning obligations. In these cases, entities are now obliged to recognise deferred taxes upon initial recognition.

- Amendments to IAS 1 *Presentation of Financial Statements and IFRS Practice Statement 2*

The amendments clarify that an entity is required to disclose its material accounting policy information in the notes instead of its significant accounting policies. Whether or not the accounting policy information can be classed as material is determined based on whether a user of the entity's financial statements needs this information to make decisions. The accounting policy information must therefore be related to material transactions or other events, and there must be a reason for its disclosure. The amendments to IAS 1 were included in the IFRS Practice Statements 2 and examples were added.

- Amendments to IAS 8 *Accounting policies, Changes in Accounting Estimates and Errors*

The amendments clarify the difference between accounting policies and accounting estimates. Accounting estimates are now defined as monetary amounts in financial statements that are subject to measurement uncertainty.

- IFRS 17 *Insurance Contracts* and Amendments to IFRS 17 *Insurance contracts*

IFRS 17 covers the accounting treatment of assets and liabilities arising from insurance contracts. The amendments concern transitional provisions for the simultaneous application of IFRS 17 and IFRS 9.

B. New standards and interpretations not yet applied

Application of the following standards, interpretations and amendments was not mandatory for the 2023 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:

Standard/Interpretation	Title	Endorsement status in the EU[1]	Effective date of initial application in the EU[1]
Amendments to IAS 1	*Presentation of Financial Statements:* *• Classification of Liabilities as Current or Non-current Date;* *• Classification of Liabilities as Current or Non-current - Deferral of Effective Date; and* *• Non-current Liabilities with Covenants*	pending	pending
Amendments to IAS 7	*Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements*	pending	pending
Amendments to IAS 12	*Income taxes: International Tax Reform – Pillar Two Model Rules*	pending	pending
Amendments to IAS 21	*The Effects of Change in Foreign Exchange Rates: Lack of Exchangeability*	pending	pending
Amendments to IFRS 16	*Leases: Lease Liability in a Sale and Leaseback*	pending	pending

Note 4 – Acquisitions and changes in consolidation scope

In the second quarter of 2023, Westgrund Holding GmbH was merged with Münchener Baugesellschaft GmbH. Furthermore, Westgrund Immobilien II. Halle GmbH & Co. KG was merged with Westgrund I. Halle S.à r.l. The mergers did not have any impact on the consolidated financial statements of the Group.

Note 5 – Selected notes to the condensed consolidated interim statement of financial position

A. Investment properties

Investment properties – residential / commercial

In EUR thousand	30 June 2023	31 Dec 2022
Balance as at 1 January	**5,192,173**	**5,566,469**
Additions by way of acquiring assets	-	13,863
Capital expenditure	23,165	72,836
Transfer from investment properties to assets of disposal groups classified as held for sale	100,905	(22,694)
Disposal of investment properties	-	(457,886)
Fair value adjustments	(553,564)	(389,880)
Other reclassifications	-	93
Changes of investment properties presented as part of a disposal group among long-term assets held for sale	(18,000)	409,370
Disposals	(12,733)	-
Balance as at the end of the reporting period	**4,731,945**	**5,192,171**

Investment properties – project developments

In EUR thousand	30 June 2023	31 Dec 2022
Balance as at 1 January	**1,152,123**	**1,547,390**
Capital expenditure	17,705	71,364
Disposal of investment properties	-	(11,000)
Disposal of subsidiaries	-	(41,000)
Transfer from investment properties to assets of disposal groups classified as held for sale	-	(64,700)
Fair value adjustments	(188,007)	(349,670)
Other reclassifications	1,187	7,234
Changes of investment properties presented as part of a disposal group among long-term assets held for sale	-	(7,495)
Balance as at the end of the reporting period	**983,008**	**1,152,123**

Interest expenses capitalised in investment properties under development amounted to EUR 33,956 thousand during 2022. Capitalisation of interest expenses has been suspended since 1 January 2023.

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 identifies material changes in the value of these properties at an earlier date.

The fair value of the residential investment properties as at 30 June 2023 was determined by the valuation expert CBRE, an independent industry specialist that has appropriate, recognised professional qualification 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 with appropriate, recognised professional qualifications and up-to-date experience regarding the location and category of the properties.

The fair value measurement for all the investment properties has been categorised as Level 3 fair value due to prevailing use of unobservable inputs to the adopted valuation method.

The Group values its portfolio of residential investment properties using the discounted cash flow (DCF) method. Under the DCF methodology, the expected future income and costs of the property are forecasted 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. The residual value method is applied for investment properties under construction (project development), which will be held in the long term to generate gross rental income and capital appreciation after completion. 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, marketing, financing costs).

According to CBRE, in the first half of 2023 the German real estate market was affected by a combination of global inflationary pressures (leading to higher interest rates) and recent failures in banking systems which have increased the potential for constrained credit markets, negative capital value movements and enhanced volatility in property markets over the short-to-medium term.

Based on the above, a fair value decrease of EUR 553,596 thousand (for the six months ended June 2022: increase by EUR 91,218 thousand) was recognised for the residential portfolio.

Due to cost increases and extended construction times, the fair values of the development portfolio decreased by EUR 188,007 thousand (for the six months ended June 2022 a decrease by EUR 238,666 thousand was recognised).

The following tables outline the key valuation parameters for residential properties as at 30 June 2023 and as at 31 December 2022.

	Location					
Balance as at 30 June 2023	**Berlin**	**Duisburg**	**Düssel-dorf**	**Dort-mund**	**Other**	**Total**
Value per m² (EUR)	3,508.95	1,274.82	3,151.19	1,722.95	1,357.35	3,242.95
Average residential in-place rent	9.08	5.82	8.85	6.59	5.92	8.70
CBRE market rent (EUR/m²)	10.44	6.33	10.57	7.16	6.99	9.98
Multiplier (current rent)	32.83	18.33	29.74	21.78	18.63	31.09
Multiplier (CBRE market rent)	26.23	16.55	25.08	19.49	15.21	25.03
Discount rate (%)	4.56	5.12	4.49	4.69	5.09	4.62
Capitalisation interest rate (%)	2.63	3.64	2.76	3.21	3.77	2.75
Market rental growth (%)	1.90	2.30	2.50	2.43	2.38	0.98
Vacancy rate (%)	0.52	2.02	1.03	1.55	2.10	0.71
Fair value (EUR thousand)	4,092,603	336,162	87,193	28,790	187,197	4,731,945

	Location					
Balance as at 31 Dec 2022	**Berlin**	**Duisburg**	**Düssel-dorf**	**Dort-mund**	**Other**	**Total**
Value per m² (EUR)	3,806.83	1,335.30	3,339	1,840.08	1,393.73	3,516
Average residential in-place rent	8.87	5.80	8.57	6.39	5.82	8.51
CBRE market rent (EUR/m²)	9.77	6.25	10.35	7.15	6.74	9.39
Multiplier (current rent)	36.27	19.27	32.6	23.98	19.5	34.17
Multiplier (CBRE market rent)	30.13	17.54	27.1	20.84	16.2	28.57
Discount rate (%)	4.31	5.04	4.33	4.56	4.97	4.39
Capitalisation interest rate (%)	2.37	3.56	2.60	3.08	3.68	2.52
Market rental growth (%)	2.38	1.72	2.1	1.72	1.5	2.09
Vacancy rate (%)	0.52	2.04	1.0	1.55	2.3	0.71
Fair value (EUR thousand)	4,486,885	352,478	91,936	30,700	220,490	5,182,489

The following table outlines the key valuation parameters for investment properties under construction (development) as at 30 June 2023 and as at 31 December 2022.

Valuation parameters for investment properties under construction	**30 June 2023**	**31 Dec 2022**
Market rent, weighted average (EUR)	15.05	14.86
Project development costs (EUR/m²)	3,772	3,750
Capitalisation interest rate, weighted average (in %) (*)	3.86	3.77

(*) The increase in the capitalisation interest rate is mainly attributable to the initial application of the gross interest method by NAI Apollo within a static model without impact on valuation results. Therefore, the interest rate is not comparable to the previous year.

It is noted that according to the methodology applied in the valuations for the residential properties, the estimated cash flows for the first ten years is capitalised based on the discount rate basis. Cash flows effective from the eleventh year onwards are capitalised based on the cap rate basis. When applying the residual method on development projects, the market value of the development projects has been determined by NAI Apollo by deducting all expected costs (construction, marketing, financing, etc.) from the final value of the completed project.

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

		30 June 2023		31 Dec 2022	
	Change in parameters	In EUR thousand	in %	In EUR thousand	in %
Average new letting rent (EUR/m^2)	10%	308,270	6.63	352,442	6.80
Vacancy rate (%)	1%	(60,870)	(1.31)	(67,304)	(1.30)
Discount and capitalisation rate (%)	25bps	(404,256)	(8.69)	(490,165)	(9.46)

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.

Investment properties - project development (under construction)

		30 June 2023	31 Dec 2022
	Change in parameters	In EUR thousand	In EUR thousand
Market rent	(10%)	(213,400)	(241,100)
	10%	213,400	240,800
Capitalisation rate	(0.25%)	148,900	209,000
	0.25%	(130,100)	(171,600)
Construction costs	(10%)	209,700	218,300
	10%	(205,500)	(218,600)

B. Investments accounted under the equity method

In EUR thousand	30 June 2023	31 Dec 2022
Balance as at 1 January	**25,530**	**32,395**
Share in profit and losses (at equity result)	(953)	208
Impairments	-	(7,824)
Transfer from / to non-current assets held for sale (IFRS 5)	(21,616)	751
Balance as at the end of the reporting period	**2,961**	**25,530**

At the reporting date, the main investments in associated companies are ACCENTRO Real Estate AG, Caesar JV Immobilienbesitz und Verwaltungs GmbH. Due to a binding agreement, the investments in MAP Liegenschaften GmbH have been classified as non-current assets held for sale by 30 June 2023.

C. Other financial assets

Other financial assets include following items:

In EUR thousand	30 June 2023	31 Dec 2022
Loans against non-controlling shareholders of subsidiaries	156,622	153,750
Investments in debt securities	2,291	12,723
Miscellaneous other financial assets	2,472	2,488
Balance as at the end of the reporting period	**161,385**	**168,961**

The **loans against non-controlling shareholders of subsidiaries** relate to the non-controlling shareholders Taurecon and Amelicaster. The loans mature on 30 September 2024 and are secured by share liens. **Investments in debt securities** refer to bonds issued by Aggregate Holdings S.A. The bonds are measured at fair value through other comprehensive income. The decrease in value reflects the change in bond prices.

D. Contract assets and liabilities

Contract assets and liabilities mainly result from development contracts with customers. The following table provides information about contract assets and contract liabilities from contracts with customers:

In EUR thousand	30 June 2023	31 Dec 2022
Gross contract assets - non-current	29,271	22,087
Net contract assets - non-current	**29,271**	**22,087**
Gross contract assets - current	255,316	192,911
Prepayments received on current contract balances	(206,568)	(128,135)
Net contract asset - current	**48,748**	**64,776**
Net contract liabilities - current	**(20,336)**	**(13,924)**

E. Inventories

Inventories also include the land from forward sales and can be broken down as follows:

In EUR thousand	30 June 2023	31 Dec 2022
Real Estate "Trading properties (condominiums)"	568,490	619,938
Real Estate "Institutional"	19,526	12,878
Real Estate "Parking"	24,960	29,946
Real Estate "Other construction work"	5,043	5,960
Other inventories: excl. development	14,354	9,850
Total balance	**632,373**	**678,572**

In the prior period, interest expenses capitalised in the inventories amounted to EUR 18,803 thousand. Based on the updated estimates of the expected sales prices, a write-off of EUR 49,228 thousand (prior period: EUR 60,869 thousand) was recognised in cost of operations. The expected sales prices were 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.

F. Trade receivables

As at the reporting date, trade receivables mainly consist of rental receivables (EUR 36,980 thousand; 31 December 2022: EUR 49,129 thousand), receivables from the sale of real estate (EUR 8,000 thousand; 31 December 2022: EUR 16,000 thousand) and receivables from property development (EUR 22,967 thousand; 31 December 2022: EUR 26,763 thousand).

G. Other receivables and financial assets – current

In EUR thousand	30 June 2023	31 Dec 2022
Receivables from income tax	12,083	13,332
Receivables from other taxes	4,437	12,094
Advances to suppliers	11,940	11,574
Prepaid expenses	2,845	5,734
Miscellaneous other receivables (non-financial)	11,426	5,126
Total other receivables (non-financial)	**42,731**	**47,860**
Receivables from portfolio sales to associates	6,204	6,204
Receivables from portfolio sales to third parties	10,369	15,018
Receivables against non-controlling shareholders of subsidiaries	10,261	10,050
Loans	25,285	26,577
Deposits	11,134	11,953
Cash in transit	55,466	-
Derivatives	37	134
Miscellaneous other receivables (financial)	11,049	1,057
Other receivables (financial)	**129,805**	**70,993**
Total other receivables and financial assets	**172,537**	**118,853**

Receivables from portfolio sales to associates are receivables against Caesar JV Immobilienbesitz und Verwaltungs GmbH. The remainder has been impaired to nil.

The Group expects EUR 10,369 thousand (31 December 2022: EUR 15,019 thousand) from final payments with relation to recent portfolio transactions.

H. Non-current assets and liabilities held for sale

As per 1 December 2021, Adler irrevocably committed itself to tender its remaining shares in BCP as part of a public tender offer by LEG Immobilien SE, provided that the price per share offered is not less than EUR 157 and that the (first) acceptance period ends no later than 30 September 2022. On 3 August 2022, the management of LEG Immobilien SE announced that it would not take advantage of the tender commitment given by Adler. Nonetheless, Adler is still actively following its plan to sell its remaining shares in BCP thereby offering its shares at prices that reflect current market conditions. As a result, Adler continues to present BCP as a disposal group held for sale.

Major classes of assets and associated liabilities classified as held for sale comprise of the following:

In EUR thousand	30 June 2023	31 Dec 2022
Investment properties	1,042,904	1,146,022
Financial investments	38,764	37,561
Inventories	22,300	25,500
Other assets	21,133	18,825
Cash and cash equivalents	211,095	210,477
Non-current assets held for sale	131,166	143,823
Assets total	**1,467,362**	**1,582,208**
Deferred tax liabilities	79,856	96,201
Financial liabilities due to bank	310,406	296,200
Corporate Bonds	153,745	158,978
Other liabilities	78,190	60,389
Liabilities held for sale	59,003	66,780
Liabilities total	**681,200**	**678,548**

The investment properties include income-generating residential real estate of EUR 832,250 thousand (31 December 2022: EUR 1,029,781 thousand), income-generating commercial real estate of EUR 20,330 thousand (31 December 2022: EUR 34,000 thousand) and development properties of EUR 190,400 thousand (31 December 2022: EUR 220,900 thousand). The fair value of these assets was determined by an independent external appraiser with appropriate, recognised professional qualifications and up-to-date experience regarding the location and category of the properties valued.

The remainder of non-current assets and liabilities held for sale relates to the sale of real estate properties and development projects, for which notarised purchase agreements are in place without transfer of control as at the reporting date.

I. Corporate bonds and convertible bonds

These liabilities are structured as follows as at the balance sheet date:

In EUR thousand	30 June 2023	31 Dec 2022
Adler Group Bond 2017/2024 (2025)	421,745	399,090
Adler Group Convertible Bond 2018/2023	101,327	100,503
Adler Group Bond 2020/2025	417,581	394,823
Adler Group Bond 2020/2026	415,775	392,552
Adler Group Bond 2021/2026	731,050	689,681
Adler Group Bond 2021/2029	828,222	781,486
Adler Group Bond 2021/2027	520,899	492,118
ADLER Bond 2017/2024	3,373	296,006
ADLER Bond 2018/2023	-	498,496
ADLER Bond 2018/2026	287,840	289,794
Total balance	**3,727,813**	**4,334,549**

On 26 April 2023, the maturity date, ADLER Real Estate AG repaid its bond (ADLER Bond 2018/2023) in the full amount of EUR 500 million.

Furthermore, ADLER Real Estate AG repurchased part of its bond (ADLER Bond 2017/2024) in two tranches on 26 May and 13 June 2023. The reacquisition was made at a rate of 94,0%, including accumulated interest and fees.

After transfer to AGPS BondCo plc, the terms of Adler Group Bond 2017/2024, Adler Group Bond 2020/2025, Adler Group Bond 2020/2026, Adler Group Bond 2021/2026, Adler Group Bond 2021/2029 and Adler Group Bond 2017/2027 have been changed. The Adler Group bond 2017/2024 has been extended until 31 July 2025. The interest rates for all bonds were increased by 275 bps for the period from 17 April 2023 until 31 July 2025, with interest payments being suspended until 31 July 2025. A loss from modification of EUR 195,313 thousand has been recognised for these changes.

The current portion of the corporate and convertible bonds amounts to EUR 104,701 thousand and is presented in current liabilities.

On 17 April 2023, following the approved debt restructuring, the international rating agency Standard and Poor's (S&P) lowered the long-term issuer credit rating on Adler Group and ADLER Real Estate to "SD" from "CC" and lowered the issue ratings on its senior unsecured debt to "D" from "CC". Ratings on ADLER Real Estate's 2023 and 2024 unsecured debt remained unchanged at "CCC".

S&P also stated that they expect an upgrade to the "CCC" category in a few weeks after the restructuring has been implemented.

On 27 April 2023, after debt restructuring was completed, S&P upgraded the long-term issuer credit rating on Adler Group and ADLER Real Estate to "CCC+". At the same time, they assigned a "B" issue rating on the New Money facility, a "CCC+" rating on ADLER Real Estate's 2024 and 2026 bonds, a "CCC+" rating on the Adler Group 2025 bond (extended from 2024) and a "CCC-" rating on all other Adler bonds. Outlook for Adler Group and ADLER Real Estate is negative.

Adler Group undertakes to not incur any financial indebtedness after the signing of the restructuring on 22 April 2023, and will also ensure that its subsidiaries will not incur any financial indebtedness after this date. Certain exceptions exist, the most relevant being refinancing of existing financial indebtedness. Furthermore, starting from 31 December 2024 Adler Group is subject to an LTV test.

ADLER Real Estate AG - as a subsidiary of Adler Group - is subject to the same limitations as the Group. Furthermore, ADLER Real Estate continues to be subject to the covenants in its bond issues which are a (i) loan-to-value ratio (LTV) ≤ 60%; (ii) secured loan-to-value ratio ≤ 40% on an incurrence basis. Additionally, ADLER Real Estate is required to maintain the consolidated coverage ratio at or above 1.80 to 1.00 for any reporting date falling on or after 1 January 2021. The secured loan-to-value ratio has been amended in consent solicitations on 2 February 2023.

As at 30 June 2023, the Company was in compliance with all applicable financial covenants.

J. Other loans and borrowings

As at 30 June 2023, other loans and borrowings of Adler Group carry an average effective interest rate (i.e., considering the swap interest hedging effect from variable to fixed interest) of 6.45 percent per annum (as at 31 December 2022: 1.96 percent). The average maturity of other loans and borrowings is 3.1 years (as at 30 June 2022: 3.7 years and as at 31 December 2022: 3.8 years). As at 30 June 2023, under the existing loan agreements, the Group is either fully compliant with its obligations (including loan covenants) to the financing banks or they are suspended by mutual agreement with the banks.

The increase in the other loans and borrowings in Q2 2023 of EUR 891,134 thousand results mainly from the refinancing of the Adler Group as part of the New Money facilities. Adler Group SA has received a total of four loans, three of which for the purpose of refinancing bonds repayments by ADLER Real Estate AG and the remainder for capital expenditure of the Consus subgroup.

All loans with the exception of an unsecured promissory note are secured with the assets (investment properties and inventory properties, financial assets, trade and other receivables, cash and cash equivalents).

K. Provisions and other payables

In EUR thousand	30 June 2023	31 Dec 2022
Contingent losses from development contracts	98,117	75,580
Provisions	**98,117**	**75,580**
Litigations	39,568	15,813
Income tax payables	156,308	158,131
Accrued expenses	4,912	5,663
Deferred income	1,917	2,713
Value added tax	5,897	12,215
Miscellaneous other payables (non-financial)	20,374	20,452
Total other payables (non-financial)	**228,976**	**214,987**
Accrued interest	72,266	66,076
Tenants' deposits	19,111	18,939
Other payables due to associated companies	22,601	22,667
Purchase price liabilities	-	506
Miscellaneous other payables (financial)	11,869	18,283
Total other payables (financial)	**125,847**	**126,471**
Total other payables	**452,940**	**417,038**

L. Prepayments received

Prepayments received by the Group on contract assets and liabilities (development projects under the scope of IFRS 15) are included in the respective asset or liability balance. Prepayments received on inventories (development projects under the scope of IAS 2) and other assets are disclosed separately in the balance sheet.

Note 6 – Selected notes to the condensed consolidated interim statement of profit and loss

A. Revenue

	For the six months ended 30 June	
In EUR thousand	**2023**	**2022**
Net rental income	107,679	130,787
Income from charged costs of utilities	42,553	54,607
Income from facility services	7,476	10,035
Income from property development	10,437	9,558
Sale of trading properties (condominiums)	455	1,295
Income from real estate inventories disposed of	19,300	17,000
Revenue other	4,876	7,767
Total	**192,776**	**231,049**

The decrease in **net rental income, income from charged cost of utilities** and **income from facility services** is a result of the portfolio sales completed during 2023. **Income from project development** mainly results from construction progress with development projects (e.g., Königshöfe and Quartier Hoym). **Income from real estate inventories disposed of** includes income from the sale of Parkhaus Jäger.

Disaggregation of revenue

The following table presents the revenue streams and their allocation to the segments according to IFRS 15.114 in addition to rental income which represents a major source of income in the Group:

In EUR thousand

						Segments
1 Jan - 30 June 2023	**Residential property management**	**Privatisation**	**ADLER**	**Consus**	**Consolidation**	**Total consolidated**
Revenue from charged costs of utilities and facility services	15,011	-	27,751	-	(2,086)	40,676
Revenue from sale of trading properties (condominiums)	-	455	-	-	-	455
Revenue from property development contracts	-	-	-	10,437	-	10,437
Revenue from real estate inventories disposed of	-	-	-	19,300	-	19,300
Revenue other	-	-	-	4,876	-	4,876
Revenue from contracts with customers (IFRS 15)	**15,011**	**455**	**27,751**	**34,614**	**(2,086)**	**75,745**
thereof: products and services transferred at a point in time	-	455	-	29,737	-	30,192
thereof products and services transferred over time	15,011	-	27,751	4,877	(2,086)	45,553
Rental income (IFRS 16)	47,854	32	56,180	3,616	(4)	107,678
Revenue from ancillary costs (IFRS 16)(*)	4,025	-	5,328	-	-	9,353
Rental income (IFRS 16)	**51,879**	**32**	**61,508**	**3,616**	**(4)**	**117,031**
Revenues (IFRS 15/IFRS 16)	**66,890**	**487**	**89,259**	**38,230**	**(2,090)**	**192,776**

(*) Includes land tax and building insurance.

In EUR thousand						Segments
1 Jan - 30 June 2022	**Residential property management**	**Privatisation**	**ADLER**	**Consus**	**Consolidation**	**Total consolidated**
Revenue from charged costs of utilities and facility services	22,214		41,717	-	(7,850)	56,081
Revenue from sale of trading properties (condominiums)	-	1,295	-	-	-	1,295
Revenue from property development contracts	-	-	-	9,558	-	9,558
Revenue from real estate inventories disposed of	-	-	-	17,000	-	17,000
Revenue other	-	-	-	7,767	-	7,767
Revenue from contracts with customers (IFRS 15)	**22,214**	**1,295**	**41,717**	**34,325**	**(7,850)**	**91,701**
thereof: products and services transferred at a point in time	-	1,295	-	19,792	-	21,087
thereof products and services transferred over time	22,214	-	41,717	14,533	(7,850)	70,614
Rental income (IFRS 16)	54,880	-	71,079	4,828	-	130,787
Revenue from ancillary costs (IFRS 16)(*)	4,092	-	4,469	-	-	8,561
Rental income (IFRS 16)	**58,972**	**-**	**75,548**	**4,828**	**-**	**139,348**
Revenues (IFRS 15/IFRS 16)	**81,186**	**1,295**	**117,265**	**39,153**	**(7,850)**	**231,049**

(*) Includes land tax and building insurance.

B. Cost of operations

	For the six months ended 30 June	
In EUR thousand	**2023**	**2022**
Salaries and other expenses	9,720	10,815
Costs of apportionable utilities	45,506	65,468
Costs of property development	133,562	40,567
Cost of real estate inventories disposed of	12,617	70,044
Costs of sale of trading properties (condominiums)	193	957
Property operations and maintenance	13,495	22,251
Other costs of operations	-	8,690
Total	**215,093**	**218,792**

Costs of real estate inventories disposed of include write-downs of inventories in an amount of EUR 49,200 thousand (prior period about EUR 60,900 thousand).

C. General and administrative expenses

	For the six months ended 30 June	
In EUR thousand	**2023**	**2022**
Salaries and related expenses	13,137	17,399
Share-based payments	457	328
Directors' fees	640	709
Rent	1,371	1,304
Professional services	23,436	17,532
Traveling	968	1,019
Office, communication and IT expenses	7,445	9,012
Advertising and marketing	1,201	3,011
Impairment loss on trade receivables	9,704	1,915
Depreciation	4,526	11,831
Other	8,602	8,449
Total	**71,487**	**72,509**

D. Other expenses

Other expenses mainly relate to litigation (EUR 25,036 thousand) and one-off legal and consulting fees relating to debt restructuring (EUR 55,270 thousand).

E. Other income

Other income mainly relates to the derecognition of liabilities, income from prior periods and minor effects from deconsolidation of subsidiaries.

F. Net finance costs

	For the six months ended 30 June	
In EUR thousand	**2023**	**2022**
Interest received	7,159	13,886
Change in fair value of derivative component of convertible bond	9	-
Change in fair value of other derivatives	10,728	-
Change in fair value of other financial assets - profit	-	169
Income from derecognition of derivatives	-	37,965
Income from derecognition of financial instruments	9,227	10,163
Net foreign exchange gain	13,447	-
Other finance income	955	5,746
Total finance income	**41,525**	**67,929**
Interest on bonds	(63,742)	(65,195)
Change in fair value of derivative component of convertible bond	-	(43)
Change in fair value of other derivatives	(921)	(544)
Expense from derecognition of derivatives	(2)	-
Expense from derecognition of financial instruments	(5,655)	
Impairment of financial instruments	(1,559)	-
Interest on other loans and borrowings	(46,927)	(21,661)
One-off refinance costs	(869)	(12,638)
Net foreign exchange loss	-	(10,100)
Other finance expenses	(204,834)	(2,944)
Total finance costs	**(324,509)**	**(113,125)**
Impairments on trade and other receivables		(375,092)
Total net finance costs	**(282,984)**	**(420,288)**

Interest expenses in an amount of EUR 38,548 thousand were capitalised to investment properties and inventories under construction in the six months ending 30 June 2022.

The foreign exchange losses relate to valuation effects of bonds and convertible denominated in NIS.

Note 7 – Financial instruments

The following table shows an overview on different classes of financial instruments, their carrying amount, measurement basis, fair value and fair value hierarchy level:

30 June 2023

In EUR thousand	Category	Carrying amount	Amortised cost	Fair value through PL	Fair value through OCI	IFRS 16 / IAS 28	Fair value	Fair value hierarchy
Assets								
Investments in financial instruments								
Investments in equity instruments - FVPL	aafvPL	19,158	-	19,158	-	-	19,158	Level 3
Investments accounted under the equity method	n/a	2,961	-	-	-	2,961	-	n/a
Other financial assets								
Loans against non-controlling shareholders of subsidiaries	aac	159,094	159,094	-	-	-	159,094	1)
Other financial assets	aafvPL	0	-	-	-	-	-	Level 3
Investments in debt securities	aafvOCI	2,291	-	-	2,291	-	2,291	Level 1
Derivatives	aafvPL	27,607	-	27,607	-	-	27,607	Level 3
Restricted bank deposits	aac	106,824	106,824	-	-	-	106,824	1)
Trade receivables	aac	72,076	72,076	-	-	-	72,076	1)
Other receivables and financial assets								
Other financial receivables at cost	aac	128,835	128,835	-	-	-	128,835	1)
Short-term financial investments	aafvPL	970	-	-	-	-		Level 3
Cash and cash equivalents	aac	231,010	231,010	-	-	-	231,010	1)
Total financial assets		**750,826**	**697,839**	**46,765**	**2,291**	**2,961**	**746,895**	**1)**
Liabilities								
Corporate bonds	flac	3,626,486	3,626,486	-	-	-	1,599,749	Level 1
Convertible bonds	flac	101,327	101,327	-	-	-	97,674	Level 2
Other loans and borrowings	flac	2,536,951	2,536,951	-	-	-	2,532,028	Level 3
Other financial liabilities								
Other financial liabilities at cost	flac	15,670	15,670	-	-	-	15,670	1)
Derivatives	lafv	2,588	2,588	-	2,588	-	2,588	Level 3
Trade payables	flac	71,226	71,226	-	-	-	71,226	1)
Lease liabilities	n/a	12,889	12,889	-	-	12,889	-	n/a
Other payables								
Other financial payables at cost	flac	(9,041)	(9,041)	-	-	-	(9,041)	1)
Total financial liabilities		**6,351,467**	**6,358,096**	**-**	**2,588**	**12,889**	**4,309,893**	

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.

In EUR thousand	Cate-gory	Carrying amount	Amortised cost	Fair value through PL	Fair value through OCI	IFRS 16 / IAS 28	Fair value	31 Dec 2022 Fair value hierar-chy
Assets								
Investments in financial instruments								
Investments in equity instruments - FVPL	aafvPL	19,234	-	19,234	-	-	19,234	Level 3
Investments accounted under the equity method	n/a	25,530	-	-	-	25,530	-	n/a
Other financial assets								
Receivables due from third parties	aac	156,238	156,238	-	-	-	156,238	1)
Other financial assets	aafvPL		-	-	-	-	-	Level 3
Investments in debt securities	aafvOCI	12,723	-	-	12,723	-	12,723	Level 1
Derivatives (embedded)	aafvPL	8,053	-	8,053	-	-	8,053	Level 3
Restricted bank deposits	aac	77,885	77,885	-	-	-	77,885	1)
Trade receivables	aac	95,672	95,672	-	-	-	95,672	1)
Other receivables								
Other financial receivables at cost	aac	70,777	70,777	-	-	-	70,777	1)
Other financial receivables at fair value	aafvPL	216	-	216	-	-	216	Level 3
Cash and cash equivalents	aac	386,985	386,985	-	-	-	386,985	1)
Total financial assets		**853,313**	**787,557**	**27,503**	**12,723**	**25,530**	**827,783**	
Liabilities								
Corporate bonds	flac	4,234,046	4,234,046	-	-	-	2,270,099	Level 1
Convertible bonds	flac	100,503	100,503	-	-	-	83,588	Level 2
Other loans and borrowings	flac	1,645,817	1,645,817	-	-	-	1,488,415	Level 3
Other financial liabilities								
Other financial liabilities at cost	flac	16,029	16,029	-	-	-	16,029	1)
Derivatives	lafv	806	-	806	-	-	806	Level 3
Trade payables	flac	78,242	78,242	-	-	-	78,242	1)
Lease liabilities	n/a	14,152	-	-	-	14,152	-	n/a
Other payables								
Other financial payables at cost	flac	126,471	126,471	-	-	-	126,471	1)
Total financial liabilities		**6,216,066**	**6,201,108**	**806**	**-**	**14,152**	**4,063,650**	

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.

Fair value for liabilities is estimated by discounting future cash flows by the market interest rate of the similar instruments at 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.

Note 8 – Segments reporting

The basis of segmentation and the measurement basis for segment profit or loss are the same as presented in Note 35 regarding operating segments in the annual consolidated financial statements for the year ended 31 December 2022.

ADLER and Consus are presented as an independent segment in accordance with current internal reporting to the chief operating decision maker.

Information about reportable segments

Information regarding the results of each reportable segment is included below.

In EUR thousand Segments

1 Jan - 30 June 2023	**Residential property management**	**Privatisation**	**ADLER**	**Consus**	**Consoli-dation**	**Total conso-lidated**
External income from residential property management	66,890	32	89,259	3,616	(2,090)	157,707
External income from sale of trading properties (condomi-niums)	-	455	-	-	-	455
External income from selling of other real estate inventories	-	-	-	19,300	-	19,300
External income from property development	-	-	-	10,437	-	10,437
External income from service, maintenance and manage-ment	-	-	-	4,876	-	4,876
Consolidated revenue	**66,890**	**487**	**89,259**	**38,230**	**(2,090)**	**192,776**
Reportable segment gross profit	54,836	299	47,655	(114,226)	(10,881)	(22,317)
General and administrative expenses						(71,487)
Changes in fair value of investment properties						(741,571)
Other expenses						(112,133)
Other income						24,446
Finance income						41,525
Finance costs						(324,509)
Net income from at-equity valued investments						(953)
Consolidated profit before tax						**(1,206,999)**
Income tax expense						167,298
Consolidated profit after tax						**(1,039,701)**

In EUR thousand						Segments
1 Jan - 30 June 2022	**Residential property management**	**Privatisation**	**ADLER**	**Consus**	**Consoli-dation**	**Total conso-lidated**
External income from residential property management	81,186	-	117,265	4,828	(7,850)	195,429
External income from sale of trading properties (condomi-niums)	-	1,295	-	-	-	1,295
External income from selling of other real estate inventories	-	-	-	17,000	-	17,000
External income from property development	-	-	-	9,558	-	9,558
External income from service, maintenance and manage-ment	-	-	-	7,767	-	7,767
Consolidated revenue	**81,186**	**1,295**	**117,265**	**39,153**	**(7,850)**	**231,049**
Reportable segment gross profit	52,495	338	36,657	(75,514)	(1,719)	12,257
General and administrative expenses						(72,509)
Changes in fair value of investment properties						(147,448)
Other expenses						(137,572)
Other income						42,453
Finance income						67,886
Finance costs						(488,217)
Net income from at-equity valued investments						581
Consolidated profit before tax						**(722,569)**
Income tax expense						118,184
Consolidated profit after tax						**(604,385)**

Note 9 – Material events in the reporting period and subsequent events

1. On 9 January 2023, the local court of Berlin-Charlottenburg appointed KPMG AG Wirtschaftsprüfungsgesellschaft as auditor of ADLER Real Estate AG (“**Adler RE**”). The judicial appointment required the acceptance of the audit mandate by the auditor, which KPMG AG Wirtschaftsprüfungsgesellschaft rejected on 11 January 2023. As of the date hereof, Adler Group does not have an auditor and is continuing its intensive efforts to engage an auditor. On 24 April 2023, Adler RE announced that Rödl & Partner has agreed to accept an appointment as auditor for the audit of the standalone and the consolidated financial statements of Adler RE for the financial year 2022.

2. On 11 January 2023, AGPS BondCo PLC (the “**New Issuer**”) was substituted in place of Adler Group as issuer of its six series of senior unsecured notes (“**SUNs**”) (the “**Issuer Substitution**”). In connection with the Issuer Substitution, Adler Group provided irrevocable and unconditional guarantees in relation to the obligations and liabilities under the SUNs, including (but not limited to) payment of the principal of, and interest on, the SUNs. On 24 February 2023, a holder of the SUNs, Plan.e.Anleihe GmbH, commenced proceedings in the Frankfurt Regional Court against Adler Group seeking a declaration that the Issuer Substitution was invalid and unenforceable. Adler Group opposes the relief sought on the grounds that the Issuer Substitution was effected in accordance with the terms and conditions governing each series of SUNs (the “**Terms and Conditions**”), and is and continues to be valid as a matter of German law and will vigorously defend against such declaration in any such proceedings. The proceedings are ongoing.

3. On 16 February 2023, the New Issuer completed the downlisting of its EUR 400,000,000 1.500% unsecured notes due 2024 (“**2024 Notes**”), which were admitted to trading on the regulated Market of Luxembourg Stock Exchange, on the Euro MTF. The purpose of the downlisting was to harmonise the 2024 Notes with the other five series of SUNs.

4. On 23 February 2023, BNP Paribas, as principal paying agent, received notices of termination under the Terms and Conditions from certain holders of SUNs (representing approximately 6% of the aggregate principal amount of the SUNs). Such notices were rejected by the New Issuer for procedural deficiencies. On 10 March 2023, the notices of termination were resubmitted. The New Issuer rejected one resubmitted notice for procedural deficiencies and rejected all resubmitted notices on the basis that no valid grounds for such termination exist and therefore considered the purported declarations to be invalid. On 24 March 2023, BNP Paribas again received resubmitted termination notices, which were similarly rejected by the New Issuer on the basis that no valid grounds for such termination exist and that the noteholders of the respective notes were not entitled to terminate the notes due to the presence of an ongoing Restructuring Plan proceeding.

5. On 28 February 2023, S&P downgraded the issuer rating of Adler RE from CCC- to CC with outlook negative. ADLER Real Estate’s EUR 300,000,000 3.000% senior unsecured notes due 27 April 2026 (“**Adler RE 2026 SUNs**”) were also downgraded from CCC- to CC. The CCC- rating on EUR 500,000,000 1.875% senior unsecured notes due 27 April 2023 (“**Adler RE 2023 SUNs**”) and on ADLER Real Estate’s 2.125% EUR 300,000,000 notes due 2024 (“**Adler Re 2024 SUNs**”) was affirmed.

6. On 17 March 2023, the Group sent a request to Adler RE to squeeze-out the remaining minority shareholders of Adler RE. Subsequently on the same date, the Group and Adler RE published an ad-hoc notification disclosing the EUR 8.76 per share cash compensation to be paid to the squeezed-out minority Adler RE shareholders.

7. On 21 March 2023, meetings of holders of the SUNs (the “**Plan Meetings**”) were held to consider and vote on the Group’s proposed Restructuring Plan (the “**Restructuring Plan**”), which aimed to facilitate a successful implementation of amendments to the SUNs and complete the wider financial restructuring of the Group (the “**Restructuring**”), and in doing so help resolve the financial difficulties faced by the Group. Subsequently on 21 March 2023, the Group announced the voting results of the Plan Meetings, noting a strong level of support for the Restructuring Plan and, more broadly, the Group's comprehensive Restructuring proposal.

8. On 31 March 2023, Adler RE signed a comfort letter ("**Comfort Letter**") in relation to the intra-group loan agreement dated 23 May 2022 on the granting of a loan in an amount of up to EUR 200,000,000 to its subsidiary, Brack Capital Properties N.V. ("**BCP**"). Pursuant to the Comfort Letter, Adler RE undertook to prolong the maturity of part of the loans granted under the intra-group loan agreement in an amount of EUR 70,000,000 ("**Prolonged Loans**") by six months until 30 June 2024 if certain conditions are met. These conditions require, among others, that the Prolonged Loans have been secured by collateral provided by BCP in favour of Adler RE. BCP will provide market standard collateral as consideration for the Prolonged Loans, and the interest rate for the Prolonged Loans will be increased with effect from the original maturity date to 3-month-Euribor plus a margin reflecting the then prevailing market conditions (provided that such margin shall be no lower than 200 basis points). The remaining EUR 130,000,000 part of the loans will maintain the original maturity date of 29 December 2023.

9. On 12 April 2023, the High Court of Justice of England and Wales (the "**High Court**") made an order sanctioning the Restructuring Plan (the "**Sanction Order**") with the final judgement published on 21 April 2023 (the "**Judgement**"). At the hearing of the High Court's decision to sanction the Restructuring Plan on 12 April 2023, the ad hoc group of noteholders (the "**AHG**") opposing the Restructuring Plan stated that it would seek permission to appeal. The New Issuer opposed this application. On 25 April 2023 the High Court declined to grant AHG the permission to appeal. On 16 May 2023, the AHG filed an application with the Court of Appeal for permission to appeal and requested that the application for permission to appeal and the substantive hearing of the appeal be dealt with by the Court of Appeal on an expedited basis. The Group has made submissions to the Court of Appeal opposing the AHG's request for expedition and intends to oppose the AHG's application for permission to appeal (as well as its appeal, if permission is granted).

10. On 13 April 2023, the Group announced completion of the Restructuring Plan. Pursuant to the Restructuring Plan, on 17 April 2023, the SUNs were amended in accordance with the amended Terms and Conditions governing each series of SUNs, which included, among other changes:

- **10.1** 2.75% coupons increase until 31 July 2025; after which time, the coupons revert to their respective prior levels;
- **10.2.** extension of the maturity date of the 2024 Notes from 26 July 2024 until 31 July 2025;
- **10.3** amendments restricting the incurrence of certain indebtedness by the Group, subject to certain carve-outs such as allowing the Group to incur the New Money Funding (as defined below) and refinance certain existing indebtedness;
- **10.4** amendments to the reporting covenants that temporarily alleviate the reporting obligations placed on the Group; and
- **10.5** amendments to certain other restrictive covenants to support the new capital structure and liquidity position of the Group.

The key amendments are summarised in the table below:

	EUR 400,000,000 1.500% unsecured notes due 2024	EUR 400,000,000 3.250% unsecured notes due 2025	EUR 700,000,000 1.875% unsecured notes due 2026	EUR 400,000,000 2.750% unsecured notes due 2026	EUR 500,000,000 2.250% unsecured notes due 2027	EUR 800,000,000 2.250% unsecured notes due 2029
Maturity	31 July 2025	As initially scheduled (5 Aug 2025)	As initially scheduled (14 Jan 2026)	As initially scheduled (13 Nov 2026)	As initially scheduled (27 Apr 2027)	As initially scheduled (14 Jan 2029)
Interest from 13 April 2023 to 31 July 2025	4.250%	6.000%	4.625%	5.500%	5.000%	5.000%
Interest after 31 July 2025	past maturity date	3.250%	1.875%	2.750%	2.250%	2.250%
Reporting covenant amendments	The audited year-end financials for the years ending on 31 December 2022 and 31 December 2023 each to be delivered by 30 September 2024					
Financial maintenance covenant	A maintenance loan-to-value ratio (“Maintenance LTV Ratio”) covenant that will require the Maintenance LTV Ratio to not exceed 87.5% on each maintenance reporting date		A Maintenance LTV Ratio covenant that will require the Maintenance LTV Ratio to not exceed 87.5% on each maintenance reporting date on and prior to 31 December 2025, and 85% thereafter			
Limitations on incurrence of debt	The incurrence of debt other than the New Money Facilities (as defined below), certain refinancing indebtedness, and a general basket indebtedness of up to EUR 150,000,000 will not be permitted					

11. On 13 April 2023, Adler Group completed a reorganisation of the Group’s corporate structure. Following the completion of the reorganisation (i) Adler Group became the sole shareholder of the newly incorporated Luxembourg entity Adler Group Intermediate Holding S.à r.l. (“Adler Group Intermediate Holding”), which became the sole shareholder of three newly incorporated Luxembourg entities (collectively, the “Collateral LuxCos”) and (ii) all shares in Adler RE, Consus Real Estate AG (“Consus”) and certain other subsidiaries, which were previously directly or indirectly held by Adler Group (except for the New Issuer and for a certain number of the shares in such subsidiaries, which continue to be held by Adler Group), were transferred to the Collateral LuxCos.

12. On 17 April 2023, S&P downgraded the issuer ratings of both Adler Group and Adler RE from CC to SD (selective default). The rating of the unsecured debt for both Adler Group and Adler RE was lowered from CC to D (default). The ratings on Adler RE 2023 SUNs and Adler RE 2024 SUNs unsecured debt was affirmed at CCC-. S&P stated that it will reassess its ratings on Adler Group and Adler RE after the Restructuring is implemented in a few weeks and expects an upgrade to the CCC category.

13. In accordance with the Restructuring Plan, the Restructuring and related committed funding of up to EUR 937,474,000 (the “**New Money Funding**”), a special purpose vehicle established for the sole purpose of the Restructuring (“**LendingCo**”) issued EUR 937,474,000 12.500% notes due 30 June 2025 (the “**New Money Notes**”) and subsequently LendingCo lent the New Money Notes proceeds to the Group via loan facilities (the “**New Money Facilities**”) under a facilities agreement dated 22 April 2023 (the “**New Money Facilities Agreement**”):

- **13.1** EUR 322,474,000 term loan facility with Adler Group, with proceeds funding (i) the repayment of the existing upstream loan from Adler RE and (ii) the payment of fee incurred in relation to the New Money Funding.

- **13.2** EUR 235,000,000 term loan facility ("**Facility ARE**") with Adler Group, with proceeds funding a non-interest bearing shareholder loan to Adler RE to fund repayment of the Adler RE 2023 SUNs in full on its maturity date (27 April 2023). The non-interest bearing shareholder loan to Adler RE was entered into on 27 April 2023.

- **13.3** Up to EUR 80,000,000 term loan facility with Consus subsidiaries, with proceeds funding certain capital expenditures; and

- **13.4** EUR 300,000,000 term loan facility ("**Facility 2024**") with Adler Group, to fund a non-interest bearing shareholder loan to Adler RE to, in turn, fund the repurchase and/or repayment of the Adler RE 2024 SUNs.

14. Further to the public announcement issued by the Group on 23 February 2023 relating to results of ADLER Real Estate consent solicitations, the terms and conditions of the Adler RE 2024 SUNs and the Adler RE 2026 SUNs were amended. The amendments allow ADLER Real Estate to provide liens over its assets to secure the Adler RE 2024 SUNs, the Adler RE 2026 SUNs, Facility ARE, Facility 2024 and the payment-in-kind interest related to Facility ARE and Facility 2024.

15. Certain members of the Group provided guarantees and transaction security in favour of Global Loan Agency Services GmbH, as security agent, to secure the claims under the New Money Facilities. In addition, two intercreditor agreements were executed on 22 April 2023 to govern the enforcement of collateral and the waterfall for the distribution of enforcement proceeds amongst the different classes of Group creditors.

16. On 24 April 2023, Adler Group increased its share capital by EUR 42,303.68 from EUR 145,712.69 to EUR 188,016.37 by issuing 34,115,874 new shares from the authorised capital. The new shares were delivered to the New Money Investors as consideration for the provision of the new money.

17. On 27 April 2023, the Adler RE bond 2018/2023 with a nominal outstanding amount of EUR 500 million was repaid.

18. On 28 April 2023, the general meeting of Adler RE resolved on the squeeze out. However, the decision has not yet been implemented because actions for rescission and nullity are still pending at the competent regional court in Berlin.

19. On 9 May 2023, Adler RE announced a tender offer and consent solicitation in respect of its outstanding EUR 300,000,000 2.125% notes due 2024. The consent solicitation shall eliminate certain restrictive covenants and other provisions of the indenture of the bond in their entirety as well as almost all Events of Default (as defined in the indenture). By 7 June 2023, 98.86% of the outstanding notes have been validly tendered.

20. On 24 May 2023, BCP engaged with a German bank in an agreement, according to which it will extend a loan of approximately EUR 95 million by another three years.

21. On 1 June 2023, Adler Group announced the extension of its Senior Management as part of the implementation of the Restructuring Plan. With effect from 19 June 2023, Hubertus Kobe has been appointed as Chief Restructuring Officer (CRO) thereby joining the Senior Management of Adler Group. The responsibilities of the newly created CRO position will primarily include overseeing the restructuring of Adler Group in accordance with the approved Restructuring Plan. Also, the employment contract of Chief Executive Officer (CEO) Thierry Beaudemoulin was renewed.

22. On 21 June 2023, the annual General Meeting (AGM) was held. All proposed resolutions were adopted with large majorities up to 100%. Thomas Echelmeyer was appointed to become Director and member of the Board of Directors in addition to his current role as CFO. The annual General Meeting also approved the appointment of both Dr. Heiner Arnoldi and Stefan Brendgen as members of the Board of Directors. Prof. Dr. A. Stefan Kirsten, Thierry Beaudemoulin, Thilo Schmid and Thomas Zinnöcker remain members of the Board of Directors. The Group's Board of Directors thus consists of seven individuals, five of them independent, with extensive expertise in corporate governance, real estate, finance, restructuring and capital markets.

23. On 21 June 2023, the extraordinary General Meeting (EGM) approved continuing the Company.

24. On 28 June, 2023, investigators from the Frankfurt Public Prosecutor's Office and the Federal Criminal Police Office seized business records at Adler Group premises. The court-ordered investigations took place against the background of business transactions of ADLER Real Estate AG in 2019 extending into 2020. The business transactions in question relate to the "Gerresheim" project and the relevant accounting as well as payments under two consulting agreements with one of the defendants. The investigations are expressly not directed against the members of the Board of Directors of the Adler Group. The Adler Group is cooperating with the authorities and fully supports a clarification of the facts as quickly as possible.

25. On June 29, 2023, the Board of Directors expressed its full confidence in and support for Senior Management member Sven-Christian Frank. Previously, Sven-Christian Frank had asked to be temporarily released from his duties and responsibilities in connection with the investigations by the public prosecutor's office in which he is listed as an accused. The Board of Directors did not comply with this request.

Subsequent events

The Group has evaluated transactions or other events for consideration as subsequent events since the reporting date 30 June 2023 in the annual financial statements through 23 August 2023, the date of finalisation of the condensed interim financial statements.

1. On 3 July 2023, ADLER Real Estate AG agreed with its parent company Adler Group to grant it a loan of up to EUR 75 million and a term until 30 June 2025 with interest at market rates.

Additional information can be found on the Adler Group website: https://www.adler-group.com/en/investors/publications/news

Financial Calendar 2023

Adler Group S.A.

28 November 2023	**Publication Q3 2023 Results**
30 September 2024 (extended deadline)	**Publication Annual Report 2022, audited**

Online Financial Calendar

www.adler-group.com

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QUARTERLY FINANCIAL STATEMENTS 2023